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VERMONT HOUSING FINANCE AGENCY

January 8, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, January 18, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: January 12, 1996

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, January 18, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 January 18!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

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

Thursday, January 18, 1996 at 1:00 p.m.

1. Review and approval of minutes of November 16, 1995

2. Development
   - Twin Pines Housing Trust (Starlake Village) Loan Extension Request **[Crady//Enclosure]**
   - Pinecrest Village Loan Extension Request **[Crady//Enclosure]**
   - IORTA Revolving Loan Fund for Homeownership Centers **[Crady//Enclosure]**
   - Okemo (Ludlow) Letter of Interest *(Discussion Tabled 06/07/95)* **[Erdelyi//Enclosure]**
   - Kilbourn Mobile Home Park (Bristol) Letter of Interest **[Erdelyi//Enclosure]**
   - LIHTC December Reservations **[Cummings//Enclosure]**
   - RAHC Bridge Loan Extension Request **[Cummings//Enclosure]**

3. Operations
   - Single Family Program, Servicing and Property Disposition Reports **[Lothrop//Enclosure]**
   - Auction of REO Properties **[Lothrop//Enclosure]**

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

5. Finance
   - Single Family Series 7 Bond Financing **[Schoenbeck//Enclosure]**
   - September 1995 Financials **[Schoenbeck//Enclosure]**
   - FY96 Budget Performance Report 09/30/95 **[Schoenbeck//Enclosure]**
   - Capital Budget Adjustment: Computer Upgrade **[Schoenbeck//Enclosure]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

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

Thursday, November 16, 1995

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

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

Guests: Ms. Torpy, Ms. Houghton (Burlington Community Land Trust); Ms. Pond (Realty Resources, Chartered); Mr. Brush, Mr. Giebink (Green Mountain Development Group)

The meeting was called to order by Chairman White at 1:00 p.m. Upon a motion duly made by Mr. Seelig and seconded by Mr. Candon, the minutes of October 12 were accepted as written, with Ms. Bradley and Ms. Randall abstaining.

The "600 Dalton Drive Predevelopment Loan," as described in his memo of November 8, included in the Board packet, was reviewed by Mr. Cummings, who introduced Ms. Torpy and Ms. Houghton, of the Burlington Community Land Trust (BCLT). BCLT has indicated an interest in acquiring and rehabilitating 600 Dalton Drive into a 10-unit assisted living facility for families and individuals living with HIV/AIDS. As the $30,000 requested exceeds the maximum per-unit loan amount possible through the Agency's Ventures program, a General Fund loan is being recommended. Ms. Torpy informed the Board that funding from other sources is already in place and further assured the Board that should grant money for Housing Opportunities for Persons With AIDS (HOPWA) be available first, it would be utilized first for pre-development costs. Mr. Seelig cautioned that the availability of HOPWA funds may be delayed due to the current suspension of the federal government which directly affects HUD. A motion was then made by Ms. Randall to adopt the "Resolution Pertaining to Pre-Development Loan to Burlington Community Land Trust, Inc. (600 Dalton Drive)" as attached to these minutes. After being seconded by Mr. Candon, the motion carried unanimously.

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Mr. Cummings then reviewed the "BCLT Rental Housing Improvement Project Permanent Financing" request as described in his memo of November 9, included in the Board packet. This project consists of the refinance and rehabilitation of 19 units in seven buildings on scattered sites in Burlington. As part of the rehabilitation, BCLT proposes to complete lead-based paint abatement and energy efficient improvements. Currently, BCLT is planning to keep 11 of the 19 units affordable to households earning less than 80 percent of median income. Mr. Cummings also explained that since BCLT acquired the buildings between 1988 and 1992, some rehabilitation and structural improvements have already been completed. Following some further discussion and a motion made by Ms. Randall and seconded by Ms. Bradley, the "Resolution Pertaining to Letter of Interest re: Burlington Community Land Trust Scattered Site Development (Burlington)" was unanimously adopted as attached to these minutes.

"The Woodlands Construction and Permanent Financing," detailed in his memo of November 9, included in the Board packet, was reviewed by Mr. Cummings. Mr. Brush and Mr. Giebink of Green Mountain Development Group (GMDG) were introduced to the Board. This proposed project consists of the acquisition and rehabilitation of 45 units in eight buildings on a 19-acre site in Bristol. The Vermont Housing and Conservation Board (VHCB) will be considering this project at their November 17 meeting. Mr. Giebink informed the Board that a request for Low Income Housing Tax Credits (LIHTC) had been submitted in July or August, and the project was submitted to VHCB for review in early August. Original plans called for 35 LIHTC-eligible units, with ten to be available for persons or families at 60 percent to 80 percent of median income; this proposal was predicated on the availability of tax credits. Other plans are currently under consideration, as the total amount of VHCB funding is unknown and would directly affect the potential number of tax credit units or increase the required amount of financing. Mr. Cummings distributed an amended resolution and a new set of proforma costs to the Board, assuming VHCB funding of $395,000 and an increase in Agency funding to $855,000. In the amended proforma, Mr. Cummings showed the possibility of leveraging additional debt by reducing the partnership administration fee so that it would be consistent with the per unit cost utilized by Housing Vermont. Mr. Giebink explained that East Coast Capital, which was the equity source for The Pines in South Burlington, another project developed by GMDG, has offered to reduce the administration fee by $5,000. With that reduction in fee, the requested loan amount could increase to $820,000 with no effect on the project.

Another option cited by Mr. Giebink would be to create more tax credit units, assuming that more tax credits are available, reducing the VHCB loan amount to $395,000 and the amount from the Agency to $775,000, with cash equity from the investor partner. Mr. Cummings reminded the Board that in order to retain the tax credits, the project would need to close by the end of 1995. Mr. Giebink explained that there is plenty of demand for affordable rental units in the Bristol area, citing a market gap in terms of subsidized housing, with deep subsidies and a higher market rate. According to Mr. Giebink, this is a distressed property on the doorstep of foreclosure; there has been much tenant turnover in the past few months, viewed as directly related to the current owners' disinterest in the property. The turnover rate would appear to directly reduce the likelihood of current tenant displacement when the project's ownership changes. A motion was then made by Ms. Canney to further amend the "Amended Resolution Pertaining to Letter of Interest re: The Woodlands (Bristol)" as attached to these minutes, to state that the loan is subject to a commitment fee (based on the origination fee) of one percent of the loan amount. After being seconded by Mr. Douglas, the motion carried unanimously. Mr. Giebink and Mr. Brush left the meeting following the vote.

Mr. Erdelyi then reviewed the "Westview Terrace Construction Financing" as described in his memo of November 9, included in the Board packet, and introduced Ms. Pond, of Realty Resources, Chartered. The Westview Terrace project involves the demolition of existing structures and the rehabilitation of 58 apartment units in Springfield. Although the Key Bank construction commitment is sufficient to complete the project, Key Bank has requested that the Agency provide a fixed interest rate, or a "not-to-exceed" interest rate, for the Agency's permanent financing commitment. Mr. Jarrett explained that Key Bank had approved a $2.5 million construction loan; the Agency would have the option to put up to $690,000 (the full amount of the Agency's loan) into the project during the construction phase. If the Agency does put its funds in during the construction phase, it would be in lieu of, *not* in addition to, a portion of the Key Bank construction loan. As Mr. Schoenbeck further noted, there would be one draw for the 20-year period of the loan; in effect, the Agency would provide one year of construction financing, with the remaining term of the loan as permanent financing. After a motion made by Ms. Bradley and seconded by Mr. Candon, the Board voted unanimously to adopt the "Resolution Pertaining to Commitment Letter for Construction Loan re: Westview Terrace (Springfield)" as attached to these minutes.

Next, the "Homeownership Center Initiative Proposal and Recommendations" were reviewed by Ms. Crady, who directed the Board to her memo of November 8, included in the Board packet. The Homeownership Centers will provide a full range of counseling and loan services to assist low income households to become homeowners. The first Homeownership Centers proposed would be developed with Burlington Community Land Trust, Gilman Housing Trust (GHT), and Rutland West Neighborhood Housing Services (RWNHS). These Centers would provide financial services as well as education, counseling and technical assistance to potential homeowners. The recommended $60,000 commitment would come from the Agency's resources, possibly as an adjustment to the operating budget. Ms. Crady explained that other successful programs have required applicants to make $500 available as a down payment; rather than securing those funds for a down payment, the Homeownership Centers could use the same amount to help with financing or packaging costs. Mr. Hunt pointed out that although $60,000 has been recommended for the first year, it is anticipated that the recommended amount for subsequent years would be greatly reduced. As most of the loans generated would probably be financed through the Agency's MOVE or HOUSE programs, there would be some offsetting income as well.

Mr. Candon expressed his support of such a program, but noted some concern about the amount of staff time that would be involved. Mr. Hunt noted that the Homeownership Centers would be valuable in providing workout solutions for homeowners who develop payment problems, as the Agency could refer delinquent borrowers to the Centers. There may also be opportunities to work with the Centers on the disposition of the Agency's portfolio of real estate owned. Mr. Douglas noted that since this proposal would commit most of the Agency's IORTA funds, it would be important to determine if there are other demands on those funds that should be considered. However, Mr. Hunt explained that the Agency has full discretion for designing programs to utilize IORTA funds for down payments or closing costs. Ms. Crady further noted that the Homeownership Centers were included in the Strategic Plan and have been included in the FY96 Business Plan. Although development of the proposal has taken more staff time than was originally expected, implementation of the Centers should help to develop community resources for other lenders in the community with affordable housing programs.

Mr. Seelig expressed concern about participation by the NEIGHBORWORKS organization, suggesting that the Agency's commitment to the Homeownership Centers should reflect joining with NEIGHBORWORKS. In response to another question from Mr. Seelig, Ms. Torpy explained that although BCLT has never charged fees for services in the past, the Homeownership Center would be a new program with new services. As a full cycle program with before and after home buying assistance, the built in cost instead of a down payment should not pose a problem to those seeking Homeownership Center assistance. Mr. Seelig also suggested that staff develop a plan for evaluating the program and present those measures to the Board for review in the next few months, before the program is up and running. This evaluation criteria should determine those borrowers beyond the help of this program, and explain why. Ms. Crady assured the Board that the Homeownership Centers plan to track everyone who approaches them for assistance in an effort to assess the borrower's readiness to buy a home and other criteria. A motion was then made by Ms. Bradley authorizing: (1) a commitment of up to $60,000 in the first year for BCLT, GHT and RWNHS, to assist in the further development, implementation and operation of a Homeownership Center with each organization; (2) the Executive Director to negotiate funding agreements with each organization; (3) a commitment of up to $100,000 in IORTA funds to create a revolving loan fund to assist home buyers with down payment and closing costs; (4) yearly evaluations of the Homeownership Centers; and (5) a three-year commitment from the

Agency, with funding commitments for future years to be determined at a later date. This motion was seconded by Ms. Canney and carried unanimously. Following the vote, Ms. Torpy and Ms. Houghton left the meeting.

The "Depot Street Refinance Permanent Financing" proposal was reviewed by Mr. Cummings, who directed the Board to his memo of November 8, included in the Board packet. In October 1995 the Board passed a Resolution to provide a Letter of Interest for permanent financing to the Regional Affordable Housing Corporation (RAHC) in an amount not to exceed $168,000 for the Depot Street project in Bennington. Mr. Cummings assured the Board that the recycled Section 8 funds to be used for this financing would be tracked closely, as they are in short supply, with much apparent demand. After a motion made by Ms. Canney which was seconded by Mr. Candon, the Board unanimously voted to adopt the "Resolution Pertaining to Authorization for Commitment Letter re: Depot Street (Bennington)" as attached to these minutes.

Chairman White then asked Mr. Seelig to conduct the meeting during the discussion of the "Derby Center Apartments—Permanent Financing." Mr. Erdelyi explained that Gilman Housing Trust, Inc., a nonprofit developer, has applied to the Agency for $55,000 in permanent first mortgage financing, for 14 units in two buildings located in Derby. This project has received other funding from HOME, VHCB, CDBG, and an equity investment from Community National Bank for historic tax credits. The units were renovated with energy efficient utility systems and with historic preservation in mind. Mr. Erdelyi noted that while the regulatory agreement referred to in his memo is the same as that for Section 8 projects, it would not seem to be appropriate to hold smaller projects to the same standards. As Mr. Hunt further explained, for small loans on multifamily projects the paperwork required by the Agency is viewed by nonprofits as excessive. The Derby Center Apartments has a high value and a low loan-to-value ratio, thus posing no serious concerns. A motion was then made by Mr. Candon and seconded by Mr. Douglas to adopt the "Resolution Pertaining to Letter of Interest and Issuance of a Commitment Letter re: Gilman Housing Trust (Derby Center)" as attached to these minutes. This motion carried, with Chairman White and Mr. Seelig abstaining.

The Board then reviewed the "Winchester Place Update" as distributed to the Board prior to the meeting, in the form of a memo from Mr. Hunt and Mr. Cummings dated November 10. Mr. Hunt explained that the proposed forbearance agreement would strengthen the Agency's position should foreclosure become necessary. As proposed, the agreement would allow partial payments and control of the budgets, ensuring that funds are spent appropriately on the project. Bondholders would continue to receive full payments as scheduled. Discussions are continuing with the contractor and architect regarding construction and renovation problems. Plans called for renovation of one building to use as the basis for projected costs for renovating the other buildings. While this work could be accomplished (except for exterior painting) in any season, it has not yet begun. Mr. Hunt also noted that Housing Vermont had not heard from the Merchants Bank as far as participation in the proposed forbearance agreement. According to Mr. Cummings, the monthly debt service is $65,000; the forbearance agreement anticipates a shortfall of $23,000 per month. Mr. Hunt informed the Board that the Winchester Place situation is undergoing a thorough review by an individual whom the Agency has hired on a temporary basis, with expertise in workouts with the Resolution Trust Corporation and the Federal Deposit Insurance Corporation. The architect has agreed to work with Housing Vermont to resolve the renovation issues, but a suit has been filed against the contractor. A motion was then made by Mr. Seelig to adopt both the "Resolution Pertaining to Winchester Place Development" and the "Resolution Pertaining to Loans to Winchester Associates" as attached to these minutes. After being seconded by Mr. Candon, the motion carried unanimously.

Mr. Hunt distributed a memo regarding the "HUD-held Note Sale Pilot Program" for the Board's review and discussion. The U.S. Department of Housing and Urban Development (HUD) sent requests for proposals to housing finance agencies interested in participating in a pilot negotiated sales program to purchase the HUD-held mortgages in each HFA's respective state. This sale presents an opportunity to purchase debt on these properties at a discounted price, and also for the Agency to gain control over the properties to ensure affordability. Only three states in the country will be selected to actually participate in the sale. Mr. Hunt explained that the value of the properties to the Agency still needs to be determined, as well as the source of funds to complete the purchase. After a motion was made by Mr. Seelig and seconded by Ms. Bradley, the Board unanimously adopted the "Resolution Pertaining to HUD-Held Note Sale Pilot Program" as attached to these minutes.

Next, Mr. Schoenbeck reviewed the status of the proposed single family bond financing. Fannie Mae is not interested in purchasing the entire bond issue, but has expressed an interest in buying the longest term bonds and would offer a good price on those bonds. An interest rate reduction feature would not appear to be attractive to Fannie Mae, but will be pursued. Negotiations with PaineWebber have resulted in a proposal to reduce the normal cost of the bond issue in selling long bonds by eliminating the underwriting group co-managers but not the selling group. If Fannie Mae does not buy the long bonds, a higher sales commission would have to be paid to the underwriters. At this time it appears likely that Fannie Mae would purchase the long bonds at market price. To reduce the cost of issuance the co-managers of the bond underwriting group could be eliminated from the management fee portion of the financing, but still be allowed to sell the serial and short term bonds. Mr. Schoenbeck recommended that the Board consider moving forward with the financing through PaineWebber, with up to $60 million in lendable proceeds. There was further discussion about the need for competitive bidding to establish a new group of bond underwriters, but it was generally agreed that it would not be worthwhile to undertake the bidding process while conducting the current bond sale negotiations. No formal action was taken as far as when to conduct the search for bond underwriters. A motion was then made by Ms. Bradley to authorize staff to move forward with the proposed bond issue up to $60 million in lendable proceeds, with the understanding that this would not be a direct private placement with Fannie mae; the Board is also to be advised of the actual date the bonds will be sold, with conference calls to be scheduled to determine pricing and to ratify the price of bonds. After being seconded by Ms. Randall, this motion carried unanimously.

{Ms. Bradley left the meeting at this time.}

In his Executive Director's report, Mr. Hunt noted that he has been serving on Governor Dean's energy task force, which has been meeting to determine whether to recommend the adoption of a statewide single family energy code. It appears that the Low Income Housing Tax Credit program will cease to exist after 1997, based on recent Congressional actions. Budget reconciliation conferees agreed with the House recommendation to eliminate the program. Governor Dean and Senator Leahy have been asked to contact President Clinton to ask him to cite the discontinuance of the LIHTC program as one of the reasons for his veto of the proposed budget. Mr. Seelig suggested that it might prove worthwhile to have Mr. Shouldice contact the Governor to urge his support in this matter.

The "First Quarter FY96 Business Plan Results" were reviewed by Mr. Francis, who directed the Board to his memo of November 9, included in the Board packet. According to Mr. Francis, in December staff will focus on activity in terms of the Strategic Plan and will present those results after the first of the year. Mr. Candon asked that the mid-year report highlight areas where activity is ahead of or behind projected results. No formal Board action was necessary.

Mr. Lothrop reviewed the "Single Family Program Activity Report for September, 1995" as included in the Board packet, noting that MOVE program activity remained high through September. Reservations of $2.5 million were taken during the first half of November, comparing favorably with $3.1 million in reservations for the entire month of November 1994. The next available down payment assistance funds should be released December 1, which should spur activity toward the end of the calendar year. Turning to servicing activity, Mr. Lothrop reported that delinquencies are slightly lower, but historically the level of delinquent activity rises around the holidays. An auction of real estate owned (REO) properties will occur December 2, and brochures for the auction were distributed to the Board. This auction will include 20 properties from the Agency's REO portfolio. Mr. Lothrop also reviewed the "Request for Proposal (RFP) for Sub-Servicing" as described in his memo of November 8, included in the Board packet. No Board action was necessary.

The Board then turned to Mr. Lothrop's memo of November 9, included in the Board packet, regarding "Energy Rated Homes of Vermont (ERH). Mr. Lothrop explained that he serves on the Board for ERH. A restructuring plan would make ERH a program of the Vermont Energy Investment Corporation (VEIC) rather than a separate organization. A motion was made by Mr. Candon and seconded by Mr. Canney authorizing Mr. Lothrop to represent the Agency during discussions with ERH and VEIC regarding the restructuring plan. This motion carried, with Mr. Seelig abstaining.

Mr. Jarrett reviewed his memo of November 9, regarding the "Private Activity Bond Volume Cap" as included in the Board packet. A motion was made by Mr. Douglas to adopt the "Resolution Relating to Election to Allocate and Carryforward 1995 Private Activity Bond Volume Cap Allocation" as attached to these minutes. After being seconded by Mr. Seelig, this motion carried unanimously.

Under old or new business, Mr. Candon asked for clarification of the Agency's guidelines regarding participating lenders. Before a financial institution of any kind can become a participating Agency lender, the institution must have made primary residential loans in Vermont for one year. Recently a state-chartered bank became a federal bank in New Hampshire, with branches in Vermont. In another unrelated action, a Vermont bank was purchased by Albank. Mr. Candon asked for clarification of how these mergers or buyouts affect the ability of the lending institution to become or continue as a participating lender. In response, Mr. Lothrop noted that as Albank purchased the entire bank, including the agreements with the Agency, their branches in Vermont would continue to be approved as participating lenders. Mr. Lothrop also explained that the one year guideline is directed primarily at mortgage companies; participating lender status would be possible if a bank is either under federal charter, or under Vermont's Department of Banking, Insurance and Securities. Mr. Hunt assured the Board that he would review the guidelines and work with Mr. Candon on ways to facilitate approval for legitimate lenders following bank mergers or acquisitions.

No date was set for the December Board meeting. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

RESOLUTION PERTAINING TO PRE-DEVELOPMENT LOAN TO BURLINGTON COMMUNITY LAND TRUST, INC. (600 DALTON DRIVE)

WHEREAS, the Burlington Community Land Trust, Inc. ("BCLT") has expressed an interest in acquiring the building located at 600 Dalton Drive at Fort Ethan Allen (the "Property") and rehabilitating the building into a 10-unit assisted living facility for persons and families living with HIV/AIDS (the "Development"); and

WHEREAS, BCLT has signed a Letter of Intent with Dalton Drive Neighborhood, Inc. ("DDNI") that would enable BCLT to purchase the Property; and

WHEREAS, the Letter of Intent included an expectation that BCLT would be provided up to $30,000 from the Agency's Ventures Program; and

WHEREAS, BCLT submitted a request for a $30,000 loan from the Ventures program that indicated that BCLT has been approved to receive a $30,000 grant from HUD's HOPWA (Housing Opportunities for Persons with Aids) Program; and

WHEREAS, BCLT's request exceeds the amount available through the Ventures Program because of a maximum per-unit loan amount; and

WHEREAS, staff recommends that the Agency approve, pursuant to 10 V.S.A. § 621(5), a General Fund loan of up to $30,000 on the same terms as a Ventures loan, including an interest rate of three percent per annum, provided that only $15,000 of the Agency's loan would be released to BCLT until at least an additional $15,000 of the approved budget has been spent and paid for by BCLT or other funding sources;

NOW, THEREFORE, it is hereby DETERMINED:

1. The Burlington Community Land Trust, Inc. is a Non-Profit Entity pursuant to the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing.

2. The proposed Loan will assist the planning or rehabilitation of Residential Housing primarily for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to make a pre-development loan (the "Loan") available to the Burlington Community Land Trust, Inc. for work on the Development intended to provide 10 units of assisted living for persons and families living with HIV/AIDS.

2. The interest rate on the Loan will be three percent per annum, the funds for the Loan will be from the Agency's General Fund, and no more than $15,000 of the Loan will be disbursed until BCLT has established, to the reasonable satisfaction of the Agency's staff, that at least $15,000 from sources other than the Agency has been disbursed for activities contained in the pre-development budget that has been approved by staff of the Agency.

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 16, 1995.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust (the "Housing Sponsor") involving the refinancing and rehabilitation of 19 rental units located in seven buildings in several locations in Burlington, as referenced in a staff memorandum dated November 9, 1995 (the "Development"); and

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

WHEREAS, all of the units in the Housing Sponsor's proposal are currently, and the majority would remain, affordable to households earning less than 80 percent of median income; and

WHEREAS, the Housing Sponsor has also submitted an application to the Vermont Housing and Conservation Board (VHCB) for lead based paint abatement and grant funds; and

WHEREAS, the Housing Sponsor has been approved for a HOME grant from the City of Burlington in the amount of $113,428; and

WHEREAS, the maximum amount of the mortgage loan will not exceed $430,000; and

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

It is hereby DETERMINED:

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

2. The rehabilitation costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Burlington Community Land Trust, Inc. for the refinancing and rehabilitation of the Development in Burlington in an amount not to exceed $430,000. The term of the loan will be 25 years and the interest rate will be 7.22% per annum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   (a) the Housing Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA; and

   (b) the Housing Sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs;

   (c) the Housing Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board for the current scope of work and, if indicated by the commissioned energy audit, a revised scope of work. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the Housing Sponsor is unable to obtain commitments of "requisite financing", the Housing Sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds; and

(d) the Housing Sponsor must demonstrate, in a form satisfactory to staff, structural integrity of the buildings, including, specifically, the North/Front Street building and the Grant/North Union Street building.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $430,000. The term of the loan shall be 25 years and the interest rate shall be approximately 7.22%. The Commitment Letter may be issued to Burlington Community Land Trust. The Commitment Letter shall be conditioned on the satisfaction by the Housing Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following:

(a) Agency approval of the scope of final rehabilitation work including specifications; and

(b) Evidence of competitive bidding for construction contract satisfactory to the Agency.

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 16, 1995.

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

**AMENDED RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: THE WOODLANDS (BRISTOL)**

WHEREAS, a proposal has been presented to the Agency by Green Mountain Development Group, a developer located in South Burlington (the "Sponsor") on behalf of a to-be-formed limited partnership whose general partners would be Green Mountain Development Group and Addison County Community Action Group involving the acquisition and rehabilitation of the Woodlands, a rental development in Bristol containing 45 units in eight buildings located on 19 acres in Bristol (the "Development"); and

WHEREAS, the proposal contemplates a construction loan of up to $855,000 and a permanent mortgage loan of up to $855,000 amortized over a period of 30 years, but with a balloon payment at the end of 20 years, with an interest rate depending on the Agency's source of funds; and

WHEREAS, the Sponsor has applied for deferred loans and/or grants from the Vermont Housing and Conservation Board and has received a reservation of Low Income Housing Tax Credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated November 9, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

5. The amount of the Agency's loan after the rehabilitation will not exceed 95% of the security value of the Development.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership for the acquisition and rehabilitation of the Woodlands development in Bristol in an amount not to exceed $855,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   (a) Sponsor must provide an appraisal, satisfactory to staff, that indicates that the first mortgage debt being provided by the Agency does not exceed 95% of the value; and

   (b) Sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs; and

   (c) Sponsor must demonstrate that requisite financing has been committed by November 20, 1995, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Vermont Housing and Conservation Board. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the acquisition and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $855,000. The term of the loan shall be 20 years, but the loan may be

amortized over a period of up to 30 years. The loan shall bear interest at a rate depending on the Agency's source of funds. The Commitment Letter may be issued to Green Mountain Development Group, as a representative of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

(a) The revised scope of work for the Development. In making its determination on the revised scope of work, the Agency may rely on the opinion of a review architect.

(b) Final plans and specifications for the rehabilitation of the Development;

(c) Evidence of competitive bidding for construction contract; and

(d) The final selection of the management agent, subject to the approval of the Agency.

(e) Evidence of all necessary state and local permits, including but not limited to evidence that the proposed rehabilitation meets the requirements of the American with Disabilities Act and any other state or local requirements for access to persons with disabilities.

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 16, 1995.

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

RESOLUTION PERTAINING TO COMMITMENT LETTER FOR CONSTRUCTION LOAN RE: WESTVIEW TERRACE (SPRINGFIELD)

WHEREAS, a proposal has been presented to the Agency by Springfield Housing Associates, a limited partnership, (the "Sponsor") involving the acquisition and rehabilitation of Westview Terrace, a rental development in Springfield currently containing 106 units in 31 buildings located north of Route 106 in Springfield (the "Development"); and

WHEREAS, this proposal was previously the subject of Agency resolutions dated June 7, 1995 and August 24, 1995 that provided for a permanent first mortgage loan from the Agency, for which the Agency has issued a commitment letter; and

WHEREAS, the Board has been presented with a memorandum dated November 9, 1995 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, Key Bank of Vermont has committed to providing construction financing for the Development, but has requested that the Agency provide a not-to-exceed rate for its permanent loan before the construction/acquisition closing; and

WHEREAS, staff has determined that the best method of providing a maximum rate for the permanent loan without subjecting the Agency to undue risk of rising interest rates is to have an option to take an advance from the Federal Home Loan Bank of Boston if rates begin to rise and to use the advance as a part of the construction financing; and

WHEREAS, the determinations made by the Agency in its June 7, 1995 and August 24, 1995 resolutions are reaffirmed;

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, provide a maximum rate for the permanent loan for the acquisition and rehabilitation of the Development, premised on the Agency taking an advance from the Federal Home Loan Bank of Boston if interest rates begin to increase. The maximum rate shall be conditioned on an agreement with Key Bank of Vermont that the Agency has the option of making, or participating in, a portion of the construction loan in an amount not to exceed $690,000. The construction loan shall bear interest at a rate to be determined by the Agency.

2. The acts of the Executive Director in issuing a commitment letter are hereby ratified.

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

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 16, 1995.

Allan S. Hunt

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

RESOLUTION PERTAINING TO AUTHORIZATION FOR COMMITMENT LETTER RE: DEPOT STREET (BENNINGTON)

WHEREAS, a proposal has been presented to the Agency by the Regional Affordable Housing Corporation ("RAHC"), a non-profit corporation located in Bennington, Vermont (the "Sponsor") involving the refinancing and minor rehabilitation of two buildings containing seven apartments on Depot Street in Bennington (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $157,000 amortized over a period of 25 years with an interest rate of 7.22% per annum; and

WHEREAS, the Sponsor has received deferred loans and grants from the Vermont Housing and Conservation Board and from the Town of Bennington; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated November 8, 1995, containing information and recommendations about the Development (the "Memorandum"), including a recommendation that the Agency consider increasing the amount of its loan to allow the Sponsor to perform work to improve the energy efficiency of the buildings in the Development; and

WHEREAS, the Agency has received an appraisal of the Development indicating that the fair market value of the Development is $168,000;

NOW, THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Deputy Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing and rehabilitation of the Development, in an amount to be determined by the Deputy Director, but not to exceed $168,000. The loan shall bear interest at a rate of 7.22% per annum and payments shall be amortized over a period of 25 years. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following document that must be submitted in form and content acceptable to the Agency:

    an energy audit assessing the current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs.

2. The Commitment Letter shall be issued to the Regional Affordable Housing Corporation.

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

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

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 16, 1995.

Allan S. Hunt

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

RESOLUTION PERTAINING TO LETTER OF INTEREST AND ISSUANCE OF A COMMITMENT LETTER RE: GILMAN HOUSING TRUST (DERBY CENTER)

WHEREAS, a proposal has been presented to the Agency by Gilman Housing Trust, a non-profit corporation located in Newport, Vermont, as the general partner of a limited partnership, GHT Housing Limited Partnership I, (the "Sponsor") involving a permanent loan following the acquisition and rehabilitation of 14 units in two buildings located in Derby (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $55,000 amortized over a period of 25 years with an interest rate of approximately 8.50% per annum; and

WHEREAS, the Sponsor has received commitments for deferred loans and/or grants from the Vermont Housing and Conservation Board for its funds and HOME funds, the Community Development Block Grant Program, historic preservation funds and for historic tax credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated November 9, 1995 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to GHT Housing Limited Partnership I for a permanent loan following the acquisition and rehabilitation of the Development in Derby in an amount not to exceed $55,000. The term and interest rate is expected to be 8.50% per annum for a term of 25 years. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. Upon satisfaction of the conditions listed below, the Executive Director may, in his discretion, issue a Commitment Letter for a permanent loan for the Development, in an amount to be determined by the Executive Director, but not to exceed $55,000. The loan shall bear interest at a rate of 8.50% percent per annum for a term of 25 years. The source of funds shall be the Agency's General Fund. The conditions to be satisfied prior to the issuance of a Commitment Letter are:

   (a) submission by the Sponsor of an appraisal update or other suitable documentation that VHFA's loan does not exceed the value of the project;

   (b) Certificate of Occupancy by town and/or final inspection by Vermont Department of Labor and Industry;

   (c) any required subordinations or discharges of existing mortgages;

   (d) final lien waivers from all contractors and subcontractors.

3. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on November 16, 1995.

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

RESOLUTION PERTAINING TO
WINCHESTER PLACE DEVELOPMENT

WHEREAS, the Agency has been aware for some time of financial and physical problems at the Winchester Place development in Colchester (the "Development"); and

WHEREAS, staff has been negotiating with the partners of Winchester Associates, the Mortgagor, and St. Michael's College, the lessor under the ground lease for the land on which the Development sits; and

WHEREAS, Mortgagor has commenced a lawsuit against the general contractor responsible for the construction of the Development and may in the future expand the lawsuit to include as a co-defendant the architect responsible for the design of the Development and the inspection of the construction work; and

WHEREAS, a memorandum dated November 10, 1995 by Allan Hunt and Paul Cummings has been presented to the Board (the "Memorandum"), together with a draft "Winchester Place Forbearance Agreement;"

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to take the actions described in the Memorandum to fund the cost of materials to perform, and to review and approve repairs on one building in the Development.

2. Pursuant to 10 V.S.A. §§ 621(14) and 624(a)(2), the Agency hereby authorizes the Executive Director to take actions in accordance with the Memorandum, including, but not limited to, the execution of the Winchester Place Forbearance Agreement in form satisfactory to him.

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 16, 1995.

Allan S. Hunt

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

RESOLUTION PERTAINING TO LOANS TO WINCHESTER ASSOCIATES

WHEREAS, the Agency has been aware for some time of financial and physical problems at the Winchester Place development in Colchester (the "Development"); on which it holds a leasehold mortgage (the "Mortgage"); and

WHEREAS, the Agency has presented H.V. Winchester, the general partner of Winchester Associates, with a proposed forbearance agreement (the "Forbearance Agreement"); and

WHEREAS, Winchester Associates has informed the Agency that it is unable to make its full mortgage payment for November, 1995 and will be unable to make full payments for the foreseeable future; and

WHEREAS, the loan to Winchester Associates was funded with the proceeds of the Agency's 1989 Series A Housing Development Mortgage Bonds (the "Bonds"), issued pursuant to the Agency's Housing Development Mortgage Bond Resolution dated July 26, 1989 (the "Bond Resolution"); and

WHEREAS, the Agency is required under the terms of the Bond Resolution to pay debt service on the Bonds and does not wish to default on such payments; and

WHEREAS, at present, the Agency is willing to make loans to Winchester Associates to insure that it receives the full amount of monthly debt service due on the loan secured by its Mortgage;

NOW, THEREFORE, it is hereby RESOLVED:

1. Pursuant to 10 V.S.A. §§ 621(14) and 624(a)(2), the Executive Director is hereby authorized, in his discretion, to make not more than two monthly loans to Winchester Associates in November and December, 1995 in an amount not to materially exceed the difference between the monthly debt service of $65,056.63 due from Winchester Associates and the Minimum Monthly Debt Service Payment for the months in question, as that term is defined in the Forbearance Agreement.

2. Upon the execution by Winchester Associates of a Forbearance Agreement in substantially the form presented to the Board, the Executive Director is authorized, in his discretion, to make a series of loans to Winchester Associates on a monthly basis in an amount not to materially exceed the difference between the monthly debt service of $65,056.63 due from Winchester Associates and the Minimum Monthly Debt Service Payment, as that term is defined in the Forbearance Agreement (the loans referred

to in paragraph 1 and this paragraph shall be collectively referred to as the "Loans").

3. The Loans shall not be made after the earlier to occur of the end of the Term or the occurence of a Terminating Event, as those capitalized terms are defined in the Forbearance Agreement.

4. The Agency shall have no obligation to make any of the Loans.

5. Each of the Loans shall be evidenced by a promissory note executed by a duly authorized agent of H.V. Winchester, general partner of Winchester Associates, shall bear an interest rate of zero percent per annum, and shall be repayable in twenty years.

6. The source of funds for the Loans shall be savings from the Agency's Section 8 bond refunding.

7. The Executive Director, the Deputy Director and the Director of Finance are directed to take all necessary steps to accomplish the loans described above.

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 16, 1995.

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

RESOLUTION PERTAINING TO
HUD-HELD NOTE SALE PILOT PROGRAM

WHEREAS, the United States Department of Housing and Urban Development ("HUD") has requested proposals from state housing finance agencies interested in participating in a pilot negotiated sales program to purchase HUD-held mortgages secured by properties in their respective states; and

WHEREAS, Allan Hunt and Paul Cummings have submitted a memorandum dated November 15, 1995 (the "Memorandum") to the Board; and

WHEREAS, there are four properties in Vermont that secure HUD-held mortgages eligible for this program; and

WHEREAS, purchasing the HUD-held mortgages may enable the Agency to preserve the rental units in the properties securing the mortgages as affordable housing;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency is interested in pursuing the possibility of purchasing the HUD-held mortgages secured by properties in Vermont for the reasons stated in the Memorandum.

2. The Executive Director is hereby authorized to submit a proposal to HUD indicating the Agency's interest in negotiating with HUD to purchase the four HUD-held notes in Vermont.

3. If the Agency's proposal is approved by HUD, the Executive Director is authorized to commence the process of the valuation of the Vermont properties securing the HUD-held notes in order to determine an optimum sales price for those notes.

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 16, 1995.

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

RESOLUTION RELATING TO VERMONT HOUSING FINANCE AGENCY ELECTION TO ALLOCATE AND CARRYFORWARD 1995 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated $70,000,000 in 1995 private activity bond volume cap by the State of Vermont and has carried forward from 1994 an additional $15,175,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates. The Agency hereby allocates $70,000,000 of 1995 private activity bond volume cap to issue qualified mortgage revenue bonds and mortgage credit certificates.

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

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

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

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency hereby allocates $70,000,000 of 1995 private activity bond volume cap to issue qualified mortgage revenue bonds and mortgage credit certificates.

2. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after November 16, 1995, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

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

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

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 16, 1995.

[signature]

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC

DATE: January 8, 1996

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

On September 17, 1992, the Board approved a loan in the amount of $500,000 to Twin Pines Housing Trust (TPHT) to finance the site development and construction of 14 single family homes at Starlake Village, Norwich. At the January 1995 meeting, the Board approved a resolution to extend the maturity date of the loan until December 31, 1995, and to provide a first mortgage loan of up to $30,000 after the sale of the final unit to cover a projected deficit after all pre-development and development costs are paid. At this time, staff requests a further extension of this loan to December 31, 1996, to allow TPHT time to market and construct the final unit. Staff also requests that the interest rate remain at 7.50% until the sale of the last home, at which time the interest rate will increase to 8.00%.

Thirteen out of a total of fourteen units have been completed and sold. TPHT will begin marketing the last unit when construction estimates are received. The projected sale price is $85,000. The deficit for the entire project is still projected to not exceed $30,000, which TPHT will repay over a six year period. VHFA's loan will be secured by a first mortgage on the land, subject to the land leases given by TPHT to home buyers.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to extend the site development and construction loan made to Twin Pines Housing Trust for Starlake Village until December 31, 1996, and to finance the construction deficit in an amount not to exceed $30,000.

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ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

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

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

WHEREAS, the Development has been the subject of previous resolutions of the Agency on January 18, 1995, September 20, 1994, March 3, 1994, December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

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

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

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan to December 31, 1995, which request was approved, and

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

WHEREAS, the Sponsor has requested an additional extension of the repayment of the Agency's Loan from December 31, 1995 to December 31, 1996; and

NOW, THEREFORE, it is hereby DETERMINED:

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

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

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the January 8, 1996 staff memorandum are adopted and the Executive Director is authorized to extend the maturity of the Sponsor's Loan from the Agency from December 31, 1995 to December 31, 1996 by entering into a modified loan agreement and any other required documents in form and substance acceptable to him.

2. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of December 31, 1996, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC

DATE: January 8, 1996

RE: Loan Extension Request -- Northshore Equities, Pinecrest Village

At the January 1995 and April 1995 meetings, the Board approved a loan in an amount not to exceed $750,000 to Northshore Equities (John Varsames) to complete the construction of the final 11 units at Pinecrest Village, Williston. The loan matured on December 31, 1995: the current balance outstanding is $263,145. Staff requests an extension of the loan until June 30, 1996, to allow Northshore to complete the sale of the last three units.

Construction at Pinecrest Village is 100% complete. Eight units are sold, two are under contract with closings scheduled in late January, and one unit is unsold. Of the eight units that are sold, seven were sold to buyers with incomes at or below the maximum income limits for VHFA's MOVE Program (income information for the two units under contract has not been verified). The current loan to value is 86.4%. (The value of the three units that secure VHFA's first mortgage is $304,600.)

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to extend the maturity date of VHFA's loan to Northshore Equities to June 30, 1996. The interest rate will be 8% per annum.

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RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: PINECREST VILLAGE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Equities (the "Sponsor"), regarding the outstanding loan for the construction of eleven single family homes in Williston (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on April 20, 1995 and January 18, 1995; and

WHEREAS, the Agency made a loan on May 17, 1995 of up to $750,000 for construction of eleven homes (the "Loan") and eight of those homes have been sold with two additional closings scheduled for later this month; and

WHEREAS, the Loan matured on December 31, 1995 and has a current outstanding balance of $263,145; and

WHEREAS, the Sponsor has requested an extension of the repayment of the Loan from December 31, 1995 to June 30, 1996.

NOW, THEREFORE, it is hereby DETERMINED:

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

2. Extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act; and

WHEREFORE, it is hereby RESOLVED:

> The Executive Director is authorized to extend the maturity of the Sponsor's Loan from the Agency from December 31, 1995 to June 30, 1996 at an annual rate of 8% by executing a modification to the loan agreement between the parties and any other required documents in form and substance acceptable to him.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC

DATE: January 11, 1996

RE: IORTA Revolving Loan Fund for Homeownership Centers

At the November 1995 meeting, the Board approved a proposal to commit up to $100,000 of the interest received by VHFA on real estate trust accounts (IORTA) to assist clients of the three Homeownership Centers with down payment and closing costs. At a planning meeting in December, Burlington Community Land Trust (BCLT), Gilman Housing Trust (GHT), and Rutland West Neighborhood Housing Services (RWNHS), requested that VHFA use the $100,000 in IORTA monies to create revolving loan funds at each organization and allow flexibility as to how each organization lends the funds. Staff requests Board approval to use $100,500 of the IORTA funds to establish a revolving loan fund in the amount of $33,500 each with BCLT, GHT, and RWNHS.

CRITERIA FOR ELIGIBILITY

IORTA funds would be used to leverage other loan funds including the Neighborhood Reinvestment Corporation's (NRC) secondary market (NRC purchases second mortgage loans made for the purpose of rehabilitation, down payment, and closing costs) and financing from other lenders. It is important that BCLT, GHT, and RWNHS have the flexibility to structure repayment of loans made with the IORTA funds after loans from more conventional sources are paid. Staff requests approval of criteria for establishing an agreement with BCLT, GHT, and RWNHS that allows the loan decisions to be made by the Homeownership Centers using the following guidelines:

- IORTA funds would be available to assist with down payment and closing costs for individuals and families at or below 70% of median income. Borrowers would be required to provide $500 of their own funds;

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- IORTA funds would be used to make loans that would be subordinate to a VHFA first mortgage (second or third position) and would be repaid to the Homeownership Center at sale; however, the Homeownership Center would be encouraged to write loan documents so that borrowers make regular payments when they have the capacity to do so (loan documents would have to be written to include review dates). Repayments would be used by the Homeownership Center to fund additional loans;

- Interest would be payable on the loans with the Homeownership Center having the flexibility of setting an interest rate between 3% and 5%, and the authority to waive interest during the first five years of the loan;

- The maximum loan would be limited to $5,000. Homeownership Centers would be encouraged to use IORTA funds to leverage funds from other sources;

- Homeownership Centers would report to VHFA on the loans made with IORTA funds and their status, income of borrowers, and other sources of loans for down payment and closing costs.

IORTA funds as of December 28, 1995, total approximately $296,000. Approximately $167,000 has been set-aside to secure a risk share agreement that VHFA has with VHMGB on the "no down payment loans". Approximately $129,000 is available to assist home buyers with down payment and closing costs.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to give authority to the Executive Director to execute agreements with BCLT, GHT, and RWNHS to utilize $100,500 in IORTA funds to establish a $33,500 revolving loan fund at each organization to assist Homeownership Center clients at or below 70% of median income with down payment and closing costs.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION PERTAINING TO IORTA
REVOLVING LOAN FUND FOR
HOMEOWNERSHIP CENTERS

WHEREAS, Act 86 of the 1991 Legislature established the IORTA (Interest on Real Estate Trust Accounts) program and directed the funds received from real estate trust and escrow accounts to the Agency for use for downpayment and closing cost assistance with priority to be given to persons and families at or below 90% of median income and to persons and families purchasing perpetually affordable housing; and

WHEREAS, at its November 1995 meeting, the Board of Commissioners approved a proposal to commit up to $100,000 of IORTA funds to assist clients of three homeownership centers with downpayment and closing cost assistance; and

WHEREAS, the three sponsors of the homeownership centers, the Burlington Community Land Trust, Gilman Housing Trust and Rutland West Neighborhood Housing Services, have requested that the Agency create revolving loan funds for each organization to utilize in assisting persons and families at or below 70% of median income with downpayment and closing costs; and

WHEREAS, IORTA funds would be used to leverage other loan funds, including the Neighborhood Reinvestment Corporation's secondary market and allow the sponsor to structure flexible repayment terms; and

WHEREAS, the Board has been presented with a memorandum dated January 9, 1996 from Patricia Crady, the Agency's Development Coordinator (the "Memorandum"), setting out criteria for eligibility;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to use enter into agreements with the Burlington Community Land Trust, Gilman Housing Trust and Rutland West Neighborhood Housing Services to use $100,500 of IORTA funds to establish a revolving loan fund in the amount of $33,500 each for the three sponsoring organizations.

2. The agreements to be executed will contain terms for loans to be made with the IORTA funds substantially in accordance with the criteria set out in the Memorandum.

RESOLUTION RELATING TO GRANTS FOR HOMEOWNERSHIP CENTERS

WHEREAS, Staff has previously informed the Board of Commissioners about an initiative for community based nonprofit organizations to implement Homeownership Centers with financial assistance from the Agency, most recently in a memorandum dated November 8, 1995 from the Agency's Development Coordinator, Patricia A. Crady (the "Memorandum");

WHEREAS, the Agency has authorized the Executive Director to negotiate funding agreements with three community based nonprofits, Burlington Community Land Trust, Inc., Gilman Housing Trust and Rutland West Neighborhood Housing Services and to commit up to $60,000 in funding for the first year of an anticipated three year program to assist these three nonprofits with the further development, implementation and operation of Homeownership Centers;

WHEREAS, the Agency's Rules pertaining to Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing (the "Rules") require a resolution of the Agency and a certain finding before any grant can be made under the authority of the Rules;

NOW, THEREFORE, it is hereby DETERMINED:

1. The proposed grants to Burlington Community Land Trust, Inc., Gilman Housing Trust and Rutland West Neighborhood Housing Services will assist the planning, construction, rehabilitation or operation of Residential Housing.

RESOLVED:

1. The Vermont Housing Finance Agency will make grants of not more than $20,000 each to Burlington Community Land Trust, Inc., Gilman Housing Trust and Rutland West Neighborhood Housing Services for implementing Homeownership Centers.

2. The Executive Director is authorized to enter into a grant agreement satisfactory to him with each organization and to take any other necessary steps to implement the Homeownership Center initiative, including, but not limited to, providing training and technical assistance.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: January 11, 1996

RE: Black River Overlook (Okemo Mountain) - Letter of Interest for permanent financing

Executive Summary

Realty Resources, Chartered, in partnership with Rockingham Area Community Land Trust, Inc. (RACLT), a local 501(c)(3) nonprofit, have requested $375,000 in permanent financing for the acquisition of land and the construction of 25 new rental housing units in Ludlow. In June of 1995 staff brought before the Board a request for financing for this project. At that time the project was tabled on "readiness to proceed" issues. Since then the sponsor has altered the financing plan and now is pursuing VHCB and HOME funds, and no longer is requesting Section 8 refunding savings from VHFA.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$375,000	16.51%
VHCB Second Mortgage	$145,000	6.38%
VHCB Grant	$145,000	6.38%
HOME Grant	$230,000	10.13%
Tax Credit Equity	$1,376,168	60.59%
Totals	$2,271,169	100.00%

Allen & Cable has performed the appraisal, and the property was valued both as a tax credit project (with restricted rents) and as a market-rate project. The values were $550,000 and $700,000 respectively. The loan-to-value ratio for the VHFA financing is approximately 68%, assuming the project will remain a tax credit restricted project (or 54%, if the project is market-rate rentals). The VHFA loan to cost ratio is approximately 17%.

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EQUAL HOUSING OPPORTUNITY

Unit Breakdown and Rents

All of the units will have rents set at a level that is affordable to a household at or below 60% of median income, as required by the Low Income Housing Tax Credit funding. In addition, VHCB will require that eight of the units are targeted to 50% of median. The unit size and rent breakdown is as follows:

Size	#	Rents
2 BR	15	$370-$452
3 BR	10	$427-$544

Tenants will pay for electricity, including electric cooking. All other utilities (heat, hot water, water/sewer, trash) are included in the rent. Two units will be handicapped accessible. All of the remaining units will be handicapped adaptable on the first floor.

Sponsor, Management & Market

A partnership has been formed to own the development. The co-general partners are Joseph Cloutier (president of Realty Resources, Chartered) and RACLT; the limited partner will be Okemo Mountain, Inc.; Timothy and Diane Mueller, principals of Okemo Mountain, Inc., currently own the site.

Realty Resources, Chartered will provide the LIHTC compliance-related aspects of the property management. All other aspects of the management will be the responsibility of RACLT. RACLT currently manages 116 units of rental housing. Realty Resources, Chartered has developed 28 housing projects, five of which are in Vermont; currently they have two other projects under development in Vermont.

The sponsor has provided a market analysis by Douglas J. Kennedy & Associates. There are two assisted housing projects in the region, and the analysis concludes that this project would not have a significant impact on either project. Furthermore, the study explains that much of the rental housing in Ludlow has become occupied on a seasonal basis, and that there is little housing left for long-term renters in town. Within the larger housing market (including surrounding towns), the concludes that year-round rentals are $575 and $675 per month including utilities, for two- and three- bedroom units respectively.

The "highest and best use" analysis portion of the Allen & Cable appraisal is less optimistic about the market. While the Kennedy report states that the rent differential between market-rate units and the proposed development is about 22%, the appraiser believes the differential to be about 10%-15%. Because there is a rent differential, the appraiser agrees that the project should readily rent up; however, the appraiser is concerned that the sudden infusion of new year-round rentals will adversely affect the vacancy rates for **all** year-round rentals. Furthermore, the appraiser believes that the vacancy rate for the project (as a tax credit project) should be around 10% (the sponsor ran the pro forma using 5%). The appraiser bases these conclusions on the following: there are approximately 350 rental units in the Ludlow area, half of which are seasonal rentals (this proportion is reportedly growing). Of the 175 year-round rentals, this project would represent roughly a 15% increase in one year. The populations of both the town of Ludlow and Windsor county have declined by 1.3% from 1980 to 1990, and the total rental housing units has remained virtually the same over that time period.

At the end of this section of his report, the appraiser concludes that the highest and best use for the property is still for a 25 unit rental housing project, as this use will provide the highest economic return. Since there will be an equity investment of over $1.3 million dollars by the local limited partner, clearly Okemo Mountain, Inc. believes that the project can successfully operate as a tax credit project for the required compliance period. Staff recommends further analysis and "stress test" of the cash flow projections prior to issuing a Letter of Commitment.

Site & Environmental Concerns

The site is on the east side of Route 100/103, approximately 1.5 miles from the center of town (see attached map). The site is located on a large gravel bank, a portion of which the owner intends to excavate. It is the sponsor's intention that gravel extraction activities would precede the housing construction; road clearing and other sitework costs to the housing would be reduced because of this excavation. The site includes approximately 12 acres immediately surrounding the housing. An Act 250 permit has been filed, and the only outstanding issues are reportedly a water supply and wastewater permit, and an indirect discharge permit (because of alternate leachfields within the floodplain - see below). The water supply will be an existing well on an adjacent site.

A portion of the 12 acre site is located within the floodplain of the Black River, but none of the dwelling units are on this portion of the site. Some of the road and leachfields are located within the floodplain; however, the sponsor has received a letter from an engineer at the Vermont Agency of Natural Resources that expresses the opinion that the proposal is acceptable.

VHFA routinely requires a Level I Environmental Site Assessment before making a loan, and the sponsors have not yet had one commissioned. Any loan would be conditioned upon the receipt of a satisfactory Environmental Site Assessment.

DISCUSSION

In 1990, Okemo Mountain, Inc. received Act 250 approval for a ski area expansion. One of the conditions of this approval was that 25 units of affordable housing be built in Ludlow. Timothy Mueller does not want to delay the ski area expansion, and he has reportedly expressed his intent to satisfy the Act 250 condition by constructing single family, "for-sale" homes if Black River Overlook cannot begin construction in the spring of 1996. Since site control is certain, building plans and costs are well developed, and approvals are nearly complete, the sponsor's main objective now is to secure financing.

The sponsor has applied to VHCB and will reportedly receive a positive recommendation, with conditions. The sponsor also intends to apply for tax credits for the first round of 1996, and there are some issues that will have to be addressed during that process (i.e., proposal exceeds builder overhead and profit limits, per unit cost limits, developer fee limits, and credit rates are now lower than projected). These and other issues will need to be resolved prior to receiving an allocation of tax credits.

When VHFA committed to make the permanent loan on the Westview Terrace project in Springfield, the equity investor/construction lender wanted VHFA to provide a rate lock or a "not-to-exceed" interest rate. This led to a compromise solution of VHFA having the right but not the obligation to put its funds in as construction financing. The delay and the complications this caused the project were burdensome. At this time VHFA does not have a source of funds that can readily provide a rate lock for the duration of the construction term. However, the proposed source of funds (Federal Home Loan Bank) could be drawn at the construction closing, thus locking the rate, if VHFA were to do the construction financing. Staff will work with the sponsor to determine what options are available to the project if a rate lock is required, including having the project utilize VHFA construction financing.

Strengths

a) The development team is experienced, and staff is confident that the project can be developed as proposed, approximately within budget and on schedule.

b) The ownership entity has a single, local equity investor who has a strong motivation for seeing that the development is built and successfully operated as a tax credit project.

Weaknesses

a) Demand for the units proposed is low, and construction of 25 new units may have a negative impact on the vacancy rates for all year-round rental properties, including this development. However, the ski area expansion should serve to ameliorate this effect somewhat, through the creation of new service-industry jobs and a corresponding demand for nearby housing. The effect on the demand for housing of the proposed ski area expansion is difficult to quantify.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $375,000, loan term of 20 years with an amortization period of 30 years, and an interest rate of 8.5%. The source of funds is the Federal Home Loan Bank. The Letter of Interest shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment; and

2) sponsor must secure other financing as proposed, or its equivalent; and

3) review of construction costs by VHFA or its agent; and

4) sponsor must provide documentation of operating expense budget line items, including a letter from the town regarding the estimated taxes; and

5) satisfactory "stress test" analysis of the cash flow projections under varying assumptions, including higher-than-projected vacancy rates and different income and expense trending rates; and

6) resolution of issues related to the allocation of Low Income Housing Tax Credits, including high per unit cost, developer's fees, and builder's overhead and profit; and

7) resolution of the rate lock/"not-to exceed" interest rate issue.

8) justification by sponsor for including heat and other utilities in rent.

RESOLUTION REGARDING LETTER OF INTEREST RE: OKEMO MOUNTAIN (LUDLOW)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") acting for Ludlow Housing Partnership, a limited partnership (the "Partnership") whose general partners are Joseph Cloutier and Rockingham Area Community Land Trust and whose limited partner is Okemo Mountain, Inc., involving the permanent first mortgage financing for a 25 unit development of new affordable rental housing in Ludlow (the "Development");

WHEREAS, the proposed development will contain 25 two and three bedroom units in five buildings located on a 12 acre site on the east side of Routes 100 and 103 in Ludlow, approximately one and a half miles from the town center (the "Property");

WHEREAS, the Sponsor will apply for low income housing tax credits, which, if allocated, would enable the Sponsor to raise equity money through the sale of the tax credits;

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

WHEREAS, the Development was the subject of a discussion at the June 1995 meeting of the Agency, which was tabled; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated January 11, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The costs of site development and construction to be incurred by the housing sponsor are housing development costs within the meaning of the Act.

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, once the conditions set out herein have been achieved to his satisfaction, to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Partnership for the 25 unit development in Ludlow in an amount not to exceed $375,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to satisfy the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   (a) Level I Environmental Site Assessment;

   (b) evidence of other financing as proposed, or its equivalent;

   (c) review of construction costs by VHFA or its agent;

   (d) sponsor must provide documentation of operating expense budget line items, including a letter from the town regarding the estimated taxes;

   (e) satisfactory "stress test" analysis of the cash flow projections under varying assumptions, including higher-than-projected vacancy rates and different income and expense trending rates;

   (f) resolution of issues related to the allocation of Low Income Housing Tax Credits, including high per unit cost, developer's fees, and builder's overhead and profit;

   (g) resolution of the rate lock/"not-to exceed" interest rate issue; and

   (h) justification by sponsor for including heat and other utilities in rent.

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Project:	Okemo Mountain	RUN DATE:	11-Jan-96
Total Residential Units:	25	Increase LIHTC	2.00%
Restricted Units:	25	Increase Market	2.00%
Percent Restricted:	100.00%	Expense increase:	3.50%
Avg Net Monthly Rent:	421	Vacancy Rate:	5.00%
Total Dev Costs	2,271,169	Partner's Tax Rate:	34.00%
TDC/Unit	90,847	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	65.66%
Total Credit Amount	207,062		
Net Syndication	1,359,496		
LIHTC - 9%	8.40%	(Jan '96)	
LIHTC - 4%	3.60%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Amortization	Term
VHFA First Mortgage	375,000	16.51%	8.50%	30	20
VHCB Second	145,000	6.38%	1.00%	30	int. only
VHCB Grant	145,000	6.38%	N/A	N/A	
HOME	230,000	10.13%	N/A	N/A	
			N/A	N/A	
Tax Credit Equity	1,376,169	60.59%	N/A	N/A	
	2,271,169	100.00%			

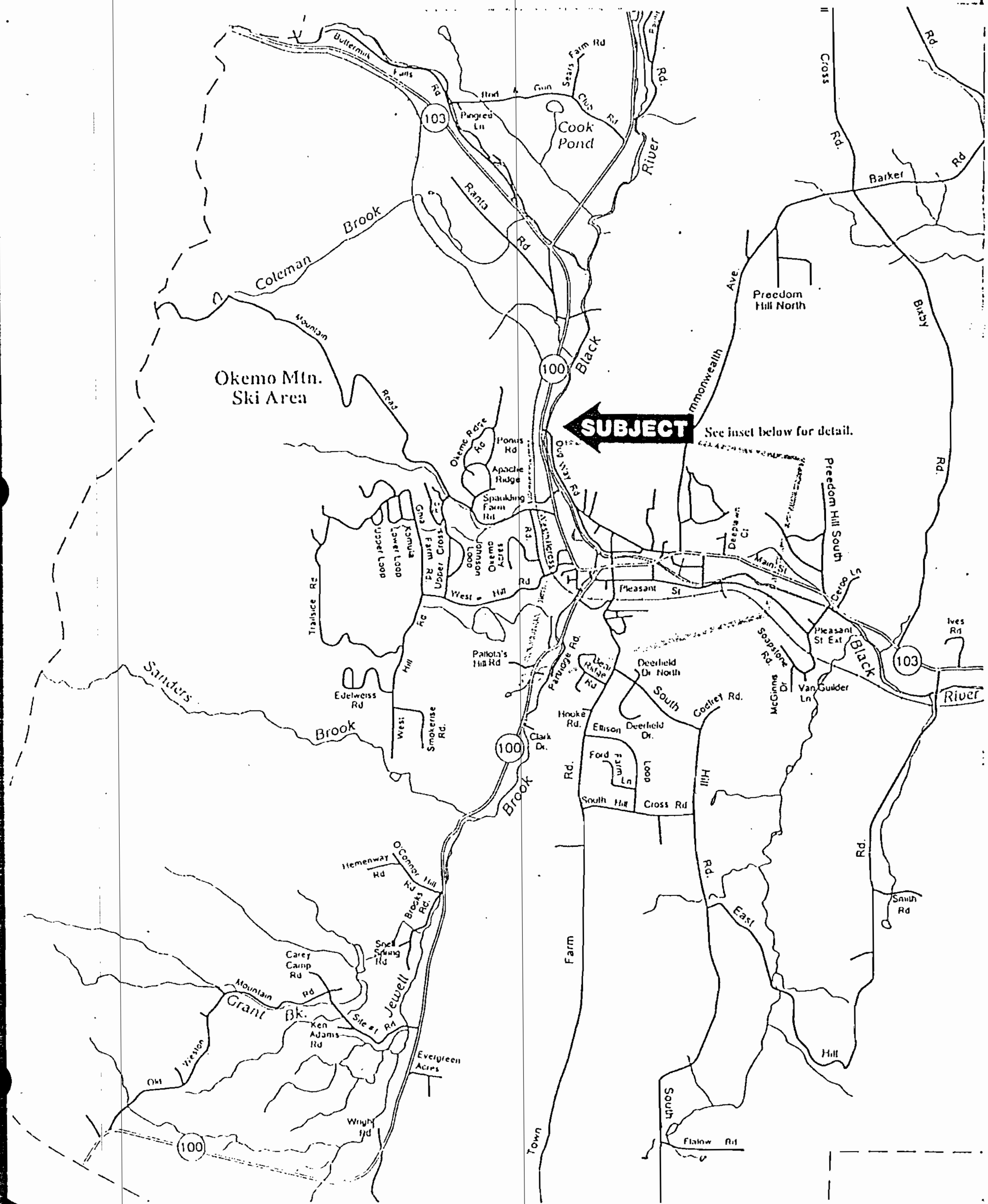
Gap (0)

Okemo Mountain			DEVELOPMENT BUDGET				11-Jan-96
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			100,000	4,000	3.48		
Purchase of Building(s)				0	0.00	0	
Demolition				0	0.00		0
Rehabilitation				0	0.00		0
New Buildings			1,291,400	51,656	44.94		1,291,400
OFF SITE IMPROVEMENTS				0	0.00		0
BOND			46,100	1,844	1.60		46,100
General Requirements		4.85%	65,000	2,600	2.26		65,000
Contractor Overhead		2.61%	35,000	1,400	1.22		35,000
Contractor Profit	14.9%	7.45%	100,000	4,000	3.48		100,000
Construction Contingency		3.87%	50,000	2,000	1.74		40,000
APPLIANCES				0	0.00		0
Subtotal			1,687,500	67,500	58.72	0	1,577,500
PROFESSIONAL SERVICES							
Architect Fee - Design			37,500	1,500	1.30		37,500
Architect Fee - Supervision				0	0.00		0
Attorney			15,000	600	0.52		15,000
SURVEY/ENGINEERING			18,000	720	0.63		18,000
ACCOUNTING			4,000	160	0.14		4,000
Legal - Title & Recording				0	0.00		0
Subtotal			74,500	2,980	2.59	0	74,500
INTERIM COSTS							
Construction Insurance				0	0.00		0
Construction Interest			51,900	2,076	1.81		51,900
Construction Loan Origination Fee			19,219	769	0.67		19,219
Taxes			4,000	160	0.14		4,000
Subtotal			75,119	3,005	2.61	0	75,119
OTHER SOFT COSTS							
Property Appraisal				0	0.00		0
Market Study			6,000	240	0.21		6,000
Environmental Report			1,200	48	0.04		1,200
SEWER & WATER FEES			1,000	40	0.03		1,000
PERMITS/FEES - STATE			10,000	400	0.35		10,000
PERMITS/FEES - LOCAL			15,850	634	0.55		15,850
Tax Credit Fees			8,000	320	0.28		8,000
Marketing (RENT UP)				0	0.00		
Subtotal			42,050	1,682	1.46	0	42,050
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee			2,000	80	0.07		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			2,000	80	0.07	0	0
SYNDICATION COSTS							
Organizational (Partnership)			20,000	800	0.70		
Bridge Loan Fees & Expenses				0	0.00		
Tax Opinion				0	0.00		
Subtotal			20,000	800	0.70	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			320,000	12,800	11.13		320,000
Consultant Fees		285,175		0	0.00		0
Subtotal		16.83%	320,000	12,800	11.13	0	320,000
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital				0	0.00		
Operating Reserve/Sinking Fund			50,000	2,000	1.74		
Subtotal			50,000	2,000	1.74	0	0
TOTAL DEVELOPMENT COSTS			2,271,169	90,847	79.03	0	2,089,169

LESS:	Amount of Non-qualified Financing			193,000
LESS:	Historic tax Credit (Residential Portion)			
	Total Eligible Basis		0	1,896,169
TIMES:	Adjusted for QCT/DDA	130.0%		2,465,020
TIMES:	Applicable Fraction	100.00%	0	2,465,020
	Total Qualified Basis		0	2,465,020
TIMES:	Applicable Percentage		3.60%	8.40%
	Total Annual Credit Qualified		0	207,062

Total Tax Credits Requested		211,092	
Estimated Net Synd. Proceeds	1,372,098		
Estimated Yield - LIHTC Synd.	65.66%		
Equity Gap	1,376,169		
Credits Needed to fill Equity Gap		209,601	1,345,901

SUBJECT PROPERTY LOCATION MAP



Okemo Mountain	INCOME & EXPENSE BUDGET	11-Jan-96

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	60% Median		6	452	40	32,544
2 Br	HOME 50%		5	370	40	22,200
3 Br	60% Median		4	544	46	26,112
2 Br	55% Median		3	415	40	14,940
3 Br	55% Median		2	481	46	11,544
3 Br	HOME 50%		5	427	46	25,620
	Totals	28,739	25			132,960

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	28,739	25		132,960
	Less Vacancy	5.00%		(6,648)
			NET RENT	126,312

OTHER INCOME

Interest Income	0
Laundry	1,700
Parking	0
Total Other Income	1,700
TOTAL INC	128,012

Okemo Mountain	EXPENSE BUDGET	11-Jan-96

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	10,500	875	35	7.9%
Marketing	1,000	83	3	
Audit/Accounting	2,000	167	7	
Legal	500	42	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	600	50	2	
Other		0	0	
TOTAL ADMINISTRATI	14,600	1,217	49	
Utilities				
Water/Sewer	6,785	565	23	
Electric		0	0	
Fuel		0	0	
Other	14,500	1,208	48	
TOTAL UTILITIES	21,285	1,774	71	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	5,200	433	17	
Snow/Grounds		0	0	
Repairs	13,200	1,100	44	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	18,400	1,533	61	
Taxes	20,176	1,681	67	
Insurance	4,488	374	15	
Replacement Reserves	4,500	375	15	
Other	1,200	100	4	
Total	84,649	7,054	267	

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		132,960	135,619	138,332	141,098	143,920	146,799	149,735	152,729	155,784	158,900	162,077	165,319	168,625	171,998	175,438
Less Res Vacancy		(6,648)	(6,781)	(6,917)	(7,055)	(7,196)	(7,340)	(7,487)	(7,636)	(7,789)	(7,945)	(8,104)	(8,266)	(8,431)	(8,600)	(8,772)
Plus Other Income		1,700	1,734	1,769	1,804	1,840	1,877	1,914	1,953	1,992	2,032	2,072	2,114	2,156	2,199	2,243
Total Actual Income		128,012	130,572	133,184	135,847	138,564	141,336	144,162	147,046	149,986	152,986	156,046	159,167	162,350	165,597	168,909
Less Operating Expense		80,149	82,954	85,858	88,863	91,973	95,192	98,524	101,972	105,541	109,235	113,058	117,015	121,111	125,350	129,737
Less Reserves		4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485	5,595	5,707	5,821	5,938
Net Operating Income		43,363	43,028	42,644	42,209	41,721	41,175	40,571	39,905	39,173	38,373	37,502	36,557	35,532	34,426	33,235
Less Primary Debt Service		34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601
Less Secondary Debt Service		1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Cash Flow		7,312	6,977	6,593	6,158	5,669	5,124	4,520	3,853	3,122	2,322	1,451	505	(519)	(1,625)	(2,816)
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	519	1,625	2,816
Net Cash		7,312	6,977	6,593	6,158	5,669	5,124	4,520	3,853	3,122	2,322	1,451	505	0	0	0
DCR		120.28%	119.35%	118.29%	117.08%	115.73%	114.21%	112.54%	110.69%	108.66%	106.44%	104.03%	101.40%	98.56%	95.49%	92.19%
Cumulative Cash Flow																
Beginning Bal		7,312	14,362	21,099	27,468	33,412	38,870	43,779	48,070	51,673	54,512	56,508	57,579	58,155	58,217	57,175
Interest	2.0%	73	144	211	275	334	389	438	481	517	545	565	576	582	582	572
Withdrawls		0	0	0	0	0	0	0	0	0	0	0	0	(519)	(1,625)	(2,816)
Ending Balance		7,385	14,506	21,310	27,743	33,746	39,259	44,217	48,551	52,190	55,057	57,073	58,155	58,217	57,175	54,930

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		43,363	43,028	42,644	42,209	41,721	41,175	40,571	39,905	39,173	38,373	37,502	36,557	35,532	34,426	33,235
Plus Reserves		4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378	5,485	5,595	5,707	5,821	5,938
Less Interest Expense		(33,216)	(32,966)	(32,693)	(32,396)	(32,073)	(31,721)	(31,339)	(30,922)	(30,469)	(29,975)	(29,438)	(28,854)	(28,218)	(27,525)	(26,772)
Less Depreciation		(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)	(74,357)
Taxable Income (Loss)		(59,710)	(59,705)	(59,724)	(59,768)	(59,839)	(59,935)	(60,057)	(60,206)	(60,380)	(60,581)	(60,808)	(61,059)	(61,335)	(61,635)	(61,956)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		20,302	20,300	20,306	20,321	20,345	20,378	20,419	20,470	20,529	20,598	20,675	20,760	20,854	20,956	21,065
Plus Tax Credits		207,062	207,062	207,062	207,062	207,062	207,062	207,062	207,062	207,062	207,062					
Less Cap Gain Tax																0
After Tax Cash Flow	(1,376,169)	227,363	227,361	227,368	227,383	227,407	227,439	227,481	227,532	227,591	227,659	20,675	20,760	20,854	20,956	21,065
Total 15 years		2,378,894												Original Basis		2,271,169
Internal Rate of Return:	10.84%													Less Depreciation		(1,115,356)
														Basis at Sale		1,155,813
														Sales Price		292,838
														Gain		(862,975)
														Tax	34.00%	0

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: January 11, 1996

RE: Kilbourn Trailer Park - permanent financing

<u>Executive Summary</u>

The project sponsor, Addison County Community Trust (ACCT), has applied to VHFA for $384,500 in first mortgage financing for the acquisition and rehabilitation of the Kilbourn Trailer Park, a 45 home park in Bristol. ACCT is a small 501(c)(3) nonprofit, and the executive director is Elizabeth Ready. The Kilbourn Trailer Park was built in the 1960s by the parents of one of the current owners, and was transferred to the current owners in 1969. The owners notified the state of their intent to sell the park in June of 1995, and the residents subsequently met and voted to have ACCT negotiate to acquire the park on their behalf.

THE DEVELOPMENT

<u>Projected Funding Sources</u>

VHFA First Mortgage	$384,500	43.30%
VHCB Grant	$163,500	18.41%
CDBG Grant	$340,000	38.29%
Totals	$888,000	100.00%

ACCT has provided two appraisals, one commissioned by the seller and one by ACCT. The values were $666,000 and $520,000, respectively. To achieve a reconciliation and agree to a sales price, both parties agreed to consult with Allen & Cable, Inc., MAI appraisers, and have them perform an informal review of the appraisals. On the basis of this "review" (see attached letter), the parties have signed a Purchase and Sales Agreement in the amount of $650,000. Given the disparity of these two values, staff is recommending that the sponsor get Allen & Cable to complete a more formal review appraisal to assist in making a value determination.

The loan-to-value ratio for the VHFA financing, based on this negotiated price of $650,000, is approximately 59%. The VHFA loan to cost ratio is approximately 43%.

Unit Breakdown and Rents

The pad rent is currently $132 per month, which is considerably below market ($175-$180 per month). The current owner intends to increase the rents to $150 per month, a 13% increase; the sponsor's budget reflects this higher rent. The sponsor has stated that any interest rate savings achieved by providing a rate lower than the underwriting rate (8.5%) would be passed through to the tenants as lower rents. A rent of $150 per month (plus utility allowance estimates) is affordable to a two person household at approximately 35% of the area median income.

Tenants pay for municipal water, trash removal, heat, and electricity for their individual homes. Currently the water is charged as a flat rate; the town is in the process of changing its billing, and the sponsor intends to have the park converted to individual water meters for each home. The Purchase and Sales Agreement specifies that the sellers must attempt to get the town to provide the meters and make this conversion. (The sellers have no obligation under the agreement to pay for the cost of this conversion). The sponsor's budget, however, includes a line item for the cost of the water meters. The effect of this conversion is uncertain; tenant expenses for utilities could increase or decrease, based on the new rates and individual consumption.

Based on an income survey of park residents, at least 28 of the 45 homes (62%) are occupied by households at or below median income. VHFA's statutes require that the majority (greater than 50%) of households be of low or moderate income, but VHFA's Multifamily Rules require that 75% of the households be low or moderate income. If the sponsor is unable to obtain more survey responses from qualifying households, the Board may have to waive this rule in order to make this loan.

Sponsor, Management & Market

The park is occupied and has a history of full occupancy. There are currently two homes that are both vacant and non-revenue producing (these were not abandoned homes, and they are in the process of being re-marketed). In addition, the Kilbourn family owns three homes, which the Purchase and Sales Agreement specifies they are to sell prior to closing. Both the current rents and the sponsor's proposed rents are below market, and staff has not requested a market study for these reasons. ACCT is proposing to manage the park itself.

ACCT currently owns and manages three mobile home parks, one of which (Hillside, a 29 unit park in Starksboro) still has VHFA financing. VHFA also financed Lazy Brook in Starksboro (52 units) and Otter Creek in Vergennes (73 units), but both of these loans have prepaid. The Hillside loan is current, but the infrastructure repairs have not been completed in a timely fashion. Because of delays in water system improvements, some of the tenants went on a rent strike last year, and ACCT has managed to resolve some of the issues and replace some water mains last year. The primary issue with Hillside is the water supply (i.e., filtered surface water vs drilled well). After considerable engineering, evaluation, and negotiation, ACCT has an agreement with an neighboring landowner for an easement to locate a drilled well off-site.

Site & Environmental Concerns

The level, seven acre site is located on Liberty Street in the Village of Bristol, and the lot is adjacent to the Mt. Abraham High School lot. The site is in a fully developed residential neighborhood, within close proximity to the village downtown.

The sponsor has commissioned a Level I Environmental Site Assessment. One condition of the Purchase and Sale Agreement is that the park not have any "serious contamination" (i.e., clean-up cost of greater than $1,000). Staff will review the Assessment when it has been completed, and a "clean" site will be a condition of VHFA's financing.

The electrical system is working, but in need of some upgrades (mostly 40 to 80 amp service is provided; newer homes and current usage patterns require 100 amp service). The water distribution system was installed by the current owner; the municipality's responsibility ends at the property boundary. The septic systems are on-site, with a combination of drywells, cesspools, and septic systems. The site is located on a large gravel bank, and the soils are reportedly very well drained; no systems are currently failing. These systems have historically been upgraded as they have failed, and they do not meet current state guidelines. Because of the age of the park, any failure-related system replacements reportedly do not have to meet current state standards.

Staff believe a professional engineering assessment of the park's water distribution, septic, and electrical systems is needed to determine the adequacy and useful remaining life. An engineer should provide a formal assessment of the age, condition, and materials used. Both the Navin appraisal and the Allen & Cable letter indicate that an adjustment to sales price, based on the cost of infrastructure upgrades, is standard; the Purchase and Sales Agreement has no such adjustment. The sponsor has negotiated the sellers down from their original asking price of $700,000, and since the state is not mandating any upgrades (i.e., no systems are currently failed), the sponsor believes that the seller will not make any price adjustments. The current budget includes $28,000 for electrical upgrades, and $63,000 for water/sewer upgrades. Detail supporting these budget items needs to be provided, and a scope of work finalized, before VHFA makes a loan. In addition, a survey of the park, showing all perimeter metes and bounds, infrastructure, and home locations needs to be performed.

DISCUSSION

At this time, staff is unable to give a reliable determination of value; however, it seems likely that the requested VHFA loan amount will have an acceptable Loan to Value ratio and that the projected Net Operating Income will be sufficient to service the VHFA debt. Because of the discrepancy between the two appraisals, and because of the absence of a sales price adjustment based on improvement cost, staff is recommending that the sponsor obtain a review appraisal from Allen & Cable, and that an engineering assessment be provided (the assessment may need to be completed first, as its findings may impact the value).

The sponsor is seeking other financing from VHCB and from the CDBG program, neither of which are committed at this time. In addition, staff intends to examine the operating budget and the income and expense trending ratios in greater detail. The operating budget, as compared to other parks with VHFA financing, seems low ($76 per unit per month vs about $90 per unit per month). In addition, the proposed management fees appear high ($23 per unit per month vs $16 per unit per month).

Recently VHFA has been informed by the Federal Home Loan Bank of Boston (FHLBB) that they will not grant VHFA collateral credit for loans secured by mobile home parks. Therefore, if FHLBB funds are used to make this loan, the Agency will not receive any collateral credit thus further diminishing the Agency's already limited available collateral. Staff are concerned that either FHLBB should be persuaded to grant collateral credit for mobile home parks or VHFA should utilize another source of funds for this loan.

Strengths

a) Acquisition of the park by a non-profit organization using the proposed financing would keep the rents restricted at below-market levels and ensure the long-term affordability of the park.

b) The proposed project demonstrates financial feasibility and appears to have a reasonably low loan-to-value ratio (subject to further documentation).

Weaknesses

a) The acquisition price of the park and the park's value has not been adequately justified. However, a review appraisal would satisfy staff's concerns.

b) ACCT has not demonstrated the ability to promptly complete the infrastructure improvements on the Hillside park. Many of the Hillside infrastructure problems may be unique, however. If VHFA can obtain a thorough engineering analysis and a commitment to complete the recommended improvements by a date certain, staff would be willing to recommend the loan despite the problems at Hillside.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $384,500, loan amortization of 30 years and term of 20 years, and interest rate not to exceed 8.5%. The source of funds is to be determined. The Letter of Interest shall be conditioned on the sponsor providing the following:

1) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications; and

2) a review appraisal by Allen & Cable satisfactory to staff to make a determination of value; and

3) engineering assessment(s) of the park's water distribution, electrical, and septic systems. The purpose of the assessments is to reveal which elements of the systems should be replaced up front, and which can be replaced over time using replacement reserve funds; and

4) a complete survey of the park, including a perimeter survey and the approximate location of all improvements within the park; and

5) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements; and

6) identification of an adequate source of funds by VHFA.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: KILBOURN MOBILE HOME PARK (BRISTOL)

WHEREAS, a proposal has been presented to the Agency by Addison County Community Trust ("ACCT"), involving the acquisition and rehabilitation of the Kilbourn Mobile Home Park, a mobile home park containing 45 pads located in Bristol (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of $384,500 with an amortization period of 30 years with a balloon payment at the end of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

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

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. Upon the satisfaction of the following conditions, the Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance

Agency's interest in making a first mortgage loan to the Addison County Community Trust for the acquisition and rehabilitation of the Kilbourn Mobile Home Park in Bristol in an amount not to exceed $384,500. The conditions are:

a) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications;

b) a review appraisal by Allen and Cable satisfactory to staff to make a determination of value;

c) engineering assessment(s) of the park's water distribution, electrical, and septic systems. The purpose of the assessments is to reveal which elements of the systems should be replaced up front, and which can be replaced over time using replacement reserve funds;

d) a complete survey of the park, including a perimeter survey and the approximate location of all improvements within the park;

e) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements; and

f) identification of an adequate source of funds by VHFA.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

Allen & Cable

Stephen D. Allen, MAI
Davis J. Cable, MAI
Mark W. Brooks
Cynthia A. Smith

1233 Shelburne Road
Lakewood Commons, Suite C-4
South Burlington, Vermont 05403

Telephone 802-863-6693
Telecopier 802-660-3166

December 1, 1995

Elizabeth Ready
Addison County Community Trust
P.O. Box 256
Middlebury, Vermont 05753

Re: Kilbourn Mobile Home Park - Bristol, Vermont

Dear Elizabeth:

This letter is intended to outline my thoughts regarding the appraisals associated with the above noted mobile home park. I have undertaken a preliminary review of appraisals prepared by Richard Navin and Richard Callahan, in an effort to provide guidance to the Addison County Community Trust relative to the validity and reasonableness of each, and to discuss any other significant valuation issues. I have not completed formal reviews of the appraisals. The review process was focused only on those areas of the reports which were of significance relative to the value conclusions or were a point of difference between the appraisals. Accordingly, this letter is being presented as a consulting assignment rather than a review appraisal.

The most substantive difference between the appraisals, relative to value, is the basis upon which the income is calculated. The subject rents are currently $132 monthly which is clearly low by way of comparison to the market. Navin estimates market rents at $145 per month while Callahan estimates $180. Callahan's estimate is more in line with market rent levels. Both appraisers identify comparable park rents and from this data it is readily apparent to me that a rent of around $200 (including water and rubbish) would be reasonably achieved. The subject park requires the tenants to pay their own water and rubbish services which amount to $20-$25 per month for a typical unit. Adjusting for this variance, a reasonable estimate of market rent would be in the range of $175-$180 per month, which is similar to the Callahan estimate. There were only minor deviations with respect to the operating expense estimates, and both appraisers used the same capitalization rate. In each case, the expenses and cap rates are consistent with and supported by market evidence. It is my opinion that the Callahan value estimate, by means of the income approach, is better supported than Navin's and is a better guide as to the "base value" estimate of this park.

Both appraisers also completed a sales comparison approach. In Navin's report, large negative adjustments were applied to the sales to reflect the subject's inferior income characteristics. The adjustments were based upon the estimated net income (per site) associated with each park. This perpetuates the error made in the income approach relative to the use of below market rents. That is, the adjustments are based upon the net income, which reflects the inaccurate (below market) rent estimate. If market rents were used as the basis for adjustments, the net income per site would be roughly equivalent to Sales 1 and 3 and slightly less than Sale 2. In turn this would increase the indicated values of these sales by around $4,000± per site. Callahan's sales comparison approach is not well reasoned and I question several of the adjustments. For example, several adjustments of 25-30% are applied for density. My experience leads me to believe that the differences associated with density would not have a value impact of this magnitude. Callahan's value conclusion derived from the sales approach corroborates the income value estimate but this is probably more coincidental than meaningful in terms of support for a market value estimate.

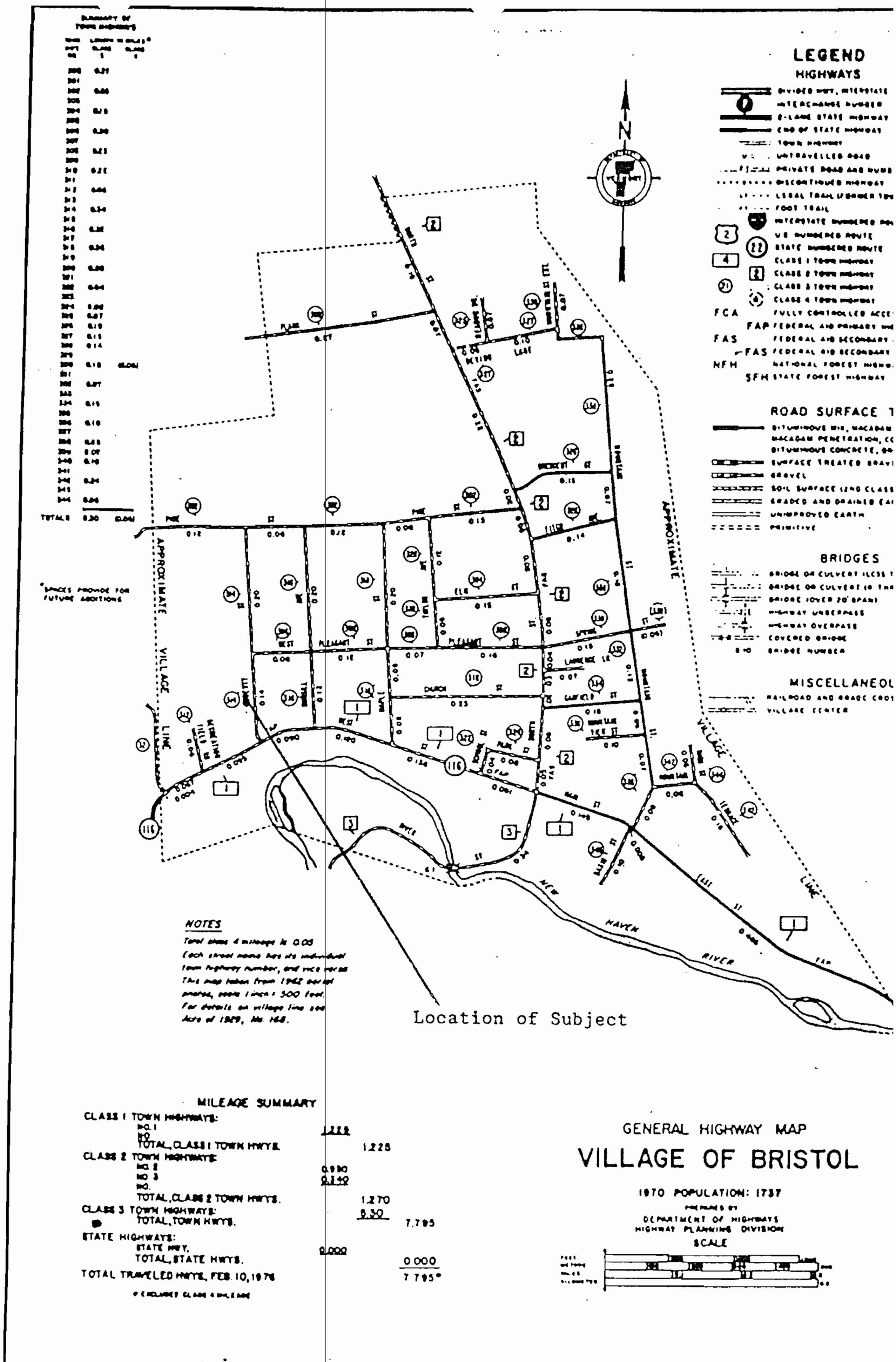
The appraisals do not specifically address the condition or functional character of the utility systems relative to the impact of this element on market value. No buyer, public or private, is likely to purchase a park without recognizing the condition of the utility systems and adjusting the acquisition price for anticipated upgrades or repairs. In this case, it appears that the electrical services are old / substandard and will need to be upgraded. Also, the septic disposal systems are apparently substandard and their remaining life and functional character need to be studied by a qualified engineer. The value / price of the park should be adjusted to reflect the cost to upgrade these systems if it is determined that this is necessary. Some adjustment to the cost may be made to reflect the fact that the existing systems have some limited remaining life and the replacement of the systems will not occur all at once. However, this should be guided by engineering recommendations. The cost to upgrade the utility systems should be deducted from the "base value" estimate referred to above.

Please let me know if you have any questions are require additional clarification.

Respectfully,

Stephen D. Allen, MAI

cc: Rick DeAngelis


LEGEND
HIGHWAYS
ROAD SURFACE T
BRIDGES
MISCELLANEOU
N
APPROXIMATE VILLAGE LINE
APPROXIMATE
VILLAGE LINE
NEW HAVEN RIVER
NOTES
Location of Subject
MILEAGE SUMMARY
CLASS I TOWN HIGHWAYS:
NO. 1
NO.
TOTAL, CLASS I TOWN HWYS. 1.225
CLASS 2 TOWN HIGHWAYS:
NO. 2 0.930
NO. 3 0.340
NO.
TOTAL, CLASS 2 TOWN HWYS. 1.270
CLASS 3 TOWN HIGHWAYS: 5.30
TOTAL, TOWN HWYS. 7.795
STATE HIGHWAYS:
STATE HWY. 0.000
TOTAL, STATE HWYS. 0.000
TOTAL TRAVELED HWYS, FEB. 10, 1976 7.795*
GENERAL HIGHWAY MAP
VILLAGE OF BRISTOL
1970 POPULATION: 1737
DEPARTMENT OF HIGHWAYS
HIGHWAY PLANNING DIVISION
SCALE

:\DEVEL\MHPARKS\PROJECTS\KILBOURN.WQ1

Project:	Kilbourn MHP	RUN DATE:	11-Jan-96

Total Residential Units:	45		
Restricted Units:	45	Increase - Rents	3.00%
Percent Restricted:	100.00%	Increase - Expenses	4.00%
Avg Net Monthly Rent:	144	Vacancy Rate:	4.00%
Total Dev Costs	888,000		
TDC/Unit	19,733		

FINANCING SOURCES	Amount	% of TDC	Interest	Term	Amortization Period
Primary debt	384,500	43.30%	8.50%	20	30
VHCB Grant	163,500	18.41%	N/A	N/A	0
CDBG Grant	340,000	38.29%	N/A	N/A	0
	888,000	100.00%			

	Budget	Per Unit
ACQUISITION & CONSTRUCTION		
Land	650,000	14,444
Purchase of Building(s)		0
Demolition		0
ELECTRICAL	28,000	622
ROAD	5,000	111
PUMPING, CESSPOOL REPAIR	11,250	250
REPLACE 18 SEPTICS	27,000	600
INSTALL WATER METERS	15,250	339
CONTINGENCY	9,500	211
		0
CONSTRUCTION CLERK	13,000	289
		0
Subtotal	759,000	16,867
PROFESSIONAL SERVICES		
CD ADMINISTRATION	15,000	333
Engineering	2,000	44
Attorney		0
Legal, Title & Recording	4,500	100
Subtotal	21,500	478
INTERIM COSTS		
Construction Insurance		0
Construction Interest		0
Construction Loan Origination Fee		0
Taxes		0
Subtotal	0	0
OTHER SOFT COSTS		
Property Appraisal	2,500	56
Market Study		0
Environmental Report		0
Tax Credit Fees		0
Marketing		0
Subtotal	2,500	56
FINANCING FEES & EXPENSES		
Credit Report		0
Permanent Loan Origination Fee		0
Credit Enhancement		0
Cost of Issuance		0
Title & Recording		0
Counsel's Fee		0
FINANCE & CLOSING	13,000	289
Subtotal	13,000	289
SYNDICATION COSTS		
Organizational (Partnership)		0
Bridge Loan Fees & Expenses		0
Tax Opinion		0
Subtotal	0	0
DEVELOPER'S FEES		
Developer's Overhead & Profit	75,000	1,667
Consultant Fees		0
Subtotal	75,000	1,667
PROJECT RESERVES		
Rent-up (Deficit Escrow) Reserve		0
Replacement Reserve		0
Working Capital	17,000	378
Operating Reserve/Sinking Fund		0
Subtotal	17,000	378
TOTAL DEVELOPMENT COSTS	888,000	19,733

Kilbourn MHP	INCOME & EXPENSE BUDGET	11-Jan-96

INCOME

RENTS

Restricted Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br						0
2 Br						0
2 Br			45	150		81,000
2 Br						0
3 Br						0
	Totals	0	45			81,000
Market Rate Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	0	45			81,000
		Less Vacancy	4.00%			(3,240)
					NET RENT	77,760
		OTHER INCOME				
		Interest Income				0
		Laundry				0
		Parking				0
		Total Other Income				0
					TOTAL INC	77,760

Kilbourn MHP	EXPENSE BUDGET	11-Jan-96

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,480	1,040	23	15.4%
Marketing		0	0	
Audit/Legal	2,000	167	4	
		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
		0	0	
Other		0	0	
TOTAL ADMINISTRATIVE	14,480	1,207	27	
Utilities				
Water/Sewer	3,000	250	6	
Electric		0	0	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	3,000	250	6	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal		0	0	
Snow Removal	1,800	150	3	
Repairs		0	0	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other	3,500	292	6	
TOTAL MAINTENANCE	5,300	442	10	
Taxes	9,000	750	17	
Insurance	2,000	167	4	
Replacement Reserves	7,000	583	13	
Other		0	0	
Total	40,780	3,398	76	

11-Jan-96 Kilbourn MHP PRO FORMA

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		81,000	83,430	85,933	88,511	91,166	93,901	96,718	99,620	102,608	105,687	108,857	112,123	115,487	118,951	122,520
Less Res Vacancy		(3,240)	(3,337)	(3,437)	(3,540)	(3,647)	(3,756)	(3,869)	(3,985)	(4,104)	(4,227)	(4,354)	(4,485)	(4,619)	(4,758)	(4,901)
Plus Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income		77,760	80,093	82,496	84,970	87,520	90,145	92,850	95,635	98,504	101,459	104,503	107,638	110,867	114,193	117,619
Less Operating Expense		33,780	35,131	36,536	37,998	39,518	41,099	42,742	44,452	46,230	48,079	50,003	52,003	54,083	56,246	58,496
Less Reserves		7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133	9,407	9,690	9,980	10,280	10,588
Net Operating Income		36,980	37,752	38,533	39,323	40,123	40,932	41,749	42,574	43,406	44,246	45,093	45,946	46,804	47,667	48,535
Less Debt Service		35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478
Cash Flow		1,502	2,274	3,055	3,846	4,646	5,454	6,271	7,096	7,929	8,769	9,615	10,468	11,326	12,190	13,057
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		1,502	2,274	3,055	3,846	4,646	5,454	6,271	7,096	7,929	8,769	9,615	10,468	11,326	12,190	13,057
DCR		104.23%	106.41%	108.61%	110.84%	113.09%	115.37%	117.68%	120.00%	122.35%	124.72%	127.10%	129.51%	131.93%	134.36%	136.80%
Cumulative Cash Flow		1,502	3,776	6,831	10,677	15,323	20,777	27,048	34,144	42,073	50,841	60,456	70,924	82,251	94,440	107,497
Cumulative Cash:																
Beginning Balance		17,000	19,035	21,914	25,672	30,346	35,972	42,587	50,229	58,939	68,754	79,717	91,868	105,249	119,903	135,872
Plus: Deposits		1,502	2,274	3,055	3,846	4,646	5,454	6,271	7,096	7,929	8,769	9,615	10,468	11,326	12,190	13,057
Interest	3.0%	533	605	703	828	980	1,161	1,372	1,613	1,887	2,194	2,536	2,913	3,327	3,780	4,272
Less: Withdrawls		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		19,035	21,914	25,672	30,346	35,972	42,587	50,229	58,939	68,754	79,717	91,868	105,249	119,903	135,872	153,202

Addison County Community Trust
P.O. Box 256 • Municipal Building • Middlebury, VT 05753

TO: Allen Hunt and Joe Erdelyi

FROM: Elizabeth Ready, Director

SUBJECT: Kilbourn Trailer Park

DATE: January 15, 1996

I am writing to clear up some issues that were incorrectly portrayed in your January 11, 1996 letter to VHFA Commissioners regarding the Kilbourn Trailer Park.

1. Income of Households -- Page two of your letter states that 28 of 45 households or 62% of the park are occupied by households below median income. In my attached memo of January 8, faxed to you on the same day, I state that 37 of the 45 families or 82% should be considered to be at or below 80% of median income, an even stricter test. Therefore, there is no question that the incomes in the park currently meet and exceed the tests set out in both VHFA statutes and rules.

2. Sponsor and Management -- Page two of your letter discusses our rehab and management capabilities as demonstrated in the three parks that we own. It fails to note that the Trust accomplished the comprehensive rehab of the 52 unit Lazy Brook Park including the installation of a new engineered public water system (new underground storage, treatment and control building and new distribution system), the upgrade of electrical systems to all homes, and the rehab of fifteen septic systems. It is important to note that we accomplished this rehab ahead of schedule and under budget.

In addition, we have completed the partial rehab of the 29 unit Hillside Manor Mobile Home Park, including the complete upgrade of electrical systems to all homes and the rehab of twelve septic systems, in a timely and economic fashion. While the siting of a new public water system has met with numerous technical and engineering difficulties due to the site, we are drilling a new well this month with the hope of completing the construction of the system by summer.

The Trust is also proud of its record of managing the 155 mobile home sites that we currently own. All of our rents are at or below the median lot rent for the state and we have a high degree of resident participation in all of our parks.

Failure to take our total rehab and management record into account seems to have colored your recommendation. On page four under weaknesses, you site the problems with the Hillside water system siting, but none of the successes in any of the three parks. I hope this information will enable you to give a more thorough report to the commissioners.

3. Site and Environmental Concerns

On page three of your letter you call for an assessment of the park's infrastructure and a map. You also require greater detail supporting the water/sewer upgrades.

The Trust has contracted with Spencer Harris at Vermont Contours for the completion of an evaluation of septic and water distribution systems. Vermont Contours is a certified firm dealing with spetic design and installation, especially single family on-site systems like those at Kilbourn. The firm also acts as a consultant in soil analysis and mapping. Our analysis includes the digging of test pits and a pad by pad evaluation of the systems. A copy of the map designed by Vermont Contours is attached, and Mr Harris is available to discuss the park with VHFA staff and to provide any kind of written report that you require.

I also forwarded to you on January 8 my memo describing in detail the infrastructure work that we envisioned as well as detailed line item expenditures. Another copy is attached so that you may share the information with commissioners should questions arise.

4. Operating Costs -- On page four you note that operating expenses seem low. This is partly because the park has municipal water and trash pick up. A full analysis of all operating budget line items is included in my memo of January 8 which is attached.

Please pass this information on to your commissioners so that they will have the most accurate information on which to base their decisions. Thank you both for your help with this project.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul Cummings, Development Officer PMC

DATE: January 11, 1996

RE: December Tax Credit Reservation - 1995 Round 3

Because Vermont utilized all of its Low Income Housing Tax Credits in 1994, the state received a National Pool allocation of $43,166 in tax credits in 1995. Based on the IRS's regulations, the National Pool credits **cannot** be carried over to the next year. Therefore, unless we could allocate all of the credits available in 1995 ($819,987 including the National Pool credits), we would lose the National Pool credits. (The $43,166 in credits could generate at least $240,000 in equity.) For this reason, and with the knowledge that a project with a reservation of credits would not be able to utilize them this year, VHFA gave notice of a third 1995 tax credit reservation round on November 30, 1995.

We received one application (The Pines, Phase 2) for the third round that could utilize the credits and close before the end of the year (a requirement for receiving an allocation of credits). The Project Summary below summarizes the application. The Joint Committee on Tax Credits met on December 20, 1995 and endorsed staff's recommendation to offer the Pines, Phase 2 a reservation of credits in the amount of $137,108. (This allocation would utilize almost all of our remaining credit - $138,180.) Because of the requirements of the tax credit program, the sponsor needed to close on the property by the end of 1995. Therefore, staff informed the Board of this reservation on December 21, 1995, to give Board members an opportunity to comment on the project with an expected final ratification of the tax credit reservation to follow at the January meeting.

BOARD ACTION REQUESTED

Staff requests Board approval of the attached resolution, ratifying staff issuance of a tax credit reservation and a subsequent tax credit allocation to the attached-described project. The reservation was subject to payment by the sponsors of required reservation fees, and the allocation was subject to the conditions described below.

PROJECT SUMMARY

Name:	Pines Housing, Phase 2
Location:	South Burlington
Sponsor:	Pines Housing, L.P. (Green Mountain Development Group)
Unit Breakdown:	33 total: 21 1-Bedroom, 650 square feet; 11 2-Bedroom, 820 square feet
Cost:	$2,339,273 total; $70,887/unit; $43/s.f. hard construction cost
Income Targeting:	26 units at 60% of Area Median Income, 7 market rate units

This project consists of 33 units of newly constructed elderly housing in South Burlington (see attached site map). This project will be the second phase (first phase - 53 units) of a proposed 124 unit independent living facility with optional services (e.g. housekeeping, linen, transportation and wellness programs) and meals. All of the units will be handicapped adaptable and ten percent of the units will be handicapped accessible. In addition to the living units, the total development includes a 6,000 square feet senior center (South Burlington Senior Center), 1,800 square feet of communal dining and living areas, a 720 square foot commercial kitchen, 1,525 of community/activity areas, laundry facilities and landscaping (including walking trails, gardens and patios). The building also houses a satellite office of the Visiting Nurse Association. The building will be three-story wood frame construction with a centrally located elevator (completed in first phase). The project has received an Act 250 permit and local permits for all 124 units.

Based on a market study submitted with the 1994 LIHTC application and the success in renting up Phase 1, the sponsor has demonstrated sufficient demand for the additional 33 units. Phase 1 received an occupancy certificate at the end of November and all 53 units were totally occupied two weeks later. In addition, the property management firm (Coburn & Feeley) has received over 160 applications of which 130 were from very low- and low-income seniors. Based on these applications, the property manager has accepted 30 LIHTC qualified reservations for Phase 2. Coburn & Feeley would manage Phase 2.

The sponsor would provide a Right of First Refusal to Housing Vermont, which acted as a limited partner in Phase 1. However, Housing Vermont would not assist in the syndication of the credits as the syndicator would be East Coast Capital (Boston, MA). East Coast Capital, which also syndicated the tax credits for Phase 1, has offered a yield of $0.60 on the dollar in an effort to make Phase 2 feasible without the use of HOME or other grant funds. The other sources of financing include a loan (both construction and permanent) from Vermont Federal Bank and deferred developer's fees. This application meets the requirements and evaluation criteria outlined in Vermont's 1995 Allocation Plan.

Recommendation: Staff recommends a reservation of credits in the amount of $137,108, with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 12/29/95 and that the sponsor has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed or obtained by 12/29/95. "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that the proposed construction costs are reasonable through one of the following methods by 6/1/96: 1) an independent cost estimate or 2) evidence that construction prices have been obtained or agree to obtain them through a competitive bidding process.

4) Sponsor must provide a revised development budget at time of request for carryover.

5) Sponsors must secure all state and local planning permits, including any possible waivers/amendments, by 6/1/96.

RESOLUTION REGARDING LOW INCOME HOUSING TAX CREDIT PROJECT RESERVATIONS

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

WHEREAS, the JTCC met on December 20, 1995 and considered recommendations for a total of $137,108 in reservations of tax credits for one proposed project; and

WHEREAS, the Agency staff recommended the project to the JTCC for a reservation and the JTCC accepted the staff's recommendations; and

WHEREAS, staff has prepared a memorandum dated January 11, 1996 containing a description of the project (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency ratifies the reservation for the project recommended by staff for a reservation in the Memorandum and accepted by the JTCC: The Pines, Phase II, subject to the payment of applicable reservation fees, and of an allocation subject to the conditions discussed in the Memorandum.

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

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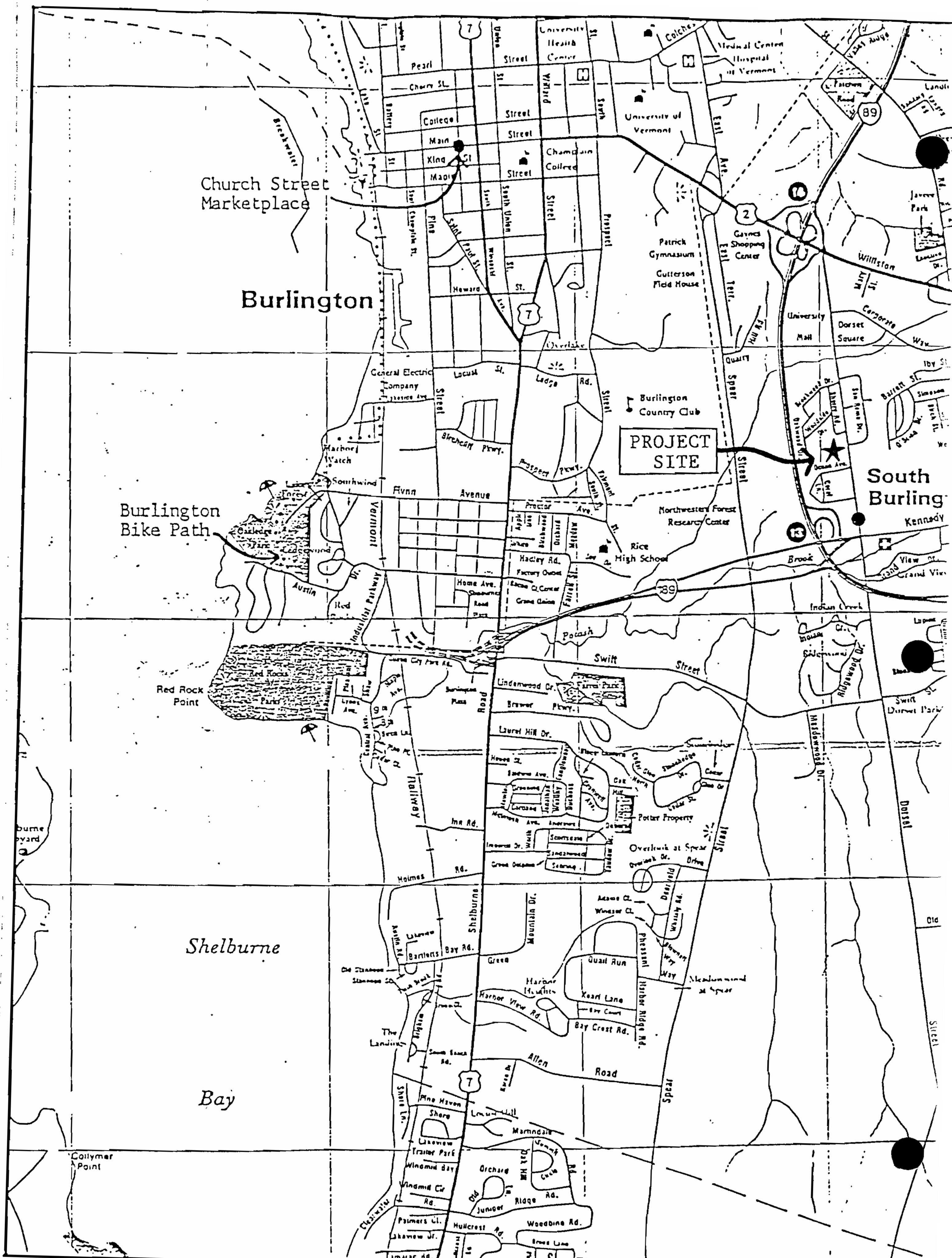
Church Street
Marketplace
Burlington
PROJECT
SITE
South
Burling
Burlington
Bike Path
Red Rock
Point
Shelburne
Bay
Collymer
Point
University of
Vermont
Champlain
College
Burlington
Country Club
General Electric
Company
University
Mall
Dorset
Square
Northwestern Forest
Research Center
Rice
High School
Patrick
Gymnasium
Gutterson
Field House
Gaynes
Shopping
Center
Williston
Kennedy
Flynn
Avenue
Swift
Street
Allen
Road
Spear
Street
Dorset
Street
Shelburne
Road
Vermont
Hallway
Overlook at Spear
Potter Property
Harbor
Heights
Meadowood
at Spear
The
Landing
Red Rocks
Park
Oakledge
Park
Pearl
College
Main
King
Maple
Pine
Holmes
Rd.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul Cummings, Development Officer PMC

DATE: January 11, 1996

RE: Loan Extension Request -- Regional Affordable Housing Corporation, Bridge Loan

On November 17, 1994, the Board approved a bridge financing initiative to provide a line of credit in the amount of $36,000 to Regional Affordable Housing Corporation (RAHC). This line of credit would allow RAHC to purchase no more than three mobile homes with a lease/purchase agreement with VHFA prequalified buyers in RAHC's Willows mobile home park in Bennington. RAHC's primary motivation in seeking the bridge loan was that in order to be able to meet the funding requirements (Vermont Housing and Conservation Board) for preserving the income mix, to provide housing opportunities for low and moderate income households, and to ensure thoughtful and sound tenant selection, RAHC determined that it would be appropriate to become actively involved in the purchase and resale of selected homes. If a potential buyer is otherwise qualified but lacks funds for downpayment, RAHC would include in the rent structure an allowance that would be applied to the down payment at purchase. RAHC was hopeful that buyers would be able to utilize VHFA's single family programs to buy the unit from RAHC.

RAHC has successfully used this line of credit to allow one home buyer to purchase a mobile home in the park and is working towards a purchase with another potential mobile home owner. Currently, RAHC has an outstanding balance of $10,500 for one mobile home purchase. At this time, staff requests an extension of this loan to March 31, 1997, primarily to allow RAHC time to facilitate the purchase of the mobile home they currently own and to find a buyer for the one remaining vacant site in the park. Staff also requests that the interest rate remain at 6.00% per annum, with an interest rate review to occur every six months. Any adjustments to the interest rate would be based on the Agency's loan security and the income that could be generated on other short term investments.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to extend the line of credit to RAHC not to exceed $36,000 to purchase no more than three mobile homes at any given time until March 31, 1997.

RESOLUTION REGARDING EXTENSION OF LINE OF CREDIT TO REGIONAL AFFORDABLE HOUSING CORPORATION

WHEREAS, on November 17, 1994 the Board of Commissioners authorized the extension of a line of credit in the amount of $36,000 to the Regional Affordable Housing Corporation ("RAHC") in order to allow RAHC to purchase mobile homes to make them available to VHFA qualified buyers in RAHC's Willows mobile home park in Bennington; and

WHEREAS, RAHC has drawn $10,500 under the line of credit to allow one homebuyer to purchase a mobile home in the Willows park and is working toward a purchase with another potential buyer; and

WHEREAS, RAHC has requested an extension of the line of credit until March 31, 1997; and

WHEREAS, the Board has been presented with a memorandum dated January 11, 1996 from Paul Cummings (the "Memorandum") discussing the issues surrounding this request;

NOW, THEREFORE, it is hereby RESOLVED:

1. The maturity date of the line of credit made available to the Regional Affordable Housing Corporation by resolution of the Board of Commissioners dated November 17, 1994 is hereby extended to March 31, 1997. The interest rate on any funds drawn under the line is set at 6.00% per annum, but with a rate review to be conducted every six months, as discussed in the Memorandum.

2. The Deputy Director and Director of Finance are authorized to execute any documents necessary to implement this resolution.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: December 27, 1995

RE: Servicing Activity for November

SERVICING ACTIVITY

<u>Collections:</u>

Last months 90+ accounts:		92
Additions:	6	
Reductions:	6	
Under payment arrangement:	32	
November, 1995 90+ accounts:		92

<u>In Foreclosure:</u>

Last months foreclosure accounts:		22
New foreclosures:	4	
To REO:	6	
Successful interventions:	2	
Negotiating workouts:	0	
November, 1995 foreclosure accounts:		18

<u>Real Estate Owned:</u>

Last months REO's:		32
New REO's:	2	
Properties sold:	3	
Properties under contract:	3	
November, 1995 REO's:		31

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EQUAL HOUSING OPPORTUNITY

RE: Single Family Program Activity Report For November

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	80	$ 5,315,172		51	$ 3,187,765
Purchases	92	$ 6,035,461		59	$ 3,935,244

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	1076	$68,356,297		876	$53,690,839
Purchases	757	$48,864,826		670	$42,335,288

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	0	$ 0		6	$ 434,500
Issued	8	$ 611,486		16	$ 1,272,450

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	54	$ 4,200,444		67	$ 5,079,465
Issued	101	$ 6,893,459		136	$10,670,863

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: NOVEMBER, 1995

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
BancBoston Mortgage Corp.	320	16	5.00%	2	0.63%	2	0.63%	1	0.31%	21	6.56%	1	0.31%
Banknorth Mortgage Co.	770	37	4.81%	6	0.78%	5	0.65%	2	0.26%	50	6.49%	6	0.78%
Bennington Co-op S&L Assoc.	34	2	5.88%	0	0.00%	1	2.94%	0	0.00%	3	8.82%	0	0.00%
Brattleboro Savings & Loan	14	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	882	51	5.78%	14	1.59%	15	1.70%	2	0.23%	82	9.30%	3	0.34%
Citizens Savings Bank	92	4	4.35%	2	2.17%	2	2.17%	0	0.00%	8	8.70%	0	0.00%
Community National Bank	261	10	3.83%	3	1.15%	5	1.92%	1	0.38%	19	7.28%	1	0.38%
Factory Point Nat. Bank	31	3	9.68%	1	3.23%	1	3.23%	0	0.00%	5	16.13%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	34	3	8.82%	3	8.82%	0	0.00%	0	0.00%	6	17.65%	0	0.00%
Gramite Bank (NH)	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	198	12	6.06%	4	2.02%	9	4.55%	3	1.52%	28	14.14%	4	2.02%
Green Mountain Bank	175	12	6.86%	1	0.57%	0	0.00%	1	0.57%	14	8.00%	1	0.57%
Lomas & Nettleton Company	15	1	6.67%	0	0.00%	0	0.00%	1	6.67%	2	13.33%	0	0.00%
Lyndonville Savings Bank	58	3	5.17%	0	0.00%	0	0.00%	0	0.00%	3	5.17%	0	0.00%
Marble Bank	249	16	6.43%	2	0.80%	2	0.80%	1	0.40%	21	8.43%	1	0.40%
Merchants Bank	332	9	2.71%	4	1.20%	9	2.71%	2	0.60%	24	7.23%	0	0.00%
Mortgage Service Ctr. of NE	80	6	7.50%	0	0.00%	5	6.25%	0	0.00%	11	13.75%	1	1.25%
National Bank of Middlebury	64	2	3.13%	0	0.00%	0	0.00%	0	0.00%	2	3.13%	0	0.00%
New England Federal CU	49	1	2.04%	0	0.00%	0	0.00%	0	0.00%	1	2.04%	0	0.00%
Northfield Savings Bank	120	9	7.50%	1	0.83%	2	1.67%	0	0.00%	12	10.00%	0	0.00%
Passumpsic Savings Bank	176	5	2.84%	4	2.27%	5	2.84%	1	0.57%	15	8.52%	5	2.84%
Peoples Trust Co.	101	6	5.94%	2	1.98%	0	0.00%	0	0.00%	8	7.92%	0	0.00%
Randolph National Bank	49	1	2.04%	3	6.12%	0	0.00%	1	2.04%	5	10.20%	0	0.00%
Union Bank	164	8	4.88%	4	2.44%	4	2.44%	0	0.00%	16	9.76%	0	0.00%
Vermont Development CU	20	2	10.00%	0	0.00%	0	0.00%	0	0.00%	2	10.00%	0	0.00%
Vermont Federal Bank	975	37	3.79%	6	0.62%	10	1.03%	1	0.10%	54	5.54%	7	0.72%
Vermont National Bank	617	26	4.21%	6	0.97%	15	2.43%	1	0.16%	48	7.78%	1	0.16%
Wells River Savings Bank	37	1	2.70%	0	0.00%	0	0.00%	0	0.00%	1	2.70%	0	0.00%
Totals	5921	283	4.78%	68	1.15%	92	1.55%	18	0.30%	461	7.79%	31	0.52%
Totals Previous Month	5875	257	4.37%	73	1.24%	92	1.57%	22	0.37%	444	7.56%	32	0.54%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: November, 1995

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Bartolomeo Charleston	$39,000	$28,000	$57,402	$ 4,323	$13,084	$14,175	($32,634)	($ 7,419)	($25,215)
Morrison Newport	$24,000	$20,000	$48,323	$ 4,250	$ 3,433	$ 8,750	($30,689)	N/A	N/A

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Chase Corinth	$25,000	$22,000	$53,494	$ 3,534	$ 7,013	$10,294	($32,224)	N/A	N/A
Jillson North Hero	$74,900	$74,900	$75,589	$10,404	$19,399	$16,350	($14,175)	($21,219)	$ 7,044
Stratton Marshfield	$71,900	$66,000	$68,062	$ 4,770	$12,066	$14,766	($ 4,122)	($ 398)	($ 3,724)

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 5, 1996

RE: Auction of REO Properties

On Saturday, December 2, the J. P. King Auction Group of Gadsden, Ala., conducted a real estate auction in Vermont. The purpose of the auction was to give VHFA the opportunity to sell properties which we held in our Real Estate Owned (REO) portfolio. The J. P. King Auction Group was selected as the auctioneer based on their experience and success on other auctions of this nature. VHFA was represented at the auction by the following staff: Linda Wilson, Glenn Jarrett, Lucy Circe, Peter Barry, Greg Lawlor, Monique Hartford, Deb Potvin, Judith Smith and myself. In addition to the VHFA staff, Rick and Andy Lothrop volunteered their time. Vermont National Bank placed five building lots, located in Quechee, Vt., in the auction.

There were 75 registered bidders at the auction with total attendance of 142 people. The successful bidders have until January 3 to close on the properties. On any properties which do not close, the next highest bidder will be contacted to see if they are interested in purchasing the property. In the event the high bidder does not close, the 10% deposit placed on the properties will be forfeited.

All of the properties VHFA placed in this auction were either in poor condition, had not sold through conventional means, were located in an area of the state where the real estate market had been proven to be slow, or all of the above. <u>All</u> of the properties were put under deposit.

The attached Auction Property Disposition Report provides certain information on each VHFA property in the auction. Under the value heading, I have listed two values. The first is the current value of the property and the second was the original value when the loan was made. The original value of the 20 properties exceeds the current value by $499,300. This figure represents the loss to VHFA in property value alone. It is

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reasonable to assume, had the properties held their value, that the loss to VHFA from the auction would have been around $283,200. This would have resulted in an average loss of $14,160 per property.

The total contract prices for the 20 properties was $614,180, or 72% of the current value of the properties of $851,700. This is in line with other Vermont auctions where the contract prices ranged from 90% to 60% of current value. As of the close of the calendar year, closings had been held on five of the 20 properties.

Linda Wilson, VHFA's Real Estate Disposition Specialist, should be given a tremendous amount of credit for the excellent job she did in organizing this auction.

Although the losses are high, VHFA will not have to suffer the carrying costs of the properties over the winter. We estimate carrying costs to be in the range of $25-30 per day. Since the real estate market in Vermont is soft, it is likely that we would have suffered larger losses had we not been successful in selling these properties at auction.

BOARD ACTION REQUESTED

No Board action is requested.

VERMONT HOUSING FINANCE AGENCY

Auction Property Disposition Report

Property	Value	Contract Price	Principal Balance	Interest	Estimated Expenses	Claim Payment	Estimated Gain/ (Loss)	Valuation Offset	Audit Gain/ (Loss)
Barrup W. Topsham	$27,500 $46,000	$ 7,490	$41,921	$ 5,364	$18,039	$ 9,000	($48,834)	($20,283)	($28,551)
Ross Benson	$55,000 $69,000	$39,590	$54,277	$ 5,914	$19,854	$ 6,750	($33,705)	($ 7,270)	($26,435)
McGraw Fair Haven	$54,000 $80,000	$47,080	$59,257	$ 5,898	$12,095	$12,600	($17,570)	N/A	N/A
White (I) Poultney	$39,500 $72,000	$29,425	$71,535	$ 5,934	$12,942	$17,715	($43,271)	N/A	N/A
Demo Wolcott	$32,500 $80,000	$33,170	$74,599	$ 5,280	$10,871	$16,000	($41,580)	N/A	N/A
Baker Barre	$65,000 $79,000	$45,475	$72,027	$10,308	$37,192	$15,400	($58,652)	($20,087)	($38,565)
Durgin Richford	$49,500 $70,000	$34,240	$61,319	$ 5,970	$24,108	$ 9,875	($47,282)	N/A	N/A
Chicoine Sutton	$50,000 $78,000	$28,890	$70,998	$ 3,587	$18,314	$15,225	($48,784)	($11,630)	($37,154)
Benway Hardwick	$52,500 $87,000	$38,520	$76,622	$ 6,878	$ 9,590	$13,932	($40,638)	N/A	N/A
Kuit Wilder	$54,000 $78,000	$42,800	$71,732	$10,319	$26,112	$15,400	($49,963)	($11,982)	($37,981)

(Continued...)

Auction Property Disposition Report *(Continued)*

Property	Value	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Burke Proctorsville	$51,500 $82,000	$35,310	$76,714	$ 7,085	$ 5,363	$16,400	($37,452)	N/A	N/A
Heir Poultney	$42,000 $71,000	$34,775	$64,596	$14,270	$18,749	$13,975	($48,865)	($13,394)	($35,471)
Stillwell(I) Rutland	$50,000 $87,000	$44,940	$83,882	$ 8,541	$14,291	$20,132	($41,642)	N/A	N/A
Martin (I) W. Rutland	$55,000 $62,000	$32,100	$59,384	$ 5,736	$14,140	$14,384	($32,776)	($16,587)	($16,189)
Joslyn (I) St. Johnsbury	$45,000 $61,000	$26,750	$54,391	$ 4,155	$ 8,197	$14,384	($25,609)	N/A	N/A
Larabee Albany	$18,000 $49,000	$16,050	$46,304	$ 5,275	$18,324	$ 9,800	($44,053)	($ 1,284)	($42,769)
Simpson Sheffield	$30,000 $80,000	$32,100	$74,049	$ 4,960	$10,987	$15,875	($42,021)	$ 2,554	($44,575)
Marvil Glover	$37,200 $46,000	$18,190	$36,305	$ 2,821	$ 7,223	$ 7,900	($20,259)	N/A	N/A
Dejoinville Randolph	$28,500 $25,000	$16,050	$19,505	$ 2,775	$17,043	$ 2,925	($20,348)	N/A	N/A
Olsen Springfield	$15,000 $49,000	$11,235	$40,683	$4,321	$14,942	$ 9,425	($39,286)	N/A	N/A

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RS

DATE: JANUARY 11, 1996

RE: SINGLE FAMILY BOND FINANCING

We have been working on the various features of the proposed bond financing since the last Board meeting. We were hoping to be in a position to price our bonds by now. We still have an estimated 4-6 weeks supply of Series 6 funds at 7.55%. Most everything is in place except for the market.

Preliminary Official Statement (POS). We have completed the markups and updates to the POS, which is the statement that the prospective bond purchasers will receive to inform them of the financing. We have not distributed the POS yet because there is a limited shelf life of 3-4 weeks.

Bond Insurance. We received a very aggressive bid from AMBAC for bond insurance that will save us about 10-15 basis points on rate and will provide a AAA rating on the bonds. In addition, AMBAC has offered us a surety bond up to $1.8 million to take the place of a contingency letter of credit. They have also offered another surety bond to take the place of the Bond Reserve fund. Both bonds would be issued at **no cost** to VHFA. The contingency letter of credit would generally cost us between $5,000 and $10,000 per year for five years. The Bond Reserve fund is only a cost to us if we cannot invest the proceeds from the bonds at a rate higher than the bond cost. Preliminary estimates indicate that there would be a cost to us for the Bond Reserve fund at this time.

Credit Facility. Sanwa Bank, which has been issuing us letters of credit for all the bonds issued under this resolution, approved us for an additional $2.5 million of credit authority for the Series 7 bonds. Unfortunately, Sanwa was downgraded by Standard & Poor's (S&P) in December due to problems within the Japanese banking system.

Rating Agencies. S&P has confirmed the rating on the proposed bond issuance based on a review of the previous six series of bonds' performance at A+. This was especially gratifying due to the Sanwa downgrade. AMBAC's requirements to provide bond insurance is based on maintaining the S&P A+ rating. We expect Moody's to ratify the A1 rating they have assigned to our bonds.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Bond Market. The bad news is that there have not been any housing financings sold in the last month. The biggest factor is that during the federal budget reconciliation process, President Clinton proposed the elimination of the ability of corporations to purchase tax-exempt bonds <u>and</u> receive tax free treatment of their income if they have any debt for which they are taking an interest expense deduction. This provision has an effective date of early December and has basically put all the big corporate purchasers of tax exempt bonds, including FannieMae, on the sidelines. In addition, the budget problems in Washington have driven up the rates that bond investors are demanding. Today our 30 year bond cost is projected to be 10 basis points **higher** than Treasury bonds. Based on that scale of cost and assuming that we could sell our long bonds, our projected mortgage rate would be in the 7.05-7.15% range with one point, similar to or exceeding current conventional rates being offered by lenders across Vermont.

<u>Recommended Action</u>
At this point we need some closure in Washington on the federal budget problems. We will continue to monitor the markets and plan to send out the POS when things have settled out. If the corporate deduction provision stays in place, we will look to downsize the issuance to the point where it could all be sold to retail investors (estimated to be $15-25 million).

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: JANUARY 12, 1996

RE: SEPTEMBER 30, 1995 FINANCIALS

Attached to this memorandum is the balance sheet and statement of revenues for all the programs including the General Fund through September 30, 1995. For the most part the results are quite encouraging! Continued higher level short term interest rates, additional loan activity and the contributions of recent bond financings have contributed to the better financial performance.

Balance Sheet. Total assets are almost $567 million compared with $516 million in September of 1994 and $559 million in June of 1995. The fund balances now total $42 million compared to $39.8 million in September of 1994 and $41 million at June 30, 1995.

Statement of Revenues. Excess revenues for the three months ended September 30, 1995, were $1.14 million compared to $354,000 for the same period last year. The two major reasons for the increase were due to the Multifamily refunding program which occurred last May which contributed an additional $450,000 of surplus in part because we were able to loan out the "excess yield earned" and the Single Family Financing in December of 1994 which boosted surpluses by almost $300,000. We are aware that foreclosure losses seem to be accelerating, but no new provision was added for the quarter ended September 30. These losses may become more apparent in future quarters this year.

Cash Position. One area which is still a concern is that of liquidity. Although there was almost $4.5 million of cash in the General Fund on September 30, $3.1 million was deposits we were holding and over $2 million is due to bond programs. We have recently concluded the legal work with Howard Bank on our $1 million line of credit and are still negotiating with the Federal Home Loan Bank for loans being held in the General Fund which can be pledged as collateral for loan advances.

If you have any questions regarding the financial statements as of September 30, 1995, feel free to call me at your convenience or bring your questions to the Board meeting.

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VERMONT HOUSING FIN[illegible]E AGENCY
BALANCE SH[illegible]
AS AT SEPTEMBER [illegible], 1995

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	$3,029,021	$3,098,902	$507,877	$32,923,095	$67,827,781	$1,931,851	$882,802	$279,988	$862,438	$111,343,755
Investments	1,449,291	5,333,105	31,336	18,714,801	13,840,000	6,056,137	2,303,465		882,764	48,610,899
Mortgage and construction loans receivable	6,571,793	5,293,727	185,329	134,445,958	166,150,467	35,077,638	22,721,928	15,206,447	7,324,595	392,977,882
Accrued interest receivable										
-Mortgage and notes	221,449	31,569	6,309	1,132,381	1,164,105	190,253	164,407	139,986	36,623	3,087,082
-Investments	25,617	63,443	4,050	1,047,025	2,346,849	57,257	21,307	1,457	7,676	3,574,681
Deferred cost of bond issuance		37,675		591,127	1,299,759	241,808	348,340	6,292	54,060	2,579,061
Office furniture and fixtures (at cost)	1,038,083									1,038,083
Accumulated depreciation	(773,222)									(773,222)
Land	775,000									775,000
Building	1,004,833									1,004,833
Other receivables: prepaid expenses	320,594	982	13,592	65,742	86,852	51,093				538,855
Interfund receivables (payables)	(2,326,664)	(386,493)	2,729,859	(452,021)	659,236	(136,977)	15,199	(102,139)		0
Other assets			49,969	1,304,809	796,965					2,151,743
TOTAL ASSETS	$11,335,795	$13,472,910	$3,528,321	$189,772,917	$254,172,014	$43,469,060	$26,457,448	$15,532,031	$9,168,158	$566,908,652
LIABILITIES & FUND BALANCES										
Deferred income	831,321									831,321
Accounts payable	319,649	2,118	191	47,157	147,899					517,014
Escrowed cash deposits	3,076,902				1,450		298,945		254,879	3,632,176
Notes payable	245,000									245,000
Accrued interest	34,241	273,752		4,531,722	6,719,176	377,314	170,237	76,848	187,741	12,371,031
Bonds payable	633,792	8,875,000		174,310,000	242,130,000	39,695,000	24,325,000	15,340,261	8,390,000	513,699,053
Unamortized premium (discount) on bonds		(135,119)		(2,316,954)	(2,153,464)	(652,382)	(1,121,572)	(21,120)	(159,047)	(6,559,858)
Fund balance	6,194,890	4,457,159	3,528,130	13,200,992	7,326,953	4,049,128	2,784,838	136,042	494,583	42,172,715
TOTAL LIABILITIES & FUND BALANCE	$11,335,795	$13,472,910	$3,528,321	$189,772,917	$254,172,014	$43,469,060	$26,457,448	$15,532,031	$9,168,156	$566,908,652

VERMONT HOUSING FINA[illegible] AGENCY
STATEMENT OF REVENUES, EXPENSES A[illegible]ANGES IN FUND BALANCE
FOR THE QUARTER ENDE[illegible]EPTEMBER 30, 1995

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans	$99,227	$101,808	$6,922	$3,054,775	$3,318,357	$761,224	$719,758	$267,942	$165,104	$8,495,117
Investments	19,366	117,268	11,023	892,429	1,362,711	141,793	44,661	4,679	24,420	2,618,350
Fee income:										
Multi-family programs	46,651						17,139			63,790
Single-family programs	72,349									72,349
VHMGB income	73,925									73,925
Miscellaneous income	12,713									12,713
TOTAL REVENUES	$324,231	$219,076	$17,945	$3,947,204	$4,681,068	$903,017	$781,558	$272,621	$189,524	$11,336,244
EXPENSES:										
Financing costs: including interest and amortization of premium, discount & costs of issuance	15,107	142,676	6	3,438,722	4,040,394	780,912	359,185	259,761	163,495	9,200,258
Mortgage service, contract administration fees, & property disposition expense	2,160	6,620		126,468	153,312					288,560
Salaries and benefits	469,676									469,676
Operating expenses	142,567									142,567
Professional fees	40,810									40,810
Trustee and assignee fees	42,177									42,177
Foreclosed property loss	12,390									12,390
TOTAL EXPENSES	$724,887	$149,296	$6	$3,565,190	$4,193,706	$780,912	$359,185	$259,761	$163,495	$10,196,438
Excess (deficiency) of revenues over expenses	(400,656)	69,780	17,939	382,014	487,362	122,105	422,373	12,860	26,029	1,139,806
Fund balance, beginning of period	6,362,046	4,387,379	3,510,191	12,823,978	6,839,591	4,147,023	2,362,465	131,682	468,554	41,032,909
Transfer to program funds										0
Transfer to General fund	233,500			(5,000)		(220,000)		(8,500)		0
Fund balance, end of period	$6,194,890	$4,457,159	$3,528,130	$13,200,992	$7,326,953	$4,049,128	$2,784,838	$136,042	$494,583	$42,172,715

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **JANUARY 12, 1996**

RE: **GENERAL FUND BUDGET PERFORMANCE**

Attached to this memo is the budget performance report for the period ending September 30, 1995 representing the first quarter of the fiscal year. All things being equal, budget categories should be at 25% of the annual budget. We are in line in most budget categories for the year.

INCOME. We are in good shape in all income categories. The project administration fees are a component of fund transfers from the multi-family program which did not take place during the quarter.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. The difference from the budgeted amounts is based on timing of when we pay debt service to bondholders at which time we make the transfers to the General Fund.

EXPENSES. Total expenses are 23.18% of budget within the expense constraints for the fiscal year. There have been no serious surprises so far in the fiscal year. Items such as the audit and dues and subscriptions have heavier payments early in the fiscal year.

CAPITAL BUDGET. The approved capital budget for the fiscal year is $113,000. Through September 30, 1995 we had expended $21,068 or 18.64% of the capital budget. Note that their is a companion memo in this Board package requesting an increase in the capital budget.

If you have any questions, please contact me at your earliest convenience.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
SEPTEMBER 30, 1995

	APPROVED BUDGET	ACTUAL 9/30/95	% BUDGET RECOGNIZED
INCOME	----------	----------	----------
SINGLE FAMILY FEES	(115,000)	8,441	-0-%
MULTI-FAMILY FEES	142,000	38,615	27.19%
PROJECT ADMIN FEES	130,000	0	0.00%
INTEREST INCOME-LOANS	300,000	99,226	33.08%
INTEREST INCOME-INVEST	75,000	19,365	25.82%
VHMGB CHARGES	332,000	73,925	22.27%
MISCELLANEOUS	30,000	12,712	42.37%
	-------	-------	-------
TOTAL INCOME	894,000	252,284	28.22%
FUND TRANSFERS			
SINGLE FAM HOUSING	50,000	0	0.00%
SHAWMUT MTG PURCHASE	100,000	0	0.00%
HOWARD MTG PURCHASE	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	325,000	5,000	1.54%
HOWARD MULTI-FAMILY	430,000	220,000	51.16%
CONN NATL MULTI-FAMILY	85,000	0	0.00%
HOUSING DEVELOP BDS-MF	10,000	0	0.00%
DIRECT PLACEMENT BONDS	35,000	8,500	24.29%
	---------	---------	---------
TOTAL TRANSFERS	2,285,000	233,500	10.22%
	---------	---------	---------
TOTAL INC & TFRS	3,179,000	485,784	15.28%
EXPENSES			
ADVERTISING & PROMOTION	123,500	4,289	3.47%
AUDIT	36,000	31,000	86.11%
ANNUAL REPORT	12,500	446	3.57%
COMMISSIONERS EXPENSES	5,000	426	8.52%
CONSULTING FEES	83,500	7,322	8.77%
DEPRECIATION	133,500	33,127	24.81%
DUES & SUBSCRIPTIONS	25,635	9,421	36.75%
INSURANCE	208,114	42,602	20.47%
INTEREST EXPENSE	52,000	15,107	29.05%
LEGAL	46,500	6,245	13.43%
MISCELLANEOUS	4,000	731	18.28%
OCCUPANCY EXPENSE	194,000	27,114	13.98%
OFFICE EXPENSES	35,000	10,864	31.04%
PENSION PLAN	128,000	32,081	25.06%
POSTAGE	24,000	3,228	13.45%
REPAIRS & MAINTENANCE	52,500	13,676	26.05%
SALARIES & WAGES	1,430,919	366,400	25.61%
STAFF TRAVEL & TRAINING	62,500	14,645	23.43%
SUBSIDY-HOUSING VT, ERH	81,000	15,375	18.98%
TAXES-PAYROLL	108,475	29,238	26.95%
TELEPHONE	33,000	5,469	16.57%
TRUSTEE & CREDIT FEES	250,000	56,726	22.69%
	---------	---------	---------
TOTAL EXPENSES	3,129,643	725,532	23.18%
	---------	---------	---------
SURPLUS (DEFICIT)	49,357	(239,748)	-485.74%
	=======	=======	=======

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis, Deputy Director
Roger Schoenbeck, Director of Finance

DATE: January 11, 1996

RE: CAPITAL BUDGET—COMPUTER UPGRADE

The approved capital budget for fiscal year 1996 included $21,000 for the purchase of 14 computers in the second year of a three year plan to bring the Agency's systems in line with current technology. In order to remain as efficient as possible and keep up with changes to the Mitas system (our underwriting and financial management software), we are seeking to accelerate our acquisition of upgraded computer equipment.

It is our goal to provide our staff with the systems, software, and support necessary to operate in a Windows environment by July 1, 1996. This will require the accelerated purchase of 13 computers that were scheduled to be purchased in fiscal year 1997, as well as the purchase of office productivity software for the Windows environment. The cost of the systems will be placed out for bid with an estimated cost of $1,600 per machine, a total of $20,800. The purchase of office productivity software to provide enhanced word processing, spreadsheet, and presentation software is expected to cost an additional $5,200. Based on these estimates, we are seeking approval of an amendment to the FY96 capital budget in an amount not to exceed $26,000.

We will be happy to answer any questions you may have about this request at the Board meeting.

RECOMMENDED BOARD ACTION: Approval of an amendment to the capital budget in an amount not to exceed $26,000 to purchase new computer equipment and software to complete the organizational transition to Windows capable computers and an improved office operating system.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director, Ext. 221

DATE: January 10, 1996

RE: ATTACHED MEMO REGARDING VHMGB FUND TRANSFER

The current budget crisis of the State of Vermont is causing the Administration to review possible sources of funds, including VHMGB. As background detail, attached is a copy of a memo I sent to Betsy Costle regarding the State's proposal to transfer undesignated VHMGB funds to the State.

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VERMONT HOME MORTGAGE GUARANTEE BOARD

PROGRAMS ADMINISTERED BY VERMONT HOUSING FINANCE AGENCY

TO: Elizabeth R. Costle, Commissioner, Banking Insurance & Securities

FROM: Allan S. Hunt, Executive Director, Ext. 221 ASH

DATE: January 8, 1996

RE: PROPOSED TRANSFER OF UNDESIGNATED FUNDS

You have asked me to provide you with an analysis of the impact of transferring to the state our undesignated fund balance. I believe there would be many negative consequences, as follows:

Reduction in Fund Equity—This figure is what VHMGB has available to pay unexpected claims, the claims that would result from unforeseen events (a worsening economy, major layoffs, etc.). There is already a disturbing trend that shows this figure going from $2,318,000 in 1993 to $1,404,000 in 1994 to $1,080,000 at the end of 1995. A substantial part of this reduction occurred as a result of the $750,000 transferred to the State in 1994, with the balance as a result of higher than anticipated losses (payments of guarantees).

Higher Claims Loss—As you know, we anticipated and budgeted for $600,000 in claims this year. Through December, we had paid out $187,000 in claims. However, as a result of a recent auction of 20 VHFA properties, we know of an additional $257,000 in claims that will be paid in January. We also anticipate an additional 35 claims being made by June 30, 1996, totalling nearly $500,000. Thus, it appears we will exceed the $600,000 budgeted by nearly $400,000. This is likely to further reduce any surplus in our undesignated retained earnings account. By way of comparison and trends, claims paid in 1994 were $240,000 and $533,000 in 1995.

Quality of loans—One of the great unknowns is the performance of the portfolio (currently with over 8,500 guarantees of $104,133,000) going forward. There are many factors that affect the possibility of loss. One trend that is clear is that many of the loans we are guaranteeing are of higher risk than in the past years. We are seeing many more borrowers with credit issues, high loan to value loans, reliance on Federal income such as SSI, etc. While these borrowers still qualify for the guarantee, they are not as strong on average as borrowers in years past.

Another indication is that in FY94 only 38% of the guarantees were on VHFA loans. In FY95, that figure went up to 59%. For the first quarter of FY96, the figure is 63%. While we underwrite the loans as we have in the past, the reality is that the VHFA borrower is of lower income and their job is generally less secure, making them a higher risk for default.

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Monthly premium—As you know, we will be introducing a monthly premium option that the Legislature authorized this past session. This will enable borrowers to pay less upfront and pay the remainder of the guarantee fee over three years. We anticipate the majority of borrowers will opt for this plan. As a result, VHMGB initially will have less cash from fees, thus having an adverse impact on cashflow in the near term.

Secondary market concerns—As you well know, VHMGB has never met FNMA's requirement of capital (fund equity) as a percentage of guarantees outstanding. Instead, FNMA has presumably relied on the State's full faith and credit as a supplement to the deficiency in fund equity. Given the disturbing trend in the reduction of fund equity over the past several years (which would be further harmed by a State transfer), it is becoming increasingly likely they will be forced to not recognize VHMGB as a qualified mortgage insurer. This would have very negative effects on the availability of mortgage capital in this state for the conventional borrower and/or the cost of mortgage insurance to the consumer.Loss of the FNMA approval of the Board would also likely raise Rating Agency concerns about VHFA's heavy reliance on the Board for loan guarantees.

Updated Retained Earnings—Undesignated (Unrestricted Fund Balance)—We have updated our delinquency figures through December and, based on the formula used by the actuaries, we will need to transfer an additional $160,000 from the "undesignated retained earnings" account to the "retained earnings-designated for contingencies" account based on slightly higher known delinquencies for this quarter. This will reduce the undesignated retained earnings from $214,953 to $54,283, assuming no other changes such as higher-than-anticipated earnings on investments.

For all of the above noted reasons, any effort by the Administration to take any money from VHMGB would be ill-advised and put VHMGB in a very precarious financial position given the uncertainty of the housing market and the overall economy.I have taken the liberty of attaching the Milliman and Robertson actuarial study done for the Board thru June of 1994. It may be helpful to the Administration in understanding how these reserves were established.

Enclosure

cc: Jim Douglas
Jo Bradley

LEHMAN BROTHERS

GLOBAL ECONOMICS
New York London Tokyo Hong Kong Boston

Prospects

Crosscurrents — The Economic and Demographic Forces Shaping Housing Demand in the Late 1990S

by David Kelly

September 29, 1995

Highlights

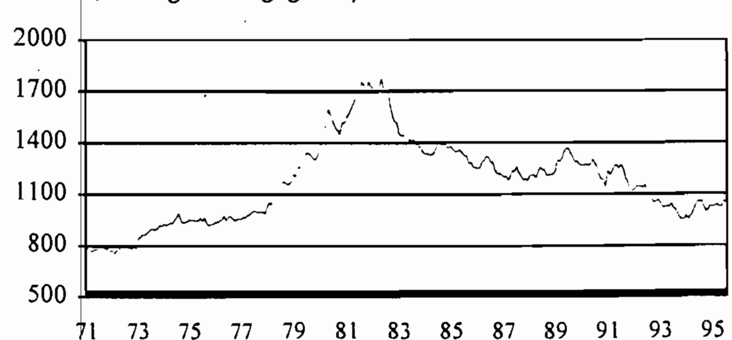
- *Low mortgage rates and a sharp slowdown in housing inflation have greatly increased affordability in recent years and should boost the demand for single-family homes through the end of the decade.*
- *The baby busts of the 1930s and 1970s are limiting the growth in total households in the 1990s, a significant negative in the overall demand for housing.*
- *The aging of the baby boom into their high homeownership years, should boost the demand for single-family homes for the rest of the decade with positive implications for the demand for construction materials, furniture, and appliances but suggesting weakness in the multi-family sector.*

Recent data on U.S. housing have been uniformly positive, with low mortgage rates prompting a pickup in new and existing home sales over the summer and leading to five consecutive months of rising housing starts. Forward-looking indicators, such as mortgage applications to purchase, published by the Mortgage Bankers Association, and the National Association of Homebuilders data on traffic of potential homebuyers, suggest that housing demand will stay strong in the months ahead. In 1996 and beyond, however, a complex interaction of demographics, home prices, incomes and interest rates will determine the strength of U.S. housing demand.

The Falling Cost of Home Ownership

The most obvious positive for U.S. housing going forward should be continued low mortgage rates. Thirty-year fixed rate mortgage rates, which rose sharply in 1994, have now returned to close to their lowest levels in 25 years. The average monthly payment on a 30-year mortgage for an existing single family home bought with 10% down was $1,046 in July. After adjusting for inflation, this is down from $1,365 in mid-1989 and $1,757 in late 1981 and, barring a short period in 1993 and 1994, is at its lowest level since 1978.

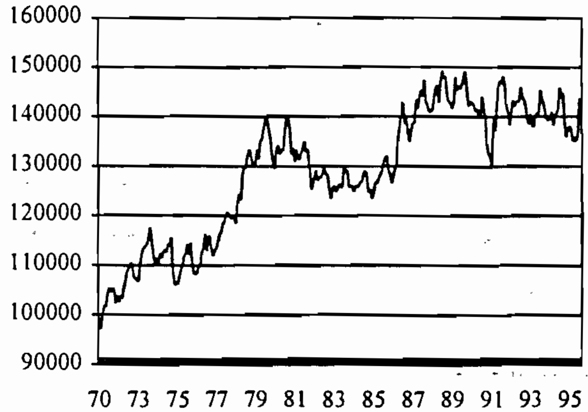
Chart 1
Real Mortgage Payments Remain Close to 15 Year Lows
(Average Mortgage Payments, Constant $1995)



Sources: National Association of Realtors, Lehman Brothers Global Economics

Allen Sinai, Chief Global Economist

Chart 2
Real Home Prices Have Been Stable in Recent Years
(Average Existing Home Prices, Constant $1995)



Sources: National Association of Realtors, Lehman Brothers Global Economics

Another positive, on balance, is relatively low housing inflation. In the last eight years, the average sales price of an existing single-family home has risen by an average of just 3.3% per year, or 0.4% slower than overall inflation. In the prior 19 years, home prices rose by 8.6% per year, or 2.2% faster than overall inflation.

Clearly, slower-growing home prices have made housing more affordable. However, it has not been an unmixed blessing, as one contributor to strong housing demand in the 1970s and early 1980s had been an expectation of capital gains. Moreover, although home prices have not risen in real terms in the past eight years, the rise over the prior two decades increased the difficulty for many households of coming up with a down payment.

Nevertheless, declining mortgage rates and relatively flat housing costs have increased the percentage of households that can afford to make monthly payments on a mortgage. In the second half of 1981, the median income household had less than two thirds of the income necessary to make the payments on a median priced existing home. By the second half of 1993, the same household had roughly 135% of the necessary income, representing a doubling in overall affordability. While affordability has dropped back some since then, the median income household still has over 120% of the necessary income.

As inflation pressures continue to ease over the next year, rates can be expected to drift down further. In 1997 and beyond, the outlook is obviously more uncertain. However, absent some exogenous force which pushes the economy into recession, demand growth in the economy overall should be sufficiently subdued to allow for relatively stable or declining inflation and interest rates. Income growth should be steady, though slow, and should allow a growing number of households to enter the ranks of potential homebuyers.

Table 1
Household Growth, Population Growth and Household Size

	1960	1970	1980	1990	2000
Number of Households	52,799	63,401	80,776	93,347	102,891
Pct Chg From 10 Yrs Earlier, Ann Rate		1.8%	2.5%	1.5%	1.0%
Civilian Population	178,141	201,894	225,621	247,762	274,356
Pct Chg From 10 Yrs Earlier, Ann Rate		1.3%	1.1%	0.9%	1.0%
Average Household Size	3.33	3.14	2.75	2.63	2.63

Sources: Census Bureau, Lehman Brothers Global Economics

The Demographic Drag

However, set against an improving long run trend of affordability is a demographic problem. The number of households in the United States grew by 2.5% per year in the 1970s and 1.5% per year in the 1980s. In the 1990s so far, this growth has declined to just 1% per year, and it is likely to maintain this anemic pace though the end of the decade.

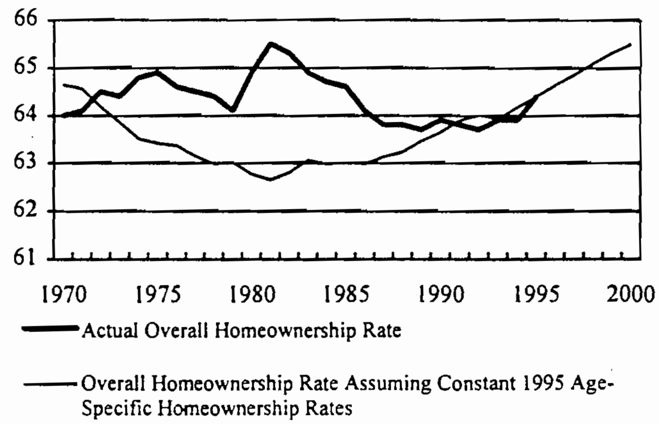
The most important reason for the slide in household growth is not a slowdown in population growth but a stabilization of household size. Between 1970 and 1980, average household size in the United States fell from 3.14 persons to 2.75 persons, accounting for more than half the growth in households in the decade. Between 1980 and 1990, the decline was smaller, to 2.63 persons, but still allowed annual population growth of 0.9% to translate into household growth of 1.5%. Since then, there appears to be no discernible trend in household size and the average household in the United States will most likely be the same size at the end of this decade as it was at its start.

Changes in the social and age structure of the population are primarily responsible for the recent stabilization of average household sizes. In the 1970s and 1980s, the aging of the baby boom allowed for a sharp rise in the number of households headed by those in their 20s, which tend to be smaller than those headed by older cohorts. At the same time, the 1960s and 70s saw a sharp rise in the U.S. divorce rate, which contributed to an increase in the number of households headed by a single adult in the 1970s and 1980s. By the 1990s, the smaller baby-bust generation are in their 20s and 30s. Moreover, because of the depression-era baby bust, the growth in households headed by retired persons, which also tend to be smaller than average, has also declined. After the turn of the century, some of these patterns will be reversed. However, for the rest of this decade, the number of households is likely to grow only at the same pace as overall population, or half as fast as in the two prior decades. This slower growth in the number of households will almost certainly restrain the growth in the demand for housing units overall, although the stabilization of household size may increase the share of these households buying single-family homes.

The Decline in Age-Specific Homeownership Rates — Potential Pent-Up Demand

While the slow growth in households should limit overall housing demand for the balance of the decade, another trend should be more positive. In the second quarter of 1995, 64.7% of households lived in owner-occupied homes in the United States, not substantially different from the 64.1% of 10 years ago. However, the age structure of U.S. households has changed considerably in this period, with more households now being headed by people in their 40s and 50s, who have traditionally had among the highest home ownership rates. If age-specific home ownership rates had remained constant over the last decade, this aging of the population would have added almost 1.5 percentage points to the homeownership rate adding substantially to the demand for single-family housing.

Chart 3
The Aging of the Baby-Boom Should Boost Homeownership
(Owner-Occupier Households, Percent of Total Households)



Sources: Census Bureau, Lehman Brothers Global Economics

The fact that this did not occur is largely attributable to the sharp rise in home prices in the 1970s and 1980s that pushed home prices above affordable levels for many younger households. The disruption of the 1990-91 recession and slow income growth thereafter also contributed to this decline in age-specific home ownership rates. However, in a lengthening expansion with low interest rates and only slow growing home prices, many of the households which were unable to buy homes over the last decade may at last get a chance in the 1990s.

The Outlook for the Second Half of the Decade

Given these crosscurrents of economic and demographic forces, an econometric model represents the best way of determining the likely path of demand for single-family homes for the balance of the decade. One version of such a model forecasts single-family housing starts based on their historical relationship with mortgage rates, real income, the level and growth in home prices, the growth in the number of households and an estimate of what overall homeownership rates would be if age-specific homeownership rates remained constant at their 1995 levels. This model suggests that although single-family housing starts are likely close to a peak at 1.1 million units in the third quarter of 1996, they should be able to sustain an average level of between 1.0 and 1.1 million units for the balance of the decade.

This strong demand for single-family housing may cut into the growth in multi-family housing, but should overall be a strong positive for the economy, as each single-family unit entails roughly three times as much construction activity as a multi-family unit and generates stronger purchases of furniture and appliances. However, the housing industry in the late 1990s will not see the growth of the 1970s and early 1980s and should not expand so fast as to threaten the overall forecast of moderate growth with steady to declining inflation.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

ASH

FROM: Allan S. Hunt, Executive Director

DATE: February 8, 1996

RE: CANCELLING FEBRUARY BOARD MEETING/ RESCHEDULING MARCH MEETING

This is to notify you that the February 15 meeting of the Vermont Housing Finance Agency Board of Commissioners have been cancelled. The March Board meeting has been *rescheduled* to 9:30 a.m. Friday, March 8, here in Burlington. (An agenda and Board packet will be mailed to you on March 1.)

Please feel free to contact me should you have any questions. I look forward to meeting with you in Burlington on March 8!

vhfa

VERMONT HOUSING FINANCE AGENCY

March 12, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, March 21, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont. *(The originally scheduled March 8 meeting was cancelled due to inclement weather and lack of a quorum.)*

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

February 27, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Friday, March 8, at 9:30 a.m., here at our office at 164 St. Paul Street, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: March 11, 1996

RE: RESCHEDULED MARCH MEETING

This is to notify you that due to inclement weather (and lack of a quorum), the March meeting of the Vermont Housing Finance Agency Board of Commissioners has been rescheduled to Thursday, March 21, at 1:00 p.m. at the Office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier.

Enclosed is supplemental information for discussion at the Board meeting. *Be sure to also bring the original Board packet mailed to you earlier.*

Please feel free to contact me should you have any questions. I look forward to meeting with you in Montpelier on March 21!

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: February 29, 1996

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 9:30 a.m. Friday, March 8, here at the VHFA office, 164 St. Paul Street, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 9:30 March 8!

NEWS FLASH

A Home Buyer Fair for Chittenden County will be held Saturday, March 9, from 10:00 a.m. to 4:00 p.m. at the Hampton Inn and Conference Center (Exit 16 off I-89 in Colchester). A flyer is included in this mailing. It would be wonderful to have Board members come visit and see what these fairs are all about!

VERMONT HOUSING FINANCE AGENCY

Rescheduled and relocated due to 3/8 weather + lack of quorum.

VHFA BOARD MEETING AGENDA
~~164 St. Paul Street~~
~~Burlington~~, Vermont
Montpelier
~~Friday, March 8, 1996 at 9:30 a.m.~~
Rescheduled to Thursday, March 21, 1996, at 1:00 p.m.

1. Review and approval of minutes of January 18, 1996

2. Development
   - ⌂ Essex Town Center (Homestead Design) Letter of Interest **[Cummings//Enclosure]**
   - ⌂ Multifamily Loan Underwriting— Annual Distributions **[Cummings//Enclosure]**
   - ⌂ Evaluation Plan for Homeownership Centers **[Crady//Enclosure]**
   - ⌂ REO Marketing to Nonprofit Organizations **[Crady//Enclosure]**
   - ⌂ LCHDC Bridge Financing Proposal **[Crady//Enclosure]**
   - ⌂ Barre Street (CVCLT) Combined Letter of Interest/Commitment **[Erdelyi//Enclosure]**
   - ⌂ Kilbourn Mobile Home Park (ACCAG) Letter of Commitment **[Erdelyi//Enclosure]**

3. Operations
   - ⌂ Single Family Program, Servicing and Property Disposition Reports **[Lothrop//Enclosure]**
   - ⌂ Quality Control—Quarterly Report **[Lothrop//Enclosure]**
   - ⌂ Participating Lender Approval Process **[Lothrop//Enclosure]**
   - ⌂ Delinquency Timetable **[Lothrop//Enclosure]**

4. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ Mid-Year Business/Strategic Plan Update **[Francis//Enclosure]**

5. Multifamily Management
   - ⌂ Directors Report as of 12/31/96 **[Falzone//Enclosure]**

6. Finance
   - ⌂ Single Family Series 7 Bond Financing Update **[Schoenbeck//Enclosure]**
   - ⌂ December 1995 Financials **[Schoenbeck//Enclosure]**
   - ⌂ Mid-Year FY96 Budget Performance Report **[Schoenbeck//Enclosure]**

7. Communications
   - ⌂ IORTA Delinquency Study **[Gent//Enclosure]**

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

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

Thursday, January 18, 1996

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

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

Guests: Ms. Pond (Realty Resources, Chartered); Mr. Cole (AG Edwards); Ms. Ready (Addison County Community Trust)

The meeting was called to order by Chairman White at 1:10 p.m. Upon a motion duly made by Ms. Bradley and seconded by Mr. Seelig, the minutes of November 16 were unanimously accepted as written.

Ms. Crady reviewed the "Loan Extension Request—Twin Pines Housing Trust, Starlake Village" as detailed in her memo of January 8, included in the Board packet. A loan in the amount of $500,000 was approved by the Board in September 1992 for Twin Pines Housing Trust to finance the site development and construction of 14 single family homes at Starlake Village, Norwich. A motion was then made by Mr. Smith and after being seconded by Mr. Seelig, the "Resolution Pertaining to Extension of Term of Loan re: Starlake Village/Twin Pines Housing Trust Development" was unanimously adopted, as attached to these minutes.

The "Loan Extension Request—Northshore Equities, Pinecrest Village" was reviewed next by Ms. Crady, as per her memo of January 8, included in the Board packet. In January and April 1995, the Board approved a loan in an amount not to exceed $750,000 for Northshore Equities to complete the construction of the final 11 units at Pinecrest Village, Williston. A motion was made by Mr. Candon to adopt the "Resolution Pertaining to Extension of Term of Loan re: Pinecrest Village Development" as attached to these minutes. After being seconded by Mr. Seelig, the motion carried and the Resolution was unanimously adopted.

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Ms. Crady then reviewed the "IORTA Revolving Loan Fund for Homeownership Centers" as described in her memo of January 11, included in the Board packet. Chairman White advised the Board that he would abstain from the discussion and any vote due to his membership on the Gilman Housing Trust board; Mr. Seelig conducted the meeting during this discussion. As Ms. Crady explained, the proposal is to create small revolving loan funds at each of the three organizations to be initially involved in the creation of Homeownership Centers. A commitment of up to $100,000 of the interest received by the Agency on real estate trust accounts (IORTA) was approved by the Board in November 1995. These funds were approved to assist in providing down payment and closing costs for clients of three homeownership centers. The Burlington Community Land Trust, Gilman Housing Trust, and Rutland West Neighborhood Housing Services have requested that the Agency use the $100,000 committed by the Agency at the November 1995 meeting to create revolving loan funds at each organization and allow flexibility as to how each organization would loan the funds. Mr. Seelig reminded staff that earlier Board discussion had directed staff to develop evaluation criteria to assess the program and determine its effectiveness. Ms. Crady noted that this evaluation process is included in the grant agreement with each of the three organizations, and preliminary discussions have focused on evaluation methods. A proposed evaluation process will be presented for review at the next Board meeting.

Ms. Crady further explained that IORTA funds, by statute, must be used to assist with down payment and closing costs, and cannot be diverted to cover operating costs. According to Ms. Crady, the Agency's single family mortgage programs successfully reach households at 70 percent of median income or above, as well as many borrowers with incomes below 70 percent of median income. The primary focus of Homeownership Centers will be expanding homeownership to a broad range of borrower incomes. As originally proposed, the suggested target income for homeownership centers would be borrowers between 50 and 70 percent of median income, with the participating organizations having the flexibility to loan to borrowers within that range. Ms. Canney suggested that the Resolution reference a per loan limit of $5,000; however, Mr. Hunt explained that the loan limit is reflected in Ms. Crady's memo, which is referenced in the Resolution. Upon a motion made by Mr. Candon and seconded by Mr. Smith, the Board voted to adopt the "Resolution Pertaining to IORTA Revolving Loan Fund for Homeownership Centers" as attached to these minutes, with Chairman White abstaining.

Mr. Jarrett then distributed a Resolution for the Board's review that incorporates the discussion of Ms. Crady's November 1995 memo and conforms to the Agency's rules for grants and loans. Mr. Seelig, who was still conducting the meeting at this point, noted that this Resolution addresses operating funds rather than IORTA funds; the Board had granted conceptual approval in November 1995. A motion was then made by

Mr. Candon to adopt the "Resolution Relating to Grants for Homeownership Centers" as attached to these minutes. After being seconded by Ms. Bradley the motion carried, with Chairman White abstaining.

The Board then turned to a discussion of "Black River Overlook (Okemo Mountain)—Letter of Interest for Permanent Financing" as described in Mr. Erdelyi's memo of January 11, included in the Board packet. Permanent financing of $375,000 has been requested for the acquisition of land and the construction of 25 new rental housing units in Ludlow. Mr. Erdelyi reminded the Board that a request for financing had been brought before the Board in June 1995, but was tabled on "readiness to proceed" issues. A motion was then made by Mr. Smith and seconded by Mr. Candon to take the discussion of Okemo from the table; this motion carried unanimously. Mr. Erdelyi then introduced Ms. Pond, of Realty Resources, Chartered, which is applying for the financing in partnership with Rockingham Area Community Land Trust. Although the market study indicates a need for rental units in Ludlow, the appraisal indicates the need is less than the market study suggests. In response to a query from Chairman White, Mr. Erdelyi noted that the existing rental housing in Ludlow is comprised mostly of older, well-maintained housing stock, located generally in the town center, with many units converted to seasonal rentals to house visitors to the local ski areas. As Mr. Erdelyi pointed out, one element of the proposed financing would be Low Income Housing Tax Credits, which mandate that a portion of the property remain as affordable housing for 30 years; this would prevent the project from converting to seasonal rentals. Periodic tenant income verification would verify incomes at or below 60 percent of area median income, as required for tax credits. After a motion made by Ms. Bradley and seconded by Ms. Canney, the Board voted unanimously to adopt the "Resolution Regarding letter of Interest re: Okemo Mountain (Ludlow)" as attached to these minutes. Ms. Pond left the meeting following the vote.

Mr. Erdelyi then reviewed the "Kilbourn Trailer Park—Permanent Financing" as detailed in his memo of January 11, included in the Board packet. Ms. Ready, executive director of the project's sponsor, Addison County Community Trust (ACCT), was introduced to the Board. The Kilbourn Trailer Park is a 45 home park in Bristol built in the 1960's. ACCT is applying for $384,500 in first mortgage financing for the acquisition and rehabilitation of this Park. Mr. Erdelyi distributed a memo from ACCT which seeks to clarify issues regarding the Park. Ms. Ready addressed the Board, explaining ACCT's management and ownership/management of similar properties. Following some discussion, a motion was made by Ms. Bradley to adopt the "Resolution Pertaining to Letter of Interest re: Kilbourn Mobile Home Park (Bristol)" as attached to these minutes. After being seconded by Mr. Smith, the motion carried unanimously; Ms. Ready left the meeting following this action.

The "December Tax Credit Reservation—1995 Round 3" was briefly reviewed by Mr. Cummings, who referred the Board to his memo of January 11, included in the Board packet. Board action would ratify the issuance of a tax credit reservation and a subsequent tax credit allocation to the project described in the memo. This reservation was subject to payment by the sponsors of required reservation fees, and the allocation was made subject to the conditions listed in that same memo. After a motion made by Mr. Candon and seconded by Ms. Canney, the Board voted unanimously to adopt the "Resolution Regarding Low Income Housing Tax Credit Project Reservations" as attached to these minutes.

Mr. Cummings then reviewed the "Loan Extension Request—Regional Affordable Housing Corporation, Bridge Loan" as described in his memo of January 11, included in the Board packet. A bridge financing initiative to provide a line of credit in the amount of $36,000 for RAHC was approved in November 1994. This line of credit was provided to allow RAHC to purchase no more than three mobile homes with a lease/purchase agreement with Agency pre-qualified buyers in RAHC's Willows mobile home park in Bennington. A motion was made by Mr. Candon to adopt the "Resolution Regarding Extension of Line of Credit to Regional Affordable Housing Coalition" as attached to these minutes. This motion was seconded by Ms. Canney and carried unanimously.

Next, Mr. Lothrop reviewed the "Servicing Activity for November" and the Single Family Program Activity Report for November as detailed in his memo of December 27, included in the Board packet. The figures in these reports reflect pre-auction activity; the auction results were to be reviewed later in the meeting. MOVE program activity remained strong through November and December. Activity has fallen slightly, in accordance with lowered conventional mortgage rates. Reservations for January have reach $1.8 million to date, comparing favorably with $2.8 million for the entire month of January 1995. Loans through the down payment assistance program were made available early in December, with slightly more than half of those loans under reservation. Chairman White pointed to the decreased activity in the Mortgage Plus (MCC) program. Mr. Hunt explained that staff will be analyzing activity in order to determine the reason for the decline in activity. However, Mr. Hunt noted that in previous years MCC's were linked with lenders' affordable housing programs, and many of these programs are no longer available from conventional lenders. Increased secondary market activity may also play a role in the reduction of MCC activity. Mr. Hunt also advised the Board that conventional lending requests for guarantees from VHMGB have dropped off dramatically, which may be a reflection of the general marketplace. Single family loan activity for the 1995 calendar year reached $71 million, the highest activity level in the last five years.

Mr. Lothrop's delinquency statistics and property disposition report were then examined by the Board. Delinquency percentages for conventional loans were determined based on VHMGB's portfolio of approximately 3,700 conventional loans, and reflect 1.71 percent with payments at 90 days or more past due. Approximately 1.85 percent of the loans in the Agency's portfolio are in this same category. The differences between delinquencies in zero down payment loans and five percent down payment loans still need to be analyzed further; however, most of the Agency's delinquencies are on loans that have at least a five to seven year payment history. The no down payment loans have only four year payment histories. Mr. Lothrop also noted that current procedures for VHMGB conventional loans do not call for lenders to report delinquencies until payments are 60 days past due. Approximately 2.40 percent of VHMGB's portfolio of conventional loans are 60 to 90 days delinquent, which is 60 basis points higher than the Agency's delinquency rate. No Board action was necessary.

The "Auction of REO Properties" was then reviewed by Mr. Lothrop, as per his memo of January 5, included in the Board packet. A real estate auction was conducted in Vermont on December 2 by the J.P. King Auction Group of Gadsden, Ala. The Agency listed in this auction 20 properties from the real estate owned portfolio which were either in poor condition, had not sold through conventional means, were located in an area of the state where the real estate market had been proven to be slow, or all of the above. Mr. Lothrop reported that all of the Agency's properties entered in the auction have been sold. Property values for the auction were determined by comparing the value of the property at the time the loan was originally made, and the value when the property entered the Agency's REO portfolio, or the most recent valuation. Approximately 72 percent of the property value was received, which is comparable with other auctions of this type held throughout Vermont. Mr. Lothrop pointed out to the Board that although the Agency sustained significant losses on the properties sold, these properties are no longer in the Agency's portfolio, and further losses will not be incurred on them.

Chairman White observed that the expenses on some of these properties are almost as high as the outstanding principal balance, apparently due in part to delinquent property taxes. Mr. Lothrop explained that some repairs had been made in anticipation of selling the properties. As it takes about one year to go through a strict foreclosure process, some of these properties had been on the market for six to 12 months. Mr. Jarrett noted that a six month redemption period is the exception rather than the rule, as the Agency generally has a deed in lieu of foreclosure or a shortened redemption due to borrower's abandonment of the property. There was some discussion of mechanisms available to educate borrowers regarding methods to avoid foreclosure, or how to maintain the property and at least minimal mortgage payments during difficult periods such as divorce or lack of employment. Chairman White requested that staff develop a timetable displaying the delinquency to foreclosure process for Agency loans, indicating the length of time between delinquency and actions taken by participating lenders or staff to address the problem. This should also compare the Agency's activities with that of other lenders, and would be helpful for the Board to recognize anticipated losses periodically throughout the fiscal year. Chairman White also asked that the Board be made aware on a regular basis of any difference between the Agency's valuation of a property and the property's fair market value, in an effort to identify potential losses and be aware of the Agency's true fiscal status.

{Mr. Seelig left the meeting at this time.}

In his Executive Director's report, Mr. Hunt informed the Board that Congressional action on the Low Income Housing Tax Credit Program is still unresolved, primarily due to budget reconciliation discussions in Washington, D.C. The Agency's proposal to purchase Westgate Apartments and Applegate Apartments through the HUD loan sale was unsuccessful. Mr. Hunt also reported that he has been spending much of his time on the Governor's energy task force; a report has been submitted to the Governor for review, in an attempt to reach a common understanding of energy needs and guidelines throughout the state. Earlier in the month Mr. Hunt toured the former Brandon Training School property, which consists of 38 buildings on 500 acres, which is being sold by the State at a cost of $1.8 million. There have been some discussions of developing the property into a facility for Alzheimer's patients. Mr. Hunt also reported that he has been involved in discussions with the Administration regarding the availability of VHMGB reserves to assist in addressing the state's budget shortfall. At this point it seems unlikely that the State will request a transfer of some portion of these funds, or the Agency's reserves, as both organizations have incurred significant losses resulting in reduced availability of reserve funds. The Agency currently would not have resources available to fund multifamily projects under discussion without liquefying a portion of the loan portfolio or being able to borrow at favorable rates.

Turning to a discussion of the proposed "Single Family Bond Financing," Mr. Schoenbeck reviewed his memo of January 11, included in the Board packet. While most of the required segments of the bond financing are in place, the bond market is not favorable at this time. There is not a large retail demand, and there has been very little housing bond financing activity in recent months. Under consideration is a smaller sized financing to sell on a retail basis; this would still require the payment of full sales commissions, which would increase costs proportionately. All of the bond documents required have been prepared, and ratings are available from Standard & Poor's, while Moody's continues to ask for further information before assigning a rating. Mr. Schoenbeck reported that approximately $4.5 million is still available in single family funds at a mortgage rate of 7.55 percent, with other recycled funds available at a higher interest rate, which would be less attractive to the home buying market than what is available through conventional lenders. Staff is currently conducting a review of the underwriting process and considering changes to those guidelines, which might have a positive effect on the Agency's portfolio as well as the overall usage of single family mortgage funds and may help better define the sizing of a bond issue. The bond rate for retail investors would appear to be attractive. Explaining that AG Edwards has been actively involved in the retail selling group for the Agency's bonds in Vermont, Mr. Schoenbeck asked Mr. Cole to address the Board regarding the retail bond market. Mr.Cole reported there has been a surprising demand for longer bonds in the retail market, with a number of housing bonds available beyond 15 to 20 years. Information gathered during studies of the bond market conducted by AG Edwards will be shared with Mr. Schoenbeck. According to Mr. Cole, there is a demand for bonds but a longer marketing period is required for retail orders, as it takes longer to sell bonds on the retail market. One possibility would be to do a series of smaller bond sales on a more frequent basis, perhaps monthly. However, Mr. Schoenbeck cautioned the Board that to attempt smaller bond sales every few months would stretch current staff capabilities. No Board action was taken.

Mr. Schoenbeck then reviewed the "September 30, 1995, Financials" as attached to his memo of January 12, included in the Board packet. The balance sheet and statement of revenues reflect activity within all of the Agency's programs, including the General Fund. The excess of revenues over expenses compares favorably with activity at the same time one year ago. Mr. Schoenbeck explained that the refunded multifamily bonds were issued in May, with income to be recognized by the Agency as long as the excess yield from that program is invested in new loans. The REO loss valuation will be determined over the next month for the second quarter FY96 financials. No Board action was necessary.

The Board then reviewed the "General Fund Budget Performance" report from Mr. Schoenbeck, included in his memo of January 12 in the Board packet. As Mr. Schoenbeck noted, there is a slight amount of excess income, but fund transfers have not yet occurred, which is not unusual for the first quarter of the fiscal year. Expenses were well in line with budgeted amounts. Again, there was no required Board action.

Mr. Francis then reviewed his memo of January 11, included in the Board packet, regarding the proposed "Capital Budget—Computer Upgrade." In an effort to accelerate the installation and usage of a Windows-based computer environment, it will be necessary to purchase additional software and computer equipment before the end of the fiscal year. A motion was made by Ms. Canney to amend the capital budget in an amount not to exceed $26,000 to purchase new computer equipment and software to complete the organizational transition to Windows-capable computers and an improved office operating system. This motion was seconded by Ms. Bradley and carried unanimously.

Under other old or new business, Mr. Hunt introduced Ms. Boucher, the Agency's Underwriting Supervisor, who addressed the Board regarding methods of revising the

Agency's policies for single family underwriting. The Agency's single family loan portfolio has, historically, been comprised of "difficult" loans which would not have been made by conventional lenders. By reviewing loan default or foreclosure scenarios it may be possible to determine methods to revise these underwriting methods to avoid potential borrower difficulties, such as unexpected major home repairs or other risk factors. Ms. Boucher informed the Board that staff has been reviewing the underwriting worksheet and considering such options as "scoring" loans to determine risk factors. Samples of actual loans would be pulled from the portfolio, based on factors such as early payment defaults in the first three to six months of the loans, short payoffs, those on which the property entered the Agency's REO portfolio, foreclosures, etc. These targeted loans would then be compared with successful or current loans that contain similarities, such as borrower income, the age and location of the property, and so forth, to determine some measure of statistical similarity. A layering of risk will also be considered. Credit scoring could also be used to project potential problem loans. Ms. Boucher stated that credit scoring is very prevalent in consumer lending, but is a new concept for mortgage lending. However, Chairman White cautioned the Board that many community banks do not have a credit scoring procedure in place, which might cause a problem should the Agency propose to purchase only mortgages that have been credit scored. According to Ms. Boucher, staff is only trying to gather data at this point; Fannie Mae and Freddie Mac do not currently require credit scoring, but the Agency needs to be prepared to have a method in place should those organizations initiate that requirement along with revised loan limits.

Ms. Canney pointed out that the Veterans' Administration (VA) had implemented a loan scoring system in its underwriting procedures nearly ten years ago, but this system was abolished about five years ago in favor of more conventional underwriting standards; it might be useful to review those methods to see if they could be applicable to the Agency's situation. As Mr. Lothrop noted, the VA system was used primarily to determine residual income, while the method being contemplated by the Agency would determine how much home a borrower could presently afford. Ms. Boucher clarified that point further by indicating that the credit or loan scoring method is not proposed as an automatic system for loan approval or denial, but as a guide or analysis tool. The layering of risk would be the main consideration in this approach, according to Mr. Hunt, who noted that any borrower who is "on the edge" in any segment of the loan scoring method would present a higher risk of default in the Agency's loan portfolio. Ms. Canney raised the question of her belief that the Agency has an apparent history of approving borrowers at a higher limit of their income or purchasing limit; Ms. Canney emphasized that a borrower should be able to buy a lower priced house rather than the highest purchase price they can qualify for, in order to be able to apply the remainder of their income to savings or other expenses. Mr. Hunt and Ms. Canney agreed to discuss this perception in further detail after the Board meeting. Mr. Candon asked for clarification of the Agency's consideration of maximum allowable credit card limits vs. the actual outstanding balance when underwriting a loan. As Ms. Boucher explained, the outstanding balance is considered in the Agency's single family underwriting process; however, a credit score can review how many new credit lines have been opened, how close a borrower is to the maximum credit limit allowed, and how many new credit inquiries have been made, as well as reviewing delinquent credit payments. A credit score lists the top four reasons why a borrower would not qualify for the loan being considered, indicating what kept the borrower from attaining a "perfect" score. No Board action was taken, but it was understood that staff would keep the Board informed of any progress in the subsequent review of loans as originally proposed by Ms. Boucher.

Mr. Jarrett reported that the Agency had been involved in a lawsuit involving a Section 8 development owner who had prepaid a loan several years ago but did not want to incur the prepayment penalty, which had been clearly stated in the original loan agreement. The owner was suing to obtain a refund of the prepayment penalty funds. The suit had been filed in 1993 and came to trial in 1995, with the Court ruling in the Agency's favor.

The next meeting was scheduled for February 15 *{later, the February meeting was cancelled and the March meeting was rescheduled to Friday, March 8}*. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt, Secretary

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

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

WHEREAS, the Development has been the subject of previous resolutions of the Agency on January 18, 1995, September 20, 1994, March 3, 1994, December 16, 1993, November 18, 1992, September 24, 1992, May 20, 1992 and June 26, 1991; and

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

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

WHEREAS, the Sponsor requested an extension of the repayment of the Agency's Loan to December 31, 1995, which request was approved, and

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

WHEREAS, the Sponsor has requested an additional extension of the repayment of the Agency's Loan from December 31, 1995 to December 31, 1996; and

NOW, THEREFORE, it is hereby DETERMINED:

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

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

WHEREFORE, it is hereby RESOLVED:

1. The recommendations contained in the January 8, 1996 staff memorandum are adopted and the Executive Director is authorized to extend the maturity of the Sponsor's Loan from the Agency from December 31, 1995 to December 31, 1996 by entering into a modified loan agreement and any other required documents in form and substance acceptable to him.

2. If the Development funds are insufficient to fully pay the Agency's Loan at the maturity date of December 31, 1996, the Agency will permit its first mortgage to remain on the land, subject to the land leases given by the Sponsor to home buyers. The maximum amount outstanding in the Loan at that time will be $30,000. The interest rate on the outstanding amount will be 7.50% per annum until the sale of the last home in the Development, at which time the interest rate will increase to 8% per annum for a maximum term of six years. Principal payments of $5,000 will be due annually, together with accrued interest.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

RESOLUTION PERTAINING TO EXTENSION OF TERM OF LOAN RE: PINECREST VILLAGE DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by John Varsames of Northshore Equities (the "Sponsor"), regarding the outstanding loan for the construction of eleven single family homes in Williston (the "Development"); and

WHEREAS, the Development has been the subject of previous resolutions of the Agency on April 20, 1995 and January 18, 1995; and

WHEREAS, the Agency made a loan on May 17, 1995 of up to $750,000 for construction of eleven homes (the "Loan") and eight of those homes have been sold with two additional closings scheduled for later this month; and

WHEREAS, the Loan matured on December 31, 1995 and has a current outstanding balance of $263,145; and

WHEREAS, the Sponsor has requested an extension of the repayment of the Loan from December 31, 1995 to June 30, 1996.

NOW, THEREFORE, it is hereby DETERMINED:

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

2. Extending the construction loan is appropriate in carrying out and effectuating the purposes and provisions of the Vermont Housing Finance Agency Act; and

WHEREFORE, it is hereby RESOLVED:

The Executive Director is authorized to extend the maturity of the Sponsor's Loan from the Agency from December 31, 1995, to June 30, 1996, at an annual rate of 8% by executing a modification to the loan agreement between the parties and any other required documents in form and substance acceptable to him.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION PERTAINING TO IORTA
REVOLVING LOAN FUND FOR HOMEOWNERSHIP CENTERS

WHEREAS, Act 86 of the 1991 Legislature established the IORTA (Interest on Real Estate Trust Accounts) program and directed the funds received from real estate trust and escrow accounts to the Agency for use for down payment and closing cost assistance with priority to be given to persons and families at or below 90% of median income and to persons and families purchasing perpetually affordable housing; and

WHEREAS, at its November 1995 meeting, the Board of Commissioners approved a proposal to commit up to $100,000 of IORTA funds to assist clients of three homeownership centers with down payment and closing cost assistance; and

WHEREAS, the three sponsors of the homeownership centers, the Burlington Community Land Trust, Gilman Housing Trust and Rutland West Neighborhood Housing Services, have requested that the Agency create revolving loan funds for each organization to utilize in assisting persons and families at or below 70% of median income with down payment and closing costs; and

WHEREAS, IORTA funds would be used to leverage other loan funds, including the Neighborhood Reinvestment Corporation's secondary market and allow the sponsor to structure flexible repayment terms; and

WHEREAS, the Board has been presented with a memorandum dated January 9, 1996 from Patricia Crady, the Agency's Development Coordinator (the "Memorandum"), setting out criteria for eligibility;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to use enter into agreements with the Burlington Community Land Trust, Gilman Housing Trust and Rutland West Neighborhood Housing Services to use $100,500 of IORTA funds to establish a revolving loan fund in the amount of $33,500 each for the three sponsoring organizations.

2. The agreements to be executed will contain terms for loans to be made with the IORTA funds substantially in accordance with the criteria set out in the Memorandum.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

RESOLUTION RELATING TO GRANTS FOR HOMEOWNERSHIP CENTERS

WHEREAS, Staff has previously informed the Board of Commissioners about an initiative for community based nonprofit organizations to implement Homeownership Centers with financial assistance from the Agency, most recently in a memorandum dated November 8, 1995 from the Agency's Development Coordinator, Patricia A. Crady (the "Memorandum");

WHEREAS, the Agency has authorized the Executive Director to negotiate funding agreements with three community based nonprofits, Burlington Community Land Trust, Inc., Gilman Housing Trust and Rutland West Neighborhood Housing Services and to commit up to $60,000 in funding for the first year of an anticipated three year program to assist these three nonprofits with the further development, implementation and operation of Homeownership Centers;

WHEREAS, the Agency's Rules pertaining to Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing (the "Rules") require a resolution of the Agency and a certain finding before any grant can be made under the authority of the Rules;

NOW, THEREFORE, it is hereby DETERMINED:

1. The proposed grants to Burlington Community Land Trust, Inc., Gilman Housing Trust and Rutland West Neighborhood Housing Services will assist the planning, construction, rehabilitation or operation of Residential Housing.

RESOLVED:

1. The Vermont Housing Finance Agency will make grants of not more than $20,000 each to Burlington Community Land Trust, Inc., Gilman Housing Trust and Rutland West Neighborhood Housing Services for implementing Homeownership Centers.

2. The Executive Director is authorized to enter into a grant agreement satisfactory to him with each organization and to take any other necessary steps to implement the Homeownership Center initiative, including, but not limited to, providing training and technical assistance.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

RESOLUTION REGARDING LETTER OF INTEREST RE:
OKEMO MOUNTAIN (LUDLOW)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") acting for Ludlow Housing Partnership, a limited partnership (the "Partnership") whose general partners are Joseph Cloutier and Rockingham Area Community Land Trust and whose limited partner is Okemo Mountain, Inc., involving the permanent first mortgage financing for a 25 unit development of new affordable rental housing in Ludlow (the "Development"); and

WHEREAS, the proposed development will contain 25 two and three bedroom units in five buildings located on a 12 acre site on the east side of Routes 100 and 103 in Ludlow, approximately one and a half miles from the town center (the "Property"); and

WHEREAS, the Sponsor will apply for low income housing tax credits, which, if allocated, would enable the Sponsor to raise equity money through the sale of the tax credits; and

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

WHEREAS, the Development was the subject of a discussion at the June 1995 meeting of the Agency, which was tabled; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated January 11, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The costs of site development and construction to be incurred by the housing sponsor are housing development costs within the meaning of the Act.

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, once the conditions set out herein have been achieved to his satisfaction, to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Partnership for the 25 unit development in Ludlow in an amount not to exceed $375,000. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall require the Sponsor to satisfy the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   (a) Level I Environmental Site Assessment;

   (b) evidence of other financing as proposed, or its equivalent;

   (c) review of construction costs by VHFA or its agent;

   (d) sponsor must provide documentation of operating expense budget line items, including a letter from the town regarding the estimated taxes;

   (e) satisfactory "stress test" analysis of the cash flow projections under varying assumptions, including higher-than-projected vacancy rates and different income and expense trending rates;

   (f) resolution of issues related to the allocation of Low Income Housing Tax Credits, including high per unit cost, developer's fees, and builder's overhead and profit;

(g) resolution of the rate lock/"not-to exceed" interest rate issue; and

(h) justification by sponsor for including heat and other utilities in rent.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: KILBOURN MOBILE HOME PARK (BRISTOL)

WHEREAS, a proposal has been presented to the Agency by Addison County Community Trust ("ACCT"), involving the acquisition and rehabilitation of the Kilbourn Mobile Home Park, a mobile home park containing 45 pads located in Bristol (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of $384,500 with an amortization period of 30 years with a balloon payment at the end of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

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

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. Upon the satisfaction of the following conditions, the Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the Addison County Community Trust for the acquisition and rehabilitation of the Kilbourn Mobile Home Park in Bristol in an amount not to exceed $384,500. The conditions are:

    a) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications;

    b) a review appraisal by Allen and Cable satisfactory to staff to make a determination of value;

    c) engineering assessment(s) of the park's water distribution, electrical, and septic systems. The purpose of the assessments is to reveal which elements of the systems should be replaced up front, and which can be replaced over time using replacement reserve funds;

    d) a complete survey of the park, including a perimeter survey and the approximate location of all improvements within the park;

    e) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements; and

    f) identification of an adequate source of funds by VHFA.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JTCC met on December 20, 1995 and considered recommendations for a total of $137,108 in reservations of tax credits for one proposed project; and

WHEREAS, the Agency staff recommended the project to the JTCC for a reservation and the JTCC accepted the staff's recommendations; and

WHEREAS, staff has prepared a memorandum dated January 11, 1996 containing a description of the project (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency ratifies the reservation for the project recommended by staff for a reservation in the Memorandum and accepted by the JTCC: The Pines, Phase II, subject to the payment of applicable reservation fees, and of an allocation subject to the conditions discussed in the Memorandum.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

RESOLUTION REGARDING EXTENSION OF LINE OF CREDIT TO REGIONAL AFFORDABLE HOUSING CORPORATION

WHEREAS, on November 17, 1994 the Board of Commissioners authorized the extension of a line of credit in the amount of $36,000 to the Regional Affordable Housing Corporation ("RAHC") in order to allow RAHC to purchase mobile homes to make them available to VHFA qualified buyers in RAHC's Willows mobile home park in Bennington; and

WHEREAS, RAHC has drawn $10,500 under the line of credit to allow one home buyer to purchase a mobile home in the Willows park and is working toward a purchase with another potential buyer; and

WHEREAS, RAHC has requested an extension of the line of credit until March 31, 1997; and

WHEREAS, the Board has been presented with a memorandum dated January 11, 1996 from Paul Cummings (the "Memorandum") discussing the issues surrounding this request;

NOW, THEREFORE, it is hereby RESOLVED:

1. The maturity date of the line of credit made available to the Regional Affordable Housing Corporation by resolution of the Board of Commissioners dated November 17, 1994 is hereby extended to March 31, 1997. The interest rate on any funds drawn under the line is set at 6.00% per annum, but with a rate review to be conducted every six months, as discussed in the Memorandum.

2. The Deputy Director and Director of Finance are authorized to execute any documents necessary to implement this resolution.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on January 18, 1996.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PMC

DATE: March 1, 1996

RE: The Essex Town Center - Letter of Interest for Permanent Financing

Executive Summary

Homestead Design, Inc., (HDI) has applied to VHFA for $1,969,620 in permanent first mortgage financing. HDI has also requested $2,843,411 in construction financing which includes $873,791 in LIHTC Equity Pay-In Bridge Financing; however, because the amount of bridge financing needed may vary depending on the syndicator HDI uses, this request to the Board for financing will consider the permanent financing only. The proposed project consists of the new construction of 44 units in one "L" shaped building on the corner of an approximately 15 acre site in Essex. The residential units will be built on the top two stories of a three story mixed use building which will include approximately 16,000 square feet of retail space on the ground level. VHFA would not finance the commercial portion of the development. All of the units would be affordable to households earning less than median income. HDI is proposing that 50 percent of the units would be Low Income Housing Tax Credit (LIHTC) units, affordable to low income households earning less than 60 percent of median income. The total development cost would be $81,896 per unit.

The Town of Essex has been working since early 1990 to develop a new comprehensive town plan which would encourage growth to occur in compact centers and create a new mixed use town center. The proposed site is between Route 15, the Lang Farm Center in Essex and the Circumferential Highway (I-289). HDI is working with the Town to not only submit an application for Community Development Block Grant (CDBG) funds, but also to hold an option to purchase the property from HDI after 15 years, thus extending the low income restrictions. HDI would also provide an option to a nonprofit housing organization, such as Housing Vermont.

HDI has submitted an LIHTC application for the first round of tax credits in 1996. VHFA is currently reviewing LIHTC applications and expects to make recommendations by the end of March. The Town of Essex is working with HDI to submit an application for a Community Development Block Grant (CDBG) loan in May with awards to be made on June 27, 1996. The remaining source of funds for this project includes a combination of LIHTC proceeds and developer equity. A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

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THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$1,969,620	54.66%
Developer Equity	$364,456	10.11%
CDBG Deferred Loan	$495,957	13.76%
Tax Credit Equity	$773,379	21.46%
Totals	$3,603,412	100.00%

The property has not yet received an "as completed" appraisal and therefore a condition of VHFA financing would be that the "as completed" appraisal value indicates a loan-to-value ratio of no more than 95 percent. The loan-to-cost ratio is approximately 55 percent.

Unit Breakdown and Rents

All of the units in the proposed development would be affordable to households earning less than median income and 22 (50 percent) of the 44 units would be affordable to households earning less than 60 percent of median income. The unit size and rent breakdown is as follows:

LIHTC Rents			Market Rents < Median Income		
Size	#	Rents	Size	#	Rents
1 BR	14	$532	1 BR	14	$610
2 BR	8	$639	2 BR	8	$760

These rents include all utilities: heat, hot water, electricity and trash.

Sponsor, Management & Market

Homestead Design, Inc., is an architectural, building, development, and real estate company which has been operating in Chittenden County since 1976. The principals of the company are John Hausner, a licensed professional architect, and Bob Marcellino, a civil engineer. The firm currently employs nine staff members. During the past 20 years, HDI has been involved in the design and/or building of construction projects with a total value of over $100 million and which cover a broad range of building types such as commercial, institutional, medical, and residential. HDI has developed over 500 units of residential housing, including the 12-unit Wells House on Main Street in Waterbury, a Section 8 rehabilitation financed by VHFA.

HDI is working to reach an agreement with the Town of Essex that would provide the Town with an option to purchase the residential/commercial Essex Town Center building after 15 years (the term of the LIHTC compliance period). HDI is also seeking to provide an option to a nonprofit housing organization, such as Housing Vermont. HDI has proposed to manage the property, in part because they don't want to separate the commercial and residential management contracts and also because they would have substantial equity tied up in the project. HDI has contacted VHFA's LIHTC Multifamily Management Department in order to review the specific LIHTC management requirements and has indicated that they would take every step necessary to develop the capacity to manage the property effectively as an LIHTC project.

HDI has commissioned Michael Keller of Keller, Navin & O'Brien, Inc., to complete a survey of apartment complexes in the greater Burlington area to determine current rents and vacancies. Based on this survey, the current vacancy rates (during 1995) varied with the season, but were generally less than 2%. VHFA is concerned that the creation of residential units over commercial units could make it more difficult to lease the residential units; therefore, VHFA would require that HDI maintain a balance in the working capital/operating cash account that would be in excess of 40 percent of VHFA's annual debt service. HDI would also provide a full market study to prior to receiving a commitment for financing that would demonstrate that sufficient demand exists for residential housing located over commercial/retail development.

Site & Environmental Concerns

The project has not received a Level I Environmental Assessment. HDI is planning to commission the environmental assessment with the intention that it would be completed prior to closing on the construction loan (projected to be September 1, 1996).

DISCUSSION

Because this is an LIHTC project that is trying to maximize the tax credit (utilize the 9% credit), the sponsor is not able to use a tax exempt source of funds such as tax exempt bonds for permanent financing. This is unfortunate because this project would be an excellent candidate for a tax exempt bond sale based on the total financing required (approximately $2 million). Therefore, we have considered the possibility of utilizing Federal Home Loan Bank (FHLB) funds or selling taxable bonds for this loan. Based on our cost of funds from the FHLB at current rates and the 100 basis point spread we typically add to permanent loan rates, we could provide a loan to the Essex Town Center at rate of approximately 8 percent (8%). However, this would utilize most if not all of our available collateral and would make it very difficult to make future FHLB funded loans. The other option would be to sell taxable bonds that would most likely carry a less favorable interest rate (approximately 9%-9.5%) than could be provided through FHLB funds.

Strengths

a) The sponsor has successfully developed both single family and multifamily developments, including a 12-unit affordable housing Section 8 project in Waterbury financed by VHFA.

b) The project would create 44 new residential units and 16,000 square feet of commercial space as part of the Town of Essex's new town center. The Town has worked with HDI in creating the plan this new town center and is in full support of the project. The Town is also planning to submit an application for CDBG funds that will help the financial feasibility of the project.

c) All of the units in the proposed project would be affordable to households earning less than median income with half (22 units) of these units affordable to households earning less than 60 percent of median income.

d) The rental market for affordable housing in the greater Burlington market is strong and this could improve as a result of the increased jobs that would be created in and around the proposed new Essex Town Center.

Weaknesses

a) The project creates residential housing over commercial units which could make it more difficult to lease the residential units. However, HDI is planning to commission a thorough market study that would demonstrate demand for the residential units, is willing to insure that the commercial units would be occupied, and HDI would agree to keep the working capital/net cash account at a balance that is in excess of 40 percent of VHFA's annual debt service.

b) The project has not had an environmental review or an "as completed" appraisal. However, based on staff requests HDI has indicated that these reports would be completed prior to receiving a permanent financing commitment.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent and construction financing in an amount of up to $2,000,000, loan term of 20 years with an amortization schedule of 30 years and an interest rate of based on our source of funds. The proposed source of funds is either Federal Home Loan Bank of Boston funds or a taxable bond sale. The Letter of Interest shall include the following conditions:

1) sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value of no more than 95 percent; and

2) sponsor must provide an independent market study, satisfactory to staff, that indicates a demand for the proposed residential units that is consistent with the proposed unit rents and lease-up schedule; and

3) sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions; and

4) sponsor must demonstrate that requisite financing has been committed by July 1, 1996, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: ESSEX TOWN CENTER

WHEREAS, a proposal has been presented to the Agency by Homestead Design, Inc., a developer located in Williston (the "Sponsor") on behalf of a to-be-formed limited partnership, one of whose general partners would be Homestead Design, Inc., involving the construction and permanent financing of a mixed-use development in Essex containing 44 units in one building located on 15 acres in Essex (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $2,900,000; and

WHEREAS, the Sponsor has applied for a reservation of Low Income Housing Tax Credits and will apply for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated March 1, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

5. The amount of the Agency's loan after the rehabilitation will not exceed 95% of the security value of the Development.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership for the consruction of the Essex Town Center development in Essex in an amount not to exceed $2,900,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

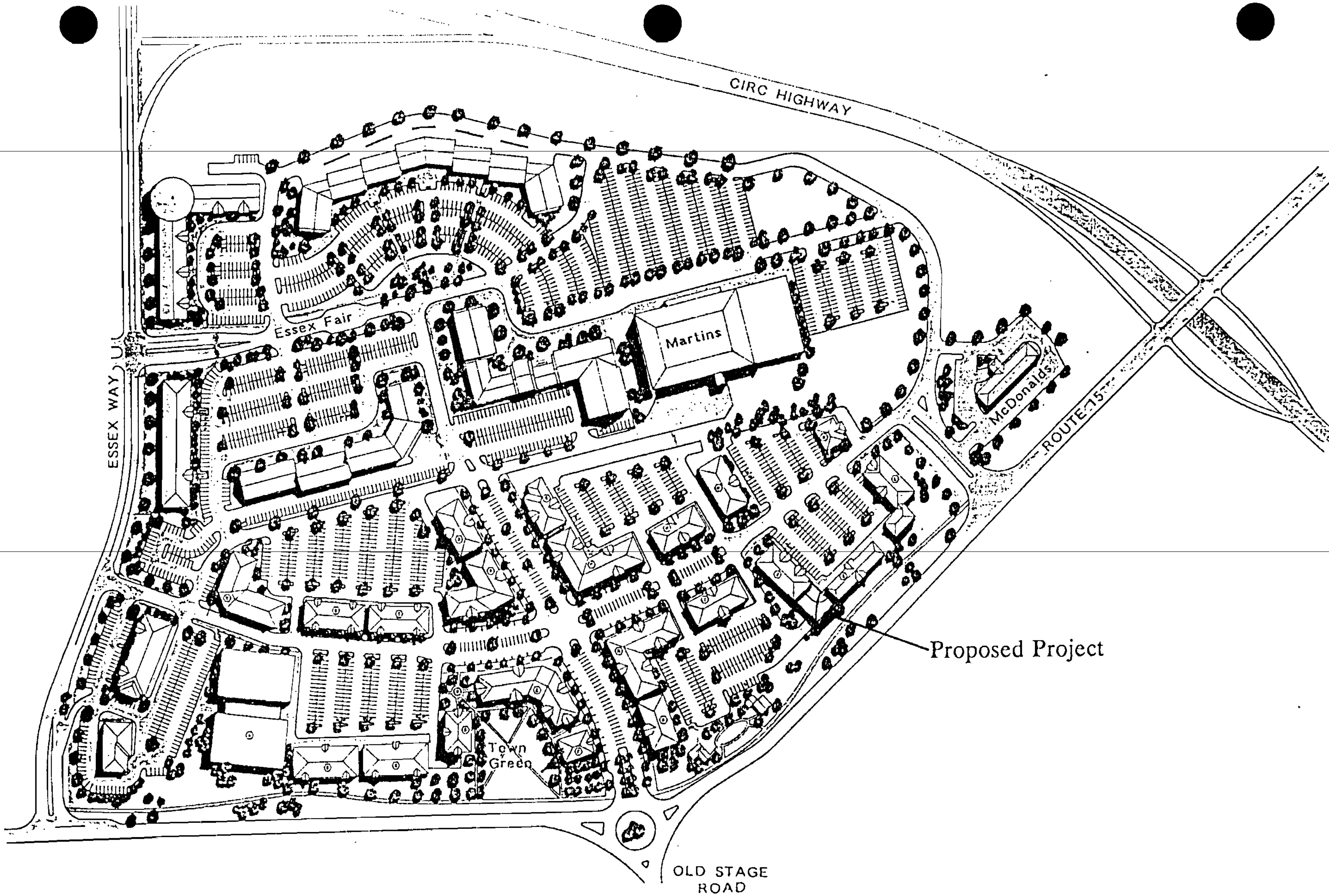
2. The Letter of Interest shall include the following conditions:

   a) Sponsor must provide an appraisal, satisfactory to staff, that indicates that the first mortgage debt being provided by the Agency does not exceed 95% of the value; and

   b) sponsor must provide an independent market study, satisfactory to staff, that indicates a demand for the proposed residential units that is consistent with the proposed unit rents and lease-up schedule; and

   c) sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions; and

   d) Sponsor must demonstrate that requisite financing has been committed by July 1, 1996, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds or increase the amount of equity contributed by sponsor.



ESSEX TOWN CENTER

Proposed Master Plan
Essex, Vermont

HDI/Eurowest

\DEVEL\LIHTC\PROJECTS\ESSEXCTR\PROFORMA.WB2

Project:	Essex Town Center	RUN DATE:	27-Feb-96

Total Residential Units:	44	Increase LIHTC	2.00%
Restricted Units:	22	Increase Market	2.50%
Percent Restricted:	50.00%	Expense increase:	4.00%
Avg Net Monthly Rent:	587	Vacancy Rate:	5.00%
Total Dev Costs	3,603,412	Partner's Tax Rate:	34.00%
TDC/Unit	81,896	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	58.00%
		Maximum ROE Distribution:	10.00%
Total Credit Amount	133,022	Minimum Net Cum. Cash:	72,694
Net Syndication	771,531		
LIHTC - 9%	8.35%	(March '96)	
LIHTC - 4%	3.58%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort Period
Primary debt	1,969,620	54.66%	8.50%	20	30
Developer Equity	366,304	10.17%	5.00%	N/A	
Deferred - CDBG	495,957	13.76%	N/A	30	
Tax Credit Equity	771,531	21.41%	N/A	N/A	
	3,603,412	100.00%			

Gap: 0

		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		286,000	6,500	9.07
Purchase of Building(s)			0	0.00
Demolition		14,220	323	0.45
Rehabilitation			0	0.00
New Buildings		1,625,346	36,940	51.54
Accessory Building(s)			0	0.00
Sitework		298,620	6,787	9.47
Off-site Improvement and Fees		7,110	162	0.23
General Requirements	4.97%	116,718	2,653	3.70
Contractor Overhead	3.23%	82,481	1,875	2.62
Contractor Profit	3.36%	85,780	1,950	2.72
Construction Contingency	5.75%	111,514	2,534	3.54
Construction Bond Fee		7,318	166	0.23
APPLIANCES			0	0.00
Subtotal		2,635,107	59,889	83.56
PROFESSIONAL SERVICES				
Architect Fee		86,133	1,958	2.73
Architect Fee - Supervision		35,000	795	1.11
Engineering/Landscape Architecture		55,050	1,251	1.75
Attorney		15,000	341	0.48
Legal - Title & Recording		2,500	57	0.08
Subtotal		193,683	4,402	6.14
INTERIM COSTS				
Construction Insurance		4,203	96	0.13
Construction Interest		61,875	1,406	1.96
Construction Loan Origination Fee		30,000	682	0.95
Taxes		1,991	45	0.06
Subtotal		98,069	2,229	3.11
OTHER SOFT COSTS				
Property Appraisal		1,500	34	0.05
Market Study		1,500	34	0.05
Environmental Report		853	19	0.03
Permits/Fees		64,022	1,455	2.03
Legal Fees/Other		20,000	455	0.63
Tax Credit Fees		5,520	125	0.18
Marketing		17,600	400	0.56
Subtotal		110,995	2,523	3.52
FINANCING FEES & EXPENSES				
Credit Report		150	3	0.00
Permanent Loan Origination Fee		20,000	455	0.63
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
Title & Recording			0	0.00
Counsel's Fee		1,500	34	0.05
Other			0	0.00
Subtotal		21,650	492	0.69
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion		10,000	227	0.32
Subtotal		10,000	227	0.32
DEVELOPER'S FEES				
Developer's Overhead & Profit		457,425	10,396	14.50
Consultant Fees			0	0.00
Subtotal	17.39%	457,425	10,396	14.50
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve		6,500	148	0.21
Replacement Reserve			0	0.00
Working Capital		69,983	1,591	2.22
Operating Reserve/Sinking Fund			0	0.00
Subtotal		76,483	1,738	2.43
TOTAL DEVELOPMENT COSTS		3,603,412	81,896	114.26

Essex Town Center		INCOME & EXPENSE BUDGET			27-Feb-96	
		INCOME				

RENTS

Restricted Units						Total
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent
1 Br		644	14	532		89,376
2 Br		844	8	639		61,344
2 Br						0
2 Br						0
3 Br						0
	Totals	15,768	22			150,720

Market Rate Units						Total
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent
1 Br		644	14	610		102,480
2 Br		844	8	760		72,960
3 Br			0	0		0
	Totals	15,768	22			175,440
All Units						
	Grand Totals	31,536	44			326,160
		Less Vacancy	5.00%			(16,308)
					NET RENT	309,852

OTHER INCOME

Interest Income	3,400
Laundry	13,728
Parking	0
Total Other Income	17,128
TOTAL INC	326,980

Essex Town Center	EXPENSE BUDGET		27-Feb-96
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	19,000	1,583	36
Supportive Services		0	0
Audit/Accounting	2,000	167	4
Legal	1,000	83	2
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Rent		0	0
Compliance Monitoring	528	44	1
Other		0	0
TOTAL ADMINISTRATI	22,528	1,877	43
Utilities			
Water/Sewer	8,270	689	16
Electric	12,118	1,010	23
Fuel	21,186	1,766	40
Other/Fire/Alarm	530	44	1
TOTAL UTILITIES	42,104	3,509	80
Maintenance			
Maintenance Payroll	5,200	433	10
Supplies	520	43	1
Trash Removal	4,500	375	9
Snow/Grounds	4,000	333	8
Repairs	500	42	1
Paint/Decorating	2,500	208	5
Exterminating		0	0
Contract Maintenance		0	0
Equipment Debt		0	0
Service Lease/Elevator	1,300	108	2
Other	790	66	1
TOTAL MAINTENANCE	19,310	1,609	37
Taxes	31,680	2,640	60
Insurance	7,260	605	14
Replacement Reserves	15,493	1,291	29
Other		0	0
Total	138,375	11,531	262

27-Feb-96 Essex Town Center

PRO FORMA

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		326,160	332,683	339,337	346,124	353,046	360,107	367,309	374,655	382,148	389,791	397,587	405,539	413,650	421,923	430,361
Less Res Vacancy		(16,308)	(16,634)	(16,967)	(17,306)	(17,652)	(18,005)	(18,365)	(18,733)	(19,107)	(19,490)	(19,879)	(20,277)	(20,682)	(21,096)	(21,518)
Plus Other Income		17,128	17,471	17,820	18,176	18,540	18,911	19,289	19,675	20,068	20,470	20,879	21,297	21,722	22,157	22,600
Total Actual Income		326,980	333,520	340,190	346,994	353,934	361,012	368,233	375,597	383,109	390,771	398,587	406,559	414,690	422,983	431,443
Less Operating Expense		122,882	127,797	132,909	138,226	143,755	149,505	155,485	161,704	168,173	174,899	181,895	189,171	196,738	204,608	212,792
Less Reserves		15,493	15,880	16,277	16,684	17,101	17,529	17,967	18,416	18,877	19,349	19,832	20,328	20,836	21,357	21,891
Net Operating Income		188,605	189,842	191,003	192,084	193,078	193,979	194,781	195,477	196,060	196,523	196,859	197,059	197,115	197,019	196,760
Less Debt Service		181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736	181,736
Cash Flow		6,869	8,106	9,267	10,348	11,342	12,243	13,044	13,741	14,324	14,787	15,123	15,323	15,379	15,283	15,024
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		6,869	8,106	9,267	10,348	11,342	12,243	13,044	13,741	14,324	14,787	15,123	15,323	15,379	15,283	15,024
ROE Distribution	10.00%	6,869	8,106	9,267	10,348	11,342	12,243	13,044	13,741	14,324	14,787	15,123	15,323	15,379	15,283	15,024
Net Cash after Distribution		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash (Incl. Wk Capital)		76,483	80,307	76,329	76,329	76,329	76,329	76,329	76,329	76,329	76,329	76,329	76,329	76,329	76,329	76,329
Less Working Cap. Dist	25.00%	0	7,613	3,635	3,635	3,635	3,635	3,635	3,635	3,635	3,635	3,635	3,635	3,635	3,635	3,635
Total Net Cash		76,483	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694	72,694
Cumulative Replacement Reserves		15,493	32,148	50,033	69,219	89,781	111,799	135,356	160,540	187,444	216,165	246,805	279,474	314,284	351,355	390,814
Interest Rate on Accts:	5.00%															
DCR		103.78%	104.46%	105.10%	105.69%	106.24%	106.74%	107.18%	107.56%	107.88%	108.14%	108.32%	108.43%	108.46%	108.41%	108.27%

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PMC

DATE: March 1, 1996

RE: Multifamily Loan Underwriting Standard -- Annual Distributions

Based on VHFA's Multifamily Rules, the amount of any loan provided by VHFA to nonprofit corporations, state public agencies, or local public agencies will be limited by the housing development cost or the security value of each project, whichever is less. For all other sponsors (for-profit sponsors), the amount of any loan provided by VHFA cannot exceed 95 percent of the housing development cost or 95 percent of the security value, whichever is less. The sponsor's five (5) percent contribution must be in the form of either cash or land or a combination of both.

Historically, VHFA has allowed multifamily (for-profit) sponsors the opportunity to earn a return on their equity investment in an amount not to exceed ten percent of the equity contributed (invested). This return, or dividend, provides an incentive for sponsors to continue to utilize VHFA funds when equity contributions are required. In the commercial lending marketplace, banks may require a higher equity contribution (i.e., 25 percent) but do not often limit the annual return on equity.

VHFA would like to continue to allow sponsors to earn a return on equity in an amount not to exceed ten percent. In allowing this return, however, VHFA and the sponsor would agree that the return is not guaranteed and is only earned if income exceeds projected amounts. There are a number of ways that a sponsor could cause project income to exceed projected amounts. One way, for example, is if a project is well managed it is possible that the sponsor could maintain high occupancy rates, minimize vacancy loss, and potentially increase net project income. Another way to increase project income would be to reduce or eliminate certain operating expenses. VHFA, however, discourages reducing needed operating expenses by approving the operating budgets annually, insuring that projects are well managed and that reasonable expenses are being budgeted for and provided. VHFA would also continue to review the affordability of proposed projects during the loan

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underwriting stage and encourage sponsors to target lower income households if at all possible. In addition, because sponsors could potentially take all the net cash (if net project cash is less than ten percent of equity) in any given year in the form of a distribution, VHFA would require that sponsors maintain an average annual balance in the working capital/operating cash account that would be in excess of 40 percent of VHFA's annual debt service amount. (VHFA requires that a working capital account is established at closing in an amount that equals 40 percent of VHFA's annual debt service.) In making this condition, VHFA recognizes that some projects may have to utilize a portion of these account funds to pay for lump sum operating expenses such as property taxes.

VHFA also recognizes that nonprofit borrowers, although they are currently not required to contribute equity to a VHFA financed development, would like the opportunity and incentive to claim a portion of net cash generated by a project if any surplus is the result of efficient operation and management of the project. VHFA would like to involve the Vermont Housing and Conservation Board (VHCB) in a discussion regarding the nonprofit organizations' request to receive distributions from well managed projects in their portfolio.

RECOMMENDATION

Staff recommends Board approval of equity distributions in an amount not to exceed ten percent of owner equity. Staff further recommends Board approval of VHFA's proposed discussion with VHCB regarding distributions for nonprofit organizations.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC
Cathleen L. Gent, Director of Communications CLG

DATE: February 29, 1996

RE: Evaluation Plan for Homeownership Centers

In November 1995, the VHFA Board of Commissioners committed up to $60,000 in funding for the first year of an anticipated three year pilot Homeownership Center program with three community based nonprofits: Burlington Community Land Trust, Gilman Housing Trust, and Rutland West Neighborhood Housing Services. Homeownership Centers will provide access to education, counseling, and special loan services to individuals and families who would otherwise be unable to purchase a home. Through the use of these funds and additional technical support, VHFA will assist these three nonprofits with the development, implementation, and operation of the Homeownership Centers.

One of the conditions of the Homeownership Centers Grant Agreement between VHFA and the three nonprofits includes mutual collaboration in conducting a comprehensive evaluation process. Because this is a pilot initiative which hopefully will be replicated in other parts of Vermont, an evaluation can provide valuable information about program activity results and a fundamental understanding of the factors which contribute to successful outcomes. The Homeownership Centers evaluation will include an examination of each organization's operating conditions, partnership development, and special challenges. Not only are we evaluating activities but also how well the process works and whether the Homeownership Centers have been successful in reaching families who would not otherwise become home owners.

The specific goals of the Homeownership Centers evaluation are:

1) To measure the effectiveness of the overall objectives of the program;
2) To develop a long-term tracking mechanism for individuals and families who receive services from the Homeownership Centers. The Centers will provide information (family income, family size, purchase price, mortgage amount, other financing, etc.) to VHFA regarding:
    - Individuals/families who gain ownership and those who are beyond the scope of the program;
    - Households below 70% of median income;

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3) To monitor the use of each type of service offered and determine its cost-effectiveness;

4) To study the shared and unique operating conditions, characteristics of successful partnerships, and special challenges faced by each nonprofit organization.

Homeownership Centers will provide evaluation information to VHFA on a regular basis:
1) Monthly summary reports of activities;
2) Data file (updated quarterly) containing a wide variety of information for each individual or family served by the Homeownership Centers;
3) Through regular informal communications with VHFA (ongoing basis) and a more formal interview approach (every six months), nonprofit staff will be asked their views regarding the overall functioning of the Centers: operating conditions, the development of partnerships with area lenders, real estate professionals, and other organizations; special challenges, etc.
4) Toward the end of Year 1, VHFA (or our designee) will conduct personal interviews with a variety of groups who have had an association with the Homeownership Centers: clients, staff, lenders and other area partners, other housing organizations, etc.

Recommended Board Action: No Board action is required.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: February 27, 1996

RE: VHFA REO Marketing to Nonprofit Housing Organizations

At the August 1995 meeting, the Board reviewed VHFA's marketing plan for Real Estate Owned (REO). VHFA's plan included the early marketing of REOs to nonprofit housing organizations. Nonprofits have 30 days to notify VHFA of their interest in purchasing the property. This strategy has not been successful because a nonprofit historically has not purchased a single family home for resale; instead, they provide grants through the Homeland program to assist eligible individuals and families to purchase a home that the buyer has selected. Also, the availability of Homeland grants varies by organization.

Staff has worked cooperatively with nonprofit housing organizations to design a new initiative to get REO properties back into the affordable housing stock. This initiative would utilize the expertise of the nonprofit community in the rehabilitation and marketing of VHFA owned properties, affordable financing through VHFA's HOUSE program and other affordable housing programs, and up to $200,000 in multifamily refunding savings to provide deferred payment second mortgage loans to assist lower-income buyers.

The goals of this initiative would be:

- To improve the quality of the homes by making energy and other improvements;
- To provide another means for the development of permanently affordable housing for sale to lower-income households;
- To sell REOs more quickly and hopefully for a higher price than that received through an auction.

VHFA and nonprofits would execute a Memorandum of Understanding to participate and to receive notice of the availability of VHFA owned property within the nonprofit's designated service area.

The following is an outline of the process VHFA and nonprofits would follow:

- At the time that VHFA takes title (or expects to take title) to a property, information about the property will be sent to the nonprofit serving the area where the property is located. The nonprofit has 30 days to notify VHFA in writing of their interest in the property. If not already available, VHFA will order an appraisal and/or market study to determine the as-is value and provide the nonprofit with a copy as soon as it is available.

- Once VHFA is notified of the nonprofit's interest, the nonprofit will have an additional 45 days to inspect the property and develop a rehabilitation plan (many properties acquired by VHFA require rehabilitation), and negotiate an option with VHFA. VHFA will pay for the cost of a property inspection and energy rating. VHFA and the nonprofit will negotiate an option price based on the as-is value of the property plus the projected cost of the rehabilitation, which must also be supported by an as-completed appraised value. The option may be assigned to a buyer.

- Once an option price has been determined, VHFA will continue to carry the property on its books and advance funds for the repairs/rehabilitation, taxes, insurance, and on-going maintenance. A timetable to complete the rehabilitation and market the property to a buyer will be agreed to by VHFA and the nonprofit and will be based on the degree of rehabilitation required and market conditions. VHFA will pay the nonprofit a $2,500 development fee ($1,250 upon completion of rehabilitation and $1,250 at the time of sale to a lower-income household) and will allow a line item in the repair/rehabilitation budget as compensation to the nonprofit to monitor the repairs/rehabilitation. The nonprofit will be responsible for the security of the property during rehabilitation and until it is sold to a buyer. Payment of the development fee will not increase VHFA REO expenses. Generally, VHFA pays six percent of the purchase price to a real estate broker.

- The nonprofit will target marketing efforts to reach households at or below 85% of median income. The maximum household income served will be 100% of median income. VHFA will assist the nonprofit by sending out targeted mailings to households on VHFA's mailing list.

- VHFA will provide, if needed, the buyer with a deferred payment, second mortgage of up to $10,000 to assist the buyer to purchase the home. To be eligible for a second mortgage the buyer's household income may not exceed 100% of median income. The home must remain affordable through a ground lease or housing affordability covenant. Payment of the second mortgage will continue to be deferred as long as the home remains affordable.

- If VHFA has not heard from the nonprofit within the 30 day notice period, it will have an inspection of the property conducted, make arrangements to have needed repairs completed, and list the property with a real estate broker.

Initially VHFA would execute agreements with nonprofit organizations to market 20 VHFA owned properties.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to give authority for the Executive Director or Deputy Director to execute a Memorandum of Understanding with nonprofit organizations to assist in the rehabilitation and marketing of VHFA owned property to lower-income home buyers and to commit up to $200,000 in multifamily refunding savings to provide 20 deferred payment second mortgage loans to assist lower-income buyers.

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RESOLUTION PERTAINING TO MARKETING REAL ESTATE OWNED TO NONPROFIT HOUSING ORGANIZATIONS

WHEREAS, the Agency has previously approved a marketing plan for Real Estate Owned (REO) and the plan included early marketing of REOs to nonprofit housing organizations; and

WHEREAS, staff has worked with nonprofit housing organizations to design a new initiative to return REO properties to the stock of affordable housing (the "Program"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Patricia Crady dated February 27, 1996 (the "Memorandum") containing information and recommendations about the Program; and

THEREFORE, it is hereby RESOLVED:

1. The Board of Commissioners adopts the recommendations contained in the Memorandum.

2. The Executive Director and the Deputy Director are authorized to execute Memoranda of Understanding with nonprofit organizations to assist in the rehabilitation and marketing of VHFA-owned property to lower-income home buyers.

3. The Agency will devote up to $200,000 in multifamily refunding savings to provide up to 20 deferred payment second mortgage loans to assist lower-income buyers in accordance with the standards set out in the Memorandum.

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MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: March 1, 1996

RE: Lake Champlain Housing Development Corporation

SUMMARY OF REQUEST

At the November 1994 meeting, the Board approved a line of credit for $150,000 to Lake Champlain Housing Development Corporation (LCHDC) to assist in the remarketing of units at Officer's Row. LCHDC did not accept VHFA's commitment because they were successful in remarketing units without the line of credit. VHFA's commitment expired on December 31, 1995. LCHDC requests approval of a new line of credit in the amount of $150,000. The initial interest rate would be six percent (6%); the rate would be reviewed every six months and might vary depending on market conditions. The term of the line of credit would be twelve months, renewable annually upon review and approval by VHFA.

LCHDC administers the second mortgage pool and affordability of 29 units at the Officer's Row condominium project developed by VHFA. To ensure affordability of the units, LCHDC has an option to purchase units at a price determined by a limited equity formula. Once notified that the owner wishes to sell, LCHDC has 120 days in which to exercise their option and an additional 60 days to purchase the unit. During the option period, LCHDC seeks another lower-income buyer so that they may immediately re-sell the unit. While LCHDC has been successful in remarketing the units that have been resold to date, LCHDC currently owns one unit and must exercise their option on a second unit in order to maintain its affordability. LCHDC does have access to a pool of funds used to provide second mortgage financing to buyers; however, funds are not adequate to purchase the second unit or additional units that may be offered for sale.

THE HOUSING SPONSOR

LCHDC was formed in 1984 as a nonprofit corporation to administer the federal Rental Rehabilitation Program and to develop, own, and manage affordable rental housing for families. The focus of LCHDC is primarily properties that might otherwise be converted to market rate apartments and condominiums. LCHDC's service area is Chittenden County; however, they also respond to opportunities in Franklin and Grand Isle Counties, and mobile home park conversions in Lamoille County. LCHDC has developed new rental housing and leasing cooperative units and has rehabilitated existing rental housing. LCHDC has also worked with the Burlington Community Land Trust to revitalize and redevelop sections of the Old North End community in Burlington. A subsidiary, Lake Champlain Housing Ventures, manages housing owned by LCHDC.

Staff requests approval of a line of credit to LCHDC in the amount of $150,000 for the purpose of purchasing units at Officer's Row for sale to low- and moderate-income buyers. The number of units that might be held by LCHDC at one time would be limited to three (3).

GENERAL LOAN TERMS, REQUIREMENTS AND CONDITIONS

Maximum Loan to Value - The maximum loan to value may not exceed 100% of the lesser of the appraised value or the option price of the condominium unit.

Term of Line of Credit - The initial term of the line of credit will be for twelve (12) months; it would be renewable annually upon review and approval by VHFA. Principal and interest is due upon sale of each condominium unit acquired with the line of credit.

Interest Rate - The interest rate on initial advances will be six percent (6%) per annum, and will be reviewed every six months and may vary depending on market conditions.

Loan Security - A valid first lien position is required as loan security.

Appraisal Requirement - VHFA requires an appraisal, from an appraiser acceptable to VHFA, of the property being financed with the loan advance.

Conditions to Closing on the Line of Credit - Prior to closing on the line of credit the Housing Sponsor must provide VHFA with:

- Opinion of Counsel for Housing Sponsor that the Housing Sponsor has the authority to enter into the loan documents and to assume the obligations under the loan documents and that such entry and assumption does not constitute on the part of the Housing Sponsor a breach of or default under any agreement or other instrument to which the Housing Sponsor is a party.
- Articles of Incorporation and Bylaws;
- Corporate Resolution and Certificate of Good Standing;
- A copy of the Housing Sponsor's most recent audited financial statements.

Conditions for Advances - The following documents are required for loan advances under the line of credit:

- A copy of the executed option or purchase and sales agreement;
- An appraisal of the unit;
- Opinion of Counsel for Housing Sponsor regarding title to the property;
- Satisfactory evidence of hazard insurance.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to provide a line of credit in the amount of $150,000 to LCHDC as outlined in this memorandum.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
LINE OF CREDIT TO
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF DALTON DRIVE UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into a line of credit agreement, in the amount of $150,000, with Lake Champlain Housing Development Corp., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated March 1, 1996. The Line of Credit will have a term of twelve months and advances under the Line of Credit shall be secured by first mortgages on the unit for which the advance is taken. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the Line of Credit authorized herein.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter

DATE: March 1, 1996

RE: Barre Street Apartments, Montpelier - Combined Letter of Interest/Commitment Letter for permanent financing

Executive Summary

In 1990 the Central Vermont Community Land Trust (CVCLT) acquired five buildings on Barre Street in Montpelier. One building houses a daycare facility, one building is a small detached garage, and the other three contained 22 rental apartments and two garage spaces. After the acquisition, CVCLT renovated the buildings to the extent that funding permitted, and also moved their offices into one of the apartments. Short term, variable rate financing from Vermont National Bank, which came due in February of 1995, was used to acquire the buildings; CDBG, VHCB, and HUD McKinney money were used for the rehabilitation. When the loan came due last year, CVCLT refinanced the VNB loan with another five year, variable rate loan (also with VNB). For some time CVCLT has been endeavoring to put together a permanent financing package that would stabilize the interest rate, improve the long-term financial feasibility, and provide funding for additional rehabilitation.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$193,000	25.59%
VHCB Deferred Loan	$254,772	33.78%
HOME Grant	$297,400	39.43%
VHCB Lead Paint Program Grant	$7,000	0.93%
Cash Accounts	$1,992	0.26%
Totals	$754,164	100.00%

In April of 1995, the city of Montpelier reappraised its properties for tax purposes. Staff is recommending that the project's value determination be based on these appraisals, rather than requiring a new appraisal. The loan to value ratio for the VHFA financing is approximately 39%. The VHFA loan to cost ratio is approximately 26%. The total residential cost per unit (excluding the daycare) is approximately $53,000/unit.)

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EQUAL HOUSING OPPORTUNITY

In addition to the funding sources listed, CVCLT is looking into funding from Green Mountain Power and historic rehabilitation tax credits. If this funding is secured, CVCLT would do some additional construction (on the daycare building, which none of the sources listed above can fund), and also possibly reduce the VHFA and/or VHCB debts.

Unit Breakdown and Rents

There are 21 rental apartments currently; CVCLT plans to convert some storage/garage space into an additional apartment, for a total of 22 apartments. Nine of the 22 units will be HOME-assisted under the proposed financing. Currently there are two vacant units; of the occupied units, all but four are occupied by households that are at or below 30% of area median income. Historically, the property has demonstrated a 2% vacancy/rent loss rate. The unit size and rent breakdown is as follows:

Size	#	Rents
0 BR	9	$225-$306
1 BR	6	$325-$386
2 BR	6	$425-$509
3 BR	1	$562

These rents include oil forced hot water heat and domestic hot water. Tenants pay for electricity.

Sponsor, Management and Market

The property has been managed by Community Property Management (CVCLT's management arm) since acquisition, and CVCLT is proposing that CPM continue its management. Although VHFA has called for outside management of the other two properties it recently financed with CVCLT (Limehurst Mobile Home Park and Bromur Apartments), staff believe that CPM could build capacity by continuing to manage the this property, with the long-term goal of assuming management of all CVCLT properties. Also, the physical location of the offices on site, and the relationship with Washington County Mental Health Services (discussed below) make CPM a logical choice.

CVCLT has an understanding with Washington County Mental Health Services, Inc. (see attached letter). WCMHS refers tenants to the project and also provides services (including some rental assistance, while tenants are on Section 8 waiting lists). In addition, eight of the apartments are designated as McKinney-assisted, and the project receives an annual operating subsidy so long as it continues to serve tenants who would, but for this assistance, otherwise be homeless. The Vermont Department of Housing and Community Affairs received this McKinney contract in 1993, and it provides assistance for eight years. Finally four apartments are under a contract for project-based rental assistance from the Montpelier Housing Authority. MHA has notified CVCLT that when the assistance converts from project-based to tenant-based Section 8 Certificates (in January of 1997), the rents will be dropped to Fair Market Rent. CVCLT's proposal shows the rents on these four apartments already at this lower Fair Market Rent; the project does not rely upon the higher rents from these four units until this adjustment occurs.

Site and Environmental Concerns

The buildings are located on three sites (see attached map); the lots are small, with approximately 12 total on-site parking spaces and adequate street parking available. The terrain is generally flat, and the buildings are located within close walking distance to numerous facilities and services in downtown Montpelier. The lots are adjacent to the Winooski river and in a floodplain, and the sponsor has flood insurance. One building, 40 Barre Street, is physically connected to a building on an adjacent lot, and staff is recommending that CVCLT enter into a "party wall agreement" with the neighboring land owner.

CVCLT has commissioned a Level I Environmental Site Assessment, the preliminary results of which should be available prior to VHFA's March Board meeting. Should the Assessment identify any hazards, abatement of the hazards will be a condition of VHFA financing. In addition, CVCLT will have lead and asbestos testing performed, and will include any required abatement in the scope of work. Because replacement heating systems were installed as part of the initial rehabilitation, it is unlikely that additional friable asbestos will be found. CVCLT plans to abate the lead paint only in the larger, "family-sized" units, although window replacement throughout the project will reduce lead hazards in the other units.

DISCUSSION

CVCLT has requested financing from the Section 8 recycled funds, because of the low interest rate of 7.22%. Because these funds are from tax exempt bonds and the project is "mixed-use" (commercial and residential), VHFA's Multifamily Rules require that any scattered site development have lots that are contiguous. Given that the project needs this level of debt financing and the tax exempt rate for financial feasibility, staff is recommending that the Board grant a waiver from this rule.

CVCLT recognized the need to refinance this project, and discussed this need with VHFA staff, prior to applying for both the Bromur Apartments and Limehurst Mobile Home Park loans. However, due to staff and funding considerations, they decided to proceed with the other developments first. This refinancing and additional rehabilitation will significantly strengthen CVCLT's overall portfolio and also provide an opportunity to enlarge their management capacity.

Strengths

a) The population served at this development is very low income, and a number of tenants benefit from services in addition to the housing. The property has a history of low vacancy rates, which demonstrates the strong need for this housing. The proposed financing would improve the physical condition of the units as well as improve the long-term financial feasibility of the development.

b) VHFA has financed two other properties with CVCLT in the past two years; by helping CVCLT refinance and rehabilitate Barre Street, the ability of this community-based non profit to continue to successfully own and operate affordable housing in the central Vermont area is enhanced.

Weaknesses

a) This project is facing expiring subsidies from both the McKinney program and, to a lesser extent, from the Section 8 Project Based Assistance program. However, the sponsor has taken into account the expiring operating subsidies and the project still demonstrates financial feasibility.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $193,000, loan term and amortization period of 25 years, and interest rate of 7.22%. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions. The proposed source of funds is Section 8 recycled funds. The letter shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; and

2) sponsor must pursue other funding sources, including but not limited to Green Mountain Power and historic rehabilitation tax credits, with the purpose of improving the overall condition and/or financial feasibility of the property; and

3) sponsor must provide final plans and specifications for VHFA approval;

4) sponsor must provide evidence of competitive bidding, with bids approximately at budgeted levels, to maintain the overall financial feasibility; and

6) sponsor must enter into a party wall agreement with the neighboring land owner for the 40 Barre Street property.

RESOLUTION PERTAINING TO
LETTER OF INTEREST AND COMMITMENT LETTER
RE: BARRE STREET (MONTPELIER)

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier, (the "Sponsor") involving the refinancing of a scattered site, mixed use development on Barre Street in Montpelier, currently containing 21 rental apartments, an office, three garage spaces and a day care center (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $193,000 with an amortization period of 25 years, with an interest rate of 7.22% per annum from the Agency's recycled Section 8 proceeds; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $254,772 and a lead paint grant of $7,000 from the Vermont Housing and Conservation Board and a HOME grant of $297,400; and

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

WHEREAS, the Board has been presented with a memorandum dated March 1, 1996 from Joseph Erdelyi (the "Memorandum"); and

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

WHEREAS, based on the Memorandum, the Agency determines that a waiver of paragraph 2 of Chapter Four of the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing, Mortgage Loans to Housing Sponsors for Single Family Developments is justified because strict adherence to the rule would cause undue hardship to the Sponsor;

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

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

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Letter of Interest for a loan for the refinancing of the Development, in an amount to be determined by the Executive Director, but not to exceed $200,000. The loan shall bear interest at a rate of 7.22% per annum and shall be amortized over a period of 25 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing of the Development, in an amount to be determined by the Executive Director, but not to exceed $200,000. The term of the loan shall be 25 years. The loan shall bear interest at a rate of 7.22% per annum. The Commitment Letter may be issued to Central Vermont Community Land Trust, Inc. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

4. The Commitment Letter shall require the Sponsor to satisfy the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

(a) Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; and

(b) sponsor must pursue other funding sources, including, but not limited to, Green Mountain Power Corp. and historic rehabilitation tax credits, with the goal of improving the overall condition and/or financial feasibility of the property; and

(c) sponsor must provide final plans and specifications for VHFA approval; and

(d) sponsor must provide evidence of competitive bidding, with bids approximately at budgeted levels, to maintain the overall financial feasibility of the Development; and

(e) sponsor must enter into a party wall and roof agreement with the neighboring landowner for the property located at 40 Barre Street.

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

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

Washington County Mental Health Services, Inc.

9 HEATON STREET
MONTPELIER, VERMONT 05602
223-6328

Community Rehabilitation and Treatment

MOODY COURT
WATERBURY, VERMONT 05676
244-7866

KAREN WINCHELL
CENTRAL VERMONT COMMUNITY LAND TRUST
39 BARRE STREET,
MONTPELIER, VERMONT 05602

JANUARY 29,1996

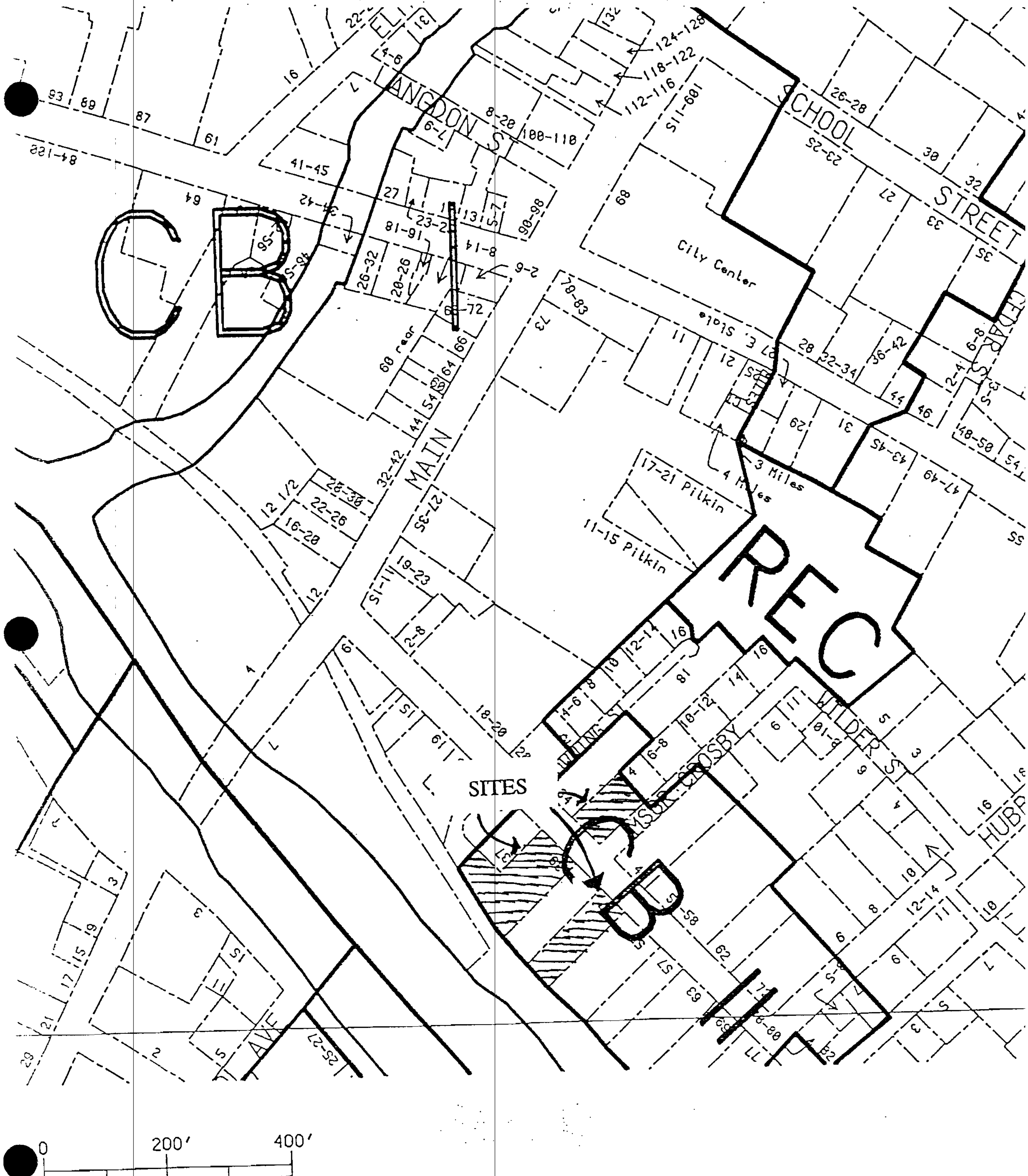
Dear Karen,

It is my understanding that you need a letter of support for needed changes at the Barre Street buildings in Montpelier. I have been involved since the Land Trust evaluated and finally purchased these buildings. Some apartments were designated, by Mc Kinney permanent housing funds, for persons with mental disabilities. Washington County Mental Health through its Community Rehabilitation and Treatment programs refers clients to the Land Trust when there are vacancies in the designated units. Washington County Mental Health also subsidizes clients with Housing Contingency Funds until section eight funds are available. The Land Trust in return interviews prospective tenants and does all housing background. They do the yearly financial updates on client/tenants. They manage the buildings and all client/tenant needs. This partnership has treatment issues left with WCMHS and all landlord issues with the Land Trust.

The above relationship has existed for a number of years now and has been a very good one. The Land Trust is a very competent manager of these buildings. I believe these buildings would have been lost for low income housing needs without the intervention of the Land Trust. Washington County Mental Health Services highly supports the needs of the Central Vermont Land Trust in regards to these buildings.

Sincerely,

Paul A. Dupre
Director of Community
Support Services



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City Center
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Project:	Barre Street, Montpelier	RUN DATE:	29-Feb-96

Total Residential Units:	22	(plus commercial)	
		Increase - Rents	1.00%
		Increase - Expenses	2.94%
		Vacancy Rate:	4.00%
Total Dev Costs	754,164		
TDC/Unit	34,280		

FINANCING SOURCES					Amortization
	Amount	% of TDC	Interest	Term	Period
VHFA 1st mortgage debt	193,000	25.59%	7.22%	25	25
VHCB Grant	254,772	33.78%	0.00%	0	0
Lead Paint Program	7,000	0.93%	0.00%	0	0
HOME	297,400	39.43%	0.00%	0	
Cash Accounts	1,992	0.26%	N/A	N/A	
	0	0.00%	N/A	N/A	
	754,164	100.00%			

First Round Financing:					
VNB	302,000	2/14/90	& 9/13/91 loans		
CDBG	135,000	2/13/90	grant	bal	
VHCB	161,833	2/14/90	loan ($1,341.68/qtr - 0%, 30 year)	129,466	as of 1/96
VHCB	49,081	2/14/90	grant		
McKinney	158,154	2/1/90	grant		
	806,068				
Acquisition	560,000				
Rehab	209,402				
Soft Costs	26,947				
Operating Subsidy	9,719				
Total	806,068		1,217,376 total residential cost		
			52,929 total cost per unit		

Barre Street, Montpelier		DEVELOPMENT BUDGET		29-Feb-96
		Budget	Per Res. Unit	Per Res. Sq. Ft.
ACQUISITION & CONSTRUCTION				
Refinance existing Debt		282,455	12,839	24.35
Purchase of Building(s)				
Demolition				
Construction		364,015	16,546	31.38
LEAD PAINT ABATEMENT		7,000	318	0.60
RELOCATION		5,400	245	0.47
CONSTRUCTION CLERK	3.13%	21,758	989	1.88
Contractor Overhead	0.00%			
Contractor Profit	0.00%			
Construction Contingency	9.59%	36,091	1,641	3.11
APPLIANCES				
Subtotal		716,719	32,578	61.78
PROFESSIONAL SERVICES				
COST ESTIMATING & PLANS		2,360	107	0.20
DESIGN/SPECIFICATIONS		19,851	902	1.71
Attorney		2,450	111	0.21
Legal, Title & Recording				
Subtotal		24,661	1,121	2.13
INTERIM COSTS				
Construction Insurance				
Construction Interest				
Construction Loan Origination Fee				
Taxes				
Subtotal		0	0	
OTHER SOFT COSTS				
Property Appraisal		1,800	82	0.16
Energy Audit		1,097	50	0.09
Environmental Report		750	34	0.06
Cost Estimates				
ASBESTOS TESTING		1,390	63	0.12
Subtotal		5,037	229	0.43
FINANCING FEES & EXPENSES				
Credit Report				
Permanent Loan Origination Fee		1,930	88	0.17
Ventures Interest				
Cost of Issuance				
Title & Recording				
Counsel's Fee				
FINANCE & CLOSING				
Subtotal		1,930	88	0.17
SYNDICATION COSTS				
Organizational (Partnership)				
Bridge Loan Fees & Expenses				
Tax Opinion				
Subtotal		0	0	
DEVELOPER'S FEES				
Developer's Overhead & Profit		3,825		
Consultant Fees				
Subtotal		3,825	0	
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve				
Replacement Reserve		920		
Working Capital		1,072		
Operating Reserve/Sinking Fund				
Subtotal		1,992	0	
TOTAL DEVELOPMENT COSTS		754,164	34,280	65.00
			res. s.f.:	11,602

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
Efficiency			1	225	20	2,700
Efficiency			3	260	20	9,360
Efficiency			1	265	20	3,180
Efficiency			3	285	20	10,260
Efficiency			1	306	20	3,672
1 Br			1	325	28	3,900
1 Br	inc. 1 new unit		3	350	28	12,600
1 Br			1	360	28	4,320
1 Br			1	386	28	4,632
2 Br			2	425	36	10,200
2 Br	Section 8 PBA		4	509	36	24,432
3 Br			1	562	41	6,744
	Totals	0	22			96,000

Commercial

	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
Office			1	300		3,600
Garages			1	85		1,020
Daycare			1	630		7,560
	Totals	0	3			12,180
All Units						
	Grand Totals	0	25			108,180
	Less Vacancy		4.00%			(4,327)
					NET RENT	103,853

OTHER INCOME

McKinney operating subsidy of $9,641 in year one.	0
This subsidy is shown in cash flow projections	0
and the contract for assistance expires in 5 years.	0
Total Other Income	0
TOTAL INC	103,853

Barre Street, Montpelier	EXPENSE BUDGET		29-Feb-96	
	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,240	1,020	46	11.3%
Marketing		0	0	
Audit/Legal	924	77	4	
		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
		0	0	
Other		0	0	
TOTAL ADMINISTRATI	13,164	1,097	50	
Utilities				
Water/Sewer	6,180	515	23	
Electric		0	0	
Fuel	9,600	800	36	
Other		0	0	
TOTAL UTILITIES	15,780	1,315	60	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	3,708	309	14	
Snow Removal		0	0	
Repairs	9,420	785	36	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other	6,960	580	26	
TOTAL MAINTENANCE	20,088	1,674	76	
Taxes	17,052	1,421	65	
Insurance	8,160	680	31	
Replacement Reserves	6,900	575	26	
Other	552	46	2	
Total	81,696	6,808	309	

29-Feb-96 Barre Street, Montpelier

PRO FORMA

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		108,180	109,262	110,354	111,458	112,573	113,698	114,835	115,984	117,143	118,315	119,498	120,693	121,900	123,119	124,350
Less Res Vacancy		(4,327)	(4,370)	(4,414)	(4,458)	(4,503)	(4,548)	(4,593)	(4,639)	(4,686)	(4,733)	(4,780)	(4,828)	(4,876)	(4,925)	(4,974)
Plus Other Income (McKinney)		9,641	9,930	10,228	10,535	10,851										
Total Actual Income		113,494	114,822	116,168	117,535	118,921	109,150	110,242	111,344	112,458	113,582	114,718	115,865	117,024	118,194	119,376
Less Operating Expense		74,796	76,998	79,264	81,597	83,999	86,471	89,016	91,636	94,334	97,110	99,969	102,911	105,940	109,058	112,268
Less Reserves		6,900	6,969	7,039	7,109	7,180	7,252	7,324	7,398	7,472	7,546	7,622	7,698	7,775	7,853	7,931
Net Operating Income		31,798	30,855	29,866	28,829	27,742	15,427	13,901	12,310	10,652	8,926	7,128	5,256	3,309	1,283	(824)
Less Debt Service		16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695	16,695
Cash Flow		15,102	14,160	13,170	12,133	11,046	(1,268)	(2,794)	(4,385)	(6,043)	(7,770)	(9,568)	(11,439)	(13,387)	(15,413)	(17,519)
Oper Subsidy		0	0	0	0	0	(1,268)	(2,794)	(4,385)	(6,043)	(7,770)	(9,568)	(11,439)	(13,387)	(15,413)	(17,519)
Net Cash		15,102	14,160	13,170	12,133	11,046	(2,536)	(5,589)	(8,771)	(12,086)	(15,540)	(19,136)	(22,879)	(26,773)	(30,825)	(35,038)
DCR With McKinney		190.46%	184.81%	178.89%	172.67%	166.16%	92.40%	83.26%	73.73%	63.80%	53.46%	42.69%	31.48%	19.82%	7.68%	-4.93%
DCR Without McKinney		132.71%	125.33%	117.62%	109.57%	101.17%	92.40%	83.26%	73.73%	63.80%	53.46%	42.69%	31.48%	19.82%	7.68%	-4.93%
Beginning Balance		0	15,329	30,161	44,433	58,082	71,036	71,937	71,384	69,272	65,489	59,917	52,433	42,910	31,212	17,198
Deposits		15,102	14,160	13,170	12,133	11,046	0	0	0	0	0	0	0	0	0	0
Interest	3.0%	227	672	1,102	1,515	1,908	2,169	2,242	2,273	2,259	2,198	2,085	1,916	1,689	1,399	1,042
Withdrawls		0	0	0	0	0	(1,268)	(2,794)	(4,385)	(6,043)	(7,770)	(9,568)	(11,439)	(13,387)	(15,413)	(17,519)
Ending Balance		15,329	30,161	44,433	58,082	71,036	71,937	71,384	69,272	65,489	59,917	52,433	42,910	31,212	17,198	721

debt capacity, with DCR 1.05 : 1.00
and cap. rate of 11% (1st year NOI)

w/o McKinney	191,834
w/McKinney	275,306

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: March 1, 1996

RE: Kilbourn Trailer Park - Letter of Commitment for permanent financing

In January VHFA's Board of Commissioners resolved to issue a Letter of Interest for the Kilbourn Trailer Park in Bristol (see attached memo). Since that meeting, staff have conducted a site visit with Kevin Cosgrove of ACCT and Spencer Harris of Vermont Contours, the engineering firm hired by ACCT to assess location and condition of the park's infrastructure. The following conditions were in the Letter of Interest:

1) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications;

Status: The sponsor has commissioned KD Associates, Inc. to perform a Level I Environmental Site Assessment; the report is anticipated by mid-March. Any hazards discovered in this report need to be addressed, as a condition of VHFA financing.

2) a review appraisal by Allen & Cable satisfactory to staff to make a determination of value;

Status: The sponsor has commissioned Allen & Cable to review the existing appraisals and make a value determination, using assumptions in which they have greater confidence. This report is expected by mid-March.

3) engineering assessment(s) of the park's water distribution, electrical, and septic systems. The purpose of the assessments is to reveal which elements of the systems should be replaced up front, and which can be replaced over time using replacement reserve funds;

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

Status: The sponsor has proposed that the only engineering that be done is 1) a detailed "as-built" site plan, showing the locations of the existing systems, and 2) limited engineering of the septic system upgrades, on an as-needed basis. The sponsor maintains that the Vermont Department of Labor and Industry will only approve one set of materials for meter stanchions, disconnects, wire, etc., and furthermore that L & I will identify the homes in need of upgrade. The sponsor intends to contract the electrical work such that the contractor does not receive payment until final L & I inspection and approval, and for these reasons engineering of the electrical upgrades is unnecessary.

Based on discussions with the current owner and Scott Powell of Bristol Public Works Department, the sponsor also believes that the water distribution system, which is reportedly two inch galvanized steel piping, should have a remaining useful life at least equal to the term of the VHFA financing. Scott Powell is responsible for determining the water main upgrade and maintenance schedules. (The distribution system in this park, however, is owned and maintained by the park owner, not the municipality.) The soils throughout the park are extremely well drained gravel; because the pipe does not rest in standing water, and because of the water quality, the lifespan of the pipes should be long.

Staff is recommending that an independent engineer provide an assessment of the existing conditions and recommendations regarding immediate or ongoing improvements to the water distribution system.

4) a complete survey of the park, including a perimeter survey and the approximate location of all improvements within the park;

Status: Based on the site visit and examination of the tax maps, staff is willing to waive the first part of this requirement. The lot is old and has well marked boundaries. None of the mobile homes appear to be straddling the lot line, a common problem in mobile home parks. So long as title insurance is available (which will contain a boundary survey exception), an additional boundary survey is not necessary. The engineer is currently working on the site plan which identifies the location of all homes and infrastructure improvements, and this plan is anticipated by mid-March. The engineer is also designing a model replacement septic system for future upgrades.

5) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements;

Status: Collection of cost documentation is ongoing.

6) identification of an adequate source of funds by VHFA.

Status: VHFA staff are still looking into an appropriate source of funding.

Because the CDBG funding decisions are anticipated around the end of March (and VHFA's next Board meeting is scheduled for April), the sponsor would prefer to receive a Letter of Commitment now, subject to the outstanding conditions, so the closing process would not be delayed.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide permanent financing in an amount of up to $384,500, loan amortization of 30 years and term of 20 years, and interest rate not to exceed 8.5%. The source of funds is to be determined. The Letter of Commitment shall be conditioned on the sponsor providing the following:

1) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications; and

2) a review appraisal by Allen & Cable satisfactory to staff to make a determination of value; and

3) an independent assessment of the on-site water distribution system, with an estimate of the remaining useful life of the system, an estimate of immediate capital improvement costs (if any), and finally, depending on these estimates, an ongoing capital improvements budget for the water system; and

3) a survey of the park, including the approximate location of all improvements within the park; and

4) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax information, and cost estimates or bids for the required infrastructure improvements; and

5) sponsor must receive requisite financing ...

6) identification of an adequate source of funds by VHFA.

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: KILBOURN MOBILE HOME PARK (BRISTOL)

WHEREAS, a proposal has been presented to the Agency by Addison County Community Trust ("ACCT"), involving the acquisition and rehabilitation of the Kilbourn Mobile Home Park, a mobile home park containing 45 pads located in Bristol (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of $384,500 with an amortization period of 30 years with a balloon payment at the end of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

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

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter for a first mortgage loan to the Addison County Community Trust for

the acquisition and rehabilitation of the Kilbourn Mobile Home Park in Bristol in an amount to be determined by the Executive Director, but not to exceed $384,500. The loan shall bear interest at a rate to be determined by the Agency depending on its source of funds and payments shall be amortized over a period of 30 years, but shall require the payment of all outstanding principal and interest 20 years after the date of the loan. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following, which must be submitted in form and content acceptable to the Agency:

a) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications;

b) a review appraisal by Allen and Cable satisfactory to staff to make a determination of value;

c) an assessment by an independent engineer regarding the park's water distribution system, including an estimate of the remaining useful life of the system, an estimate of immediate capital improvement needs and costs (if any), and an ongoing capital improvement budget to the system;

d) a site plan identifying the location of all homes and infrastructure improvements in the park and a model replacement septic system for future upgrades;

e) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements; and

f) identification of an adequate source of funds by VHFA; and

g) sponsor must demonstrate that requisite financing has been committed by May 1, 1996, including but not limited to loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent.

2. The Commitment Letter shall be issued to Addison County Community Trust.

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

4. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity, grant and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the first mortgage financing commitment plus the amount of the second mortgage that is the subject of the Agency's Letter of Interest.

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

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MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter

DATE: January 11, 1996

RE: Kilbourn Trailer Park - permanent financing

Executive Summary

The project sponsor, Addison County Community Trust (ACCT), has applied to VHFA for $384,500 in first mortgage financing for the acquisition and rehabilitation of the Kilbourn Trailer Park, a 45 home park in Bristol. ACCT is a small 501(c)(3) nonprofit, and the executive director is Elizabeth Ready. The Kilbourn Trailer Park was built in the 1960s by the parents of one of the current owners, and was transferred to the current owners in 1969. The owners notified the state of their intent to sell the park in June of 1995, and the residents subsequently met and voted to have ACCT negotiate to acquire the park on their behalf.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$384,500	43.30%
VHCB Grant	$163,500	18.41%
CDBG Grant	$340,000	38.29%
Totals	$888,000	100.00%

ACCT has provided two appraisals, one commissioned by the seller and one by ACCT. The values were $666,000 and $520,000, respectively. To achieve a reconciliation and agree to a sales price, both parties agreed to consult with Allen & Cable, Inc., MAI appraisers, and have them perform an informal review of the appraisals. On the basis of this "review" (see attached letter), the parties have signed a Purchase and Sales Agreement in the amount of $650,000. Given the disparity of these two values, staff is recommending that the sponsor get Allen & Cable to complete a more formal review appraisal to assist in making a value determination.

The loan-to-value ratio for the VHFA financing, based on this negotiated price of $650,000, is approximately 59%. The VHFA loan to cost ratio is approximately 43%.

Unit Breakdown and Rents

The pad rent is currently $132 per month, which is considerably below market ($175-$180 per month). The current owner intends to increase the rents to $150 per month, a 13% increase; the sponsor's budget reflects this higher rent. The sponsor has stated that any interest rate savings achieved by providing a rate lower than the underwriting rate (8.5%) would be passed through to the tenants as lower rents. A rent of $150 per month (plus utility allowance estimates) is affordable to a two person household at approximately 35% of the area median income.

Tenants pay for municipal water, trash removal, heat, and electricity for their individual homes. Currently the water is charged as a flat rate; the town is in the process of changing its billing, and the sponsor intends to have the park converted to individual water meters for each home. The Purchase and Sales Agreement specifies that the sellers must attempt to get the town to provide the meters and make this conversion. (The sellers have no obligation under the agreement to pay for the cost of this conversion). The sponsor's budget, however, includes a line item for the cost of the water meters. The effect of this conversion is uncertain; tenant expenses for utilities could increase or decrease, based on the new rates and individual consumption.

Based on an income survey of park residents, at least 28 of the 45 homes (62%) are occupied by households at or below median income. VHFA's statutes require that the majority (greater than 50%) of households be of low or moderate income, but VHFA's Multifamily Rules require that 75% of the households be low or moderate income. If the sponsor is unable to obtain more survey responses from qualifying households, the Board may have to waive this rule in order to make this loan.

Sponsor, Management & Market

The park is occupied and has a history of full occupancy. There are currently two homes that are both vacant and non-revenue producing (these were not abandoned homes, and they are in the process of being re-marketed). In addition, the Kilbourn family owns three homes, which the Purchase and Sales Agreement specifies they are to sell prior to closing. Both the current rents and the sponsor's proposed rents are below market, and staff has not requested a market study for these reasons. ACCT is proposing to manage the park itself.

ACCT currently owns and manages three mobile home parks, one of which (Hillside, a 29 unit park in Starksboro) still has VHFA financing. VHFA also financed Lazy Brook in Starksboro (52 units) and Otter Creek in Vergennes (73 units), but both of these loans have prepaid. The Hillside loan is current, but the infrastructure repairs have not been completed in a timely fashion. Because of delays in water system improvements, some of the tenants went on a rent strike last year, and ACCT has managed to resolve some of the issues and replace some water mains last year. The primary issue with Hillside is the water supply (i.e., filtered surface water vs drilled well). After considerable engineering, evaluation, and negotiation, ACCT has an agreement with an neighboring landowner for an easement to locate a drilled well off-site.

Site & Environmental Concerns

The level, seven acre site is located on Liberty Street in the Village of Bristol, and the lot is adjacent to the Mt. Abraham High School lot. The site is in a fully developed residential neighborhood, within close proximity to the village downtown.

The sponsor has commissioned a Level I Environmental Site Assessment. One condition of the Purchase and Sale Agreement is that the park not have any "serious contamination" (i.e., clean-up cost of greater than $1,000). Staff will review the Assessment when it has been completed, and a "clean" site will be a condition of VHFA's financing.

The electrical system is working, but in need of some upgrades (mostly 40 to 80 amp service is provided; newer homes and current usage patterns require 100 amp service). The water distribution system was installed by the current owner; the municipality's responsibility ends at the property boundary. The septic systems are on-site, with a combination of drywells, cesspools, and septic systems. The site is located on a large gravel bank, and the soils are reportedly very well drained; no systems are currently failing. These systems have historically been upgraded as they have failed, and they do not meet current state guidelines. Because of the age of the park, any failure-related system replacements reportedly do not have to meet current state standards.

Staff believe a professional engineering assessment of the park's water distribution, septic, and electrical systems is needed to determine the adequacy and useful remaining life. An engineer should provide a formal assessment of the age, condition, and materials used. Both the Navin appraisal and the Allen & Cable letter indicate that an adjustment to sales price, based on the cost of infrastructure upgrades, is standard; the Purchase and Sales Agreement has no such adjustment. The sponsor has negotiated the sellers down from their original asking price of $700,000, and since the state is not mandating any upgrades (i.e., no systems are currently failed), the sponsor believes that the seller will not make any price adjustments. The current budget includes $28,000 for electrical upgrades, and $63,000 for water/sewer upgrades. Detail supporting these budget items needs to be provided, and a scope of work finalized, before VHFA makes a loan. In addition, a survey of the park, showing all perimeter metes and bounds, infrastructure, and home locations needs to be performed.

DISCUSSION

At this time, staff is unable to give a reliable determination of value; however, it seems likely that the requested VHFA loan amount will have an acceptable Loan to Value ratio and that the projected Net Operating Income will be sufficient to service the VHFA debt. Because of the discrepancy between the two appraisals, and because of the absence of a sales price adjustment based on improvement cost, staff is recommending that the sponsor obtain a review appraisal from Allen & Cable, and that an engineering assessment be provided (the assessment may need to be completed first, as its findings may impact the value).

The sponsor is seeking other financing from VHCB and from the CDBG program, neither of which are committed at this time. In addition, staff intends to examine the operating budget and the income and expense trending ratios in greater detail. The operating budget, as compared to other parks with VHFA financing, seems low ($76 per unit per month vs about $90 per unit per month). In addition, the proposed management fees appear high ($23 per unit per month vs $16 per unit per month).

Recently VHFA has been informed by the Federal Home Loan Bank of Boston (FHLBB) that they will not grant VHFA collateral credit for loans secured by mobile home parks. Therefore, if FHLBB funds are used to make this loan, the Agency will not receive any collateral credit thus further diminishing the Agency's already limited available collateral. Staff are concerned that either FHLBB should be persuaded to grant collateral credit for mobile home parks or VHFA should utilize another source of funds for this loan.

Strengths

a) Acquisition of the park by a non-profit organization using the proposed financing would keep the rents restricted at below-market levels and ensure the long-term affordability of the park.

b) The proposed project demonstrates financial feasibility and appears to have a reasonably low loan-to-value ratio (subject to further documentation).

Weaknesses

a) The acquisition price of the park and the park's value has not been adequately justified. However, a review appraisal would satisfy staff's concerns.

b) ACCT has not demonstrated the ability to promptly complete the infrastructure improvements on the Hillside park. Many of the Hillside infrastructure problems may be unique, however. If VHFA can obtain a thorough engineering analysis and a commitment to complete the recommended improvements by a date certain, staff would be willing to recommend the loan despite the problems at Hillside.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $384,500, loan amortization of 30 years and term of 20 years, and interest rate not to exceed 8.5%. The source of funds is to be determined. The Letter of Interest shall be conditioned on the sponsor providing the following:

1) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications; and

2) a review appraisal by Allen & Cable satisfactory to staff to make a determination of value; and

3) engineering assessment(s) of the park's water distribution, electrical, and septic systems. The purpose of the assessments is to reveal which elements of the systems should be replaced up front, and which can be replaced over time using replacement reserve funds; and

4) a complete survey of the park, including a perimeter survey and the approximate location of all improvements within the park; and

5) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements; and

6) identification of an adequate source of funds by VHFA.

Allen & Cable

Stephen D. Allen, MAI
Davis J. Cable, MAI
Mark W. Brooks
Cynthia A. Smith

1233 Shelburne Road
Lakewood Commons, Suite C-4
South Burlington, Vermont 05403

Telephone 802-863-6693
Telecopier 802-660-3166

December 1, 1995

Elizabeth Ready
Addison County Community Trust
P.O. Box 256
Middlebury, Vermont 05753

Re: Kilbourn Mobile Home Park - Bristol, Vermont

Dear Elizabeth:

This letter is intended to outline my thoughts regarding the appraisals associated with the above noted mobile home park. I have undertaken a preliminary review of appraisals prepared by Richard Navin and Richard Callahan, in an effort to provide guidance to the Addison County Community Trust relative to the validity and reasonableness of each, and to discuss any other significant valuation issues. I have not completed formal reviews of the appraisals. The review process was focused only on those areas of the reports which were of significance relative to the value conclusions or were a point of difference between the appraisals. Accordingly, this letter is being presented as a consulting assignment rather than a review appraisal.

The most substantive difference between the appraisals, relative to value, is the basis upon which the income is calculated. The subject rents are currently $132 monthly which is clearly low by way of comparison to the market. Navin estimates market rents at $145 per month while Callahan estimates $180. Callahan's estimate is more in line with market rent levels. Both appraisers identify comparable park rents and from this data it is readily apparent to me that a rent of around $200 (including water and rubbish) would be reasonably achieved. The subject park requires the tenants to pay their own water and rubbish services which amount to $20-$25 per month for a typical unit. Adjusting for this variance, a reasonable estimate of market rent would be in the range of $175-$180 per month, which is similar to the Callahan estimate. There were only minor deviations with respect to the operating expense estimates, and both appraisers used the same capitalization rate. In each case, the expenses and cap rates are consistent with and supported by market evidence. It is my opinion that the Callahan value estimate, by means of the income approach, is better supported than Navin's and is a better guide as to the "base value" estimate of this park.

Both appraisers also completed a sales comparison approach. In Navin's report, large negative adjustments were applied to the sales to reflect the subject's inferior income characteristics. The adjustments were based upon the estimated net income (per site) associated with each park. This perpetuates the error made in the income approach relative to the use of below market rents. That is, the adjustments are based upon the net income, which reflects the inaccurate (below market) rent estimate. If market rents were used as the basis for adjustments, the net income per site would be roughly equivalent to Sales 1 and 3 and slightly less than Sale 2. In turn this would increase the indicated values of these sales by around $4,000± per site. Callahan's sales comparison approach is not well reasoned and I question several of the adjustments. For example, several adjustments of 25-30% are applied for density. My experience leads me to believe that the differences associated with density would not have a value impact of this magnitude. Callahan's value conclusion derived from the sales approach corroborates the income value estimate but this is probably more coincidental than meaningful in terms of support for a market value estimate.

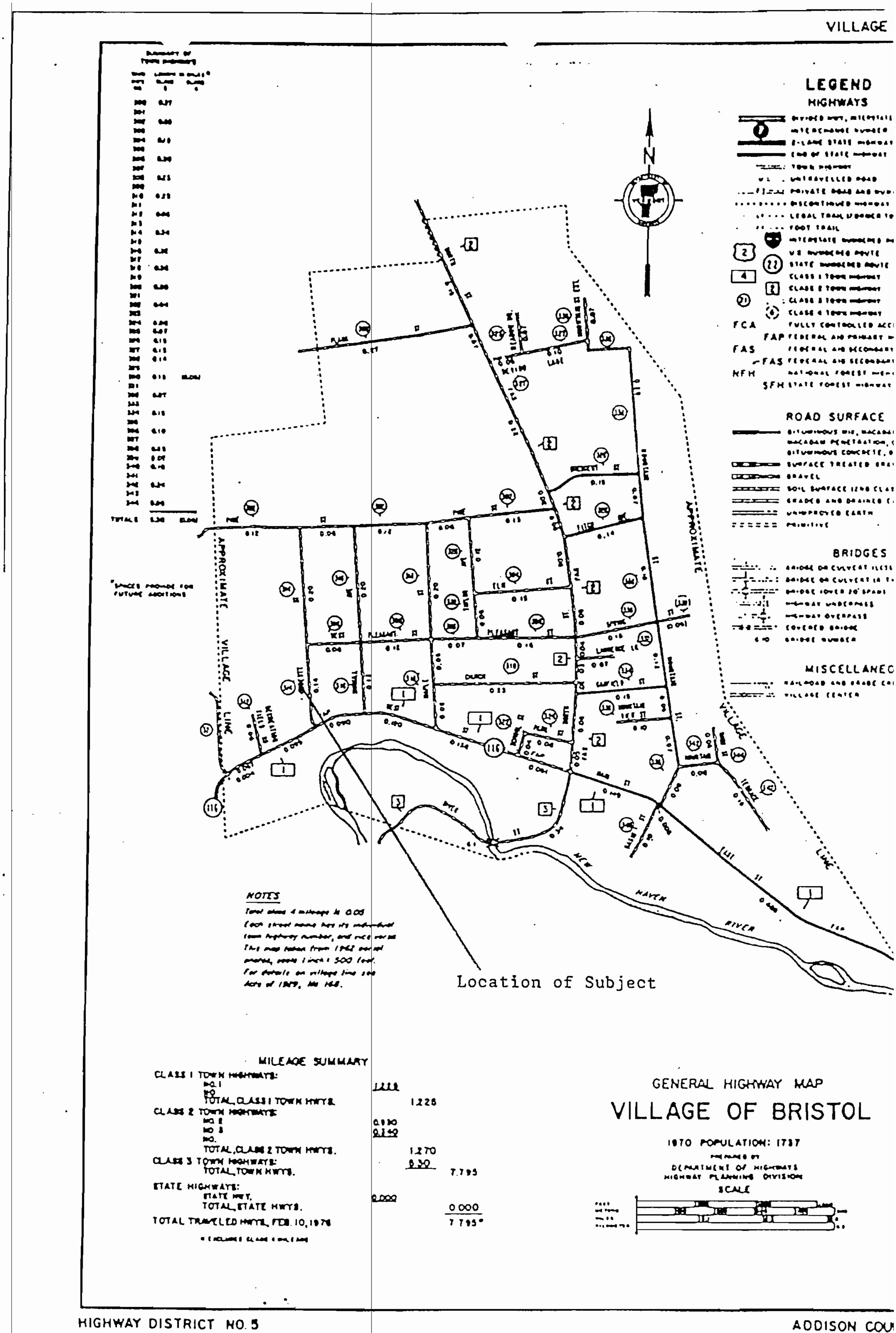
The appraisals do not specifically address the condition or functional character of the utility systems relative to the impact of this element on market value. No buyer, public or private, is likely to purchase a park without recognizing the condition of the utility systems and adjusting the acquisition price for anticipated upgrades or repairs. In this case, it appears that the electrical services are old / substandard and will need to be upgraded. Also, the septic disposal systems are apparently substandard and their remaining life and functional character need to be studied by a qualified engineer. The value / price of the park should be adjusted to reflect the cost to upgrade these systems if it is determined that this is necessary. Some adjustment to the cost may be made to reflect the fact that the existing systems have some limited remaining life and the replacement of the systems will not occur all at once. However, this should be guided by engineering recommendations. The cost to upgrade the utility systems should be deducted from the "base value" estimate referred to above.

Please let me know if you have any questions are require additional clarification.

Respectfully,

Stephen D. Allen, MAI

cc: Rick DeAngelis



VILLAGE
LEGEND
HIGHWAYS
ROAD SURFACE
BRIDGES
N
APPROXIMATE VILLAGE LINE
APPROXIMATE
VILLAGE LINE
NEW HAVEN RIVER
NOTES
Location of Subject
MILEAGE SUMMARY
CLASS 1 TOWN HIGHWAYS:
TOTAL, CLASS 1 TOWN HWYS. 1.225
CLASS 2 TOWN HIGHWAYS:
TOTAL, CLASS 2 TOWN HWYS. 1.270
CLASS 3 TOWN HIGHWAYS:
TOTAL, TOWN HWYS. 7.795
STATE HIGHWAYS:
STATE HWY. 0.000
TOTAL, STATE HWYS. 0.000
TOTAL TRAVELED HWYS, FEB. 10, 1976 7.795*
GENERAL HIGHWAY MAP
VILLAGE OF BRISTOL
1970 POPULATION: 1737
PREPARED BY
DEPARTMENT OF HIGHWAYS
HIGHWAY PLANNING DIVISION
SCALE
HIGHWAY DISTRICT NO. 5
ADDISON COU

\DEVEL\MHPARKS\PROJECTS\KILBOURN.WQ1

Project:	Kilbourn MHP	RUN DATE:	11-Jan-96

otal Residential Units:	45		
Restricted Units:	45	Increase - Rents	3.00%
Percent Restricted:	100.00%	Increase - Expenses	4.00%
Avg Net Monthly Rent:	144	Vacancy Rate:	4.00%
Total Dev Costs	888,000		
TDC/Unit	19,733		

FINANCING SOURCES	Amount	% of TDC	Interest	Term	Amortization Period
Primary debt	384,500	43.30%	8.50%	20	30
VHCB Grant	163,500	18.41%	N/A	N/A	0
CDBG Grant	340,000	38.29%	N/A	N/A	0
	888,000	100.00%			

	Budget	Per Unit
ACQUISITION & CONSTRUCTION		
Land	650,000	14,444
Purchase of Building(s)		0
Demolition		0
ELECTRICAL	28,000	622
ROAD	5,000	111
UMPING, CESSPOOL REPAIR	11,250	250
REPLACE 18 SEPTICS	27,000	600
INSTALL WATER METERS	15,250	339
CONTINGENCY	9,500	211
		0
CONSTRUCTION CLERK	13,000	289
		0
Subtotal	759,000	16,867
PROFESSIONAL SERVICES		
CD ADMINISTRATION	15,000	333
Engineering	2,000	44
Attorney		0
Legal, Title & Recording	4,500	100
Subtotal	21,500	478
INTERIM COSTS		
Construction Insurance		0
Construction Interest		0
Construction Loan Origination Fee		0
Taxes		0
Subtotal	0	0
OTHER SOFT COSTS		
Property Appraisal	2,500	56
Market Study		0
Environmental Report		0
Tax Credit Fees		0
Marketing		0
Subtotal	2,500	56
FINANCING FEES & EXPENSES		
Credit Report		0
Permanent Loan Origination Fee		0
Credit Enhancement		0
Cost of Issuance		0
Title & Recording		0
Counsel's Fee		0
FINANCE & CLOSING	13,000	289
Subtotal	13,000	289
SYNDICATION COSTS		
Organizational (Partnership)		0
Bridge Loan Fees & Expenses		0
Tax Opinion		0
Subtotal	0	0
DEVELOPER'S FEES		
Developer's Overhead & Profit	75,000	1,667
Consultant Fees		0
Subtotal	75,000	1,667
PROJECT RESERVES		
Rent-up (Deficit Escrow) Reserve		0
Replacement Reserve		0
Working Capital	17,000	378
Operating Reserve/Sinking Fund		0
Subtotal	17,000	378
TOTAL DEVELOPMENT COSTS	888,000	19,733

Kilbourn MHP	INCOME & EXPENSE BUDGET	11-Jan-96

INCOME

RENTS

Restricted Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br						0
2 Br						0
2 Br			45	150		81,000
2 Br						0
3 Br						0
	Totals	0	45			81,000

Market Rate Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	0	45			81,000
		Less Vacancy	4.00%			(3,240)
					NET RENT	77,760

OTHER INCOME

Interest Income	0
Laundry	0
Parking	0
Total Other Income	0
TOTAL INC	77,760

Kilbourn MHP	EXPENSE BUDGET			11-Jan-96
	Annual	Monthly	Per Unit Per Month	
ˡministration				
Management Fee	12,480	1,040	23	15.4%
Marketing		0	0	
Audit/Legal	2,000	167	4	
		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
		0	0	
Other		0	0	
TOTAL ADMINISTRATIVE	14,480	1,207	27	
Utilities				
Water/Sewer	3,000	250	6	
Electric		0	0	
Fuel		0	0	
Other		0	0	
TOTAL UTILITIES	3,000	250	6	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal		0	0	
Snow Removal	1,800	150	3	
Repairs		0	0	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
ʰther	3,500	292	6	
.OTAL MAINTENANCE	5,300	442	10	
Taxes	9,000	750	17	
Insurance	2,000	167	4	
Replacement Reserves	7,000	583	13	
Other		0	0	
Total	40,780	3,398	76	

	Year	1	2	3	4	5	6	7	8	9	10	11	12		14	15
Residential Rent		81,000	83,430	85,933	88,511	91,166	93,901	96,718	99,620	102,608	105,687	108,857	112,123	115,487	118,951	122,520
Less Res Vacancy		(3,240)	(3,337)	(3,437)	(3,540)	(3,647)	(3,756)	(3,869)	(3,985)	(4,104)	(4,227)	(4,354)	(4,485)	(4,619)	(4,758)	(4,901)
Plus Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income		77,760	80,093	82,496	84,970	87,520	90,145	92,850	95,635	98,504	101,459	104,503	107,638	110,867	114,193	117,619
Less Operating Expense		33,780	35,131	36,536	37,998	39,518	41,099	42,742	44,452	46,230	48,079	50,003	52,003	54,083	56,246	58,496
Less Reserves		7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133	9,407	9,690	9,980	10,280	10,588
Net Operating Income		36,980	37,752	38,533	39,323	40,123	40,932	41,749	42,574	43,406	44,246	45,093	45,946	46,804	47,667	48,535
Less Debt Service		35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478	35,478
Cash Flow		1,502	2,274	3,055	3,846	4,646	5,454	6,271	7,096	7,929	8,769	9,615	10,468	11,326	12,190	13,057
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		1,502	2,274	3,055	3,846	4,646	5,454	6,271	7,096	7,929	8,769	9,615	10,468	11,326	12,190	13,057
DCR		104.23%	106.41%	108.61%	110.84%	113.09%	115.37%	117.68%	120.00%	122.35%	124.72%	127.10%	129.51%	131.93%	134.36%	136.80%
Cumulative Cash Flow		1,502	3,776	6,831	10,677	15,323	20,777	27,048	34,144	42,073	50,841	60,456	70,924	82,251	94,440	107,497
Cumulative Cash:																
Beginning Balance		17,000	19,035	21,914	25,672	30,346	35,972	42,587	50,229	58,939	68,754	79,717	91,868	105,249	119,903	135,872
Plus: Deposits		1,502	2,274	3,055	3,846	4,646	5,454	6,271	7,096	7,929	8,769	9,615	10,468	11,326	12,190	13,057
Interest	3.0%	533	605	703	828	980	1,161	1,372	1,613	1,887	2,194	2,536	2,913	3,327	3,780	4,272
Less: Withdrawls		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		19,035	21,914	25,672	30,346	35,972	42,587	50,229	58,939	68,754	79,717	91,868	105,249	119,903	135,872	153,202

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 2, 1996

RE: Single Family Program Activity Report For January

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	73	$ 4,980,130		44	$ 2,846,502
Purchases	53	$ 3,319,056		93	$ 5,775,114

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	73	$4,980,130		44	$ 2,846,502
Purchases	53	$ 3,319,056		93	$ 5,775,114

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	5	$ 405,760		2	$ 166,400
Issued	12	$ 984,222		27	$ 1,955,580

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	5	$ 405,760		2	$ 166,400
Issued	12	$ 984,222		27	$ 1,955,580

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 22, 1996

RE: Servicing Activity for January

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		94
New 90 day accounts:	17	
To foreclosure/DIL:	5	
To 60 days or less:	2	
Payment arrangement:	25	
January 90+ accounts:		104

In Foreclosure:

Last months foreclosure accounts:		23
New foreclosures:	5	
To REO:	0	
Successful interventions:	0	
Negotiating workouts:	2	
January foreclosure accounts:		28

Real Estate Owned:

Last months REO's:		23
New REO's:	0	
Properties sold:	12	
Properties under contract:	2	
January REO's:		11

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EQUAL HOUSING OPPORTUNITY

op/serv/servact.mem

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JANUARY, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Aut	FCL	Delinq		REO	
ALBANK, FSB	255	10	3.92%	3	1.18%	2	0.78%	2	0.78%	17	6.67%	0	0.00%
BancBoston Mortgage Corp.	309	13	4.21%	6	1.94%	5	1.62%	1	0.32%	25	8.09%	1	0.32%
Banknorth Mortgage Co.	772	34	4.40%	8	1.04%	4	0.52%	3	0.39%	49	6.35%	4	0.52%
Bennington Co-Op S&L Assoc.	37	1	2.70%	1	2.70%	1	2.70%	0	0.00%	3	8.11%	0	0.00%
Brattleboro Savings & Loan	15	1	6.67%	0	0.00%	0	0.00%	0	0.00%	1	6.67%	0	0.00%
Chittenden Bank	895	53	5.92%	9	1.01%	17	1.90%	4	0.45%	83	9.27%	3	0.34%
Citizens Savings Bank	92	2	2.17%	1	1.09%	5	5.43%	0	0.00%	8	8.70%	0	0.00%
Community National Bank	274	8	2.92%	5	1.82%	7	2.55%	1	0.36%	21	7.66%	0	0.00%
Factory Point Nat. Bank	31	1	3.23%	1	3.23%	0	0.00%	0	0.00%	2	6.45%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	34	4	11.76%	2	5.88%	1	2.94%	0	0.00%	7	20.59%	0	0.00%
Gramite Bank (NH)	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	209	13	6.22%	3	1.44%	8	3.83%	6	2.87%	30	14.35%	1	0.48%
Green Mountain Bank	177	6	3.39%	2	1.13%	2	1.13%	1	0.56%	11	6.21%	0	0.00%
Lomas & Nettleton Company	14	1	7.14%	0	0.00%	0	0.00%	1	7.14%	2	14.29%	0	0.00%
Lyndonville Savings Bank	58	1	1.72%	2	3.45%	0	0.00%	0	0.00%	3	5.17%	0	0.00%
Merchants Bank	329	19	5.78%	3	0.91%	9	2.74%	2	0.61%	33	10.03%	0	0.00%
Mortgage Service Ctr. of NE	82	2	2.44%	0	0.00%	4	4.88%	1	1.22%	7	8.54%	1	1.22%
National Bank of Middlebury	64	3	4.69%	0	0.00%	0	0.00%	0	0.00%	3	4.69%	0	0.00%
New England Federal CU	49	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	122	7	5.74%	1	0.82%	2	1.64%	1	0.82%	11	9.02%	0	0.00%
Passumpsic Savings Bank	179	6	3.35%	2	1.12%	4	2.23%	1	0.56%	13	7.26%	0	0.00%
Peoples Trust Co.	100	7	7.00%	2	2.00%	0	0.00%	0	0.00%	9	9.00%	0	0.00%
Randolph National Bank	48	1	2.08%	0	0.00%	1	2.08%	1	2.08%	3	6.25%	0	0.00%
Union Bank	168	8	4.76%	6	3.57%	5	2.98%	0	0.00%	19	11.31%	0	0.00%
Vermont Development CU	22	0	0.00%	0	0.00%	1	4.55%	0	0.00%	1	4.55%	0	0.00%
Vermont Federal Bank	996	54	5.42%	11	1.10%	9	0.90%	2	0.20%	76	7.63%	1	0.10%
Vermont National Bank	606	24	3.96%	6	0.99%	15	2.48%	1	0.17%	46	7.59%	0	0.00%
Wells River Savings Bank	37	0	0.00%	0	0.00%	2	5.41%	0	0.00%	2	5.41%	0	0.00%
Totals	5978	279	4.67%	74	1.24%	104	1.74%	28	0.47%	485	8.11%	11	0.18%
Totals Previous Month	5958	304	5.10%	104	1.75%	94	1.58%	23	0.39%	525	8.81%	23	0.39%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: January, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Auction Properties									
Barrup W. Topsham	$27,500	$ 7,490	$41,921	$ 5,364	$18,039	$ 9,000	($48,834)	($20,283)	($28,551)
McGraw Fair Haven	$54,000	$47,080	$59,257	$ 5,898	$12,095	$12,600	($17,570)	N/A	($17,570)
White Poultney	$39,500	$29,425	$71,535	$ 5,934	$12,942	$17,715	($43,271)	N/A	($43,271)
Demo Wolcott	$32,500	$33,170	$74,599	$ 5,280	$10,871	$16,000	($41,580)	N/A	($41,580)
Baker Barre	$65,000	$45,475	$72,027	$10,308	$37,192	$15,400	($58,652)	($20,087)	($38,565)
Durgin Richford	$49,500	$34,240	$61,319	$ 5,970	$24,108	$ 9,875	($47,282)	N/A	($47,282)
Kuit Wilder	$54,000	$42,800	$71,732	$10,319	$26,112	$15,400	($49,963)	($11,982)	($37,981)
Heir Poultney	$42,000	$34,775	$64,596	$14,270	$18,749	$13,975	($48,865)	($13,394)	($35,471)
Stillwell Rutland	$50,000	$44,940	$83,882	$ 8,541	$14,291	$20,132	($41,642)	N/A	($41,642)

C:\DATA\OPERATE\SERVICE\BDREOEV

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Martin W. Rutland	$55,000	$32,100	$59,384	$ 5,736	$14,140	$14,384	($32,776)	($16,587)	($16,189)
Simpson Sheffield	$30,000	$32,100	$74,049	$ 4,960	$10,987	$15,875	($42,021)	$ 2,554	($44,575)
Olsen Springfield	$15,000	$11,235	$40,683	$4,321	$14,942	$ 9,425	($39,286)	N/A	($39,286)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Jillson North Hero	$74,900	$74,900	$75,589	$10,404	$19,399	$16,350	($14,175)	($21,219)	$ 7,044
Wells Bennington	$60,000	$58,000	$59,426	$ 4,434	$ 8,578	$13,000	($4,270)	N/A	($ 4,270)

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: FEBRUARY, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Aut	FCL	Delinq		REO	
ALBANK, FSB	257	8	3.11%	3	1.17%	0	0.00%	3	1.17%	14	5.45%	0	0.00%
BancBoston Mortgage Corp.	308	16	5.19%	0	0.00%	8	2.60%	1	0.32%	25	8.12%	1	0.32%
Banknorth Mortgage Co.	774	30	3.88%	12	1.55%	6	0.78%	3	0.39%	51	6.59%	4	0.52%
Bennington Co-op S&L Assoc.	37	1	2.70%	0	0.00%	2	5.41%	0	0.00%	3	8.11%	0	0.00%
Brattleboro Savings & Loan	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	902	51	5.65%	16	1.77%	9	1.00%	7	0.78%	83	9.20%	4	0.44%
Citizens Savings Bank	93	3	3.23%	1	1.08%	5	5.38%	0	0.00%	9	9.68%	0	0.00%
Community National Bank	273	6	2.20%	2	0.73%	7	2.56%	3	1.10%	18	6.59%	0	0.00%
Factory Point Nat. Bank	31	3	9.68%	1	3.23%	0	0.00%	0	0.00%	4	12.90%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	36	4	11.11%	2	5.56%	1	2.78%	0	0.00%	7	19.44%	0	0.00%
Gramite Bank (NH)	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	209	13	6.22%	2	0.96%	8	3.83%	7	3.35%	30	14.35%	1	0.48%
Green Mountain Bank	177	9	5.08%	2	1.13%	1	0.56%	1	0.56%	13	7.34%	0	0.00%
Lomas & Nettleton Company	14	2	14.29%	0	0.00%	0	0.00%	1	7.14%	3	21.43%	0	0.00%
Lyndonville Savings Bank	57	1	1.75%	1	1.75%	0	0.00%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	326	14	4.29%	1	0.31%	7	2.15%	4	1.23%	26	7.98%	0	0.00%
Mortgage Service Ctr. of NE	84	5	5.95%	0	0.00%	4	4.76%	1	1.19%	10	11.90%	1	1.19%
National Bank of Middlebury	64	1	1.56%	0	0.00%	0	0.00%	0	0.00%	1	1.56%	0	0.00%
New England Federal CU	49	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	120	9	7.50%	2	1.67%	2	1.67%	1	0.83%	14	11.67%	0	0.00%
Passumpsic Savings Bank	176	7	3.98%	2	1.14%	1	0.57%	2	1.14%	12	6.82%	1	0.57%
Peoples Trust Co.	100	14	14.00%	3	3.00%	0	0.00%	0	0.00%	17	17.00%	0	0.00%
Randolph National Bank	47	2	4.26%	0	0.00%	0	0.00%	0	0.00%	2	4.26%	1	2.13%
Union Bank	173	7	4.05%	4	2.31%	5	2.89%	0	0.00%	16	9.25%	0	0.00%
Vermont Development CU	22	0	0.00%	0	0.00%	1	4.55%	0	0.00%	1	4.55%	0	0.00%
Vermont Federal Bank	1016	49	4.82%	12	1.18%	8	0.79%	4	0.39%	73	7.19%	1	0.10%
Vermont National Bank	612	26	4.25%	6	0.98%	16	2.61%	3	0.49%	51	8.33%	0	0.00%
Wells River Savings Bank	38	0	0.00%	0	0.00%	1	2.63%	0	0.00%	1	2.63%	0	0.00%
Totals	6014	281	4.67%	72	1.20%	92	1.53%	41	0.68%	486	8.08%	14	0.23%
Totals Previous Month	5978	279	4.67%	74	1.24%	104	1.74%	28	0.47%	485	8.11%	11	0.18%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: January, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Auction Properties									
Barrup W. Topsham	$27,500	$ 7,490	$41,921	$ 5,364	$18,039	$ 9,000	($48,834)	($20,283)	($28,551)
McGraw Fair Haven	$54,000	$47,080	$59,257	$ 5,898	$12,095	$12,600	($17,570)	N/A	($17,570)
White Poultney	$39,500	$29,425	$71,535	$ 5,934	$12,942	$17,715	($43,271)	N/A	($43,271)
Demo Wolcott	$32,500	$33,170	$74,599	$ 5,280	$10,871	$16,000	($41,580)	N/A	($41,580)
Baker Barre	$65,000	$45,475	$72,027	$10,308	$37,192	$15,400	($58,652)	($20,087)	($38,565)
Durgin Richford	$49,500	$34,240	$61,319	$ 5,970	$24,108	$ 9,875	($47,282)	N/A	($47,282)
Kuit Wilder	$54,000	$42,800	$71,732	$10,319	$26,112	$15,400	($49,963)	($11,982)	($37,981)
Heir Poultney	$42,000	$34,775	$64,596	$14,270	$18,749	$13,975	($48,865)	($13,394)	($35,471)
Stillwell Rutland	$50,000	$44,940	$83,882	$ 8,541	$14,291	$20,132	($41,642)	N/A	($41,642)

vhfa

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 1, 1996

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - October 1, 1995 through December 31, 1995

VOLUME

LOANS SELECTED FOR REVIEW

A total of 324 loans were guaranteed by VHMGB during the above period. Of these, 228 were loans to be purchased by VHFA, and 96 were conventional. The conventional loans were further broken down into 70 fixed and 26 adjustable rate loans.

Thirty-two (32) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans, 21 were to be purchased by VHFA and 11 were conventional loans. The conventional loans were further split as 9 fixed rate and 2 adjustable rate loans.

The chart below demonstrates a comparison by percentage of the loans guaranteed and the loans pulled for quality control review.

Category	VHFA	Conv.	Fixed	Adj.
Total Loans Guaranteed In Period	70%	30%	22%	8%
Total Loans Pulled for QC	66%	34%	28%	6%

Based on the above, the loan types selected for quality control review is an accurate reflection of the loans guaranteed.

LOANS WHICH HAVE BEEN COMPLETED

Thirty-three (33) loans completed the quality control process. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed 22 were loans sold or to be sold to VHFA and 11 were conventional loans. The conventional loans were split 10 fixed rate and one adjustable rate.

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FINDINGS ON LOANS REVIEWED

No loans reviewed were found to be in violation of the guidelines for the investor program they were originated for and compensating factors used in the underwriting process were well documented.

Five loans required further explanation from the underwriters concerning gift letters used in underwriting, payment shock, seasonal employment and income used in underwriting. On one loan, the lender needed to be contacted to verify the need for flood insurance.

All of the conditions listed which had to be met prior to the guarantee being issued were documented as having been met on the loans reviewed.

On five of the loans on which the quality control review was completed it was necessary to ask the appraiser, who appraised the property for the originating lender, to explain some part of the appraisal. This was necessary as the review appraisal indicated that the items in question, if not properly explained, could have a bearing on the market value reached by the appraiser. All of the appraisers explained the items questioned by the review appraiser satisfactorily enough to indicate that the market value reached was valid within normal parameters.

BOARD ACTION REQUESTED

No Board action necessary.

vhfa

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: January 29, 1995

RE: VHFA Participating Lender Approval

At the Board meeting of November 16, a discussion was held concerning the VHFA participating lender approval policy and the requirement for a regulated lending institution to have originated mortgage loans in Vermont for a year before they could be approved to participate in VHFa mortgage purchase programs. Board consensus was that the one year period should be eliminated for a bank, but not for a licensed lender. The following is an outline of our current policy and a draft of a proposed new policy.

Current Policy

1. All applicants must have originated mortgage loans in Vermont for the preceding 12 consecutive months. In addition, if a licensed lender, the applicant must have been licensed to originate mortgage loans in Vermont for the preceding 12 consecutive months;

2. Provide VHFA with the most recent audited financial statements;

3. Provide VHFA with its operating policies covering mortgage loan origination, mortgage loan sale, mortgage loan collection, mortgage loan foreclosure and handling of Other Real Estate Owned (OREO) and quality control procedure; and

4. Complete and provide VHFA with a VHFA/VHMGB Participating Lender Application.

The only allowable participants in the VHFA mortgage purchase programs are banks, credit unions, savings and loan associations, savings banks, either nationally or state chartered and Vermont licensed lenders. The following are the requirements for participation by institutional category.

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Proposed Policy

Banks, credit unions, savings and loan associations and savings banks, either nationally or state chartered,

In order to become a participating lender in VHFA single family mortgage programs, the applicant must:

1. Be regulated by a federal or state agency;

2. Provide VHFA with the most recent audited financial statements;

3. Provide VHFA with its operating policies covering mortgage loan origination, mortgage loan sale, mortgage loan collection, mortgage loan foreclosure and handling of Other Real Estate Owned (OREO) and quality control procedure; and

4. Complete and provide VHFA with a VHFA/VHMGB Participating Lender Application.

Licensed Lender

All applications must:

1. Have been licensed to originate mortgage loans in Vermont for a period not less than the twelve consecutive preceding months. This requirement will be waived if the licensed lender is a subsidiary of a lender currently doing business in Vermont;

2. Have originated at least $1 million in mortgage loans in Vermont for a period not less than the twelve consecutive preceding months This requirement will be waived if the licensed lender is a subsidiary of a lender currently doing business in Vermont;

3. Provide VHFA with the past two years audited financial statements;

4. Provide VHFA with its operating policies covering mortgage loan origination, mortgage loan sale, mortgage loan collection, mortgage loan foreclosure and handling of Other Real Estate Owned (OREO) and quality control procedure; and

5. Complete and provide VHFA with a VHFA/VHMGB Participating Lender Application.

RECOMMENDED BOARD ACTION:

Approval of the proposed participating lender approval policy.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: February 21, 1996

RE: Delinquency Timetable

At the board meeting of January 18, 1996, staff was asked to prepare a timetable displaying the process at VHFA from loan delinquency through the foreclosure or Deed-in-lieu (DIL) process up to the time the property is sold.

METHODOLOGY USED

In order to accomplish this task, reports were obtained that listed:

1. Each loan with a foreclosure (FCL) approval or a DIL requested date between January 1, 1993, and December 31, 1995; and
2. Each loan that became an REO between January 1, 1993 and December 31, 1995, and had a date the loan was sold.

For each loan that met the criteria, staff examined the loan to determine the date to which the interest was paid. By using this technique, staff was able to obtain, on a loan by loan basis, the time from (1) the interest paid-to-date to the date of FCL approval or DIL request; (2) FCL approval or DIL request to the time the loan became an REO; and (3) from REO date to the date the property was sold. As a comparison, staff used the conventional loans guaranteed by VHMGB, which is a relatively small sample. However, it does give us a sense of what is happening in Vermont. Staff is in the process of obtaining additional comparisons from private mortgage insurers.

RESULTS AND DISCUSSION

The results of this initiative are outlined below. The numbers in parentheses are the numbers for conventional loans:

1. The time between the interest paid-to-date and FCL approval or DIL request averaged 185 (345) days;

Staff has recently instituted a change in the flow of actions and paperwork in an attempt to reduce the time between delinquency and action to obtain title to the property. These include requiring a servicer to

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have a payment arrangement with a borrower or a default notice sent when the borrower reaches a delinquency of 90 days. Any payment arrangement made with a borrower that does not include a payment by the borrower at the time the arrangement is reached will require the servicer to notify the borrower that a default notice will be sent. If the payment arrangement is kept, no action will be taken on the default notice. In cases where a borrower has had multiple payment arrangements or there are concerns about the borrowers ability to meet the payment arrangement, additional security, such as a deed to the property, to be held in escrow, will be requested. If the payment arrangement is kept, the deed will be returned to the borrower when the loan is brought current. If the payment arrangement is not kept, the deed will be recorded and title to the property will pass to VHFA. Our goal is to reduce the average time in this category to 120 days.

2. The time between FCL approval and the date the properties became an REO averaged 196 (228) days; and

There are many elements that can complicate a FCL action and extend the time it takes to gain title. However, to reduce the time as much as possible, staff encourages borrowers to attempt to sell their property during the FCL action and works with borrowers to assist them in disposing of their property so VHFA will not have to take title. In addition, staff negotiates or requests a shortened redemption date wherever possible. Staff has set a goal of an average of 150 days to complete a FCL action from the date the default notice expires.

In the case of a DIL, the time between the date the DIL is requested and the date the property became an REO averaged 97 (71) days. On February 14, 1996, the VHFA procedure for handling a DIL was updated to make clear our policy on who pays for the costs of a DIL, including a title search, appraisal, or deed preparation. Once it is determined that a borrower can not afford to pay these costs, VHFA will bear these costs as they are generally less than the cost of bringing a FCL action. In addition to the above, staff will update the DIL procedure to include a stipulation for a shortened redemption, should the DIL transaction not be completed and a FCL action must be brought. Staff has set a goal of an average of 60 days to complete a DIL.

3. The time between when the property became an REO and the time the property was sold averaged 263 (169) days.

On August 24, 1995, the Board approved an REO marketing plan that included a policy that if an offer to purchase an REO was not received in 90 days, the property would be considered for an auction sale. In addition, VHFA is attempting to price its REOs at a level that will allow a sale in 90 days. After 60 days on the market, the listing price on an REO will be reviewed to determine if it should be discounted further to consummate a sale. Staff has set a goal that the average time to sell an REO will be 180 days.

Staff is currently working with nonprofit organizations on a proposal which, if approved by the Board, will allow the nonprofits better opportunities to make some of our REOs part of Vermont's permanently affordable housing stock.

In addition, staff is currently developing a report to enhance the tracking of delinquent loans through the process to ensure more timely completion of tasks which will allow us to reach the goals stated in this memo.

BOARD ACTION REQUESTED: No Board action requested.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis

DATE: February 23, 1996

RE: UPDATE TO VHFA BUSINESS AND STRATEGIC PLANS

Attached are updates to the VHFA FY96 Business Plan and our five year strategic plan. The Business Plan update is in the customary format indicating actual results against our goals for the first half of the year. As usual, other members of the staff and I will be prepared to address any specific questions you may have about our mid-year progress at the Board meeting.

With respect to the Strategic Plan, I have excerpted the specific strategies we were to address during FY96 from the plan and am providing narrative updates on our progress in fulfilling our actions and achieving our goals. This format is experimental and I will appreciate your feedback on both the format and the content of the report.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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1A Encourage and Support a Productive and Positive Work Environment

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

Goals

1. To provide a competitive compensation package in a cost-effective approach.

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

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

Time Period for Implementation Ongoing.
Action timeframe - Ongoing.

ACTIVITY TO DATE

1. Conducted an analysis of VHFA compensation as compared to other employers in the region and determined that our compensation is competitive.

2. Continued our work in converting our data processing system to the Mitas System. The conversion is essentially completed. Additionally, we are upgrading our computer hardware to Windows-capable equipment and expect to have converted to a Windows-based system by July 1. We are also investigating the costs and benefits of an optical imaging system intended to improve our document management systems, facilitate a smoother work flow, and reduce paperwork and filing.

3. Supervisory employees are currently completing a training program on conducting effective performance appraisals and we are planning to modify our employee appraisal system prior to July 1. (This work is being conducted as the result of staff recommendations and input).

2A Expand Down Payment Assistance

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

Goals

1. Provide 100% financing to individuals who would otherwise not be able to purchase a home with emphasis on borrowers with the lowest income.

2. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults. VHFA would work with three nonprofit groups to develop their capacity over a two year period to assist delinquent borrowers to avoid foreclosure. This support would include $20,000 to each group for year one, and $10,000 for each group for year two. VHFA would then reimburse each group for work they do for VHFA to avoid foreclosures. The service would also be available on conventional loans. Like VHFA, other lenders would pay fees to an organization to prevent foreclosures. The rationale is that most lenders (including VHFA) lose money when they foreclose. Early intervention may result in a reduced number of foreclosures.

3. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 1 of Strategic Plan (FY96).
Action # 1 - Total time frame of 6 to 8 months.

ACTIVITY TO DATE

1. In late 1995, VHFA was granted authorization by VHMGB to make an additional 50 down payment assistance loans. The loans became available on December 1 and were all reserved by early February. Authorization for additional down payment assistance loan authority is dependent on the results of the analysis referenced in Goal 3 above. The results of the down payment assistance default analysis will be available at the March Board meeting. Also to be considered in any future recommendation will be the outcome of our comprehensive analysis of underwriting practices, defaults and loan losses.

2. As part of the down payment assistance program, pre-purchase home inspections were required. Future capacity to provide pre-purchase and post-purchase counseling and early intervention servicing is being developed as part of the Homeownership Center Initiative.

2B Develop Home and Energy Improvement Lending Programs

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

Goals

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 6 to 8 months.

ACTIVITY TO DATE
To date, development of the home improvement loan program has been slowed due to resource constraints and the work we are doing on establishing homeownership counseling centers. A survey of existing homeowners indicates a significant amount of interest in home improvement loans. Due to problems with the VHMGB statute, RECD will need to guarantee these loans.

The home improvement loan program contemplated to be operating by mid-Summer 1996 would make funds available for an array of property improvements, including energy improvements, and will utilize insurance from the HUD FHA Title I Home Improvement Loan Program. One possible source of funds is Fannie Mae.

As part of the upcoming bond issue, any borrower under the MOVE program who spends at least $2,500 on energy efficiency improvements will qualify for a stepped-rate mortgage.

2D Provide Financing for Co-op Housing

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

Goals

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

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

3. To provide share loans to tenant stockholders.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)
Action - Total time frame of 4-6 months.

ACTIVITY TO DATE
No activity to date. This Action will be initiated this summer with an assessment of the demand for construction and permanent financing for co-op units, the demand for financing for cooperative mobile home parks and the need/demand for share loans to tenant stockholders.

3B Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

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

Goals

1. To expand the financing options for housing developed with Low Income Housing Tax Credits.

2. Provide a service for banks to allow them to finance affordable housing developments.

3. Utilize the expertise that exists on staff to generate fee income for VHFA.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 6-9 months.

ACTIVITY TO DATE

Initial discussions have occurred with the New Hampshire HFA, which has formed a loan consortium with one local bank. Due to the small amount of debt needed on most projects being developed, current need for a consortium is doubtful.

4A Address Homelessness

Action Support research and public education via all available mechanisms.

Goals

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

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 3-12 months.

ACTIVITY TO DATE
No activity has occurred to date with respect to supporting research and public education.

At a programmatic level VHFA has, where possible, utilized its financial resources to provide refinancing and development loans for projects intended to serve the members of the lowest income groups.

4B Collaborate to Develop Programs for Support and Special Needs

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

Goals

1. Expand the housing options available for adults with developmental disabilities.

2. Provide homeownership opportunities to very low income Vermonters.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #2 - Total time frame of 6 months.

ACTIVITY TO DATE

1. Collaborated with the Agency of Human Services and other housing and social service agencies in preparation and submission of grant application to the National Home of Your Own Alliance. The grant was not funded but cooperative work continues among the participating entities.

2. VHFA has closed a HOUSE mortgage loan for an adult with a developmental disability and currently has several others in the pipeline.

5A Increase Efficiency of Multifamily Lending Process

Action #1 Review Underwriting Criteria for Validity and Revise as Necessary

Goals

1. Eliminate any unnecessary obstacles to making loans.
2. Refine financial feasibility analysis and due diligence by incorporating results of recent experience into underwriting process.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #1 - Total time frame of 3 months.

ACTIVITY TO DATE (Action #1)
Revised underwriting guidelines reviewed with the Board of Commissioners in October 1995 are being applied and evaluated on an ongoing basis.

Action #2 Develop new informational, application, and marketing materials for multifamily loan programs.

Goals

1. Make programs more accessible and user-friendly.
2. Obtain necessary information in the way most efficient for both borrower and VHFA.
3. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #2 - Total time frame of 6 months.

ACTIVITY TO DATE (Action #2)
Informational, application and marketing materials will be developed after staff has completed the review exercise outlined below.

Continued...

5A Increase Efficiency of Multifamily Lending Process (Continued)

Action #3 Accelerate Loan Processing.

Goals

1. Be as responsive as possible to borrower needs.

2. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #3 - Total time frame of 4 months.

ACTIVITY TO DATE (Action #3)
Development, Legal and Multifamily Staff, under the Executive Director's direction, are currently working to evaluate and streamline the loan application and closing process. Feedback from clients and prospective clients will be solicited before the process is completed. Results of the exercise will be shared with the Board of Commissioners.

. . . .

Action #4 Increase Efficiency of Closing Process.

Goals

1. Improve quality; reduce risk as much as possible within lending parameters.

2. Accelerate process.

3. Increase lending activity while achieving adequate security.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #4 - Total time frame of 6 months.

ACTIVITY TO DATE (Action #4)
See 5A Action #3, above.

7A Collaborate with Other Agencies To Achieve Efficiencies

Action #1 Improve affordable housing program compliance monitoring.

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

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)
Action #1 - Total time frame of 24 months.

ACTIVITY TO DATE (Action #1)
On a trial basis, VHFA is monitoring projects for the Vermont Housing & Conservation Board when tax credit utilization overlaps with use of HOME funds or VHCB funds. In 1996 VHFA will monitor 475 units for VHCB. This service is currently provided at no cost to VHCB and is being evaluated to determine actual costs as a basis for considering future fee assessments.

VHFA is also coordinating site visits with Housing Vermont and the Vermont State Housing Authority whenever possible.

. . . .

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

Goals
1. To design a simplified process for housing sponsors that reduces the burden of separate applications and budget forms.
2. To the extent possible, implement the use of a standard development and operating budget submission for all affordable housing programs and agencies.

Time Period for Implementation During Year 1 and 2 of Strategic Plan (FY96 and FY97)
Action #2 - Total time frame of 24 months.

ACTIVITY TO DATE (Action #2)
VHFA is collaborating with the Department of Housing and Community Affairs and the Vermont Housing & Conservation Board to develop a consolidated application form. The process is currently on hold due to a reorganization at the Department of Housing and Community Affairs.

8A Maintain Data Collection, Analysis, and Dissemination of Housing Data

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

Goals

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 2 to 6 months.

ACTIVITY TO DATE
In an effort to reduce our operating costs and while we consider potential opportunities created by changes at the State level in the housing delivery system, we have reduced the research analyst position to 60% of full time.

10A Expansion of Financing to Non-Housing Activities

Action #1 Explore feasibility of integration of existing entity functions

Goals

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #1 - Total time frame 9-12 months.

ACTIVITY TO DATE (Action #1)
Some exploratory discussions with other state officials have been conducted. Staff will continue to administer the functions of VHMGB including expanding the data processing capabilities and enhancing their programs, such as offering an annual premium option.

10C Reduce Operating and User Costs

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

Goals

1. Under-perform CPI for overall budget (depending upon actual revenue growth).

2. Stabilize benefits costs.

3. Promote the concept of a "paperless" office.

Time Period for Implementation Ongoing
Action - Total time frame is ongoing.

ACTIVITY TO DATE

With respect to reducing operating and user costs, we are continuing our work in trying to achieve efficiencies in our operating costs. Currently, initiatives are underway in the areas of improved data processing efficiency and the investigation of document imaging technologies. Additionally, we have consulted with our financial advisors, Evensen Dodge, to create a "bottom line" for the Agency in order to establish some future financial targets. A significant savings realized in FY96 was the result of a decision not to fill the Director of Development position.

Budget for FY96 was decreased by .5% over FY95 budget. Work was also completed to stabilize or reduce benefit costs, resulting in a 9% reduction in insurance costs.

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities

Action #1 Explore reducing servicing fees to servicers

Goals

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #1 - Total time frame 6-8 months.

ACTIVITY TO DATE (Action #1)

We have had some success with lenders who wish to originate VHFA mortgage loans, but who do not wish to service these loans. In these instances, VHFA purchases the mortgage loans "servicing released" and has the loans sub-serviced. Through this technique VHFA is able to increase income based on the difference between the servicing fee collected and the sub-servicing fee. The payback period for the servicing released fee VHFA pays is approximately 24 to 30 months; the average life of a mortgage is approximately 10 years. Therefore, after the initial payback period expires, VHFA can look forward to approximately eight years of additional income per loan. To date, two lenders have entered into an agreement of this sort as of 12/31/95, generating 25 loans totalling $1.7 million.

. . . .

Action #3 Maximize revenues through fiscally responsible and aggressive investment of Agency resources

Goals

1. Achieve yields higher than comparable short term money rates.
2. Review investment strategies on an ongoing basis.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #3 - Ongoing.

ACTIVITY TO DATE (Action #3)
VHFA's investment policy has been revised to include additional restrictions on investment derivatives. Staff continue to monitor short term investment options and invest long term funds in guaranteed investment contracts. Agency resources have been invested into construction and permanent mortgage loans at higher rates than other investment opportunities and also contributed to a more affordable housing product.

VERMONT HOUSING FINANCE AGENCY
FY96 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY95 vs. FY96 (July 1, 1995 through December 31, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS					
	MOVE (Includes IORTA)	775 mtges purch; $49,790,073	825 mtges purch; $55,000,000	SF Ops	428 mtges purch; $27,685,142
	MCC (Mortgage Plus)	147 MCCs issued; $11,336,000	154 MCCs issued; $11,900,000	SF Ops	48 MCCs issued; $ 3,576,332
	HOUSE (Includes IORTA)	45 loans purch; $ 2,789,832	75 loans purch; $ 4,900,000	Devel	40 loans purch; $ 2,549,933
	Rural VT Mtge	25 mtges purch; $ 859,560	25 mtges purch; $ 850,000	SF Ops	29 mtges purch; $ 1,014,680
	IORTA Down Payment Assist	122 loans purch; $ 7,871,585	(See "Prog/Init Being Devel" section)	SF Ops	7 loans purch; $ 445,073
	Mobile Home Park Financing (MF)	33 units; $ 281,000	30 units; $ 300,000	Devel	45 units; $ 385,000 (Apps)
	Preservation–Section 8	4 Pres Agree signed (114 units)	Pres Agree for 20 projects (400 units)	MF Mgmt	Goals will be revised by 03/30/96
	LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	Submitted application for HUD note sale; not approved by HUD
	MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750+ pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	2 loans, 52 units ($401,110/$210,000) St Johnsbury loan (Section 8 Refund); Burlington scattered sites (20 units); plus 1 group home, 6 beds ($90,000)
	VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	4 loans closed; $ 66,900 Increased funding to $ 325,000 06/95
	SF Development/Construction	11 units; $ 750,000	50 units; $2,700,000	Devel	No activity; accepting applications
	LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 allocated CAL 95: 138 units/132 TC units reserved; $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	100% of available credit allocated to projects
	Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	Developing training for nonprofits; SF program focus 12/95 target; also plan to develop training on appraising affordable housing
	Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 137 attendees 5 other homeownership classes; 99 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes; 150 attendees; non-VHFA events as requested	Comm	1 home buyer fair; 45 attendees 1 home buyer wkshp; 40 attendees 3 homeownership classes; 30 attendees 2 non-VHFA events; 50 attendees
	Cooperative Advertising	$7,500 allocated to 7 nonprofits; $5,465 dispersed to 6 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	3 mailings for nonprofits to 3,600 consumers; 550 flyers in RE newsletter $8,700 awarded for nonprofits
	Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	#504 sold $165,000; #600 letter of interest expired 01/15; option agreement in progress

VERMONT HOUSING FINANCE AGENCY
FY96 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY95 vs. FY96 (July 1, 1995 through December 31, 1995)

	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)					
	Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	Refinanced $401,110 of St. Johnsbury project out of proceeds at 0%; dedicated savings to supplement Winchester deficits; instituting plan for committing only 1 year of savings in advance
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	Committed $1,100,000 loan participation in VHCB lead paint program; HB.778 introduced and will be under consideration this Legislative session
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	See separate VHMGB business plan (attached)
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000; letter of interest	3 loans $2,000,000 Market program and expand lending	Devel	1 loan (ltr interest issued) 58 units; $690,000
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $600,000 In coordination with Home of Your Own Alliance Coalition	Devel	1 loan in process; $85,000
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. LCHDC $150,000; RAHC $36,000; "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	LCHDC Commitment expired 12/31, LCHDC did not want to renew; RAHC commitment expired 12/28, extended to 03/31/97 Outstanding balance = $10,500
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Home improvement program development in process	Implement; 150 loans; $1,300,000	Devel	Survey completed; preliminary program being developed; target implementation 07/96
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	Began work with Merchants Bank on electronic data transfer system; instituted VHMGB annual billing
	Expand Down Payment Assistance (IORTA)	VHMGB has granted an additional 50 guarantees in support of this program for FY96; staff working on issues of property inspections, targeting and energy	Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	Program began 12/01/95; nearly 40 reservations as of 12/31/95
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	Coordination with VHCB has begun with their HOME and grant programs
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	19 inspections have been completed

FY95 vs. FY96 (July 1, 1995 through December 31, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
	Burlington Enterprise Community	Committed up to $2,000,000 for a rental rehabilitation initiative	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	VHFA was represented by BCLT at Enterprise Community Fair 10/14; 10 down payment assistance loans available for release 03/96
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	No activity to date; third quarter activity planned
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	$60,000 in capacity funding, plus $100,000 in IORTA funds approved by Board
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	04/01/96 implementation scheduled
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	No activity to date; third quarter activity planned
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	Board approved revised MF underwriting standards; revised application form to be completed by 12/95; MF Mgmt/Dev/Legal discussing ways to make lending process more efficient
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidated Plan; Lead Paint Hazard Commission
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	Ongoing evaluation
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	Discussing cash flow program with Mitas

FY95 vs. FY96 (July 1, 1995 through December 31, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	No activity planned yet
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	99 developments (2,824 units)
	Lender Training	46 sessions held; 341 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	19 sessions held; 93 participants 2 sessions with nonprofits held; 19 participants
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	Computer conversion in progress; 02/15/96 completion anticipated
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	LIHTC allocation plan developed; consistent with HUD Consolidated Plan
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	19 compliance audits completed
	Training for RE Professionals	4 course sessions held; 79 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	3 course sessions held; 44 attendees
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm	Year 1 goals integrated into Business Plan; progress to date analyzed 12/95
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 15 cases; handled 52 cases; closed 31 cases
	Quality Control	Procedures are being developed to conform VHFA and VHMGB quality control process and procedures to secondary market requirements	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	VHFA quality control procedures conform to secondary market guidelines; audit will verify and/or point out areas to be addressed
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	No activity to date
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	Reduced Research Analyst position to 60% time; will continue to maintain level within our capacity

FY95 vs. FY96 (July 1, 1995 through December 31, 1995)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Fall campaign completed, revised radio and print ads; 15% increase in consumer calls to Helpline
	Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	Developed list of printed materials needing production by 06/96
	Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	Status quo

FY95 vs. FY96 (July 1, 1995 through December 31, 1995)			
	FY95 ACTUALS TO DATE	**FY96 GOALS**	**FY96 ACTUALS TO DATE**
ONGOING PROGRAMS			
Guarantees Issued	1,222 issued; $16,929,216 coverage	1,250 issued; $21,100,000 coverage	591 issued; $10,659,082 coverage
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	None to date
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	Scheduled start date 03/01/96 has been set; software vendor working on programmatic needs
Universal Claim Form	Available on computer; will incorporate with re-write of VHMGB procedural guide	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	Still under consideration
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	Initial draft of new master policy is being reviewed by staff
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Program parameters being developed; may use FHA Title I as guarantee vehicle in pilot stage	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	Participating with VHFA in development of their program to be guaranteed by FHA Title I
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	Still under consideration; initially, may pilot program with conventional loans
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	Initial staff meetings held to organize this process
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	Process is up-to-date and in compliance with secondary market guidelines
Reinsurance	VHMGB Board has authorized staff to research possibilities	Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote
Computer Data Clean-Up	Reconciliation of loans sent out to lenders for completion	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Reconciliation complete with exception of some lenders; will attempt to have lenders report data on disk for next year

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multi-Family Management

DATE: March 1, 1996

RE: MULTIFAMILY DIRECTORS REPORT

The attached report for the quarter ending December 31, 1995, is provided for the Board's information and includes the status of various financial aspects of the Multifamily portfolio. The report also contains narratives on department activities through January 31, 1996, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

MULTIFAMILY MANAGEMENT
DIRECTOR'S REPORT
For the Period Ending December 31, 1995

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	PENALTY/INTEREST	MONTH	NO. OF DAYS
None				

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY '96

PROJECT NAME	ORIGINAL ACC COMMITMENT	CURRENT AMENDMENT	ACCOUNT BALANCE
Bradford Elderly	$60,360	$82,660	$23,485
Burlington Baker	72,876	92,876	28,593
Burlington Bobbin	397,273	432,273	127,623
Burlington Duggan	95,904	125,904	20,444
Danville St. John	99,096	140,400	19,871
Depot I	50,310	0	34,107
Derby Line	46,200	69,495	16,654
Fairfax	150,785	0	4,205
Echo	182,326	226,680	3,610
Lyndonville	136,704	195,300	11,542
North Bennington	180,403	220,000	25,973
Plainfield	68,028	93,028	24,905
Poultney Swenor	76,449	102,000	20,143
Randolph Wishcamper	210,744	354,944	55,166
Rochester	33,198	43,198	2,934
Saxtons River	103,776	134,076	832
Swanton Abenaki	103,909	160,200	52,705
Waterbury Parisi	54,744	82,180	7,765
Waterbury Steele	53,928	83,428	5,781
West Burke	115,664	0	4,637
West Rutland	68,784	93,360	852
Winooski	102,492	136,492	40,196
Woodstock I	40,920	72,000	2,560
Woodstock II	63,612	98,812	22,696

3. SALES, PRESERVATION AGREEMENTS, AND OPTIONS EITHER CLOSED OR UNDER NEGOTIATION

CLOSED			ON HOLD PENDING CONGRESSIONAL ACTION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Bethel Depot II**	40	NP*		
Burlington Ashline	20	Y		
Burlington Baker	20	Y		
Burlington Duggan	20	Y		
Burlington Eno Apts.	19	Y		
Burlington Harrington	19	Y		
Burlington Kassell	20	Y		
Cummings Street**	28	NP*		
Danville/St. Johnsbury	17	Y		
Enosburg	20	Y		
Fairfax	18	Y		
Georgia	50	Y		
Hardwick Freeman	18	Y		
Highgate**	Perpetuity	NP*		
Milton**	15	N		
Montpelier Dubrul**	15	Y		
Northfield	20	NP*		
Northgate**	Perpetuity	NP*		
Plainfield	20	NP*		
Randolph Faith	22	NP*		
Randolph Wishcamper**	48	NP*		
Richford	30	Y		
Rockingham	71	Y		
Rutland Linden Terrace	50	NP*		
St. Albans Cioffi	17	Y		
Swanton Elderly**	19	NP*		
Swanton Abenaki	60	NP*		
Windsor	23	NP*		
White River Junction	Perpetuity	NP*		
Woodstock I & II	25	Y		

** LIHTC * Non-Profit

4. CASH FLOW PROBLEMS

PROJECT	CASH POSITION as of 12/31/95	OPERATING PROFIT/LOSS Budget	Actual
Bridgewater	$526	$16,150	$11,540
Bromur	1,920	4,669	546
Middlebury Brush	1,325	4,330	(676)
Pine Meadow	386	(6,573)	(12,803)
Plainfield	54	0	(6,664)
Salmon Run	1,013	2,001	(9,075)
Upper Welden	4,000	0	(12,266)
Waitsfield	16,443	9,996	423
Winchester	18,950	(249,204)	(171,010)

MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
Through the Month ending January 31, 1996

A. Multifamily Management Activity - Narrative

1. Tax Credit Compliance Monitoring
2. Section 8 Contract Expirations
3. Federal Home Loan Bank (FHLB) and Rating Agency Requests
4. Mitas Computer Conversion

B. Project Reports (see attached narratives)

1. Abenaki Acres - Swanton
2. Bristol Family Housing - Bristol
3. Bromur Apartments - Barre
4. Cummings Street - Montpelier
5. Dogwood Glen II - Northfield
6. Highgate - Barre
7. Hillside Mobile Home Park - Starksboro
8. King Street Apartments (Kassell) - Burlington
9. Mill Village - Bridgewater
10. Pine Meadow - Middlebury
11. Prospect/Forest Homes - Randolph
12. Roaring Brook Apartments - Barton
13. Salmon Run - Burlington
14. School Street Apartments - Plainfield
15. St. Johnsbury Housing Partnership - St. Johnsbury
16. Sugarwood Apartments - Middlebury
17. Templeton - White River Junction
18. Upper Welden - St. Albans
19. Winchester Place - Colchester

A. Multifamily Management Activity - Narrative

1. **Tax Credit Compliance Monitoring:** Reviews for all forty-six properties subject to monitoring during 1995 were completed and final reports on findings were sent to owners. We are still awaiting responses from owners on 10 of these reports for clarification on possible non-compliance findings. Thus far, we have not found any serious violations related to non-compliance issues although one owner withdrew from the program without claiming the credits. Our on site tax credit file reviews also include a review of VHCB and HOME program tenant files for information required where these funding sources are in place.

All tax credit monitoring fees were collected for the year and 1996 fee income is expected to approach $30,000. A total of fifty-nine properties will be subject to monitoring in the coming year with thirty-nine of these requiring on site file reviews and physical inspections. A Memorandum of Understanding was successfully negotiated and signed with RHCDS (Farmers Home) that will allow us access to their income, eligibility and certification reports for RHCDS projects with tax credits. This will help reduce the amount of time required on site during tenant file reviews for these properties.

Finally, we are in the process of updating the VHFA Tax Credit Compliance Manual which continues to be a valuable resource for owners and managers who participate in the tax credit program. Each member of the Multifamily Management staff has also attended a tax credit compliance training course and is now knowledgeable about the basic elements of the program.

2. **Section 8 Contract Expirations:** In an effort to reduce the overall cost of the Section 8 program at HUD, a series of proposals have been under consideration for the past year that would impose significant HUD spending limits in the fiscal 1996 budget. H.R. 2880, passed by Congress and signed by the President on January 26, 1996, provides for the one year renewal (at current rent levels) of any project based contracts which expire before September 30, 1996. Beyond this one year renewal, it is expected that eligible residents will be given tenant based assistance in the form of certificates subject to the Section 8 Existing Fair Market Rents (FMR).

Of the 83 project based Section 8 developments VHFA has in its multifamily portfolio, seven of these (220 units) have contracts expiring in 1996. Many of these expiring contacts are funded under the Certificate Project Based Program and during development it was expected these initial 5 year contracts would be renewed for an additional two five-year terms. The uncertainty of these renewals, and of possible conversion to tenant based assistance, leaves these projects in a very precarious position. All of these developments have VHFA mortgage terms that exceed the originally anticipated 15 year contract terms.

Through our Congressional delegation and NCSHA, VHFA has continued to advocate for the position that HFA's must be involved in establishing any new Section 8 rent levels that may be legislated for the projects they have financed. These rent levels must be sufficient to cover all existing debt service and reasonable operating expenses so that the underlying financing structures are not harmed.

Ultimately, the availability of safe and decent affordable housing options for low-income Vermonters may be diminished as a consequence of many of the plans that are now being considered as Congress attempts to cut billions of dollars from the Federal budget in order to achieve deficit reduction goals through 2002.

3. **Federal Home Loan Bank (FHLB) and Rating Agency Request:** This fall we were inundated with requests for detailed information on our multifamily loan portfolio. Both Standard & Poor's (S&P) and Moody's sought to affirm previous ratings on various bond issues. S&P was particularly interested in how VHFA was evaluating and preparing for the threat of possible contract rent reductions under the Section 8 program. After months of refining our analysis, we shared two scenarios with them that projected cash flow across the portfolio with rents reduced to Fair Market and at 120% of FMR's. Also included in the analysis, was individual project debt coverage ratios using compressed operating expense levels, and total cash and restricted account balances as potential security for lost income due to rent reductions.

We also submitted detailed information to FHLB on eight properties that we are seeking to use as collateral in order to access funds under their 20-30 Amortization program. If approved, we may be able to use 60% of the combined mortgage balances as collateral value for advances of up to $1.5 million to help in the financing of new properties.

4. **Mitas Computer Conversion:** Our live data conversion is nearly complete and we have been able to test the major points and features of this new system. Kim Fitzgerald, Management Coordinator, has continued to work closely with our DP department and Mitas in an effort to fine tune the multifamily screens and reports. The limited data testing that has occurred is very encouraging and we are about to embark on a more thorough and detailed testing of the conversion data. Since no documentation accompanies the Mitas system, Kim has begun the arduous process of designing our own department Mitas Operations Manual. This will also serve as a training guide in teaching the system to other members of the multifamily staff. This next stage of introducing the system to staff will present a steep learning curve and there will also be a good deal of inputting necessary to bring the system up to its full potential. Fortunately, Kim has become quite proficient with the Mitas system in the year she has been involved in the design stage. Although our experience of going live has turned out to be a gradual one, it has given the department a very strong starting point as we look to decommission the HP3000 that has served our needs so well for ten years.

B. Project Reports

1. **Abenaki Acres - Swanton:** Abenaki Acres did surprising well in 1995 considering they had several heating system/water tank failures. This is a big concern since this property underwent a complete energy conversion only 4 years ago. The manager has been keeping in close touch with VEIC and the manufacturer of these units who has been contributing funds under warranty for replacement of the defective heaters.

2. **Bristol Family Housing - Bristol:** With the current HAP Contract expiring on June 30, 1996, VSHA has informed the Management Agent that it is their intention to renew the contract for the first five year renewal period. They have committed to provide funding on a month to month basis even if there are delays in HUD's processing of a contract extension. The good news is that the Fair Market Rents (FMR's) in Bristol are actually higher than the current project rents. This, and the low per unit cost of operations, helps insulate the property from threats to the rental subsidies.

3. **Bromur Apartments - Barre:** This 19 unit property owned by CVCLT has managed to weather its first year of operations, thanks to Technical Planning & Management (TP&M). There was a very modest year-end operating profit which is nothing short of spectacular given the large loses suffered in the first two quarters of 1995 under previous management. In addition, more rehab was completed than was originally anticipated using construction savings. This extra rehab money has been invested in work that could improve the marketability of the property.

4. **Cummings Street - Montpelier:** A comprehensive energy conversion at this property has been put on hold due to the uncertainty of future contract renewals under the Section 8 program (expires in May of 1998). If this contract is not renewed at current rent levels, there would likely be significant reductions in the property's income. The owner has decided to make more modest and cost effective energy saving measures in the meantime. These include: water saving devices, more efficient lighting, and bathroom fan replacements. The 1995 year end cash flow was below budget due to the cost of these items in addition to increased debt service for a loan that was necessary to replace roofing shingles on all buildings. Payment on the VHFA Junior Mortgage relating to Housing Vermont's acquisition of this property was not made as expected during 1995 due to insufficient surplus cash.

5. **Dogwood Glen II - Northfield:** At long last, the energy conversion was started on November 10th and is scheduled for completion by April 1st. The second round of bids for this work were closer to the original projections, and DeLary's Plumbing and Heating Company was awarded the contract in the amount of $142,611. Due to the healthy cash position at Dogwood Glen, an energy loan was not needed. The major portion of funds will be taken from the operating cash account, with an additional $28,000 coming from the Replacement Reserve account. VSHA was also successful in securing $25,000 from Northfield Electric with assistance from the Public Service Department.

6. Highgate - Barre: Don Dickson has executed one year extensions to both HAP Contracts which provide subsidy to 113 of the 120 units. They are now set to expire in June of 1997 although we have asserted our position that as part of the Title II Preservation and Use Agreement approved by HUD, the government has an obligation to honor the full 15 year term of their original commitment. Our previously stated concern about replacing the Property Manager has been eliminated with the hiring of Diane Badger, a former VSHA employee who has extensive property management experience. A tax appeal is being prepared and will be submitted to the Town of Barre. Reductions in the relatively high project operating expenses have been sought with minor reductions achieved in the 1996 budget process. If project based subsidies are not renewed beyond June of 1997, deep cuts in operating expenses will be necessary to keep this property financially viable. Legal fees, evictions, and 45 unit turnovers during 1995 contributed to the poor performance against budget for the year.

7. Hillside Mobile Home Park - Starksboro: The 1995 actual operating income was almost $6,000 lower than projected. According to ACCT, the cause of this variance is that several families have been delinquent in their payment of lot rents and there has also been a vacant (abandoned) lot at the park for some time.

8. King Street Apartments (Kassell) - Burlington: The extensive drainage and foundation work at the 3 unit building located next to VHFA's offices at 134 King Street has been completed. All that remains is spring grounds and landscaping work. More than $50,000 was invested in this property including a complete heating system conversion.

9. Mill Village - Bridgewater: Bridgewater's year end operating profit was substantially lower than what was budgeted for 1995. The reason for this discrepancy is that the project had an increase in the maintenance expense line items. Specifically, the repairs category showed an increase due to costly turnovers in a couple of the family units. The property's cash position will improve after we release funds from some of the restricted accounts to reimburse operations.

10. Pine Meadow - Middlebury: Vacancies continue to be a problem along with unit turnovers during 1995 (13 of 30). Even more disturbing is the fact that rent receivables/bad debts have increased by more than $4,000 and are at the unacceptable level of $20,000 at year's end. Actual rental income for the year was more than $15,000 under budget. This produced an operating loss of ($12,803) for 1995. The property is still depending on a sinking fund which currently has a balance of $6,000. Although the property looks outstanding, a minor wood rot problem has been discovered on some of the trim boards between floors and an architect has been brought in by Housing Vermont to investigate. The manager, Ric Keefer of TP&M, said that the Middlebury market is having unusual problems and that all 3 low income properties that his firm manages in the area have had vacancy problems.

11. Prospect/Forest Homes - Randolph: Wally Roberts of Twin Pines Housing Trust has been actively negotiating with CVCAC to acquire this property. He is willing to proceed with the energy conversion in cooperation with CVPS once the transfer of ownership is complete (CVPS has committed $12,000 in funding from its DSM program). With the resignation of its Executive Director, Stephen Hedger, Paul Mamorella the Controller of CVCAC, is leading negotiations. He has stated that his Board is seeking to recover a portion of cash CVCAC has advanced to the property over the years at the time of the sale. An agreement has been reached with VHFA on how this may be accomplished and a Purchase and Sale Agreement is now being drafted.

12. Roaring Brook Apartments - Barton: This 14 unit family property now in its sixteenth year of operation will be undergoing several capital improvement projects in 1996 totaling $66,000. These projects include: new windows, vinyl siding, insulated doors, 504 accessibility modifications, appliances and flooring. Funding for this work will come from the operating account ($16,000), Project Cost Escrow ($30,000), and Replacement Reserve ($20,000).

13. Salmon Run - Burlington: Salmon Run is showing an operating loss of over $9,000 for 1995. This loss is in contrast to a $2,000 operating profit that was budgeted for the year. The variance is a direct result of the 40 unit turnovers they experienced during the year (25 of which occurred in the summer). $20,000 in unit turnover and preparation expenses contributed in addition to lost income from vacancies, although the vacancy rate for the year was less than 3%. Salmon Run has had a history of high turnovers since opening in 1989. Factors related to the turnover problem include the fact that many tenants at Salmon Run use this property as a stepping stone to becoming first time homeowners and others are transferred or find work out of state. *There is not a transient student population contributing to the problem.* Increases in the area median income limits make it possible to raise rents on the 40 HoDAG units and this may help generate additional cash flow during 1996. There is also a minor wood rotting problem that is being repaired as needed when buildings come up in the repainting cycle.

14. School Street Apartments - Plainfield: As indicated in the last Director's Report, prolonged vacancies and no rent increases in 1995 caused a loss of income in excess of $16,000 as compared to budgeted figures. In an effort to balance this loss, VSHA decreased the cost of operations by $7,000 leaving a year end loss of $6,654. Since this property has also seen high turnover in management personnel in the last two years, we are hopeful that a stable, long term management presence will allow for greater success in marketing of vacant units, and reduce the overall rent loss associated with turnover of units.

15. St. Johnsbury Housing Partnership - St. Johnsbury: During 1995, we completed a restructuring of this property's debt service and began a second phase of rehab using an additional allocation of tax credits. The original VHFA loan has been reduced using a 0% deferred loan from our refunding proceeds and is reflected in the 1996 operating budget. Projected profit for 1996 is $10,000. After 5 years of extraordinarily high maintenance expenses related to the incomplete nature of the original rehab, this project is finally on the right track.

16. **Sugarwood Apartments - Middlebury:** Sugarwood did not come close to their projections for operating profit in 1995 due to the large number of vacancies at this property (8 of 12 units turned over). Although these units are condo quality duplexes, their all electric utilities and location far from the town center may be a factor in the difficulty with remarketing vacancies. This resulted in a $10,000 loss in rent potential. The owner of this property, in cooperation with CVPS, is looking into the possibility of an energy conversion. VEIC is conducting an energy analysis to see if it would be cost effective to convert the existing electric heat to propane space heaters. CVPS is willing to provide a 25% grant towards such a conversion. We are hopeful that a new heating system will help attract new tenants and decrease the amount of turnover and vacancies.

17. **Templeton - White River Junction:** The 1995 actual operating profit at Templeton did not meet the budgeted projection. This was due to lower than projected rental income. Specifically, the vacancies continue to be high at this development (14% vacancy rate in the last quarter). The 3 and 4 bedroom units have been especially difficult to rent. The roof work is essentially complete and there are only a few items to finish before we will be able to say that rehab which began in 1991 is complete. This work has exhausted the rehab escrow account and required advances from VSHA, as well as project operating cash to complete.

18. **Upper Welden - St. Albans:** Upper Welden Villa experienced higher than projected expenses in the improvements and maintenance categories for 1995. This increase, combined with lower than expected rental income, resulted in an operating loss in excess of $12,000 for the year. The property is in excellent condition and is projecting an operating profit of a little better than break even for 1996. Unfortunately, the HAP Contract is scheduled to expire in December of 1996 and the terms of any renewal or extension will be critical to the properties continued success.

19. **Winchester Place - Colchester:** The Winchester Place Forbearance Agreement has been executed by VHFA and the Mortgagor with a goal of preventing a default and providing a basis for the continued current use of the property for 1996 and 1997. A carefully negotiated operating budget is approved and in place. The Merchants Bank has contributed almost $100,000 to help cover annual operating deficits that are projected to be close to $300,000 in 1996. The cost of repairing severe deterioration of the wood trim and associated problems with the siding have yet to be precisely determined. Legal action to find a measure of liability with the architect and contractor is in the early discovery stage. The property has remained at almost full occupancy throughout this turmoil and the rental market has actually gotten stronger, which helps to keep demand for these units competitive.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **FEBRUARY 29, 1996**

RE: **SINGLE FAMILY BOND FINANCING**

We continue to be frustrated by the movement of the bond market. Since the last Board meeting, we have continued to monitor the market in the hope of pricing our bond issue. Very few municipal issues have come to market and many issuers are sitting on the sidelines waiting for the market to improve. The yield curve has steepened with the long treasury bond nearing 6.5%, while the three month treasury has dropped to under 5%. At the same time conventional mortgage rates did not increase as quickly or as much as the tax-exempt rates. There has been a slight backing off by the Clinton administration on the tax law that allows corporations to buy our bonds on a tax-exempt basis, but the purchasers are nervous about the market as well.

We ran numbers as of today which indicated that we could offer a 1 point mortgage at 7.10% which compares favorably with the conventional market 1 point rate of 7.375-7.5%. However we continue to have a concern about the loss we would recognize with the reinvestment of our mortgage loan account which would earn about 5%, while our related bonds would cost about 6%. On a $60 million financing this "negative arbitrage" would result in a cost of between $300,000 and $600,000 depending on the actual purchase of mortgages.

We are continuing to reserve mortgages at 7.55% even though we have reserved all of our Series 6 funds. We have reserved $1.2 million of mortgages to date to be purchased by the Series 7 bond program when issued.

We have been working with PaineWebber to find ways to drive the mortgage rate down and also limit the amount of negative arbitrage incurred. We are fine tuning a structure that consists of selling some short term bonds in conjunction with the long term bonds that fund mortgages and utilize the earnings on the short bonds to reduce the negative arbitrage on the long bonds. The short bonds, known as "convertible option bonds" would then be converted to long bonds at a later date. This structure also has the benefit of driving down the mortgage rate. Some disadvantages of this structure are that

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a fairly large number of bonds have to be issued to provide about half the amount of bond proceeds; there is a small incremental cost of selling the short bonds; and the administration of the mortgage pool could be quite complex, since two different pools of funds are used to purchase the mortgage and collections on the mortgages would have to be split back to the two pools. We have targeted a lendable pool of about $35 million of mortgage proceeds, which would require approximately $40 million of additional short term, convertible option bonds to be issued.

We have had regular weekly and as-needed calls with PaineWebber's marketing department to ascertain where the market stands. We expect to continue with that process as well as to refine the new financing structure. We are also working with our computer software consultants to determine if our system can handle a double bond issue mortgage.

Recommended Action

Authorize staff to continue to pursue the short term/long term bonding strategy to create approximately $30-35 million of mortgages with the goal of producing a mortgage rate under 7% and reducing negative arbitrage.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **FEBRUARY 28, 1996**

RE: **DECEMBER 31, 1995 FINANCIALS**

Attached to this memorandum is the balance sheet and statement of revenues for the six month period ending December 31, 1995. One of the major adjustments we made for this quarter is to "market value" the foreclosed properties held and write down their values, even if we still held the properties. Traditionally, we had only performed this calculation at the end of the fiscal year. The loss on properties held which we categorize as Real Estate Owned (REO) was $836,514. Other than this special adjustment, the financial operations performed as expected.

Balance Sheet. Total assets are $556.4 million compared with $575.7 million in December of 1994 and $559 million in June of 1995. The fund balances now total $42.4 million compared to $40.4 million in December of 1994 and $41 million at June 30, 1995.

Statement of Revenues. Excess revenues for the six months ended December 31, 1995, were $1.32 million compared to $966,000 for the same period last year which recognized no losses on properties. The surplus for the December quarter was $180,000 **after** the REO property loss of $836,000 noted above, no provision was made for the quarter ended September 30.

Cash Position. The liquidity status of the General Fund continues to be a concern. Although there was $4.4 million of cash in the General Fund on December 31, $3 million was deposits we were holding and $1.8 million is due to bond programs. To address this concern we have completed a $1 million line of credit transaction with the Howard Bank and are in the final stages of negotiation with the Federal Home Loan Bank to qualify loans being held in the General Fund as collateral for loan advances.

If you have any questions regarding the financial statements as of December 31, 1995, feel free to call me at your convenience or bring your questions to the Board meeting.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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BALANCE SH[illegible]
AS AT DECEMBE[illegible]995

	SINGLE FAMILY					MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	$2,943,791	$1,449,395	$602,764	$33,554,004	$50,150,900	$2,853,237	$1,396,616	$291,827	$590,692	$93,833,226
Investments	1,449,337	6,238,603	31,281	18,713,633	13,840,000	6,053,476	2,303,465		882,854	49,512,649
Mortgage and construction loans receivable	6,461,319	5,097,822	183,968	130,337,148	179,324,202	34,876,419	22,705,542	15,144,557	7,294,000	401,424,977
Accrued interest receivable										
-Mortgage and notes	244,363	29,502	7,455	1,119,246	1,225,203	172,471	150,968	140,332	36,470	3,126,010
-Investments	24,541	77,912	3,402	440,033	700,617	123,023	68,111	1,835	25,823	1,465,297
Deferred cost of bond issuance		36,393		585,895	1,288,550	239,253	343,600	6,192	53,407	2,553,290
Office furniture and fixtures (at cost)	1,060,092									1,060,092
Accumulated depreciation	(807,690)									(807,690)
Land	775,000									775,000
Building	1,004,833									1,004,833
Other receivables: prepaid expenses	327,056	982	14,760	311,319	350,292	34,062	17,428			1,055,899
Interfund receivables (payables)	(1,774,926)	(249,196)	1,936,220	(479,969)	699,191	(229)	(112,597)	(97,189)	78,695	0
Other assets			9,200	801,644	602,263					1,413,107
TOTAL ASSETS	$11,707,716	$12,681,413	$2,789,050	$185,382,953	$248,181,218	$44,351,712	$26,873,133	$15,487,554	$8,961,941	$556,416,690
LIABILITIES & FUND BALANCES										
Deferred income	785,465									785,465
Accounts payable	134,713	1,955	222	46,664	172,732					356,286
Escrowed cash deposits	3,036,820				(103,365)		83,185	3,028	189,728	3,209,396
Notes payable	245,000									245,000
Accrued interest	1,627	126,725		1,128,145	2,652,369	1,131,941	510,713	97,429	26,820	5,675,769
Bonds payable	629,840	8,225,000		173,460,000	240,275,000	39,695,000	24,325,000	15,277,330	8,390,000	510,277,170
Unamortized premium (discount) on bonds		(130,603)		(2,296,756)	(2,135,607)	(645,678)	(1,106,341)	(20,907)	(157,126)	(6,493,018)
Fund balance	6,874,251	4,458,336	2,788,828	13,044,900	7,320,089	4,170,449	3,060,576	130,674	512,519	42,360,622
TOTAL LIABILITIES & FUND BALANCE	$11,707,716	$12,681,413	$2,789,050	$185,382,953	$248,181,218	$44,351,712	$26,873,133	$15,487,554	$8,961,941	$556,416,690

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE QUARTER ENDED DECEMBER 31, 1995

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans	$202,457	$198,572	$12,774	$6,031,590	$6,863,700	$1,518,122	$1,350,849	$530,213	$329,526	$17,037,803
Investments	33,796	210,698	20,162	1,846,214	2,472,324	287,134	93,823	9,441	51,429	5,025,021
Fee income:										
Multi-family programs	62,185						40,281			102,466
Single-family programs	144,961									144,961
VHMGB income	149,294									149,294
Miscellaneous income	31,012						363			31,375
TOTAL REVENUES	$623,705	$409,270	$32,936	$7,877,804	$9,336,024	$1,805,256	$1,485,316	$539,654	$380,955	$22,490,920
EXPENSES:										
Financing costs: including interest and amortization of premium, discount & costs of issuance	31,326	275,199		6,875,129	8,078,864	1,561,830	719,631	518,162	326,990	18,387,131
Mortgage service, contract administration fees, & property disposition expense	4,048	13,114	178	249,121	315,923					582,384
Salaries and benefits	943,359									943,359
Operating expenses	268,539									266,539
Professional fees	61,236									61,236
Trustee and assignee fees	86,044									86,044
Foreclosed property loss	12,390		4,121	397,632	422,371					836,514
TOTAL EXPENSES	$1,404,942	$288,313	$4,299	$7,521,882	$8,817,158	$1,561,830	$719,631	$518,162	$326,990	$21,163,207
Excess (deficiency) of revenues over expenses	(781,237)	120,957	28,637	355,922	518,866	243,426	765,685	21,492	53,965	1,327,713
Fund balance, beginning of period	8,362,046	4,387,379	3,510,191	12,823,978	6,839,591	4,147,023	2,362,465	131,682	468,554	41,032,909
Transfer to program funds										0
Transfer to General fund	1,293,442	(50,000)	(750,000)	(135,000)	(38,368)	(220,000)	(67,574)	(22,500)	(10,000)	0
Fund balance, end of period	$8,874,251	$4,458,336	$2,788,828	$13,044,900	$7,320,089	$4,170,449	$3,060,576	$130,674	$512,519	$42,360,622

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **FEBRUARY 29, 1996**

RE: **GENERAL FUND BUDGET PERFORMANCE**

Attached to this memo is the budget performance report for the period ending December 31, 1995, representing the first half of the fiscal year. All things being equal, budget categories should be at 50% of the annual budget. We are in line in most budget categories for the year.

INCOME. We are at 49% for the income categories. We have been utilizing more investable funds for loan purposes which has increased our total investment income slightly more than budgeted.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected so far this year. There may be some variances later in the year by individual programs, but we expect to meet the total fund balance transfers budgeted.

EXPENSES. Total expenses are 44.59% of budget and therefore within the expense constraints for the fiscal year. The advertising budget will start to see charges for the spring ad campaign which will bring it up to expected levels. The annual report was completed in January. A writeoff for $12,500 from the Ventures program for the Ledgeview Cottages project sponsored by Lake Champlain Housing Development Corporation has been charged to miscellaneous expense, which throws that category out of balance. Other categories are either at or below expected levels.

CAPITAL BUDGET. The amended approved capital budget for the fiscal year is $139,000. Through December 31, 1995 we had expended $43,071 or 31% of the capital budget.

If you have any questions, please contact me at your earliest convenience.

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1995

	APPROVED BUDGET	ACTUAL 12/31/95	% BUDGET RECOGNIZED
INCOME			
SINGLE FAMILY FEES	66,000	29,272	44.35%
MULTI-FAMILY FEES	125,000	50,666	40.53%
PROJECT ADMIN FEES	104,000	35,963	34.58%
INTEREST INCOME-LOANS	300,000	202,457	67.49%
INTEREST INCOME-INVEST	90,000	33,795	37.55%
VHMGB CHARGES	350,000	149,293	42.66%
MISCELLANEOUS	45,000	31,011	68.91%
TOTAL INCOME	1,080,000	532,457	49.30%
FUND TRANSFERS			
SINGLE FAM HOUSING	75,000	38,368	51.16%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	750,000	60.00%
HOWARD HOME MTG PURCH	300,000	135,000	45.00%
HOWARD MULTI-FAMILY	430,000	220,000	51.16%
CONN NATL MULTI-FAMILY	75,000	31,610	42.15%
HOUSING DEVELOP BDS-MF	0	10,000	N/A
DIRECT PLACEMENT BONDS	35,000	22,500	64.29%
TOTAL TRANSFERS	2,265,000	1,257,478	55.52%
TOTAL INC & TFRS	3,345,000	1,789,935	53.51%
EXPENSES			
ADVERTISING & PROMOTION	112,000	20,305	18.13%
AUDIT	36,000	36,095	100.26%
ANNUAL REPORT	7,500	446	5.95%
COMMISSIONERS EXPENSES	5,000	615	12.30%
CONSULTING FEES	101,300	18,701	18.46%
DEPRECIATION	180,000	67,595	37.55%
DUES & SUBSCRIPTIONS	29,440	16,436	55.83%
INSURANCE	190,000	86,983	45.78%
INTEREST EXPENSE	60,000	31,326	52.21%
LEGAL	45,000	17,416	38.70%
MISCELLANEOUS	5,000	15,689	313.78%
OCCUPANCY EXPENSE	120,000	36,334	30.28%
OFFICE EXPENSES	30,000	17,719	59.06%
PENSION PLAN	132,000	63,912	48.42%
POSTAGE	25,000	9,071	36.28%
REPAIRS & MAINTENANCE	55,000	23,854	43.37%
SALARIES & WAGES	1,491,697	733,579	49.18%
STAFF TRAVEL & TRAINING	65,000	25,870	39.80%
SUBSIDY-HOUSING VT, ERH	40,000	23,075	57.69%
TAXES-PAYROLL	113,200	52,933	46.76%
TELEPHONE	35,000	10,945	31.27%
TRUSTEE & CREDIT FEES	250,000	86,043	34.42%
TOTAL EXPENSES	3,128,137	1,394,942	44.59%
SURPLUS (DEFICIT)	216,863	394,993	182.14%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
MBD MaryBeth Deller, Research Analyst

DATE: February 29, 1996

RE: Evaluation of Down Payment Assistance Loans

In an effort to make homeownership opportunities available to eligible borrowers who lack the necessary cash for down payment and closing costs, VHFA has offered two major down payment assistance programs. Prior to the introduction of the Down Payment Assistance pilot program in June 1992, VHFA and VHMGB entered into a Risk Share Agreement which required that an annual program review and evaluation be performed. Annual reviews of the program have been performed since the introduction of the IORTA program, as per the original agreement. The results of the January 1996 evaluation are described below, and represent an updated version of the April 14, 1995 memorandum prepared for the VHFA Board of Commissioners.

I. Description of Agreement

In June 1992, with the cooperation of VHMGB, VHFA introduced a new limited feature to its MOVE and HOUSE Programs which allowed eligible buyers the opportunity to purchase a home with down payment assistance. Loans with "no down payment" were made available to 150 home buyers each year, representing a total of 450 loans over a three-year period. The last reservation for these loans was taken in December 1994. In June 1995 the VHMGB Board of Commissioners approved an additional 50 loans for this program. Combined with loans made available through loan rejections and lender withdrawals, VHFA released an additional 100 reservations for down payment assistance loans in December 1995. Under the terms of the new release of down payment assistance loans, the home buyer must provide $500 of their own funds and have a home inspection performed for the property.

The risk that VHFA assumed by offering these down payment loans is offset by interest received from deposits on real estate transactions into interest-bearing escrow accounts. Act 86 of the 1991 Legislature required all Vermont real estate brokers to place deposits on certain real estate transactions into interest-bearing accounts (IORTA), with the interest

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earnings directed to VHFA. Funds must be used by VHFA to assist home buyers with down payment and/or closing costs. Under this program, a goal was set by VHFA to target 50% of the loans made each year to persons whose incomes are at or below 90% of state median income and/or persons purchasing perpetually affordable homes.

II. Description of Analysis

Prior to the release of authority each year, VHMGB has requested that VHFA compare the performance of the down payment assistance loans with 95% LTV MOVE loans made during the same period. In addition to reviewing the performance of these loans made since June 1992, the Risk Share Agreement required that an analysis of the performance be done of a group of Down Payment Assistance loans originated from January 1987 through May 1992. This "loans past due" analysis included a comparison of these original down payment assistance loans with a 95% LTV group of loans.

In addition to comparing the "loans past due" status of the loans, the evaluation includes an analysis of the characteristics of the loans and borrowers with respect to the purchase price, geographic distribution of loans, annual income, housing debt, total debt, number of wage earners, and household size. This is done to ensure that the down payment assistance group and the 95% LTV comparison group are similar in all respects other than amounts of down payments.

III. Evaluation Results

The January 1996 evaluation includes both the original down payment assistance loans (made between January 1987 and May 1992) and the IORTA down payment assistance loans (made between June 1992 and December 1995) with 95% LTV loans made during the same time periods. The "past due" status analysis for all four groups is based on January 31, 1996, statistics. All cases in the 95% LTV loan groups were used and *weighted* in order to use as many cases as possible in the analysis. This technique reduces the possibility of biasing the sample (because the removal or inclusion of one case has a greater effect than it would with large groups in which sampling is often a preferred technique).

A. Borrower Characteristics

The Down Payment Assistance loans and the 95% LTV loans have been compared to ensure that no differences exist with respect to borrower characteristics. The original down payment assistance loans (January 1987 through May 1992) were similar in borrower characteristics to the 95% LTV comparison group. This was documented in previous evaluations.

The following tables show the comparison of the IORTA down payment assistance loans to the current 95% LTV comparison group (June 1992 through December 1995).

The two groups were compared with respect to county location, income, purchase price, household characteristics, and debt ratios. This involved using a statistical test comparing averages (means) for these variables. Statistically, the only significant difference between the IORTA and the 95% LTV loans was with respect to the average housing ratios with the IORTA group having a lower average housing ratio. The IORTA borrowers have a slightly higher income and a lower average loan amount, resulting in a smaller housing debt ratio. The IORTA group also has a higher average number of dependents but this is not statistically significant. With these small differences between the two groups, the integrity of the current analysis is not affected.

Table 1. BORROWER CHARACTERISTICS

COMPARISON OF "NO DOWN PAYMENT" LOANS AND 95% LTV LOANS PURCHASED 6/1/92 THROUGH 12/31/95		
Characteristics	IORTA Loans	95% LTV Loans* (Actual)
Number of Loans	383	383 (692)
Average Annual Income	$29,328	$28,358
Average Purchase Price	$64,046	$68,102
Average Loan Amount	$63,854	$64,697
Average Number of Dependents	2.1	1.5
Average Number of Wage Earners	1.61	1.48
Average Borrower Age	30.7	30.9
Average Housing Debt	25.1%	26.4%
Average Total Debt	34.5%	34.7%

* Weighting Factor = .553

B. "Past Due" Status

The number of "past due" loans for the Original Program Comparison (both Down Payment Assistance *and* 95% LTV loans) are, over time, *decreasing* while the number of "past due" loans for the IORTA Program (both Down Payment Assistance *and* 95% LTV loans) are *increasing*. The relative sizes of the portfolios for the two sets of loans are shifting: the original group is decreasing in size due to loans being paid off and the IORTA group has been increasing due to new purchases.

For the first time in the three years of conducting this evaluation, as of January 31, 1996, the "past due" status rates for the loans made through the IORTA Down Payment Assistance Program were significantly higher than those of the 95% LTV comparison group, using standard statistical measurements, as seen in Table 2. It should be noted that the loans are still relatively "unseasoned" (made since June 1, 1992). Also, this comparison does not include any loans made after December 31, 1995. The number of "past due" loans was 35 for the IORTA loans and 27 for the weighted 95% LTV comparison group.

Table 2. IORTA Down Payment Assistance and 95% LTV Loans

Past Due Report Date	# of IORTA Loans	Weighting Factor (95% LTV Loans)	IORTA LOANS				95% LTV Loans			
			30	60	90+	Total	30	60	90+	Total
3/31/93	83	.54	1	0	1	2	1	0	0	1
5/31/93	100	.58	0	0	1	1	1	0	0	1
12/31/93	186	.62	1	1	0	2	2	0	0	2
3/31/94	192	.59	4	0	0	4	5	1	0	6
12/31/94	300	.31	10	3	11	24	13	3	6	22
4/30/95	300	.31	12	2	9	23	11	2	5	18
1/31/96	383	.553	18	10	7	35	17	1	9	27

In addition to the differences in "past due" status, the percentage of all loans in the foreclosure process is higher for the IORTA group (Table 3).

While this trend is recent in the 3-year evaluation, some factors seem to be contributing to the current situation. The individuals in foreclosure status for both the IORTA and 95% LTV groups tend to live in areas of the state in which the economy is depressed, primarily the northeastern and/or rural parts of the state. For the IORTA borrowers, the lack of equity in their properties combined with a decline in the real estate value makes a difficult situation even worse.

Further analysis of the delinquency data show that two factors are correlated with delinquency loan status: the amount of assets and the number of dependents. IORTA borrowers tend to be "at risk" for higher delinquencies based on these factors. Additional research will be conducted to explore these relationships in detail, specifically, the reasons for chronic delinquencies and foreclosures.

Table 3. Past Due Status and Foreclosure Status for IORTA Down Payment Assistance and 95% LTV Loans

	Current IORTA			Current 95% LTV		
	Total # of Loans	#	%	Total # of Loans	#	%
Past Due Status for Loans in Portfolio	359	34	9.5	663	44	6.6
In Foreclosure Status for All Loans	383	9	2.3	692	4	0.6

Unlike the IORTA group, an evaluation of the original Down Payment Assistance Loan Program shows no significant difference in delinquency rates between the Down Payment Assistance and the 95% LTV Comparison Group loans, using standard statistical measurements (Table 4). As of January 31, 1996, the 95% LTV and the original Down Payment Assistance loans have comparable delinquency rates.

Table 4. Original Program Comparison (Loans Purchased from 1/1/87 through 5/31/92)

Past Due Report Date	DOWN PAYMENT LOANS *				95% LTV Loans **			
	30	60	90+	Total	30	60	90+	Total
3/31/93	10	0	8	18	8	3	4	15
5/31/93	8	0	5	13	13	2	3	18
12/31/93	10	2	5	17	11	3	4	18
3/31/94	10	3	6	19	8	2	6	16
12/31/94	13	2	0	15	11	2	4	17
4/30/95	9	4	0	13	6	2	4	12
1/31/96	8	1	3	12	9	2	4	15

* 191 Loans ** Weighting Factor = .276

The following table (Table 5) shows the comparison of "past due" and foreclosure status loans for the original program comparison. Two trends emerge. The original 95% LTV group has a higher percentage of loans that are past due. On the other hand, the percent of original down payment assistance loans in foreclosure status is slightly higher. Neither of these differences are statistically significant.

Table 5. "Past Due" Status and Foreclosure Status for Original Program Comparison

	Original Down Payment			Original 95% LTV		
	Total # of Loans	#	%	Total # of Loans	#	%
Past Due Status for Loans in Portfolio	128	12	9.4	464	53	11.4
In Foreclosure Status for All Loans	191	8	4.2	719	26	3.6

In comparison with VHFA's delinquency rate of 8.1% for the total loan portfolio of 5,978 loans, as of January 31,1996, the delinquency rate for this analysis was comparable.

- The current IORTA loans had slightly higher total delinquency rates (9.5% compared with 8.1%). The current 95% LTV loan group was almost 2% lower than the Agency's portfolio level, although not statistically significantly lower.
- Both the original down payment loans and the corresponding 95% LTV loans currently have delinquency rates higher than VHFA's total portfolio. The 95% LTV loans in particular have a relatively high delinquency rate (11.4%). This finding will be researched further.

C. At or Below 90% of Median Income

One of the goals set forth in the Risk Sharing Agreement was that at least 50% of the down payment assistance loans would be made to borrowers earning incomes at or below 90% of the state median income. As seen in Table 6, 66% of the IORTA down payment assistance loans were below the target set in the agreement. The program was successful in meeting this goal; however, the 95% LTV loan comparison group had an even larger number of loans with household incomes at or below 90% of the state median income.

The analysis to date shows that the "past due" rate is not significantly different for groups above 90% or at or below 90% of median income.

Table 6. DOWN PAYMENT ASSISTANCE LOAN DISTRIBUTION AT OR BELOW 90% OF MEDIAN INCOME (12/31/95)

"NO DOWN PAYMENT" LOANS AND 95% LTV LOANS AT OR BELOW 90% OF MEDIAN INCOME						
MEDIAN INCOME	IORTA Loans			95% LTV Loans		
	#	%	% Past Due	#	%	% Past Due
- Above 90%	130	34	9.2	185	27	7.6
- At or Below 90%	253	66	9.1	507	73	6.9
Total	383	100	9.1	692	100	6.9

Recommended Board Action:

The results of this evaluation suggest that higher delinquencies and foreclosures may be associated with higher LTV loans. VHFA's requirements that borrowers contribute $500 and provide a property home inspection were in place for the latest round of Down Payment Assistance reservations, which may improve the long term success for these loans. The last reservation for these loans was taken earlier this month.

VHFA staff are currently studying the overall patterns of delinquencies, foreclosures, and REO's. This evaluation will be integrated into that larger study. Possible changes in program guidelines, the addition of loan scoring procedures, and pre-purchase and post-purchase counseling may be considered as options to reduce loan delinquency rates.

No Board Action is required.

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MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: March 7, 1996

RE: SEC Enforcement Action

Attached is a memorandum from Kutak Rock, VHFA's bond counsel, discussing an SEC enforcement action against individual members of the Orange County, California Board of Supervisors as a result of the collapse of the value of Orange County bonds in 1994.

The significance of this SEC action is that the cease and desist order was directed against individual members of the Board of the issuer. The Commission's action is not final --the members may challenge the SEC's action and as the memo notes, many private practioners believe the SEC is overreaching. In addition, the Orange County facts were egregious. However, the SEC's action is serious and bears a close look by Board members of issuers of municipal bonds. I believe the suggestions on page 3 of the Kutak memo are well taken.

While the Board has traditionally been given copies of bond documents once they are complete, drafts are available if you wish. Staff members are always available to answer questions about Agency bond issues. Please contact Roger, Allan or myself with any questions you may have.

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BOARD MEMBER RESPONSIBILITIES EXPANDED BY SEC ORANGE COUNTY ACTIONS??

On January 24, 1996, the Securities and Exchange Commission (the "SEC") issued a cease-and-desist order against the **individual members** of the Board of Supervisors of Orange County, California, accompanied by a Litigation Release and a Report of Investigation (the "Report"). In its actions, the SEC asserted that a much higher federal securities laws standard of conduct applies to the individual members of the Orange County Board—and by analogy to the board members of any other municipal issuer—than many previously thought appropriate. Although it can be argued that boards of housing agencies are technically distinguishable from the Orange County Board, the SEC's actions and related statements by SEC staff make it eminently clear that the SEC intends to hold an **individual** board member of a municipal issuer **personally responsible** in securities offerings **if the board member authorizes disclosure (i) that the board member knows to be false or (ii) while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.** Many private practitioners believ the SEC is overreaching in some of its legal positions; nevertheless, in light of its direct enforceme powers, and recent willingness to aggressively use them, the views of the SEC should not be ignore

In its 15-page Report, the SEC specifically addressed its view of the responsibilities und federal securities laws of local government officials who authorize the issuance of municipal sec and related disclosure documents, and the critical gate-keeping role those officials play with res the representations contained in the official statements for those securities. In reiterating its posi the antifraud provisions of the federal securities laws impose individual responsibilities on publ who authorize the offer and sale of securities, the SEC stated that:

> Public entities that issue securities are primarily liable for the content of their dis documents . . . . In addition to the governmental entity issuing municipal s **public officials of the issuer who have ultimate authority to approve the i securities and related disclosure documents have responsibilities under securities laws as well. In authorizing the issuance of securitie disclosure documents, a public official may not authorize disclosure knows to be false; nor may the public official authorize disclosur disregarding facts that indicate that there is a risk that the misleading.** (Emphasis added.)

The Orange County facts, as reported by the SEC, were egre ammunition. The elected Treasurer of Orange County followed an strategy for Orange County funds (and certain pooled funds), usin to quadruple the investment pool and "betting" on future interest

Kutak Rock information memoranda are distributed to clients a developments. These memoranda are not intended as legal adv situations or issues and may not address aspects of a legal d Additional facts and information, and subsequent or future developn our memoranda. We do not undertake to update our .

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: MaryBeth Deller, MBD Research Analyst, Ext. 234

DATE: March 7, 1996

RE: MARKET SHARE UPDATES

The following is a brief overview of changes in the VHFA and VHMGB market share, as well as price trends, comparing the first three quarters of 1995 with the first three quarters of 1994 (January through September for both years).

	Jan. - Sept. 1994	Jan. - Sept. 1995	%change
All Primary Homes			
# of Statewide Property Transfers	5815	4476	-23%
# of VHFA Loans Made	640	724	+ 13%
VHFA Market Share	11%	16%	
VHMGB Market Share	18%	16%	
Primary Homes Under VHFA Limit (1994: $110,000; 1995: $120,000)			
# of Property Transfers	3016	3631	+20%
VHFA Market Share	18%	24%	
VHMGB Market Share	35%	20%	
Primary Home Prices			
Median Price	$95,000	$97,000	+ 2%
Mean Price	$109,893	$112,303	+ 2%

Continued...

- The number of statewide property transfers for all primary homes decreased 23% from 5,815 to 4,476. At the same time, the number of VHFA loans made increased 13% from 640 to 724, thus resulting in an increase in the VHFA market share from 11% to 16%.

- In contrast, the number of VHMGB guarantees made decreased 30% from 1,060 to 740, thus resulting in a decrease in the VHMGB market share from 18% to 16%. This decrease is due to the temporary cessation of conventional guarantee coverage for approximately the first six months of 1995. The strength of the VHFA market share offset the VHMGB conventional guarantee drop for the total VHMGB market share.

- Unlike the decrease in the total number of property transfers, the number of transfers under the VHFA purchase price limit increased 20% from 3,016 to 3,631. This also resulted in an increase from 18% to 24% in VHFA's market share for houses in this price range. However, the VHMGB market share of transfers under the VHFA purchase price limit decreased from 35% to 20%.

- Both median and mean prices for homes increased 2%. These prices for homes appear to be very strong, outpacing even 1990 levels.

<u>**RECOMMENDED BOARD ACTION**</u>:

No Board action is necessary.

CC: GUFINN ROBIN

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BOARD MEMBER RESPONSIBILITIES EXPANDED BY SEC ORANGE COUNTY ACTIONS??

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In its 15-page Report, the SEC specifically addressed its view of the responsibilities under the federal securities laws of local government officials who authorize the issuance of municipal securities and related disclosure documents, and the critical gate-keeping role those officials play with respect to the representations contained in the official statements for those securities. In reiterating its position that the antifraud provisions of the federal securities laws impose individual responsibilities on public officials who authorize the offer and sale of securities, the SEC stated that:

> Public entities that issue securities are primarily liable for the content of their disclosure documents . . . . In addition to the governmental entity issuing municipal securities, **public officials of the issuer who have ultimate authority to approve the issuance of securities and related disclosure documents have responsibilities under the federal securities laws as well. In authorizing the issuance of securities and related disclosure documents, a public official may not authorize disclosure that the official knows to be false; nor may the public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.** (Emphasis added.)

The Orange County facts, as reparted by the SEC, were egregious and gave the SEC plenty of ammunition. The elected Treasurer of Orange County followed an increasingly aggressive investment strategy for Orange County funds (and certain pooled funds), using repurchase agreements as leverage to quadruple the investment pool and "betting" on future interest rate movements. The Orange County

Board relied on the above-average pool investment returns for a substantial portion of its revenues, including revenues to pay its bonds, and reportedly even issued bonds simply to provide more money for investment. When the investment strategy collapsed, so did the value of the investment pool, and the County defaulted on its bond issues.

The SEC cease-and-desist order addressed five disclosure shortcomings, the two primary being: (1) inadequate disclosure about the investment pools, and (2) inadequate disclosure regarding the County's reliance on interest income from the pools.

The SEC noted that the County exercised its powers through Board actions, which powers included the issuance of bonds, the supervision of the conduct of all County officials, the examination and audit of financial accounts and records, and all fiscal powers. Even though most of these duties were delegated to various officers and employees, the Board was still ultimately responsible. Orange County securities offerings were submitted to the Board for approval (during Board meetings that often included over 100 agenda items) through a document which contained a brief description of the transaction and referred to the financing documents. The Board approved a standard bond resolution (typically included on a "consent calendar") which authorized the issuance of the securities, approved the preliminary and final official statements in draft form (which drafts were typically provided to the Board one day before the Board meeting, if at all) and delegated to the Treasurer the authority to complete the documents to make them "true and correct" and also authorized the Treasurer to execute the 15c2-12 certificate. Board members testified they never actually read the drafts of the official statements. The Board retained bond counsel, accountants and underwriters, and stated that it assumed it could rely on them to address disclosure issues.

The SEC Report asserts that the individual Board members knew of facts that called into question the County's ability to repay its bonds and notes. The Board members either knew that the County's pool investments were risky or knew facts, which they chose to ignore, that raised questions regarding the safety of the pool (such as allegations by the loser of the most recent Treasurer's election, and the failure of the Treasurer to provide monthly reports as required by law). They also knew that the interest income from the County investment pools had become a major component of the County's discretionary revenues and budget, and that this income was needed to repay the securities offerings. As a result, the SEC asserted that the Board members should have taken steps appropriate under the circumstances to assure adequate disclosure of this material information, such as questioning the responsible County officials and agents or becoming familiar with the disclosure documents themselves.

Orange County bond issuance procedures are typical of many municipal issuers, including housing finance agencies. It could be argued that a lesser duty should apply to nonelected (and especially unpaid) board members, but the tone of the Report does not suggest any support or rationale for that position.

The facts of Orange County, as summarized by the SEC in the Report, do provide some prophylactic guidance to other issuer boards. The Orange County Board members reportedly had a great deal of general knowledge regarding the extensive reliance of the County on the interest income from the investment pools, knew they were getting a return well above other investment pools (more than 2½% higher) and, according to the SEC, even issued bonds just to increase the size of the pools. They apparently knew there were allegations regarding the safety of the pools on which they were relying for income, yet did not insist on getting monthly reports from the Treasurer. In short, according to the SEC, any prudent board member would have asked questions.

The Report gives rise to several suggested principles and procedures for board members of housing finance agencies to avoid similar charges:

1. Board members should be apprised (preferably in writing) of their securities laws obligations (the SEC made it clear that ignorance is not a defense). In particular, a Board member is obliged to raise any "red flag" questions occasioned by particular information such Board member may have that is material (e.g., the member knows of or has facts raising suspicions about an environmental problem with respect to a development which the agency is financing, or about an originator/servicer in a single family program).

2. Board members should have a basic knowledge of the security for their offerings and the disclosure of the security before a preliminary offering document is distributed to the public, and should assure that disclosure regarding matters within their knowledge is correct. Periodic reports on active "programs" or briefings (e.g., at annual retreats) are highly recommended.

3. When bond issues are authorized, the Board should be given a short briefing regarding the security for the issue and the related disclosure. Board members should be given ample opportunity, both at the meeting and otherwise, to raise questions, and the Board minutes should note that discussions took place about the issue, including disclosure. It is also advisable for Board members to become familiar with pertinent provisions of the form of the disclosure document.

4. Board members should develop a list—or guidelines for the selection—of the reports and other information they should receive which are pertinent to making decisions with respect to the issuance of bonds and the relevant disclosure for their bond issues. However, they should not be inundated with materials they consider unnecessary or extraneous, as they may then be obliged to review all those materials.

Copies of the SEC Report addressing Board member responsibilities, and the Press Release and Cease-and-Desist Order, may be obtained from any of the following housing finance attorneys:

David L. Amsden	Atlanta	(404) 222-4600
Frederic H. Marienthal, III	Denver	(303) 297-2400
Wooten Epes	Little Rock	(501) 376-9208
Bonita K. Black	New York	(212) 752-0800
Mark F. Selvidge	Oklahoma City	(405) 848-2475
Jane Erdenberger	Omaha	(402) 346-6000
Karilyn E. Kober	Omaha	(402) 346-6000
Paul M. O'Hanlon	Omaha	(402) 346-6000
Patricia S. Peterson	Omaha	(402) 346-6000
John L. Petr	Omaha	(402) 346-6000
Jerre A. Tritsch	Omaha	(402) 346-6000
John J. Wagner	Omaha	(402) 346-6000
Patrick A. Ray	Phoenix	(602) 285-1700
Mary K. Conturo	Pittsburgh	(412) 261-6720
Mitchell J. Bragin	Washington	(202) 828-2400
W. Kimball Griffith	Washington	(202) 828-2400
Margo B. Stern	Washington	(202) 828-2400
Alicia A. Terry	Washington	(202) 828-2400

February 28, 1996

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VERMONT HOUSING FINANCE AGENCY

April 8, 1996

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

Dear Ms. Wolters:

We have two scheduled meetings for April:

The Vermont Housing Finance Agency will be having a Board meeting on Monday, April 15, at 4:00 p.m. via conference call; members of the public may attend this meeting at the VHFA offices, 164 St. Paul Street, Burlington, Vermont.

The Vermont Housing Finance Agency will also be having its regular monthly Board Meeting on Thursday, April 18, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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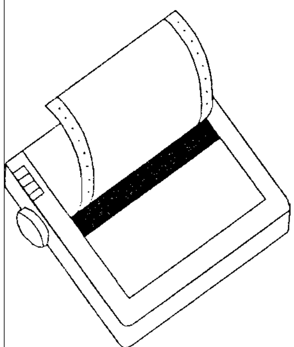

Sent By BP
Date 4-9-96
Time 12:10

DATE April 9, 1996

TIME 11:50

TO

NAME Su Wolters

ORGANIZATION Dept. of Administration

TITLE/DEPT

FAX PHONE NUMBER (____) 828-3320

FROM

NAME Glenn Jarrett, ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

DOCUMENT CONSISTS OF 2 PAGES INCLUDING COVER SHEET.

REMARKS: To satisfy public meeting notice requirements. Also faxed to WCAX-TV, Rutland Herald, and Burlington Free Press

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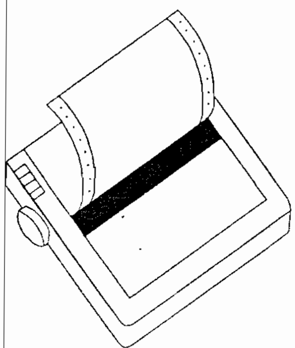

DATE April 9, 1996

TIME 11:50

TO

NAME WCAX-TV

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER ( ) ~~658-6300, ext. 140~~ 864-3759

FROM

NAME Glenn Jarrett, ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

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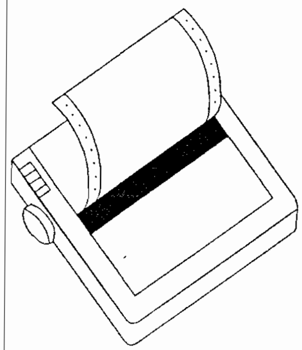

Sent By	BP
Date	4-9-96
Time	12:05pm

DATE April 9, 1996

TIME 11:50

TO

NAME Burlington Free Press

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER ( ) 660-1802

FROM

NAME Glenn Jarrett, ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

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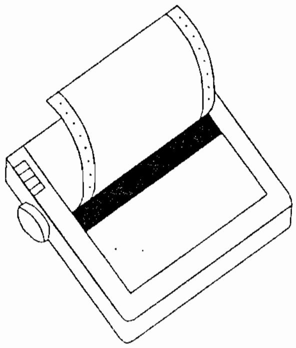

Sent By BP
Date 4-9-96
Time 12:05 pm

DATE April 9, 1996

TIME 11:50

TO

NAME Rutland Herald

ORGANIZATION Newsroom

TITLE/DEPT

FAX PHONE NUMBER (____) 775-2423

FROM

NAME Glenn Jarrett, Ext. 226

TITLE/DEPT General Counsel

FAX PHONE NUMBER: (802) 864-5746

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EQUAL HOUSING OPPORTUNITY

NOTICE OF SPECIAL MEETING

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Thursday, April 11, 1996, at 3:30 p.m. to discuss the issuance of single family housing bonds by the Vermont Housing Finance Agency, as well as any other matters properly brought before the Board. The public may attend the meeting in the Board Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **APRIL 5, 1996**

RE: **SINGLE FAMILY BOND FINANCING**

Attached to this memorandum is a one page summary of the status of the proposed upcoming single family bond financing. We have been working with PaineWebber to further clarify and simplify the explanation for the bond transaction. We have also continued to analyze and modify the structure of the financing based on our goals of bonding for $40 million of lendable proceeds and providing a mortgage rate of .5% to .75% below the conventional market.

We have scheduled a conference call with PaineWebber, Kutak Rock, VHFA staff and those Commissioners who are interested on Thursday, April 11, at 3:30 PM. To participate in the conference call you will need to dial 1-800-374-1457 and ask for the VHFA conference call. (A quorum is not necessary as this is informational only, but will be a properly noticed meeting.) The purpose of the call is to answer any outstanding questions regarding the bond structure and the summary explanation sheet attached to this memo.

During the past week based on the bond market, it appears we have met our goals and are moving forward to mail out a Preliminary Official Statement (POS) early next week. A Pre-Pricing Conference Call with the Board of Commissioners (requiring a quorum) on the afternoon of Monday, April 15, to authorize PaineWebber to release a scale of prices on our bonds to be offered to the marketplace on April 16 and 17. There would then be a planned sale of our bonds to the Underwriters on Thursday, April 18, at the regularly scheduled Board meeting in Montpelier. You will receive several documents prior to the Board meeting that will need to be adopted to consummate the sale. David Amsden from Kutak Rock and Andy Gurley from PaineWebber will attend the meeting to answer questions and provide explanations of the details of the bond financing.

If you have any questions, please contact Allan (ext. 221) or me (ext. 236) at your earliest convenience.

Attachment

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Optimized Convertible Option Bond/Fixed Rate Bond Structure

- Recently developed by PaineWebber and used in various forms by our clients including Rhode Island, Connecticut, Maine, Pennsylvania, Minnesota and Massachusetts.
- Positive interest rate "spread" between a short term Convertible Option Bond (a "COB") and a matched short term investment is used to achieve a lower mortgage rate.
- VHFA may not keep COB period interest rate spread but may use it to achieve a lower mortgage rate and reduce negative arbitrage. It has interest rate "subsidy value."
- There are no excess earnings subject to rebate. Earnings on COB proceeds are used to reduce the mortgage rate.
- There is no interest rate risk associated with the COB. COB and fixed rate investment maturities are perfectly matched.
- The subsidy value of this structure can be measured by comparing it to a "plain vanilla" fixed rate issue that achieves the same mortgage rate.

	Optimized COB Structure	Fixed Rate Issue Full Spread
Fixed Rate Bonds:	$42,745,000	$42,660,000
COBs:	29,105,000	-
Bond Yield:	5.90%	6.17%
Mortgage Rate:	6.90	7.20
Negative Arbitrage Cost:	(15,264)	(196,668)
Present Value of Earnings Over Life of Issue	$1,117,133	$1,016,828

- VHFA would need to contribute $800,000 to reduce the mortgage rate on a fixed rate issue to the COB structure level.
- Cost of COB structure and PaineWebber's effort to mitigate such costs:
  - Use of Volume Cap: The COBs do not use volume cap but are issued as "replacement refundings" of bonds VHFA is paying off in the next 90 days.
  - Incremental Issuance Expenses
    - PaineWebber will not charge a management fee on COBs.
    - Incremental takedown associated with marketing three year COBs will total $75,000.
- This structure marginally increases issuance cost to VHFA but produces $800,000 of subsidy value which VHFA will use to reduce the interest rate it charges on loans.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: April 12, 1996

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 12:30 p.m. Thursday, April 18, at the offices of the Vermont Housing and Conservation Trust Fund, 136½ Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 12:30 April 18!

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Vermont Housing & Conservation Trust Fund
136½ Main Street
Montpelier, Vermont

Thursday, April 18, 1996 at 12:30 p.m.

1. Review and approval of minutes of March 21, 1996

2. Development
   - ⌂ 1996 Round One Tax Credit Allocations — [Erdelyi/Cummings]
   - ⌂ BCLT Rental Housing Improvement Project — [Cummings//Enclosure]
   - ⌂ Assisted Living Financing Program — [Cummings//Enclosure]
   - ⌂ Gates Street Elderly Predevelopment Loan — [Cummings//Enclosure]
   - ⌂ RACLT Self-Help Initiative — [Crady//Enclosure]

3. Operations
   - ⌂ Single Family Program, Servicing and Property Disposition Reports — [Lothrop//Enclosure]

4. Administration
   - ⌂ Executive Director's Report — [Hunt]
   - ⌂ NCSHA 1996 Legislative Conference Material — [Hunt//Enclosure]
   - ⌂ Mid-Year Business/Strategic Plan Update — [Francis//Enclosure]

5. Finance
   - ⌂ Single Family Series 7A-C Bond Financing — [Schoenbeck]

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

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES

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

Thursday, March 21, 1996

PRESENT: Chairman White; Commissioners Bradley (designee of Shouldice), Canney, Douglas, Seelig

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

Guests: Ms. Ready (Addison County Community Trust); Mr. Hausner, Mr. Marcellino (Homestead Design Inc.); Ms. Reid, Ms. Winchell (Central Vermont Community Land Trust)

The meeting was called to order by Chairman White at 1:05 p.m. Upon a motion duly made by Mr. Seelig and seconded by Mr. Douglas, the minutes of January 18 were unanimously accepted as written.

Mr. Cummings reviewed his memo of March 1 regarding "The Essex Town Center—Letter of Interest for Permanent Financing" as included in the Board packet. Mr. Hausner and Mr. Marcellino, of Homestead Design, Inc., (HDI) were introduced to the Board. HDI has applied to the Agency for $1,969,620 in permanent first mortgage financing, as well as $2,843,411 in construction financing; because the amount of bridge financing needed may vary depending on the tax credit syndicator, the Board is currently being asked to consider only the permanent financing at this time. The proposed project consists of the new construction of 44 units in one L-shaped building on the corner of an approximately 15 acre site in Essex. The residential units will be built on the top two stories of a three-story mixed use building which will include approximately 16,000 square feet of retail space on the ground level. The commercial portion of the development would not be financed by the Agency.

Architectural renderings of the proposed building were displayed, along with representations of other buildings planned for the new town center that may be created on the site. Mr. Marcellino explained that the Town of Essex, which was the first town

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in Vermont to adopt an approved Act 200 plan, has embraced the growth center concept which calls for residential housing near a town growth center. The multi-use buildings would include housing components blending market rate and affordable housing, providing mixed economic opportunities while establishing a pedestrian orientation, reducing the need for automobiles within the town center. Mr. Hausner pointed out that the 44 one- and two-bedroom units would all be handicapped accessible and adaptable, providing 22 housing units on each floor. It is expected to take five to ten years to accomplish the entire growth center, with the project under consideration by the Board as the first residential building in the complex. Mr. Hausner noted that ten years of research have gone into the planning of this project, with consideration given to combining daytime retail with residential units; a preliminary market analysis indicates great interest in renting these residential units. As Mr. Marcellino explained, this project will include only one- and two-bedroom units on the theory that the units would initially be more desirable for people without older children or large families due to the lack of nearby recreational facilities.

Chairman White explained that any Board action taken in favor of this project does not necessarily mean that the tax credit application would also be approved. The need for an appraisal at 95% LTV was also reviewed, as several Board members viewed it as a high loan request. Mr. Seelig noted that any loan arrangements for CDBG financing would also affect the LTV ratio and overall value of the project, and suggested that a condition of approval be that any CDBG financing be placed behind the affordable housing covenants. Mr. Cummings also explained that the Agency would be approached for construction financing on this project, and possible bridge financing; these requirements will be brought to the Board at a later date, should the Board approve this permanent first mortgage financing request. Mr. Seelig suggested that Housing Vermont be added to the option language as a condition of approval. A motion was then made by Mr. Seelig to amend the "Resolution Pertaining to Letter of Interest re: Essex Town Center" as attached to these minutes as follows: (a) change the LTV ratio requirement to below 85%; (b) Level I Environmental Site Assessment to be acceptable provided results are satisfactory to staff, with the understanding that staff may require other environmental testing in recognition of the size of the loan; and (c) clarification that any CDBG funds and options would be placed behind the affordable housing covenants. After being seconded by Mr. Douglas, this motion carried unanimously. Mr. Hausner and Mr. Marcellino left the meeting after the vote.

The "Kilbourn Trailer Park—Letter of Commitment for Permanent Financing" was reviewed by Mr. Erdelyi, who referred the Board to his memo of March 1, included in the Board packet. Mr. Erdelyi introduced Ms. Ready, who is representing Addison County Community Trust (ACCT), the project's sponsor. In January 1996, the Board approved a request for $384,500 in first mortgage financing for the acquisition and rehabilitation of this 45 home park in Bristol. Mr. Erdelyi explained that progress is being made on all of the requirements specified in the Letter of Interest. According to

Mr. Erdelyi, Ms. Ready has discussed a financing proposal with the Vermont Community Loan Fund (VCLF) for an amount of $135,000 at 6 percent over a 20 year term. This rate, when blended with the Agency's financing rate which would be below 8.5 percent, would result in very advantageous financing for this project. Although VCLF normally loans for only five year terms, Ms. Ready has been discussing a 20 year term with them for this loan. The amount of Agency financing required would be reduced because of the loan provided by VCLF. Ms. Ready then addressed the Board, noting that a Level I Environmental Site Assessment has been completed, showing no evidence of questionable environmental conditions on the property. A commitment of $138,000 has been made by VCLF, most likely with a five year rollover, and a commitment to roll over the financing for an additional ten years; Ms. Ready was not sure if the loan amount would be amortized over 20 years. The review appraisal should be completed before the end of March. Ms. Ready asked the Board to also consider providing bridge financing, should the funds not be immediately available from CDBG, despite an actual commitment. Ms. Bradley assured the Board that she would make every effort to have the CDBG funds disbursed promptly, upon approval. A motion was then made by Mr. Douglas to amend the "Resolution Pertaining to Commitment Letter re: Kilbourn Mobile Home Park (Bristol)", as attached to these minutes, to allow bridge financing to cover any delay in CDBG fund disbursement, assuming that this project is, in fact, awarded CDBG financing. This motion carried unanimously, after being seconded by Ms. Canney. Following the vote, Ms. Ready left the meeting.

Next, Mr. Erdelyi reviewed his memo of March 1, included in the Board packet, regarding the "Barre Street Apartments, Montpelier—Combined Letter of Interest/ Commitment Letter for Permanent Financing." Ms. Reid and Ms. Winchell, both representing the Central Vermont Community Land Trust (CVCLT), were introduced to the Board. CVCLT acquired five buildings on Barre Street, Montpelier, in 1990. One building houses a daycare facility, one building is a small detached garage, and the other three contained 22 rental apartments and two garage spaces. After the acquisition, CVCLT renovated the buildings to the extent that funding allowed, and moved their offices into one of the former apartments. Prior loan commitments to CVCLT that staff has recommended for Board approval were made fully recognizing that the loan currently under discussion would most likely be brought to the Agency for refinancing. The total cost is approximately $53,000 per residential unit; this does not include costs for renovating the current daycare facility, which is a commercial component of this rehabilitation project. Mr. Erdelyi explained that the Level I Environmental Site Assessment has been completed, with no contaminants discovered. Tests for asbestos and lead paint still need to be conducted; lead paint abatement is planned. Funding for this project would come from the Agency's Section 8 recycled bond proceeds. Ms. Reid assured the Board that all anticipated fund allocations have been received, and that plans are underway to also apply for historic tax credits for this project. Mr. Jarrett explained to the Board that the proposed Resolution includes a waiver of a portion of the Agency's Rule regarding multiple use projects, which usually requires that the properties be contiguous. As there is only one lot separating the buildings, it would seem reasonable to waive this Rule in this instance. A motion was then made by Ms. Bradley and seconded by Mr. Douglas to adopt the "Resolution Pertaining to Letter of Interest and Commitment Letter re: Barre Street (Montpelier)" as attached to these minutes. The motion carried, with Mr. Seelig abstaining.

Ms. Crady then reviewed the plan for "REO Marketing to Nonprofit Housing Organizations," as described in her memo of February 27, included in the Board packet. The plan as originally proposed included the early marketing of real estate owned (REO) in the Agency's portfolio to nonprofit housing organizations, giving nonprofits 30 days to notify the Agency of an interest in purchasing a property. As Ms. Crady explained, this strategy has not been successful, primarily because a nonprofit must have an identified buyer prior to committing funds. The revised structure calls for the Agency to retain title and advance funds to a nonprofit to cover the cost of property rehabilitation, where necessary. This would require a commitment from the Agency for up to $200,000 in multifamily refunding savings. Mr. Seelig recommended that a process be designed whereby the rehabilitation of a property takes into consideration the property's location, general condition, and potential marketability based on desirability.

Ms. Canney asked for clarification of the timeframe involved, as far as determining when a property has been listed with a nonprofit, before the property is offered on the market to the general public. Specifically, Ms. Canney asked that staff consider whether the general marketing should occur 60 days after the completion of the property's rehabilitation, vs. 90 days after. As Ms. Canney further noted, later in this meeting the Board will be reviewing a memo on shortening the delinquency timetable, with a goal of selling an REO property within 180 days of the Agency's gaining title; linking the nonprofit/REO program with the overall REO marketing strategy would seem to be appropriate. Chairman White concurred, noting that there should be some limitation on the time period for nonprofit involvement in REO marketing, without setting a specific date for the option period to expire. Mr. Schoenbeck reviewed the status of the multifamily refunding savings, explaining that $86,000 is currently available, with commitments of $20,000 per month for Winchester Place through the balance of the calendar year. Other commitments include $150,000 for the lead hazard reduction loan program, and an anticipated $200,000 to assist projects within the refunding group. This amount is meant to cover cash flow shortages; to date, these have not occurred as expected, thus the savings have not yet had to be accessed. Mr. Schoenbeck noted that the Agency should realize $960,000 per year in savings through the refunding strategy. However, he cautioned that although funds are currently expected to be available, it is difficult to project how long the funds will remain available due to HUD actions or when they will be needed to be applied to the REO marketing program. Mr. Hunt suggested that a commitment could be made on a unit by unit basis, as the Board has previously authorized the use of one year's expected proceeds of refunding savings. Upon a motion made by Mr. Seelig and seconded by Ms. Canney, the Board voted unanimously to adopt the "Resolution Pertaining to Marketing Real Estate Owned to Nonprofit Housing Organizations," as attached to these minutes, after amending the Resolution to include a limitation on the time period for a nonprofit to market each property. Ms. Reid left the meeting after this vote was taken.

The Board then reviewed the proposed "Evaluation Plan for Homeownership Centers" as outlined in Ms. Crady's memo of February 29, included in the Board packet. Ms. Crady advised the Board that any evaluation strategy would be part of a constantly changing process, evolving as the Homeownership Centers are introduced and begin activity. Chairman White observed that it is important to track results, not just activities; these results should include foreclosures avoided and successful home buyers. Mr. Seelig expressed his appreciation for staff's efforts in developing the plan, and reminded staff that the three Centers will need to be evaluated on an individual basis, keeping in mind the unique characteristics of each region of the state being served. For example, helping those at 60 percent of median income in Orleans County would have greater proportionate significance than helping lower income people within Chittenden County. A strong focus on results and how they were achieved is important, as well as determining or identifying any barriers to achieving the goals of the Homeownership Centers. No Board action was necessary.

A request for bridge financing was reviewed by Ms. Crady, who directed the Board to her memo of March 1 regarding "Lake Champlain Housing Development Corporation" (LCHDC). A line of credit for $150,000 had been approved by the Board in November 1994, to assist LCHDC in the remarketing of units at Officers' Row on Dalton Drive in Fort Ethan Allen. Because they were successful in remarketing the units without drawing on the line of credit, LCHDC did not accept the Agency's commitment of funds. A new line of credit for $150,000 is being requested. A motion was made by Ms. Canney and seconded by Mr. Douglas to adopt the "Resolution Authorizing Line of Credit to LCHDC for Option Purchases of Dalton Drive Units," as attached to these minutes. This motion carried unanimously.

Mr. Cummings reviewed the "Multifamily Loan Underwriting Standard—Annual Distributions" as detailed in his memo of March 1, included in the Board packet. This proposal merely formalizes an existing internal procedure, and is not part of the Agency's Rules. Upon a motion made by Ms. Bradley and seconded by Mr. Douglas, the Board voted unanimously to approve staff's recommendation for equity distribution in an amount not to exceed ten percent of owner equity; further, staff was directed to begin discussions with the Vermont Housing & Conservation Trust Fund regarding distributions for nonprofit organizations.

The "Single Family Program Activity Report for January" was reviewed by Mr. Lothrop, as per his memo of February 2, included in the Board packet. Through the close of business March 20, the Agency has made $3.5 million in reservations for the month, comparing favorably with $4.9 million in reservations for the entire month of March 1995. Reservations are anticipated to reach $6.8 million by the end of the month. The Mortgage Credit Certificate/Mortgage Plus Program has shown a significant increase in activity when compared with last year at this time, with $413,000 in reservations through March 20, as compared with March 1995 activity of $235,000 for the month.

Mr. Lothrop then reviewed the "Servicing Activity for January" as reported in his memo of February 22, included in the Board packet. Delinquency statistics for February were distributed for the Board's review. The difference in delinquencies for March when compared with February are not that significant, as most of those formerly in the 90 day delinquency range have now moved to foreclosure status. A complete Property Disposition Report was also distributed, as one page had been inadvertently omitted from the Board packet.

As there was no Board action necessary on the program or servicing activity, Mr. Lothrop reviewed the "Delinquency Timetable" as outlined in his memo of February 21, included in the Board packet. Information on delinquent borrowers was sent to 20 towns, in an effort to determine if those borrowers were also delinquent in property tax payments. In response, ten towns submitted lists of all delinquent property taxes. There are not many borrowers with current (paid to date) mortgages who also are delinquent in property tax payments, although some have missed a quarterly tax payment. Some towns are more than willing to cooperate by supplying lists of delinquent property taxes. Also under review in an effort to address the rising number of delinquencies are the underwriting requirements for the Agency's MOVE Program. An analysis of 117 loans which became delinquent and were ultimately foreclosed, becoming REO properties, is being conducted, and will be compared with the same number of non-delinquent loans in an effort to identify commonalities or potential warning signs. Other lenders such as MGIC, GMAC and GEMICO have been asked to provide figures for Vermont, New England, or a comparable region for the same categories that the Agency is reviewing. To date, only MGIC has responded, indicating a 240 day timeframe for the foreclosure process in New England. Chairman White observed that to allow 60 days for a deed in lieu process would seem excessive, and recommended that staff try to shorten that timeframe. Mr. Lothrop also explained that many borrowers request to be relieved of the possibility of a deficiency judgement; however, staff currently tries to pursue the borrower for deficiencies whenever possible. Mr. Hunt explained that the decision to pursue for deficiencies is determined on a case-by-case basis; this was not standard practice for the Agency previously, but was implemented during this fiscal year on a recommendation from Mr. Hunt. However, Chairman White cautioned staff that if pursuing a mortgagor means the Agency ends up with a contested foreclosure and an extended time period when the property is in foreclosure status, the Agency has not achieved any efficiencies in time or costs. Mr. Jarrett noted that borrowers have often filed for bankruptcy before being pursued by the Agency for deficiencies.

The "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process—October 1, 1995 through December 31, 1995" was reviewed next by Mr. Lothrop, as described in his memo of February 1, included in the Board packet. The quality control process at the Agency is primarily driven by Freddie Mac requirements for VHMGB. This process has been adapted to apply to Agency loans as well. No Board action was necessary.

Mr. Lothrop then reviewed proposed revisions to the "Participating Lender Approval" process outlined in his memo of January 29, included in the Board packet. The major change is the elimination of the one year Vermont requirement for banks, credit unions, savings and loans, and savings banks. A motion was made by Ms. Bradley and seconded by Ms. Canney to approve the proposed participating lender approval policy as presented. This motion carried unanimously.

The "Evaluation of Down Payment Assistance Loans" was reviewed by Ms. Gent, as detailed in her memo of February 29, included in the Board packet. The Agency has offered down payment assistance loans through the IORTA (Interest On Real Estate Transaction Activities), made possible through the receipt of interest from deposits on real estate transactions into interest-bearing escrow accounts, as directed in Act 86 of the 1991 Legislature. Over the past three years, a study has been conducted to evaluate the delinquency rates of the down payment assistance loans and a comparison group. The only statistically significant differences between the IORTA and the 95 percent LTV comparison groups were the housing ratios, which were lower for the IORTA group; this did not affect the overall analysis. Borrowers in the IORTA category also tended to have slightly higher debt and slightly lower incomes. For the first time in the study, the past due rates for the IORTA loans were significantly higher than those of the 95 percent LTV group. The past due status may reflect a lack of equity in the property and the overall decline in real estate values. A general conclusion was that the amount of assets and number of dependents were significantly correlated with delinquencies for both groups. One of the original goals of the IORTA program was that 50 percent of the loans would be made to borrowers at or below 90 percent of median income; this goal has consistently been exceeded. Patterns determined as a result of this analysis may lead to changes in underwriting procedures, requirements for borrower education, or other suggestions which may require Board approval before implementation. The latest round of down payment assistance loans required a $500 contribution from the borrowers as well as a property inspection, which hopefully will help to mitigate the problems. The study also included a comparison between original down payment assistance loans (prior to the IORTA program) and a 95 percent LTV group. To date, the patterns of delinquencies are similar for both groups. Ms. Gent explained that the original down payment assistance loans exercised more restrictive ratios and more stringent credit requirements. The comparison group used the same underwriting ratios, but did not consider credit histories as a factor. Mr. Hunt explained that the program would be monitored closely, with quarterly studies conducted, in an effort to determine what revisions may be necessary if the program is to be renewed in the next fiscal year. Mr. Seelig suggested that staff compare the information with that in the Rural Economic Community Development (formerly Farmers Home Administration) program to compare experiences, giving consideration to the different situations inherent in the two programs and varying loan percentage rates. Mr. Hunt assured the Board that staff would attempt to make those comparisons.

Mr. Schoenbeck then updated the Board on the "Single Family Bond Financing" as described in his memo of February 29, included in the Board packet. The bond, tax-exempt bond, and stock markets have all been volatile in the time period between when the memo was written and this Board meeting. The mortgage rate currently under consideration would be 7.5 percent, assuming a standard financing structure. The new structure being considered would reduce the mortgage rate and reduce exposure to negative arbitrage, which is the interest cost of funds while they are being held to make mortgages. A traditional financing would produce a mortgage rate of 7.5 percent, and would cost 1 percent with a long bond rate of 6.5 percent and a 5.5 percent investment contract GIC provider; this would result in a loss of $310,000 in negative arbitrage on an annual basis. The expected draw schedules of the mortgages would equate to a cost of $150,000 over the six months average life. The new structure would replace one bond issue with two bond issues, which would consist of a small bond issue similar to those issued in the past, a fixed piece of bonding which translates into new mortgages, and a short term piece of bonds that would subsidize the mortgage rate. When the convertible option bonds (COB) mature they would be reissued to fund new mortgages. In the contemplated structure, $70 million in bonds would be issued to achieve $30 million in mortgages; $40 million in bonds would mature in 1997 and in 1998, at $20 million each year, paying approximately 3.5 percent to those investors while earning 5.5 percent on that portion of the bonds. The resulting savings would offset the negative arbitrage loss and allow a reduction of the mortgage rate by 40 basis points, thus providing a 7.1 percent mortgage rate as of this Board meeting. The relationship between a standard financing and this structure would be fairly comparable.

As Mr. Schoenbeck explained, the negative arbitrage saved would be about half, or $150,000, if the Agency was not able to use those funds to purchase mortgages. Over the life of the bond issue, the earnings would not change; by selling the first year COB, there would be no up front losses in the first year of the bond issue. Additional costs of $40,000 would be incurred as sales commission on the COB. For this $40,000 subsidy, the Agency would achieve $30 million in mortgages at a 40 basis point reduction from what the market would normally charge for a mortgage rate. The sizing of $30 million in mortgages would be the minimum preferred based on related costs and the availability of funds. As conventional interest rates have risen close to 8 percent for two point mortgages, this bond issue would place the Agency in a positive position in terms of the mortgage rate when compared with the conventional market. The Agency is allowed to earn only 1.125 points over the mortgage rate. Mr. Jarrett also noted that an additional cost would be to utilize more private activity bond volume cap. Currently, the Agency has $105 million available in volume cap; utilizing $70 million for this bond issue may place the Agency in a position of asking the State to increase the volume cap allocated to the Agency, which is shared with other organizations such as the Vermont Student Assistance Corporation and the Vermont Economic Development Authority.

Continuing his explanation, Mr. Schoenbeck advised the Board that the reissue of bonds in 1997 and 1998, as COBs, will be as costly as a new bond issue; when refunded, new bond documents will be needed, as the new bond rates will result in changed mortgage rates. Kutak Rock, the Agency's bond counsel, is in full agreement with the bond issue structure as proposed and will be available to discuss the financing at the bond sale. Mr. Schoenbeck noted that Maine and Rhode Island HFAs have used this bond concept, and it has proven to be a successful technique to drive down the mortgage rate. For accounting purposes, the bond series can be treated as one issue. The proposed $30 million in mortgages would probably last into early Fall 1996. Mr. Seelig cautioned the Board that it may not be prudent to run out of mortgage funds and need to go to market just before the elections. One structure also considered was a standard financing of $16 million in mortgages, using $40 million in COBs, which could result in a mortgage rate of 6.85 percent. However, it seemed prudent to aim at a mortgage rate of 7 percent or higher, thus permitting a higher amount of mortgage proceeds.

Mr. Douglas suggested that the Board consider hiring an independent financial advisor to assist the Agency in matters such as this. Mr. Hunt noted that Evensen Dodge, which conducted the Agency's financial analysis in 1992, might be interested in such a position. A Request for Proposal would need to be developed and distributed. Mr. Seelig advised the Board that it may be wise to discuss the proposed bond issue with the Emergency Board before the bonds are issued, to advise them, and the Governor, of the need for this type of bond structure and the potential for more volume cap usage later this year. Ms. Bradley agreed, noting that this is a complicated bond structure, and offered to bring information on the proposed bond issue to the Governor through normal channels, rather than through the Emergency Board. A motion was then made by Ms. Canney and seconded by Mr. Seelig to authorize proceeding with the bond issue as outlined, up to $70 million, keeping the mortgage rate at .5 percent to .75 percent below the conventional mortgage rate, with lendable proceeds of $30 to $40 million, with the actual amount to be discussed with and approved by the Chairman prior to pricing and bond issuance. This motion carried unanimously.

At this time, Ms. Canney left the meeting.

Next, the "December 31, 1995, Financials" were reviewed by Mr. Schoenbeck, who referred the Board to his memo of February 28, included in the Board packet. At the mid-point of the fiscal year, financial operations appear to have performed as expected, with the exception of the loss on properties held which is categorized as REOs and reached $836,514. Continuing liquidity concerns are being addressed by means of a $1 million credit line now available from the Howard Bank. Although there will be further losses in the REO category, they should not be as significant as those in the first half of the fiscal year. No Board action was necessary.

Mr. Schoenbeck then reviewed the "General Fund Budget Performance" as reported in his memo of February 29, included in the Board packet. There will be budget adjustments necessary before the end of the fiscal year, to cover loan losses in the Agency's Ventures revolving loan fund, and to cover the Homeownership Center subsidy approved by the Board at an earlier meeting. Again, there was no Board action necessary.

The Board acknowledged receipt of the "Multifamily Directors Report" attached to Mr. Falzone's memo of March 1, included in the Board packet; there was no required action. Review of the Mid-Year Business/Strategic Plan Update was deferred until the April meeting.

In his Executive Director's Report, Mr. Hunt informed the Board that he had traveled to Washington, D.C., to meet with Vermont's Congressional delegates during the National Council of State Housing Agencies annual Legislative Conference. It now appears that Low Income Housing Tax Credits will remain in place as a permanent program for the time being, with little negative action expected prior to the November elections. However, the issue may be revisited in subsequent years as Congress struggles with revenue concerns. The Mortgage Revenue Bond program is also likely to come under review in 1997; this program enjoys popular support, but budget concerns in 1998, 1999 and 2000 may cause future Congressional discussions. The Chittenden County Home Buyer Fair was held at the Hampton Inn; Ms. Gent noted that there were nearly 1,000 attendees, making this the Agency's most well-attended home buyer fair to date. Mr. Hunt advised the Board that while he was in Washington, he was approached by a representative from the Department of Housing and Urban Development, seeking the Agency's interest in a risk-share program for single family housing. Should this program be implemented, Vermont would probably be a pilot state. A separate meeting with the Chairman of the Board that oversees the Federal Home Loan Banks (FHLB) covered ways to create a better working partnership between HFAs and FHLB.

Mr. Hunt then advised the Board that the Bennington-Rutland Opportunity Council (BROC) had received $30,000 in financing from the Agency for the construction of a homeless shelter; this shelter was destroyed by fire and BROC has now received insurance funds. BROC has expressed an interest in applying those funds to the development of four homeownership units for low income area residents, as well as a homeownership counseling program. However, Mr. Hunt reminded the Board that other nonprofit organizations in the area, such as the Rutland Community Land Trust, already provide these services. Although no formal Board action was taken, it was generally agreed that BROC should be requested to return the $30,000 to the Agency, as BROC does not intend to apply the funds in the manner originally approved by the Agency.

Mr. Hunt also informed the Board that the Agency's funding agreement with Housing Vermont (HVT) limits the type of housing that organization can support. HVT is exploring other related opportunities, such as the syndication of historic tax credits, economic development, and having more latitude on mixed income housing. A formal proposal will be presented for the Board's review prior to implementing any changes.

Evensen Dodge has proposed updating the financial analysis they performed in 1992, at a cost of just under $15,000. The proposed update would include information to allow the Agency to continue to monitor the study in the future. There was general Board agreement that there would be no need to re-bid the process, as Evensen Dodge had already performed a diligent review of the Agency in the initial analysis and has sufficient familiarity with the Agency's financial methodology to update this study.

Updating the Board on The Netherlands housing project, Mr. Hunt noted that they have been unable to develop a financial strategy that would make the project feasible, and are taking steps to revise plans to achieve feasibility. Although they may apply for housing credits, it is unlikely that they will be successful due to the lack of feasibility.

Chairman White acknowledged Mr. Jarrett's memo of March 7 regarding "SEC Enforcement Action" as included in the Board packet, noting that the statute creating the Agency and its bylaws allows for indemnification of Commissioners. He recommended that staff review the memo and internal procedures and inform the Board of any suggested changes. Bond counsel will be present at the next Board meeting for bond pricing and sale.

Mr. Seelig then informed the Board that Vermont Senator J. Dennis Delaney (R-Chittenden) has submitted a proposal to merge the Agency and the Vermont Housing & Conservation Trust Fund, in an effort to save approximately $1 million in the State's budget. This issue is currently under discussion in the Senate.

The next meeting was scheduled for April 18. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt, Secretary

RESOLUTION AUTHORIZING LINE OF CREDIT TO LAKE CHAMPLAIN HOUSING DEVELOPMENT CORPORATION FOR OPTION PURCHASES OF DALTON DRIVE UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into a line of credit agreement, in the amount of $150,000, with Lake Champlain Housing Development Corp., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated March 1, 1996. The Line of Credit will have a term of twelve months and advances under the Line of Credit shall be secured by first mortgages on the unit for which the advance is taken. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the Line of Credit authorized herein.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 21, 1996.

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

**RESOLUTION PERTAINING
TO MARKETING REAL ESTATE OWNED
TO NONPROFIT HOUSING ORGANIZATIONS**

WHEREAS, the Agency has previously approved a marketing plan for Real Estate Owned (REO) and the plan included early marketing of REOs to nonprofit housing organizations; and

WHEREAS, staff has worked with nonprofit housing organizations to design a new initiative to return REO properties to the stock of affordable housing (the "Program"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Patricia Crady dated February 27, 1996 (the "Memorandum") containing information and recommendations about the Program; and

THEREFORE, it is hereby RESOLVED:

1. The Board of Commissioners adopts the recommendations contained in the Memorandum, except that the time for a nonprofit to market a property shall be limited in accordance with the Agency's procedures for selling REO properties.

2. The Executive Director and the Deputy Director are authorized to execute Memoranda of Understanding with nonprofit organizations to assist in the rehabilitation and marketing of VHFA-owned property to lower-income home buyers.

3. The Agency will devote up to $200,000 in multifamily refunding savings to provide up to 20 deferred payment second mortgage loans to assist lower-income buyers in accordance with the standards set out in the Memorandum.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 21, 1996.

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

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: KILBOURN MOBILE HOME PARK (BRISTOL)

WHEREAS, a proposal has been presented to the Agency by Addison County Community Trust ("ACCT"), involving the acquisition and rehabilitation of the Kilbourn Mobile Home Park, a mobile home park containing 45 pads located in Bristol (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of $384,500 with an amortization period of 30 years with a balloon payment at the end of 20 years, with the interest rate to be determined by the Agency depending on the source of funds; and

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

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

It is hereby DETERMINED:

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

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

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

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

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

6. The sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter for a first mortgage loan to the Addison County Community Trust for the acquisition and rehabilitation of the Kilbourn Mobile Home Park in Bristol in an amount to be determined by the Executive Director, but not to exceed $384,500. If the Developer utilizes a second mortgage loan of $138,000 from the Vermont Community Loan Fund ("VCLF") for which it has received a commitment, the amount of the Agency's first mortgage loan shall be reduced commensurately, unless engineering studies have demonstrated a need for additional funds to upgrade the water system. In such a case the amount of the first mortgage loan may be reduced by an amount so that when added to the amount of the VCLF loan, provides, in the opinion of the Executive Director, sufficient funds to complete the necessary water system upgrade. The loan shall bear interest at a rate to be determined by the Agency depending on its source of funds and payments shall be amortized over a period of 30 years, but shall require the payment of all outstanding principal and interest 20 years after the date of the loan. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following, which must be submitted in form and content acceptable to the Agency:

   a) a Level I Environmental Site Assessment, with either no significant findings or with satisfactory remediation measures being incorporated into the work specifications;

   b) a review appraisal by Allen and Cable satisfactory to staff to make a determination of value;

   c) an assessment by an independent engineer regarding the park's water distribution system, including an estimate of the remaining useful life of the system, an estimate of immediate capital improvement needs and costs (if any), and an ongoing capital improvement budget to the system;

   d) a site plan identifying the location of all homes and infrastructure improvements in the park and a model replacement septic system for future upgrades;

   e) copies of other documentation of costs necessary to complete the underwriting of the loan, including operating costs, historical tax bills, and cost estimates or bids for the required infrastructure improvements; and

   f) identification of an adequate source of funds by VHFA; and

g) sponsor must demonstrate that requisite financing has been committed by May 1, 1996, including but not limited to loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent.

2. The Commitment Letter shall be issued to Addison County Community Trust.

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

4. The Commitment Letter shall offer to make a bridge loan to the Developer in an amount not to exceed $340,000, if needed, to bridge a gap until financing through the Community Development Block Grant program is received. The interest rate on the bridge loan shall be 8% per annum.

5. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director that a combination of equity, grant and deferred loan funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the first mortgage financing commitment plus the amount of the second mortgage that is the subject of the Agency's Letter of Interest.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 21, 1996.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: ESSEX TOWN CENTER

WHEREAS, a proposal has been presented to the Agency by Homestead Design, Inc., a developer located in Williston (the "Sponsor") on behalf of a to-be-formed limited partnership, one of whose general partners would be Homestead Design, Inc., involving the construction and permanent financing of a mixed-use development in Essex containing 44 units in one building located on 15 acres in Essex (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $2,900,000; and

WHEREAS, the Sponsor has applied for a reservation of Low Income Housing Tax Credits and will apply for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Paul Cummings dated March 1, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

5. The amount of the Agency's loan after the rehabilitation will not exceed 95% of the security value of the Development.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership for the construction of the Essex Town Center development in Essex in an amount not to exceed $2,900,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   a) Sponsor must provide an appraisal, satisfactory to staff, that indicates that the first mortgage debt being provided by the Agency does not exceed 85% of the value; and

   b) sponsor must provide an independent market study, satisfactory to staff, that indicates a demand for the proposed residential units that is consistent with the proposed unit rents and lease-up schedule; and

   c) Sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, taking into account the size of the loan, indicating that the site is free from any adverse environmental or topographical conditions; and

   d) Sponsor must demonstrate that requisite financing has been committed by July 1, 1996, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds or increase the amount of equity contributed by sponsor.

   e) Sponsor must tender an option for purchase of the development at the end of the 15 year tax credit compliance period that is substantially similar to the standard option tendered by other tax credit developments;

f) At the request of the Agency, the CDBG mortgage on the development will be subordinate in lien to the affordability covenants.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 21, 1996.

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

RESOLUTION PERTAINING TO
LETTER OF INTEREST AND COMMITMENT LETTER
RE: BARRE STREET (MONTPELIER)

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier, (the "Sponsor") involving the refinancing of a scattered site, mixed use development on Barre Street in Montpelier, currently containing 21 rental apartments, an office, three garage spaces and a day care center (the "Development"); and

WHEREAS, the proposal contemplates a permanent mortgage loan of up to $193,000 with an amortization period of 25 years, with an interest rate of 7.22% per annum from the Agency's recycled Section 8 proceeds; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $254,772 and a lead paint grant of $7,000 from the Vermont Housing and Conservation Board and a HOME grant of $297,400; and

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

WHEREAS, the Board has been presented with a memorandum dated March 1, 1996 from Joseph Erdelyi (the "Memorandum"); and

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

WHEREAS, based on the Memorandum, the Agency determines that a waiver of paragraph 2 of Chapter Four of the Agency's Rules on Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing, Mortgage Loans to Housing Sponsors for Single Family Developments is justified because strict adherence to the rule would cause undue hardship to the Sponsor;

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

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

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Letter of Interest for a loan for the refinancing of the Development, in an amount to be determined by the Executive Director, but not to exceed $200,000. The loan shall bear interest at a rate of 7.22% per annum and shall be amortized over a period of 25 years.

2. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing of the Development, in an amount to be determined by the Executive Director, but not to exceed $200,000. The term of the loan shall be 25 years. The loan shall bear interest at a rate of 7.22% per annum. The Commitment Letter may be issued to Central Vermont Community Land Trust, Inc. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

4. The Commitment Letter shall require the Sponsor to satisfy the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   (a) Level I Environmental Site Assessment and testing for lead and asbestos, with satisfactory remediation measures being incorporated into the work specifications; and

   (b) sponsor must pursue other funding sources, including, but not limited to, Green Mountain Power Corp. and historic rehabilitation tax credits, with the goal of improving the overall condition and/or financial feasibility of the property; and

   (c) sponsor must provide final plans and specifications for VHFA approval; and

   (d) sponsor must provide evidence of competitive bidding, with bids approximately at budgeted levels, to maintain the overall financial feasibility of the Development; and

   (e) sponsor must enter into a party wall and roof agreement with the neighboring landowner for the property located at 40 Barre Street.

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

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on March 21, 1996.

Allan S. Hunt

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

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PC

DATE: April 12, 1996

RE: BCLT Rental Housing Improvement Project permanent financing request

Executive Summary

On November 16, 1995, the Board approved a combined Letter of Interest/Commitment to provide permanent financing in an amount up to $430,000 to the Burlington Community Land Trust (BCLT). This loan would be used to refinance existing short-term debt and enable moderate rehabilitation on 19 units BCLT owns in Burlington.

Subsequent to receiving VHFA's commitment, BCLT was requested to consider utilizing Low Income Housing Tax Credits (Housing Credits) as a source of rehabilitation funds for this project. BCLT has created a new development budget, submitted an application for Housing Credits, and requested an additional $122,610 from VHFA to refinance an additional 14 units. Therefore, BCLT has applied to VHFA for a total of $552,610 in permanent first mortgage financing. These funds would be used for the refinance and rehabilitation of 33 units in 13 buildings on scattered sites in Burlington. BCLT acquired these buildings between 1988 and 1992. As a part of the rehabilitation, BCLT proposes to complete lead based paint abatement and energy efficiency improvements. BCLT is seeking to utilize the balance of our 7.22 percent recycled Section 8 funds. The total proposed development cost is $66,485 per unit.

BCLT has also submitted an application to VHFA for Housing Credits. The Joint Committee on Tax Credits will consider VHFA recommendations for Housing Credits on April 16, 1996. BCLT has secured commitments for the other sources of financing, including Vermont Housing and Conservation Board (VHCB) funds and an approved HOME grant from the City of Burlington.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

THE DEVELOPMENT

Projected Funding Sources		
VHFA First Mortgage	$552,610	25.19%
HOME Deferred Debt	$263,045	11.99%
VHCB Loans	$244,464	11.14%
VHCB Grants	$152,425	6.95%
VHCB Lead Program Grant	$113,200	5.16%
City of Burlington - HIP Loans	$150,365	6.86%
Misc. Loans/Grants	$62,333	2.83%
Tax Credit Equity	$655,566	29.88%
Totals	$2,194,008	100.00%

The properties have not received recent appraisals and therefore loan-to-value has not been determined. If review of recent tax assessments are not in line with value shown on existing appraisals, staff would request an "as completed" appraisal that would indicate a value at least equal to VHFA's loan amount. The VHFA loan to cost ratio is approximately 26%.

Unit Breakdown and Rents

Initially, all of the units in the proposed refinance would be affordable to households earning less than 60 percent of median income. BCLT has projected that 21 (64%) of the 33 units would remain affordable to households earning less than 60 percent of median income with seven (21%) of the 33 units affordable to households earning less than 50 percent of median income. The unit size and rent breakdown is as follows:

Restricted Rents			Market Rents <80% of Median		
Size	#	Rents	Size	#	Rents
0 BR	2	$323	0 Br	0	
1 BR	3	$355-410	1 Br	0	
2 BR	14	$410-$467	2 BR	2	$450
3 BR	6	$490-$574	3 BR	3	$610
4 BR	3	$653	4 BR	0	

These rents do not include heat or electricity.

Sponsor, Management & Market

BCLT has managed all the properties since they were acquired except for the six units in the three Pine Street buildings. (Lake Champlain Housing Development Corporation, a nonprofit housing development/management organization in Burlington, has managed the Pine Street units.) BCLT has proposed to manage all of the units after the refinance. BCLT currently manages approximately 110 similar properties in the Burlington area, including two recent projects financed by VHFA - Burlington Scattered sites (20 units) and Johnson Street apartments (5 units).

Because the units are currently occupied and BCLT has had success marketing the units, VHFA would not require a market study.

Site & Environmental Concerns

The sponsor has been asked to determine if any environmental testing of the buildings has been done. Staff would need to determine how much environmental testing, if any, needs to be completed.

At VHFA's request, BCLT has commissioned an energy audit on the first 19 units to determine if improvements could be made to the project that would increase energy efficiency. Based on the results of the audit of the first 19 units, BCLT has applied to VHCB for an additional grant request of $22,425 (included in VHCB Grants amount of $152,425). VHFA would require a similar energy audit for the second group of 14 units to be refinanced.

DISCUSSION

BCLT initially purchased the buildings in this refinance proposal with their Bank of Vermont line of credit. This letter of credit was not intended to be a source of permanent financing and as BCLT sought to refinance this loan they also looked at the possibility of completing additional rehabilitation to the buildings. Staff has inspected these buildings and reviewed the proposed scope of work. At the request of VHFA and VHCB, BCLT has commissioned an energy audit that justifies additional rehabilitation and has submitted an application to VHCB for the additional funds required. The completed project would improve the quality of the units through rehabilitation, improve the energy efficiency of the units, provide lead based paint abatement, and promote long term affordability of a majority of the units through the use of VHFA's 7.22 percent recycled Section 8 funds.

Strengths

a) The sponsor has successfully developed both single family and multifamily developments, including recently completed VHFA financed properties in the same market area (Burlington Scattered Sites and Johnson Street Apartments).

b) The project would improve the quality of housing and long term affordability for 33 units in Burlington, including rehabilitation of the units, lead based paint abatement, and energy efficiency improvements.

Weaknesses

a) The project has not had an environmental review or an "as completed" appraisal. Staff would work with BCLT to determine if either of these would be required. Staff has reviewed the tax assessments for the 19 units in the first financing request and is satisfied using these assessments as a determination of value.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount not to exceed $560,000, loan term of 20 years with an amortization schedule of 25 years and an interest rate of 7.22 percent for the $487,176 in available recycled Section 8 funds and an interest rate of 8.00 for the balance of the loan ($65,434) which would be a VHFA General Fund Loan. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions described below. The Letter of Interest shall include the following conditions:

1) sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

2) sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs; and

3) sponsor must demonstrate that requisite financing has been committed, including Low Income Housing Tax Credits from VHFA and loans/grants from the Vermont Housing and Conservation Board for current scope of work and

revised scope of work if warranted from results of commissioned energy audit. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

4) sponsor must demonstrate, in a form satisfactory to staff, structural integrity of buildings including specifically the North/Front street building and the Grant/North Union street building.

The Commitment Letter shall be subject to conditions including the following:

1) VHFA approval of final rehabilitation scope of work including specifications;

2) sponsor must provide evidence of competitive bidding.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust, on behalf of a to-be-formed limited partnership (the "Housing Sponsor") involving the refinancing and rehabilitation of 33 rental units located in 13 buildings in several locations in Burlington, as referenced in a staff memorandum dated April 12, 1996 (the "Development"); and

WHEREAS, the Housing Sponsor presented a proposal to the Agency involving a 19 of the apartments included in this proposal that was the subject of a resolution by the Agency dated November 16, 1995 (the "Prior Resolution"), which resolution and any commitments made by the Agency as a result of the Prior Resolution are hereby superseded and terminated; and

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

WHEREAS, all of the units in the Housing Sponsor's proposal are currently, and the majority would remain, affordable to households earning less than 60 percent of median income; and

WHEREAS, the Housing Sponsor has been approved by the Vermont Housing and Conservation Board (VHCB) for lead based paint abatement and grant funds; and

WHEREAS, the Housing Sponsor has been approved for a HOME grant from the City of Burlington in the amount of $113,428; and

WHEREAS, the Housing Sponsor has also submitted an application to the Agency for Low Income Housing Tax Credits, the award of which will be announced on April 16, 1996;

WHEREAS, the maximum amount of the mortgage loan will not exceed $560,000; and

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

It is hereby DETERMINED:

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

2. The rehabilitation costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

3. There exists, or without the proposed residential housing there will exist, a shortage of decent, safe and sanitary housing at rentals or prices which persons and families of low and moderate income are able to afford within the general housing market area of

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a limited partnership, a general partner of which will be the Burlington Community Land Trust, Inc., for the refinancing and rehabilitation of the Development in Burlington in an amount not to exceed $560,000. The loan will be amortized over a period of 25 years, but all outstanding principal and iinterest on the loan will be due 20 years from the date of the loan. The interest rate on approximately $487,176 will be 7.22% per annum and the remainder of the loan amount will bear an annual interest rate of 8.0%. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   a) the Housing Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA; and

   b) the Housing Sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs for the 14 additional units that have not had energy audits performed;

   c) the Housing Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board for the current scope of work and, if indicated by the commissioned energy audit, a revised scope of work. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the Housing Sponsor is unable to obtain commitments of "requisite financing", the Housing Sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds; and

d) the Housing Sponsor must demonstrate, in a form satisfactory to staff, structural integrity of the buildings, including, specifically, the North/Front Street building and the Grant/North Union Street building.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed $560,000. Payments on the loan may be amortized over a period of 25 years, with the payment of all outstanding principal and accrued interest due 20 years from the date of the loan. The interest rate on the portion of the loan made from recycled bond proceeds shall be approximately 7.22% and on the portion made from other proceeds, 8% per annum. The Commitment Letter may be issued to Burlington Community Land Trust as a representative of the Housing Sponsor. The Commitment Letter shall be conditioned on the satisfaction by the Housing Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following:

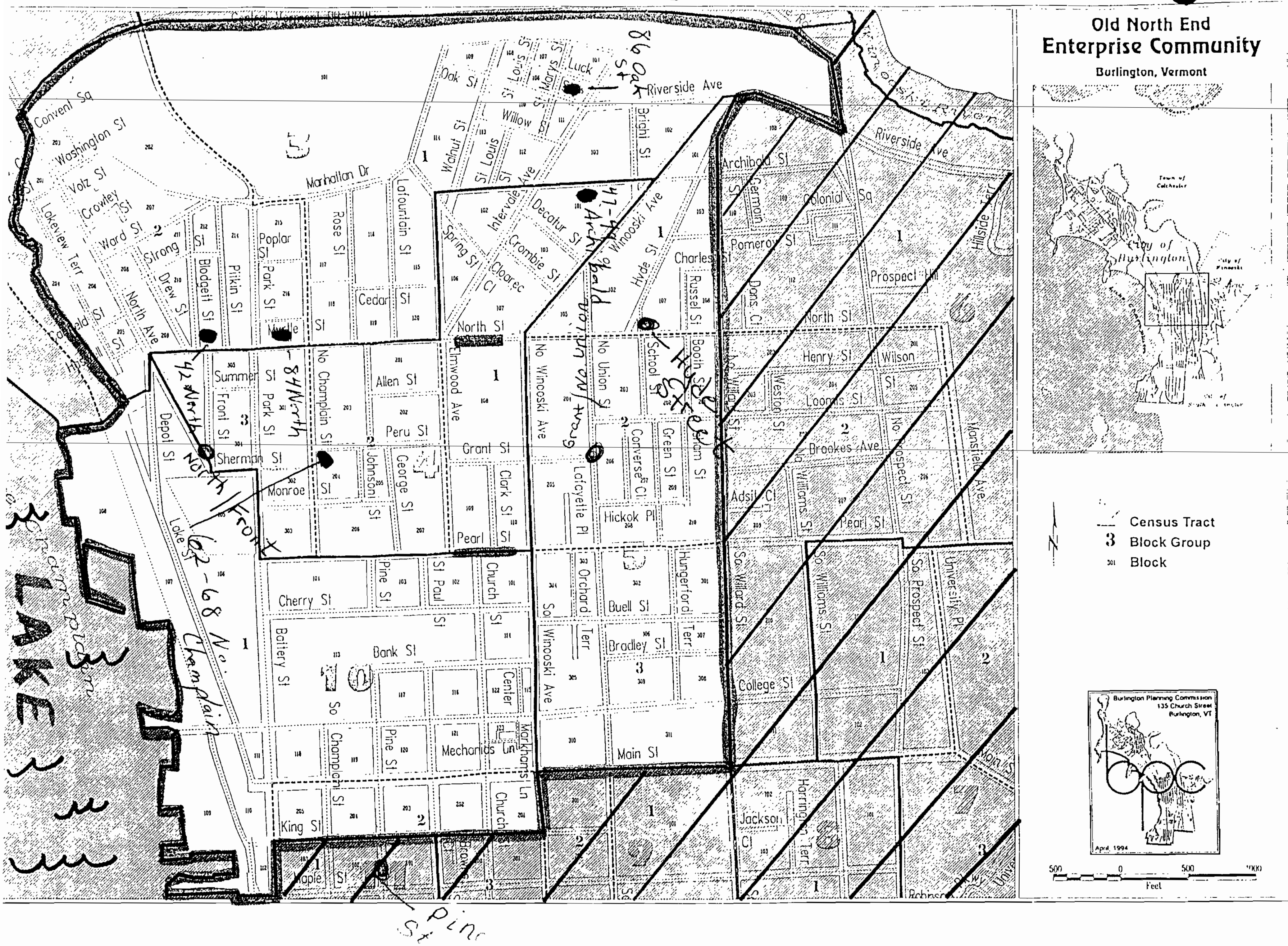
   (a) Agency approval of the scope of final rehabilitation work including specifications; and

   (b) Evidence of competitive bidding for construction contract satisfactory to the Agency.

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

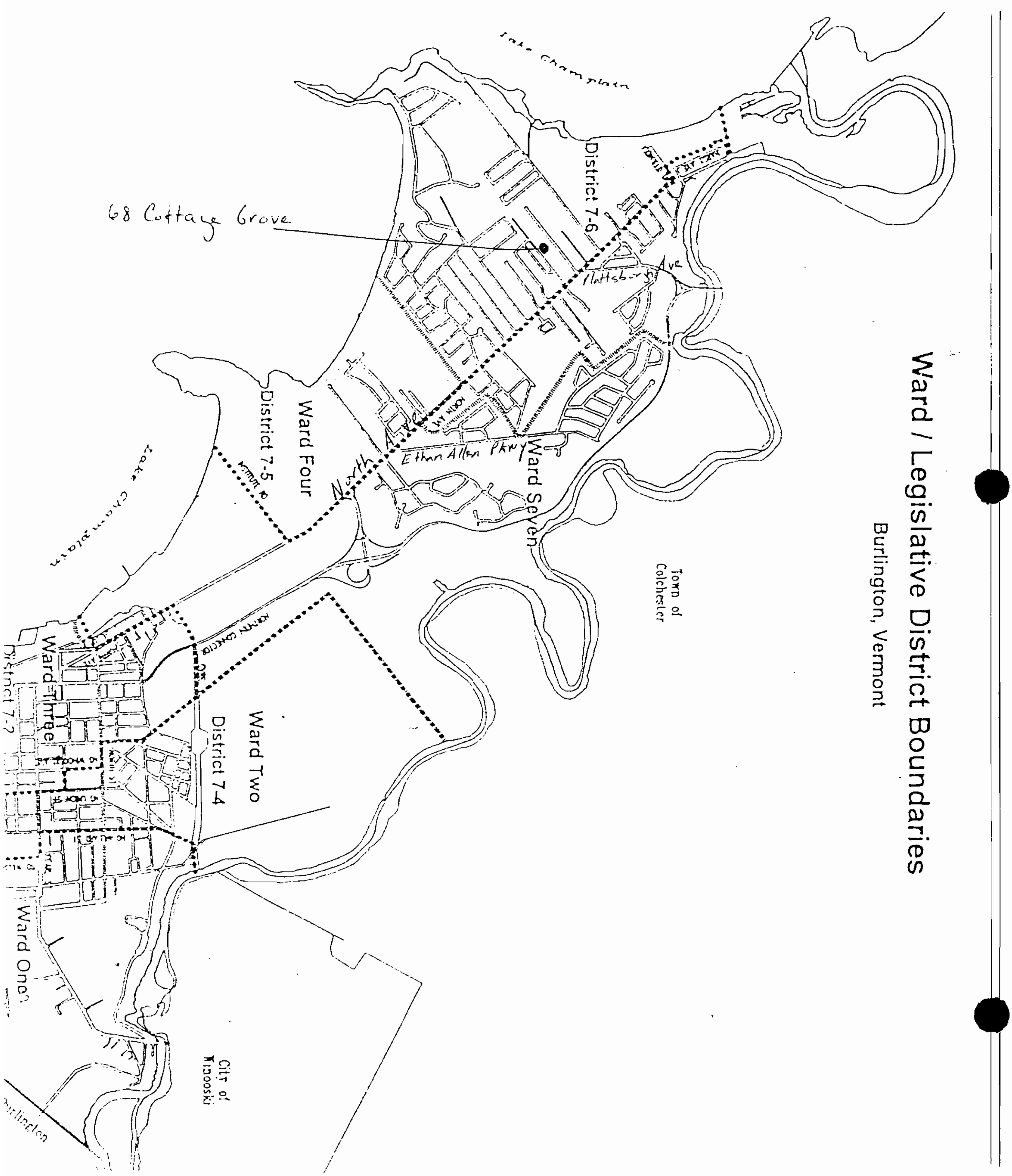
5. The Executive Director, the Deputy Director and the Director of Finance, or any of them, are authorized to take all necessary steps and execute all documents required to effectuate this loan.

6. The commitment of the Agency to make the loan authorized herein will expire 90 days from the date of this Resolution unless the Sponsor has made substantial progress, in the sole judgment of the Agency, toward closing on the loan.



Old North End
Enterprise Community
Burlington, Vermont
Census Tract
3 Block Group
301 Block
Burlington Planning Commission
135 Church Street
Burlington, VT
April 1994
Feet
86 Oak St
47-49 Archibald
Hyde Street
Grant / No Union
84 North
42 North
North / Front
62-68 No. Champlain
Pine St
LAKE
Champlain

New North End



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Project:	BCLT Refinance	RUN DATE:	11-Apr-96

Total Residential Units:	33	Increase LIHTC	2.00%
Restricted Units:	28	Increase Market	2.00%
Percent Restricted:	84.85%	Expense increase:	3.50%
Avg Net Monthly Rent:	467	Vacancy Rate:	5.00%
Total Dev Costs	2,194,009	Partner's Tax Rate:	34.00%
TDC/Unit	66,485	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	70.78%

Total Credit Amount	92,616	
Net Syndication	655,566	
LIHTC - 9%	8.45%	(April '96)
LIHTC - 4%	3.62%	

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort Period
VHFA Sect. 8debt	487,176	22.20%	7.22%	20	25
VHFA debt	65,434	2.98%	8.00%	20	25
HOME deferred debt	263,045	11.99%	6.19%	30	30
HIP Loan #1 Assumed	91,660	4.18%	1.00%	30	30
HIP Loan #2 Assumed	58,705	2.68%	3.00%	20	20
VHCB Loan Assumed	107,743	4.91%	0.00%	30	30
VHCB Loan Deferred	136,721	6.23%	0.00%	30	30
LCHDC Loan Deferred	11,333	0.52%	0.00%	5	5
GMFPS Loan	6,000	0.27%	0.00%	6	6
VHCB Grant	152,425	6.95%	N/A	N/A	
VHCB Lead Grant	113,200	5.16%	N/A	N/A	
BHTF (BCLT)	35,000	1.60%	N/A	N/A	
BHTF (LCHDC)	10,000	0.46%	N/A	N/A	
Tax Credit Equity	655,566	29.88%	N/A	N/A	
	2,194,008	100.00%			

Gap:	(1)

UNIT COST LIMIT ANALYSIS

Unit Size	Number	
0 Bedroom	2	
Unit Cost Limit	73,380	
1 Bedroom	3	
Unit Cost Limit	78,380	
2 Bedroom	16	
Unit Cost Limit	83,380	
3 Bedroom	9	
Unit Cost Limit	88,380	
4 Bedroom	3	
Unit Cost Limit	93,380	
Total Cost Limits:	2,791,540	
Total Units:	33	
Average:	84,592	LIMIT
Prop. Development Costs:	2,194,009	
Less Relocation	(12,800)	
Less Capital. Accts:	(5,000)	
Subtotal:	2,176,209	
Average:	65,946	COST

BCLT Refinance	DEVELOPMENT BUDGET			
		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		215,159	6,520	8.01
Purchase of Building(s)		980,171	29,702	36.51
Demolition			0	0.00
Rehabilitation		543,213	16,461	20.23
New Buildings			0	0.00
Interiors			0	0.00
Sitework			0	0.00
Off-site Improvement and Fees			0	0.00
General Requirements	0.00%		0	0.00
Contractor Overhead	0.00%		0	0.00
Contractor Profit	0.00%		0	0.00
Construction Contingency	16.91%	91,863	2,784	3.42
Construction Management			0	0.00
Landscaping			0	0.00
Transfer Taxes			0	0.00
Construction Bond Fee			0	0.00
APPLIANCES		18,455	559	0.69
Subtotal		1,848,861	56,026	68.86
PROFESSIONAL SERVICES				
Architect Fee /Engineering		29,336	889	1.09
Architect Fee - Supervision			0	0.00
Engineering			0	0.00
Legal/Accounting		33,000	1,000	1.23
Clerk of the Works		29,336	889	1.09
Interior Design			0	0.00
Attorney			0	0.00
Legal - Title & Recording		5,743	174	0.21
Subtotal		97,415	2,952	3.63
INTERIM COSTS				
Construction Insurance			0	0.00
Construction Interest		24,400	739	0.91
Construction Loan Origination Fee			0	0.00
Lender Costs			0	0.00
Taxes			0	0.00
Subtotal		24,400	739	0.91
OTHER SOFT COSTS				
Property Appraisal/Survey			0	0.00
Market Study			0	0.00
Environmental Report		12,250	371	0.46
Relocation		12,800	388	0.48
Permits/Fees			0	0.00
Tax Reserve Account		27,500	833	1.02
Tax Credit Fees		3,057	93	0.11
Marketing			0	0.00
Subtotal		55,607	1,685	2.07
FINANCING FEES & EXPENSES				
Credit Report			0	0.00
Permanent Loan Origination Fee		5,526	167	0.21
Credit Enhancement			0	0.00
Cost of Issuance			0	0.00
Title & Recording			0	0.00
Counsel's Fee			0	0.00
Other			0	0.00
Subtotal		5,526	167	0.21
SYNDICATION COSTS				
Organizational (Partnership)			0	0.00
Bridge Loan Fees & Expenses			0	0.00
Tax Opinion			0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
H.V. Development Fee		91,200	2,764	3.40
BCLT Fee		66,000	2,000	2.46
Subtotal	7.74%	157,200	4,764	5.85
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve			0	0.00
Replacement Reserve			0	0.00
Working Capital		5,000	152	0.19
Operating Reserve/Sinking Fund			0	0.00
Subtotal		5,000	152	0.19
TOTAL DEVELOPMENT COSTS		2,194,009	66,485	81.72

BCLT Refinance	INCOME & EXPENSE BUDGET				11-Apr-96		
	INCOME						
RENTS							
Restricted Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	Affordability
1 Br	LI	541	2	410	72	9,840	54.39%
2 Br	LI	787	11	467	92	61,704	52.51%
3 Br	LI	909	5	574	111	34,440	55.66%
4 Br	LI	1,392	3	653	126	23,520	56.76%
0 Br	VLI	238	2	323	52	7,740	45.26%
1 Br	VLI	448	1	355	72	4,260	48.18%
2 Br	VLI	692	3	410	92	14,760	47.14%
3 Br	VLI	946	1	490	105	5,880	48.37%
	Totals	22,405	28			162,144	
Market Rate Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	
2 Br	M	768	2	450	91	10,800	50.80%
3 Br	M	970	3	601	105	21,648	57.43%
	Totals	4,444	5			32,448	
All Units							
	Grand Totals	26,849	33			194,592	
		Less Vacancy	5.00%			(9,730)	
					NET RENT	184,862	
		OTHER INCOME					
		Interest Income					
		Laundry					
		Parking					
		Total Other Income				0	
					TOTAL INC	184,862	

BCLT Refinance	EXPENSE BUDGET		11-Apr-96
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	14,466	1,206	37
Supportive Services		0	0
Audit/Accounting	4,000	333	10
Legal		0	0
Office Expense		0	0
Telephone		0	0
Office Payroll		0	0
Rent		0	0
Compliance Monitoring	792	66	2
Other/Inv. Svcs.	4,846	404	12
TOTAL ADMINISTRATI	24,104	2,009	61
Utilities			
Water/Sewer	11,315	943	29
Electric	540	45	1
Fuel	2,390	199	6
Common Area		0	0
Other/Fire/Alarm		0	0
TOTAL UTILITIES	14,245	1,187	36
Maintenance			
Maintenance Payroll		0	0
Supplies		0	0
Trash Removal	9,259	772	23
Snow/Grounds	784	65	2
Repairs	20,545	1,712	52
Paint/Decorating	4,938	412	12
Exterminating		0	0
Contract Maintenance		0	0
Equipment Debt		0	0
Service Lease/Elevator		0	0
Other	3,486	291	9
TOTAL MAINTENANCE	39,012	3,251	99
Taxes	25,772	2,148	65
Insurance	9,663	805	24
Replacement Reserves	9,730	811	25
Other		0	0
Total	122,526	10,211	309

11-Apr-96 BCLT Refinance — PRO FORMA

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent	194,592	198,484	202,454	206,503	210,633	214,845	219,142	223,525	227,996	232,555	237,207	241,951	246,790	251,726	256,760
Less Res Vacancy	(9,730)	(9,924)	(10,123)	(10,325)	(10,532)	(10,742)	(10,957)	(11,176)	(11,400)	(11,628)	(11,860)	(12,098)	(12,339)	(12,586)	(12,838)
Plus Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income	184,862	188,560	192,331	196,177	200,101	204,103	208,185	212,349	216,596	220,928	225,346	229,853	234,450	239,139	243,922
Less Operating Expense	112,796	116,744	120,830	125,059	129,436	133,966	138,655	143,508	148,531	153,729	159,110	164,679	170,443	176,408	182,582
Less Reserves	9,730	9,925	10,123	10,326	10,532	10,743	10,958	11,177	11,400	11,628	11,861	12,098	12,340	12,587	12,839
Net Operating Income	62,336	61,891	61,378	60,793	60,133	59,394	58,572	57,664	56,665	55,570	54,376	53,076	51,668	50,144	48,501
Less VHFA #1 Debt Service	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143	42,143
Less VHFA #2 Debt Service	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060	6,060
Less HIP #1 Debt Service	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538	3,538
Less HIP #2 Debt Service	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907	3,907
Less GMFPS/LCHDC Debt Service	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	0	0	0	0
Cash Flow	5,688	5,243	4,730	4,145	3,485	2,746	1,924	1,016	16	(1,078)	(2,273)	(2,572)	(3,981)	(5,504)	(7,147)
Oper Subsidy	0	0	0	0	0	0	0	0	0	1,078	2,273	2,572	3,981	5,504	7,147
Net Cash	5,688	5,243	4,730	4,145	3,485	2,746	1,924	1,016	16	0	0	0	0	0	0
DCR	110.04%	109.26%	108.35%	107.32%	106.15%	104.85%	103.40%	101.79%	100.03%	98.10%	95.99%	95.38%	92.85%	90.11%	87.16%
Cumulative Cash Flow	5,688	10,931	15,661	19,805	23,290	26,036	27,960	28,976	28,993	27,914	25,642	23,070	19,089	13,586	6,439
Cumulative Replacement Reserves	9,730	20,044	30,969	42,533	54,766	67,700	81,365	95,797	111,029	127,098	144,043	161,903	180,719	200,534	221,394

Interest Rate on Accts: 4.00%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer

DATE: April 12, 1996

RE: Assisted Living Financing Program

Executive Summary

As a result of VHFA's Strategic Planning process, the following strategy was developed:

> *To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*

One of the primary focuses of this strategy is to finance affordable housing with supportive services developed for the elderly, also referred to as assisted living. In an effort to satisfy this strategy, VHFA has been working with other states and assisted living developers in an effort to better understand the financing and management issues specific to this type of housing. As a result of these discussions and based on the success of assisted living and elderly housing with limited services (meals/laundry) developments in the state, it is clear that a demand for this type of housing exists. In addition, the population characteristics, specifically an aging population base, indicates that the demand for elderly housing with services will only increase in the future.

Housing Vermont, a qualified 501(c)(3) nonprofit development organization, has applied to VHFA for $3,815,000 in construction and permanent financing. The proposed project would be a 60-unit Level III assisted living facility located in Chittenden County. This facility would be an elderly housing development with support services including meals, personal care assistance with Activities of Daily Living (ADLs) including bathing and dressing, and skilled nursing care for assistance with activities such as taking medication. The total proposed development cost is $66,917 per unit.

A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

ASSISTED LIVING

The long-term health care industry provides a continuum of accommodations and health care services primarily to the elderly. These range from retirement communities to home-based care to skilled nursing facilities. Assisted Living facilities are targeted at the elderly who require more assistance than typically offered by retirement communities but do not need the full time medical care of a nursing home. Services provided by congregate and retirement centers are often limited to meals, housekeeping and laundry. As an elderly person's needs for assistance increase, care in an assisted living facility, where assistance with personal care (dressing and bathing), support services (housekeeping and laundry), and routine nursing services (assistance with taking medication and health monitoring) are generally available, is sometimes preferable to home-based care.

The state of Vermont does not currently have a definitive statement in statute which describes what "assisted living" means. The state does have a lengthy licensing regulations document which governs how Level III facilities operate. According to the Department of Aging and Disabilities Division of Advocacy and Independent Living, there are currently 65 Level III and 75 IV facilities in Vermont. Many Level III facilities refer to the services they provide as "assisted living" although this generally differs from the definition used in many states (i.e., kitchen facilities, private baths, etc.). According to the Department of Aging and Disabilities, none of the Level IIIs in Vermont offer kitchenettes in private room settings.

The sponsor's proposed assisted living facility will provide 60-studio units with private bathrooms. The facility will have a common dining area, laundry, and community areas. The support staff will provide three meals daily, personal care (bathing and dressing assistance), nursing services (assistance with taking medication and health monitoring), support services (transportation, general housekeeping and laundry services), and organized social activities.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$3,815,000	95.02%
Deferred Developer's Fee	200,000	4.98%
Total	$4,015,000	100.00%

Because the sponsor/owner is a qualified nonprofit organization, VHFA could loan up to 100% of appraised value. The sponsor would have to commission an "as-completed" appraisal that would indicate a value at least equal to VHFA's loan amount. As proposed, the loan-to-cost is 95%.

Unit Breakdown and Rents

The sponsor has proposed to make over half (52%) of the units affordable to households earning less than 50% of median income ($1,374/month excluding some income from assets) that may be eligible for Vermont's new Enhanced Residential Care Medicaid Waivers. The Medicaid Waivers would provide $30/day in reimbursement for residential care services. This waiver, combined with Social Security payments, would allow a low income household to afford a $55/day ($1,673/month) housing/assisted living services payment.

The remaining units would be market units affordable to households able to pay $70/day ($2,129) in housing/services costs. The unit size and rent breakdown is as follows:

Restricted Rents			Market Rents		
Size	#	Rents	Size	#	Rents
1 BR	31	$1,673	1 BR	29	$2,129

These rents include three meals daily, nursing and personal care services, and all utilities including heat. For comparison purposes, nursing home costs range from $97/day ($2,950) for light care to $155/day ($4,715) for heavy care.

Sponsor, Management & Market

Since it was founded in 1988, Housing Vermont has sponsored the development of 1,546 units with a total value of $95 million. VHFA is Housing Vermont's largest single source of funds as almost $30 million has been loaned by VHFA to Housing Vermont - sponsored partnerships. In addition, Housing Vermont has experience with elderly housing projects in Chittenden County including Heineberg (Burlington) and Whitney Hill (Williston).

Housing Vermont has proposed to form a partnership with Health Properties Partners of Manchester, Vermont. Health Properties Partners, consisting of Jack Heaton and Francis Murphy, have nine years of experience in developing and operating assisted living facilities and would provide the management for the proposed Chittenden County project. In 1987 Health Properties Partners developed the Equinox Terrace, a 40-bed assisted living facility in Manchester. Due to substantial demand, Equinox Terrace has received two additions and now sits occupied at 74-beds. Health Properties Partners have also recently completed a new 75-bed assisted living facility, Scarborough Terrace, in Scarborough, Maine.

The sponsor has commissioned a market study from a market research firm in Cincinnati that has experience in evaluating the demand/need for assisted living units. Staff would require that the market study indicates a demand for the units that is consistent with the proposed lease-up and rent schedule.

Site & Environmental Concerns

The sponsor is currently trying to identify an appropriate site for the proposed facility. The sponsor would be required to complete environmental testing and obtain all local and state required approvals in a form satisfactory to the Agency.

DISCUSSION

Because current demographic trends indicate an aging population, there are a number of people looking at increasing the types of elderly housing options available. Assisted living developments have been successful as market rate projects (i.e., Equinox Terrace in Manchester) because of the high demand for the services in a community housing setting. However, because the level of services is costly, it is difficult to develop affordable assisted living. The state's Department of Aging and Disabilities has expressed concern about the limited number of affordable Level III options in the Chittenden County area. This proposal seeks to create a high quality assisted living development that is affordable.

Because the sponsor is seeking to create studio units without kitchenettes (units will have a private bathrooms), we would utilize 501(c)(3) bonds to finance this project. (Based on Sec. 142 of the Internal Revenue Code, units financed with tax-exempt bonds must have kitchen facilities.) The Massachusetts Housing Finance Agency, which recently announced a program to finance assisted living development, recently completed a 501(c)(3) bond sale for an assisted living development that did not have kitchen facilities.

Strengths

a) The sponsor has successfully developed multifamily developments, including elderly housing development and $30 million in projects financed by VHFA.

b) The sponsor's management partner has successfully developed and managed two assisted living developments, including the 70-unit Equinox Terrace in Manchester, Vermont.

c) VHFA has had success financing Level III developments in the state, including the 46-unit Canterbury Inn in St. Johnsbury and the 24-unit Brownway in Enosburg. In addition, the State has expressed concern (verbally) about the limited number of affordable Level III beds options in Chittenden County.

Weaknesses

a) There is no guarantee that residents with Medicaid Waivers will occupy the affordable units in the proposed project because the waivers are not project based. However, the Department of Aging and Disabilities has indicated that they would take into consideration the limited number of Level III beds in Chittenden County when allocation the resident waivers. In addition, the sponsor has indicated that the rents would be competitive and affordable in the marketplace and could therefore operate at full occupancy without the waivers.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the concept to finance assisted living developments, such as has been proposed by the sponsor. Staff would continue to work with the sponsor with the intention to bring this proposal back to the Board at a later date once the sponsor has secured a site.

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Project:	Assisted Living - Burlington	RUN DATE:	12-Apr-96	First Years Rate:	
				2	
Total Residential Units:	60	Increase Restricted	2.00%	0.00%	
Restricted Units:	31	Increase Market	4.00%	0.00%	
Percent Restricted:	51.67%	Expense increase:	4.00%	0.00%	
Avg Net Monthly Rent:	1,799	Vacancy Rate:	5.00%	1	44.66%
Total Dev Costs	4,015,000	Partner's Tax Rate:	34.00%		
TDC/Unit	66,917	Depreciation Schedule:	27.5		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort
Primary debt	3,815,000	95.02%	8.00%	30	30
Deferred Developer's Fee	200,000	4.98%	0.00%	7	20
	4,015,000	100.00%			

Gap:	0	0.00%

Assisted Living - Burlington	DEVELOPMENT BUDGET			
		Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION				
Land		350,000	5,833	11.15
New Buildings		1,800,000	30,000	57.36
Sitework		200,000	3,333	6.37
Off-Site Improvements & Fees		0	0	0.00
State/Bldg Permit Fees/Taxes		50,000	833	1.59
Other Fees		0	0	0.00
Zoning Fees		0	0	0.00
Landscaping		0	0	0.00
Interiors		0	0	0.00
General Requirements	0.00%	0	0	0.00
Contractor Overhead	0.00%	0	0	0.00
Contractor Profit	0.00%	0	0	0.00
Construction Contingency	5.92%	118,300	1,972	3.77
FF&E		300,000	5,000	9.56
Other Fees		0	0	0.00
Subtotal		2,818,300	46,972	89.81
PROFESSIONAL SERVICES				
Architect and Engineering Fee - Design/Supervision		100,000	1,667	3.19
Engineer		0	0	0.00
Clerk of the Works		10,000	167	0.32
Construction Estimating/Inspection		5,000	83	0.16
Attorney/Accounting		35,000	583	1.12
Subtotal		150,000	2,500	4.78
INTERIM COSTS				
Construction Insurance/Taxes		9,000	150	0.29
Construction Interest		128,999	2,150	4.11
Construction Loan Origination Fee		38,150	636	1.22
Lender Costs - construction		0	0	0.00
Property Taxes		0	0	0.00
Transfer Tax		2,500	42	0.08
Subtotal		178,649	2,977	5.69
OTHER SOFT COSTS				
Property Appraisal		1,500	25	0.05
Market Study		0	0	0.00
Environmental Report		1,000	17	0.03
Tax Credit Fees		0	0	0.00
Advertising/Marketing		50,000	833	1.59
Lease-up Fee		0	0	0.00
Soft Cost Contingency		15,551	259	0.50
Subtotal		68,051	1,134	2.17
FINANCING FEES & EXPENSES				
Credit Report		0	0	0.00
Permanent Loan Origination Fee		0	0	0.00
Title & Recording		0	0	0.00
Subtotal		0	0	0.00
SYNDICATION COSTS				
Organizational (Partnership)		0	0	0.00
Bridge Loan Fees & Expenses		0	0	0.00
Tax Opinion		0	0	0.00
Subtotal		0	0	0.00
DEVELOPER'S FEES				
Developer's Overhead & Profit		200,000	3,333	10.10
Housing Vermont Fee		200,000	3,333	10.10
Other		0	0	0.00
Subtotal	11.07%	400,000	6,667	20.20
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve		400,000	6,667	20.20
Replacement Reserve		0	0	0.00
Working Capital		0	0	0.00
Operating Reserve/Sinking Fund		0	0	0.00
Subtotal		400,000	6,667	20.20
TOTAL DEVELOPMENT COSTS		4,015,000	66,917	125.07

Assisted Living - Burlington	INCOME & EXPENSE BUDGET	12-Apr-96
	INCOME	

RENTS

Restricted Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br						0
1 Br		330	31	1,673		622,325
2 Br						0
2 Br						0
3 Br						0
	Totals	10,230	31			622,325

Market Rate Units Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br		330	29	2,129		740,950
2 Br						0
3 Br						0
	Totals	9,570	29			740,950
All Units						
	Grand Totals	19,800	60			1,363,275
		Less Vacancy	5.00%			(68,164)
					NET RENT	1,295,111

OTHER INCOME	UNIT/MONT	ANNUAL	PROJECT
Other Income:	2	20	1,200
Interest Income	0	0	0
Laundry	0	0	0
Meals	0	0	0
Total Other Income			1,200
		TOTAL INC	1,296,311

Assisted Living - Burlington	EXPENSE BUDGET		12-Apr-96
	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	64,756	5,396	90
Supportive Services	457,716	38,143	636
Audit/Accounting	0	0	0
Legal	0	0	0
Dietary	78,005	6,500	108
Advertising	12,000	1,000	17
General/Administrative	39,000	3,250	54
Compliance Monitoring	0	0	0
Payroll Taxes	36,742	3,062	51
TOTAL ADMINISTRATIVE	688,219	57,352	956
Utilities			
Water/Sewer	0	0	0
Electric	0	0	0
Fuel	0	0	0
Fire/Emer Calls	0	0	0
Common Area	0	0	0
Total	60,000	5,000	83
TOTAL UTILITIES	60,000	5,000	83
Maintenance			
Maintenance Payroll	24,000	2,000	33
Supplies	0	0	0
Trash Removal	0	0	0
Snow/Grounds	0	0	0
Repairs	0	0	0
Paint/Decorating	0	0	0
HVAC Rep/Maint	0	0	0
Elevator Cont/Rep	0	0	0
Equipment Debt	0	0	0
Exterminating	0	0	0
Misc Maintenance	0	0	0
TOTAL MAINTENANCE	24,000	2,000	33
Taxes	42,000	3,500	58
Insurance	37,600	3,133	52
Replacement Reserves	68,164	5,680	95
Total	919,983	76,665	1,278

12-Apr-96 Assisted Living - Burlington PRO FORMA

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Restricted Rents	622,325	622,325	634,772	647,467	660,416	673,625	687,097	700,839	714,856	729,153	743,736	758,611	773,783	789,259	805,044
Market Rent	740,950	740,950	770,588	801,412	833,468	866,807	901,479	937,538	975,040	1,014,041	1,054,603	1,096,787	1,140,658	1,186,285	1,233,736
Less Res Vacancy	(608,839)	(68,164)	(70,268)	(72,444)	(74,694)	(77,022)	(79,429)	(81,919)	(84,495)	(87,160)	(89,917)	(92,770)	(95,722)	(98,777)	(101,939)
Plus Other Income	1,200	1,200	1,248	1,298	1,350	1,404	1,460	1,518	1,579	1,642	1,708	1,776	1,847	1,921	1,998
Total Actual Income	755,636	1,296,311	1,336,340	1,377,732	1,420,540	1,464,814	1,510,607	1,557,977	1,606,980	1,657,677	1,710,130	1,764,404	1,820,567	1,878,687	1,938,839
Less Administrative Expense	755,898	688,219	715,748	744,378	774,153	805,119	837,324	870,817	905,649	941,875	979,550	1,018,732	1,059,482	1,101,861	1,145,935
Less Utilities Expense		60,000	62,400	64,896	67,492	70,192	72,999	75,919	78,956	82,114	85,399	88,815	92,367	96,062	99,904
Less Maintenance Expense		24,000	24,960	25,958	26,997	28,077	29,200	30,368	31,582	32,846	34,159	35,526	36,947	38,425	39,962
Less Taxes		42,000	43,680	45,427	47,244	49,134	51,099	53,143	55,269	57,480	59,779	62,170	64,657	67,243	69,933
Less Insurance		37,600	39,104	40,668	42,295	43,987	45,746	47,576	49,479	51,458	53,517	55,657	57,883	60,199	62,607
Less Reserves		68,164	70,891	73,726	76,675	79,742	82,932	86,249	89,699	93,287	97,019	100,899	104,935	109,133	113,498
Net Operating Income	(262)	376,328	379,557	382,679	385,684	388,564	391,307	393,905	396,345	398,616	400,707	402,605	404,295	405,765	407,000
Less Debt Service	307,924	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917	335,917
Cash Flow	(308,186)	40,411	43,640	46,761	49,767	52,646	55,390	57,987	60,428	62,699	64,790	66,687	68,378	69,848	71,082
Oper Subsidy	308,186	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash	0	40,411	43,640	46,761	49,767	52,646	55,390	57,987	60,428	62,699	64,790	66,687	68,378	69,848	71,082
Less Def. Dev. Fees Payback	0	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)	0	0	0	0	0	0	0	0	0
Net Cash Flow	0	411	3,640	6,761	9,767	12,646	55,390	57,987	60,428	62,699	64,790	66,687	68,378	69,848	71,082
DCR	-0.08%	112.03%	112.99%	113.92%	114.82%	115.67%	116.49%	117.26%	117.99%	118.67%	119.29%	119.85%	120.36%	120.79%	121.16%
Cumulative Cash Flow	0	411	4,051	10,812	20,579	33,225	88,615	146,602	207,029	269,729	334,518	401,205	469,583	539,431	610,513

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PC

DATE: April 12, 1996

RE: Gates Street Elderly Predevelopment Loan, White River Junction

The Coolidge Apartments Corporation (CAC), a 501(c)(3) nonprofit organization working closely with the Hartford Housing Authority, has indicated an interest to acquire and construct a 14-unit elderly housing development on a site (37 Gates Street) in downtown White River Junction. The $1 million project has received an $800,000 HUD 202 Fund Reservation and a $210,000 grant commitment from VHCB. CAC has requested and been approved for a $21,000 Ventures loan to pay for predevelopment activities.

However, one of the conditions of the HUD 202 program that will be used to finance this project is that the sponsor submit a comprehensive Firm Commitment application prior to receiving a commitment. In completing this application, the sponsor must complete architectural drawings, provide revised construction cost estimates, and provide a signed contract with a construction contractor. CAC has applied to VHFA for $19,005 in bridge financing to pay for the required activities prior to submitting an application for a firm commitment from HUD. HUD has indicated that the deadline for submitting an application is May 15, 1996.

BACKGROUND

CAC and the Town of Hartford have spent considerable time trying to secure and utilize the reservation of HUD Section 202 funds. The Section 202 funds are provided as a grant to the project and would therefore enable the sponsors to rent the 14 one-bedroom units at $383 per month. These units would be affordable to households earning less than 50 percent of median income. In an effort to preserve the affordability of this development, the Town of Hartford Select Board recently voted in approval of waiving $28,500 in impact fees that would be assessed on the project.

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At the request of VHFA, CAC has approached various funding sources around the state including the Vermont Community Loan Fund (VCLF) in effort to secure Bridge financing for the project. VCLF encouraged CAC to submit an application but indicated that VCLF's board would not be able to consider the proposal until April with an expected May award date.

CAC's request for a predevelopment loan in the amount of $40,005 exceeds what is possible through the Ventures program because of a maximum per-unit loan amount. Therefore, staff would like to offer CAC a predevelopment bridge loan in an amount not to exceed $19,005. The interest rate of this loan would be eight percent and the proposed source of funds for this loan would be VHFA's General Fund. In approving an increased loan amount, we have sought to reduce our predevelopment exposure by releasing only up to $9,500 in bridge loan funds prior to acknowledgement by HUD, in a form satisfactory to staff, of receipt of a complete HUD 202 Firm Commitment application from the sponsor including financially feasible construction cost estimates.

RECOMMENDED BOARD ACTION:

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment for a predevelopment loan in an amount up to $19,005 with an interest rate of eight percent and the condition that no more than $9,500 of the bridge loan funds would be released prior to acknowledgement by HUD, in a form satisfactory to staff, of receipt of a complete HUD 202 Firm Commitment application from the sponsor including financially feasible construction cost estimates. The source of funds for this loan would be VHFA's General Fund.

RESOLUTION PERTAINING TO
GATES STREET ELDERLY DEVELOPMENT
(WHITE RIVER JUNCTION)

WHEREAS, the Agency has been approached by the Coolidge Apartments Corporation (the "Sponsor"), § 501(c)(3) corporation working with the Hartford Housing Authority, regarding a HUD 202 project for which the Sponsor has applied for funding to be located in White River Junction; and

WHEREAS, the Agency has previously made a loan available to the Sponsor through the Vermont Ventures program in the amount of $14,500; and

WHEREAS, the Sponsor is required under the HUD 202 program to submit a comprehensive application prior to receiving a commitment from the Department of Housing and Urban Development; and

WHEREAS, the Sponsor is seeking additional predevelopment funds in the amount of $25,505 to complete the comprehensive application and desires a bridge loan from the Agency; and

WHEREAS, $6,500 of the Sponsor's request may be accomodated under the Ventures program, leaving $19,005 for the Board to consider; and

WHEREAS, the Sponsor's request appears to fit within the scope of the Agency's powers as set out in 10 V.S.A. § 621(5) and may be made under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing;

WHEREAS, the Board has been presented with a memorandum dated April 12, 1996 from Paul Cummings regarding this request; and

It is hereby DETERMINED:

The request of the Coolidge Apartments Corporation for assistance with pre-development costs, as described in the Memorandum, is authorized under the VHFA Act, 10 V.S.A. § 621(5) and may be implemented under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing.

WHEREFORE, it is hereby RESOLVED:

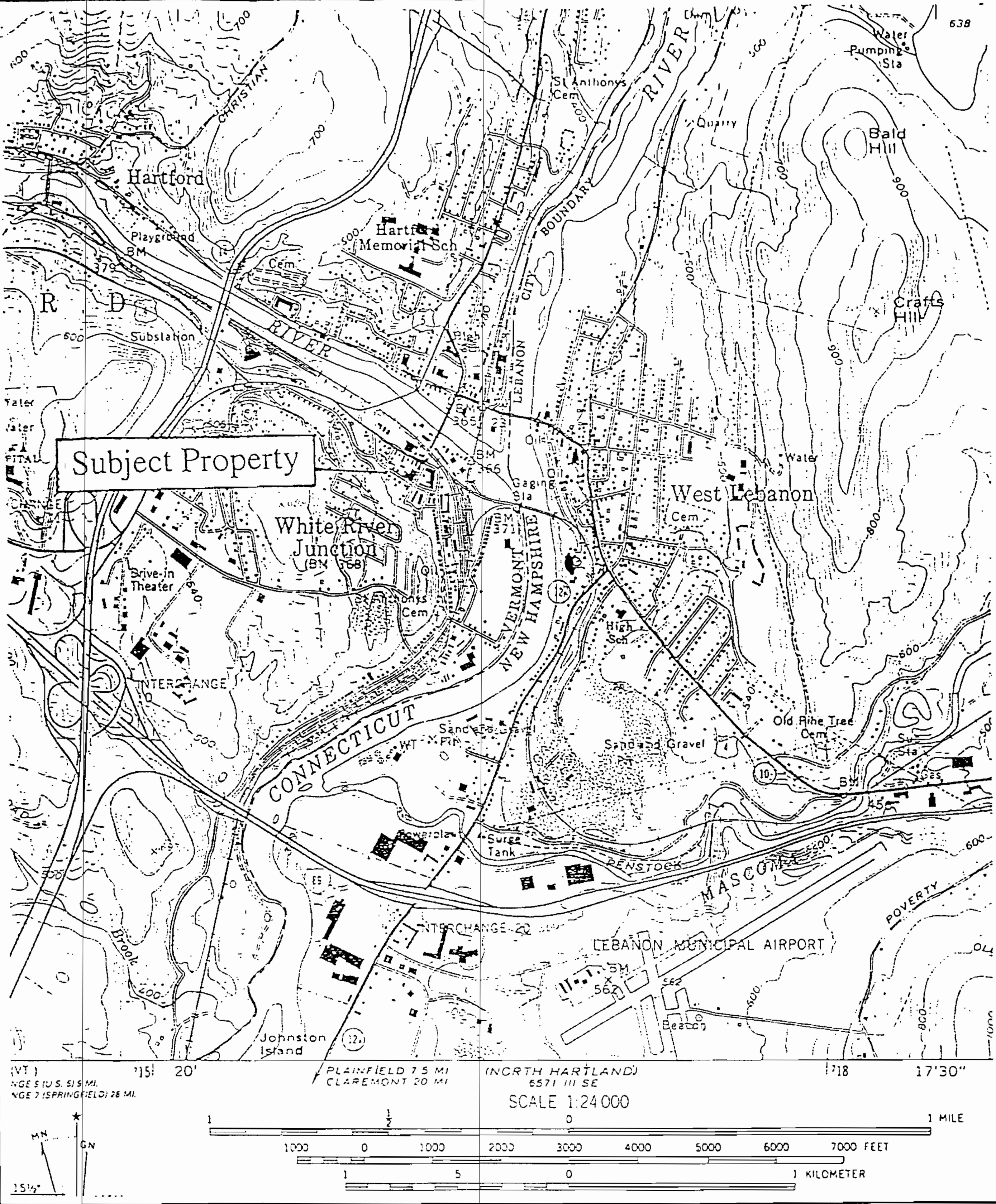
1. The Executive Director is authorized to provide a letter of commitment for a predevelopment loan to the Coolidge Apartments Corporation in an amount not to exceed $19,005, with an interest rate of 8% per annum.

2. The letter of commitment shall be conditioned so that not more than $9,500 of the bridge loan funds may be released to the Sponsor prior to acknowledgement by HUD, in a form satisfactory to staff, of receipt of a complete HUD 202 Firm Commitment application from the Sponsor including financially feasible construction cost estimates.

3. The source of funds for this loan shall be the Agency's General Fund.

4. The commitment of the Agency to make the loan authorized herein will expire 90 days from the date of this Resolution unless the Sponsor has made substantial progress, in the sole judgment of the Agency, toward closing on the loan.

Site Location Map



vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: April 12, 1996

RE: Rockingham Area Community Land Trust's Self-Help Initiative

SUMMARY OF REQUEST

Rockingham Area Community Land Trust (RACLT) requests VHFA's assistance to implement a Self-Help Initiative to expand homeownership to five households at or below 85% of median income, and to serve as a basis for a model program that could be replicated in other areas of the state. The Self-Help Initiative will utilize counseling, education, and technical assistance to assist five households to participate in the construction of their home. RACLT requests a $20,000 no-interest loan to assist their efforts to provide pre-purchase education, counseling, and technical assistance and oversight during construction of the five homes. A total $10,000 of the loan funds would be repaid to VHFA at the time the five homes are completed (approximately six to eight weeks following the start of construction). The balance of the $10,000 would be repaid upon the resale of each home ($2,000 at each resale). RACLT may request that repayment be deferred until a subsequent resale if repayment causes the home to not be affordable to households at or below 85% of median income. The source of funds for this request would be Agency general funds and Multifamily Refunding Savings. The loan would be secured by a mortgage on the land.

OVERVIEW OF THE INITIATIVE

In Spring 1995, VHCB awarded RACLT a feasibility grant in the amount of $4,220 to study the need for self-help housing in RACLT's service area (southern Windsor and northern Windham counties). RACLT also applied to the Rural Economic and Development Service (RECDS) for 523 Program funding to produce 12 self-help homes in Bellows Falls and Springfield. RECDS has indicated that they cannot fund the application during FY 1996. RACLT is currently working with the National Council on Agricultural Life and Labor (RECDS' contracted technical assistance service provider in the Northeast), in an effort to resubmit an application for pooled 523 funds later this fiscal year. Meanwhile, RACLT is seeking other funding sources to allow five families to participate in the construction of their own energy efficient homes.

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RACLT's Self-Help Initiative uses partially finished modular houses. Modular construction reduces the construction time to six to eight weeks (compared with a four to six month construction for stick-built homes). RACLT has a relationship with Vermont Federal Bank to provide construction/permanent financing. RACLT acts as the general contractor and is responsible for construction bids, coordinating sub-contractors, general supervision of the project, and technical assistance with self-help projects. RACLT has managed the construction of six self-help homes on various sites in their service area (the sixth house is currently under construction). The median income for all households was below 85% of median income: three households were below 75% of median income, one household was below 65% of median income, and one household was below 50% of median income.

Families will be trained and will build as a cooperative unit. Tasks that would be completed by the families include: the installation of siding, basement stairs, insulation, the construction of side and front decks, the performance of first-floor button-up work such as hanging doors and finishing trim. Families would also paint/finish exterior trim and decks, and be responsible for site work such as foundation coating, prep work for the basement floor, installing perimeter drains, finishing the walkway and driveway, and general site cleanup. An agreement will exist that outlines all tasks and a timing schedule for their completion.

There are significant savings to be realized in planning and coordinating a group project. Bulk bidding and purchasing, including the cost of the modular house, can save as much as $16,000 per house (see attachment A) over a conventional stick-built home. Additional savings may be possible by buying five lots at a slightly discounted price. Although savings have been realized from the self-help projects completed to date, RACLT believes that a self-help initiative, where the homes are built simultaneously on contiguous lots, will produce substantial savings in construction costs, lot costs, and efficiencies, which will make the homes more affordable.

RACLT has identified a site in Bellows Falls and is negotiating with the owner for an option on five lots. RACLT has been approved for a HUD Special Purchase Grant which would provide approximately $14,500 in grant funds for each home.

VHFA will provide financing through its HOUSE program to eligible buyers and will provide other technical assistance as needed. RACLT's Self-Help Initiative will enable lower-income families to enter the homeownership market while greatly increasing their capacity to become successful homeowners and to address long-term maintenance problems.

NEED FOR THE INITIATIVE

Housing costs in southern Windsor and northern Windham counties are relatively high in comparison to household median income figures. RACLT's assessment of housing in Springfield and Bellows Falls found that even though there were a number of houses that are currently on the market, they are generally unsuitable for the majority of lower-income families who need affordable, energy-efficient homes. The available houses are either out of the price range for a low- to moderate-income family, are in need of extensive repairs, have serious size constraints, or are located in areas not suitable for raising children.

Preparing a family for homeownership, assisting them to obtain financing, and technical assistance in participating in the building of their homes is an arduous process. Applicants have to be willing to commit time to pre-purchase education and be willing and have the capabilities to work as part of a team to complete the self-help part of the construction. Some households have credit issues that need to be resolved. RACLT has found that for every 10 prospective buyers, only one makes it to closing. Experience has proven that it takes approximately $4,000 per house to cover staff time. If RACLT were to pass all their costs on to the buyer, it would negatively impact the affordability of the units.

ROCKINGHAM AREA COMMUNITY LAND TRUST

RACLT owns and manages 101 rental units and a twelve lot mobile home park, and has developed a youth shelter in Ludlow, a family resource center in Bellows Falls, and has assisted 31 families to become homeowners. RACLT is currently working with the Town of Windsor, a citizens advisory committee, and the Southern Windsor Regional Planning Commission to create a plan for the use of a $300,000 HUD grant. RACLT is in the process of implementing a homeowner rehabilitation program with a portion of the grant funds. RACLT also operates Home Repair Programs for the towns of Cavendish, Ludlow, and Weathersfield, and is one of three organizations in Vermont who has received an invitation from Neighborhood Reinvestment Corporation to become a Neighborhworks affiliate organization.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to authorize the Executive Director to negotiate and execute a loan agreement in the amount of $20,000 with RACLT to assist in their efforts to expand homeownership to five households at or below 85% of median income through its Self-Help Initiative. A total of $10,000 of the loan funds would be repaid to VHFA at the time the five homes are completed (approximately six to eight weeks following the start of construction). The balance of the $10,000 would be repaid upon the resale of each home ($2,000 at each resale). RACLT may request that repayment be deferred until a subsequent resale if repayment causes the home to not be affordable to households at or below 85% of median income. The source of funds for this request would be Agency general funds and Multifamily Refunding Savings. The loan would be secured by a mortgage on the land.

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Attachment A

SELF-HELP PROGRAM COST COMPARISON -- INCOME NEEDED TO QUALIFY

	Conventional Sale with VHFA MOVE Financing	Individual Self-Help with VHFA HOUSE Financing	5 Self-Help with Bulk Bidding and VHFA HOUSE Financing	5 Self-Help with Bulk Bidding, Reduced Site Costs, and VHFA HOUSE Financing
Unit Construction	$ 73,600	$ 69,608	$ 59,533	$ 59,533
Site Costs Total Cost	$ 26,000 $ 99,600	$ 26,000 $ 95,608	$ 24,000 $ 83,533	$ 15,000 $ 74,533
Grant Funds		$ 14,500	$ 14,500	$ 14,500
Client Cash	$ 4,980	$ 2,000	$ 2,000	$ 2,000
Amount of Mortgage	$ 94,620	$ 79,108	$ 67,033	$ 58,033
Income Needed to Qualify	$ 32,812	$ 25,340	$ 22,693	$ 20,720
% of Median Income for 3 Person Household	94%	72%	65%	59%

RESOLUTION REGARDING ROCKINGHAM AREA COMMUNITY LAND TRUST SELF-HELP INITIATIVE

WHEREAS, the Agency has received a request from the Rockingham Area Community Land Trust ("RACLT") to assist in implementing a Self-Help Initiative to facilitate homeownership for five households at or below 85% of median income, and to serve as a model that could be replicated in other areas of the state; and

WHEREAS, RACLT is requesting a $20,000 no interest loan to assist in providing pre-purchase education, counseling and technical assistance and oversight during construction of the five homes; and

WHEREAS, the Board has been presented with a memorandum dated April 12, 1996 from Patricia A. Crady, Development Coordinator outlining the details of the Self-Help Initiative (the "Memorandum"); and

WHEREAS, the RACLT request appears to fit within the scope of the Agency's powers as set out in 10 V.S.A. § 621(5) and may be made under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing;

It is hereby DETERMINED:

The request of the Rockingham Area Community Land Trust for assistance in implementing a Self-Help Initiative, as described in the Memorandum, is authorized under the VHFA Act, 10 V.S.A. § 621(5) and may be implemented under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing.

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to negotiate and execute a loan agreement with RACLT in the amount of $20,000 to assist in RACLT's efforts to expand homeownership to five households at or below 85% of median income through its Self-Help Initiative.

2. A total of $10,000 of the funds loaned will be repaid to the Agency at the time the homes are completed and $2,000 of the balance of $10,000 will be repaid to the Agency at the time of the resale of each home. At the time of resale, RACLT may request that repayment be deferred until a subsequent resale if immediate repayment would cause the home to be unaffordable to households at or below 85% of median income.

3. The loan will be secured by a mortgage on the land and the source of funds will be the Agency's General Fund and Multifamily Refunding Savings.

4. The commitment of the Agency to make the loan authorized herein will expire 90 days from the date of this Resolution unless the Sponsor has made substantial progress, in the sole judgment of the Agency, toward closing on the loan.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 1, 1996

RE: Single Family Program Activity Report For March, 1996

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	89	$ 5,615,258		78	$ 4,911,980
Purchases	29	$ 1,899,251		34	$ 2,105,619

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	224	$14,473,626		200	$12,707,606
Purchases	152	$ 9,823,619		192	$12,029,166

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	7	$ 568,325		3	$ 223,150
Issued	4	$ 326,720		3	$ 313,900

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	24	$ 1,812,735		7	$ 538,559
Issued	20	$ 1,577,632		34	$ 2,602,239

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VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: March, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Black Clarendon	$47,400	$47,400	$57,221	$ 2,455	$10,676	$13,800	($ 9,152)	N/A	($ 9,152)
Parkinson Bethel	$25,000	$15,000	$18,634	$ 1,424	$10,137	$ 3,750	($11,445)	($2,324)	($ 9,103)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Jillson North Hero	$74,900	$74,900	$75,589	$10,404	$19,399	$16,350	($14,175)	($21,219)	$ 7,044
Wells Bennington	$60,000	$58,000	$59,426	$ 4,434	$ 8,578	$13,000	($4,270)	N/A	($ 4,270)
Jolly Barnet	$64,900	$60,000	$90,620	$ 5,059	$ 6,343	$19,500	($16,179)	N/A	($16,179)
Poulin Georgia	$59,900	$77,500	$71,973	$ 6,227	$21,343	$15,700	(6,343)	N/A	($6,343)

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: April 12, 1996

RE: Servicing Activity for March

SERVICING ACTIVITY

<u>Collections:</u>

Last months 90+ accounts:		92
New 90 day accounts:	9	
Reductions:		
To foreclosure/DIL:	9	
To 60 days or less:	21	
Under payment arrangement:	17	
March 90+ accounts:		71

<u>In Foreclosure:</u>

Last months foreclosure accounts:		41
New foreclosures:	9	
To REO:	1	
Successful interventions:	2	
Negotiating workouts:	2	
March foreclosure accounts:		47

<u>Real Estate Owned:</u>

Last months REO's:		14
New REO's:	1	
Properties sold:	2	
Properties under contract:	4	
March REO's:		13

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: MARCH, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Aut	FCL	Delinq		REO	
ALBANK, FSB	258	7	2.71%	1	0.39%	1	0.39%	3	1.16%	12	4.65%	0	0.00%
BancBoston Mortgage Corp.	307	8	2.61%	5	1.63%	3	0.98%	1	0.33%	17	5.54%	2	0.65%
Banknorth Mortgage Co.	766	36	4.70%	8	1.04%	8	1.04%	3	0.39%	55	7.18%	3	0.39%
Bennington Co-op S&L Assoc.	37	1	2.70%	0	0.00%	0	0.00%	0	0.00%	1	2.70%	0	0.00%
Brattleboro Savings & Loan	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	900	53	5.89%	11	1.22%	7	0.78%	7	0.78%	78	8.67%	4	0.44%
Citizens Savings Bank	94	2	2.13%	2	2.13%	3	3.19%	1	1.06%	8	8.51%	0	0.00%
Community National Bank	273	6	2.20%	0	0.00%	6	2.20%	4	1.47%	16	5.86%	0	0.00%
Factory Point Nat. Bank	31	2	6.45%	1	3.23%	0	0.00%	0	0.00%	3	9.68%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	36	5	13.89%	2	5.56%	1	2.78%	0	0.00%	8	22.22%	0	0.00%
Gramite Bank (NH)	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	212	11	5.19%	4	1.89%	6	2.83%	7	3.30%	28	13.21%	1	0.47%
Green Mountain Bank	174	6	3.45%	3	1.72%	1	0.57%	1	0.57%	11	6.32%	0	0.00%
Lomas & Nettleton Company	14	3	21.43%	0	0.00%	0	0.00%	1	7.14%	4	28.57%	0	0.00%
Lyndonville Savings Bank	56	1	1.79%	2	3.57%	0	0.00%	0	0.00%	3	5.36%	0	0.00%
Merchants Bank	322	16	4.97%	5	1.55%	4	1.24%	5	1.55%	30	9.32%	0	0.00%
Mortgage Service Ctr. of NE	84	3	3.57%	1	1.19%	4	4.76%	0	0.00%	8	9.52%	1	1.19%
National Bank of Middlebury	63	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
New England Federal CU	47	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	117	6	5.13%	3	2.56%	1	0.85%	2	1.71%	12	10.26%	0	0.00%
Passumpsic Savings Bank	176	12	6.82%	0	0.00%	1	0.57%	2	1.14%	15	8.52%	1	0.57%
Peoples Trust Co.	100	7	7.00%	1	1.00%	0	0.00%	0	0.00%	8	8.00%	0	0.00%
Randolph National Bank	46	2	4.35%	0	0.00%	0	0.00%	0	0.00%	2	4.35%	1	2.17%
Union Bank	166	8	4.82%	4	2.41%	3	1.81%	0	0.00%	15	9.04%	0	0.00%
Vermont Development CU	22	1	4.55%	0	0.00%	0	0.00%	0	0.00%	1	4.55%	0	0.00%
Vermont Federal Bank	1013	47	4.64%	13	1.28%	6	0.59%	6	0.59%	72	7.11%	0	0.00%
Vermont National Bank	610	22	3.61%	8	1.31%	15	2.46%	4	0.66%	49	8.03%	0	0.00%
Wells River Savings Bank	38	2	5.26%	0	0.00%	1	2.63%	0	0.00%	3	7.89%	0	0.00%
Totals	5981	267	4.46%	74	1.24%	71	1.19%	47	0.79%	459	7.67%	13	0.22%
Totals Previous Month	6014	281	4.67%	72	1.20%	92	1.53%	41	0.68%	486	8.08%	14	0.23%

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Jeff Francis JNN

DATE: April 12, 1996

RE: UPDATE TO VHFA BUSINESS AND STRATEGIC PLANS

Attached are updates to the VHFA FY96 Business Plan and our five year strategic plan. The Business Plan update is in the customary format indicating actual results against our goals for the first half of the year. As usual, other members of the staff and I will be prepared to address any specific questions you may have about our progress to date at the Board meeting.

With respect to the Strategic Plan, I have excerpted the specific strategies we were to address during FY96 from the plan and am providing narrative updates on our progress in fulfilling our actions and achieving our goals. This format is experimental and I will appreciate your feedback on both the format and the content of the report.

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VHFA STRATEGIC PLANNING
Recommended Strategy

1A Encourage and Support a Productive and Positive Work Environment

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

Goals

1. To provide a competitive compensation package in a cost-effective approach.

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

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

Time Period for Implementation Ongoing.
Action timeframe - Ongoing.

ACTIVITY TO DATE

1. Conducted an analysis of VHFA compensation as compared to other employers in the region and determined that our compensation is competitive.

2. Continued our work in converting our data processing system to the Mitas System. The conversion is essentially completed. Additionally, we are upgrading our computer hardware to Windows-capable equipment and expect to have converted to a Windows-based system by July 1. We are also investigating the costs and benefits of an optical imaging system intended to improve our document management systems, facilitate a smoother work flow, and reduce paperwork and filing.

3. Supervisory employees have completed a training program on conducting effective performance appraisals and we will modify our employee appraisal system prior to June 1. (This work is being conducted as the result of staff recommendations and input).

2A Expand Down Payment Assistance

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

Goals

1. Provide 100% financing to individuals who would otherwise not be able to purchase a home with emphasis on borrowers with the lowest income.

2. Require pre-purchase home inspections and provide pre-purchase homeownership counseling and post-purchase counseling in conjunction with early intervention, self-servicing of these loans to reduce the number of defaults. VHFA would work with three nonprofit groups to develop their capacity over a two year period to assist delinquent borrowers to avoid foreclosure. This support would include $20,000 to each group for year one, and $10,000 for each group for year two. VHFA would then reimburse each group for work they do for VHFA to avoid foreclosures. The service would also be available on conventional loans. Like VHFA, other lenders would pay fees to an organization to prevent foreclosures. The rationale is that most lenders (including VHFA) lose money when they foreclose. Early intervention may result in a reduced number of foreclosures.

3. Determine whether loans with no down payment have a greater incident of default than loans with a 5% down payment.

Time Period for Implementation During Year 1 of Strategic Plan (FY96).
Action # 1 - Total time frame of 6 to 8 months.

ACTIVITY TO DATE

1. In late 1995, VHFA was granted authorization by VHMGB to make an additional 50 down payment assistance loans. The loans became available on December 1 and were all reserved by early February. Authorization for additional down payment assistance loan authority is dependent on the results of the analysis referenced in Goal 3 above. The results of the down payment assistance default analysis was presented at the March Board meeting. Also to be considered in any future recommendation will be the outcome of our comprehensive analysis of underwriting practices, defaults and loan losses.

2. As part of the down payment assistance program, pre-purchase home inspections were required. Future capacity to provide pre-purchase and post-purchase counseling and early intervention servicing is being developed as part of the Homeownership Center Initiative.

2B Develop Home and Energy Improvement Lending Programs

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

Goals

1. Improve access to home improvement funds to low- and moderate-income homeowners who do not have a substantial amount of equity in their homes.

2. Improve energy efficiency of existing housing stock.

3. Eliminate hazards from lead-based paint and other health hazards.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 6 to 8 months.

ACTIVITY TO DATE

To date, development of the home improvement loan program has been slowed due to resource constraints and the work we are doing on establishing homeownership counseling centers. A survey of existing homeowners indicates a significant amount of interest in home improvement loans. Due to problems with the VHMGB statute, HUD will need to guarantee these loans.

The home improvement loan program contemplated to be operating by mid-Summer 1996 would make funds available for an array of property improvements, including energy improvements, and will utilize insurance from the HUD FHA Title I Home Improvement Loan Program. One possible source of funds is Fannie Mae.

As part of the upcoming bond issue, any borrower under the MOVE program who spends at least $2,500 on energy efficiency improvements will qualify for a stepped-rate mortgage.

2D Provide Financing for Co-op Housing

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

Goals

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

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

3. To provide share loans to tenant stockholders.

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)
Action - Total time frame of 4-6 months.

ACTIVITY TO DATE
No activity to date. This Action will be initiated this summer with an assessment of the demand for construction and permanent financing for co-op units, the demand for financing for cooperative mobile home parks and the need/demand for share loans to tenant stockholders.

3B Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

Action

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

Goals

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 6-9 months.

ACTIVITY TO DATE

Initial discussions have occurred with the New Hampshire HFA, which has formed a loan consortium with one local bank. Due to the small amount of debt needed on most projects being developed, current need for a consortium is doubtful.

VHFA has approached local banks that may be interested in purchasing a VHFA bond.

4A Address Homelessness

Action Support research and public education via all available mechanisms.

Goals

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

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

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 3-12 months.

ACTIVITY TO DATE
No activity has occurred to date with respect to supporting research and public education.

At a programmatic level VHFA has, where possible, utilized its financial resources to provide refinancing and development loans for projects intended to serve the members of the lowest income groups.

4B Collaborate to Develop Programs for Support and Special Needs

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

Goals

1. Expand the housing options available for adults with developmental disabilities.

2. Provide homeownership opportunities to very low income Vermonters.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #2 - Total time frame of 6 months.

ACTIVITY TO DATE

1. Collaborated with the Agency of Human Services and other housing and social service agencies in preparation and submission of grant application to the National Home of Your Own Alliance. The grant was not funded; however, there is still a strong interest among the participating entities to have a statewide pilot program. Resource constraints have prevented active program development.

2. VHFA has closed a HOUSE mortgage loan for an adult with a developmental disability and currently has several others in the pipeline.

5A Increase Efficiency of Multifamily Lending Process

Action #1 Review Underwriting Criteria for Validity and Revise as Necessary

Goals

1. Eliminate any unnecessary obstacles to making loans.
2. Refine financial feasibility analysis and due diligence by incorporating results of recent experience into underwriting process.

Time Period for Implementation During Year 1 of Strategic Plan (1996)

Action #1 - Total time frame of 3 months.

ACTIVITY TO DATE (Action #1)
Revised underwriting guidelines reviewed with the Board of Commissioners in October 1995 are being applied and evaluated on an ongoing basis.

. . . .

Action #2 Develop new informational, application, and marketing materials for multifamily loan programs.

Goals

1. Make programs more accessible and user-friendly.
2. Obtain necessary information in the way most efficient for both borrower and VHFA.
3. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #2 - Total time frame of 6 months.

ACTIVITY TO DATE (Action #2)
Informational, application and marketing materials will be developed after staff has completed the review exercise outlined below.

Continued...

5A Increase Efficiency of Multifamily Lending Process (Continued)

Action #3 Accelerate Loan Processing.

Goals

1. Be as responsive as possible to borrower needs.

2. Increase lending activity.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #3 - Total time frame of 4 months.

ACTIVITY TO DATE (Action #3)
Development, Legal and Multifamily Staff, under the Executive Director's direction, are currently working to evaluate and streamline the loan application and closing process. Feedback from clients and prospective clients will be solicited before the process is completed. Results of the exercise will be shared with the Board of Commissioners.

. . . .

Action #4 Increase Efficiency of Closing Process.

Goals

1. Improve quality; reduce risk as much as possible within lending parameters.

2. Accelerate process.

3. Increase lending activity while achieving adequate security.

Time Period for Implementation During Year 1 of Strategic Plan (1996)
Action #4 - Total time frame of 6 months.

ACTIVITY TO DATE (Action #4)
See 5A Action #3, above.

7A Collaborate with Other Agencies To Achieve Efficiencies

Action #1 Improve affordable housing program compliance monitoring.

Goals

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

Time Period for Implementation During Years 1 and 2 of Strategic Plan (FY96 and FY97)
Action #1 - Total time frame of 24 months.

ACTIVITY TO DATE (Action #1)
On a trial basis, VHFA is monitoring projects for the Vermont Housing & Conservation Board when tax credit utilization overlaps with use of HOME funds or VHCB funds. In 1996 VHFA will monitor 475 units for VHCB. This service is currently provided at no cost to VHCB and is being evaluated to determine actual costs as a basis for considering future fee assessments.

VHFA is also coordinating site visits with Housing Vermont and the Vermont State Housing Authority whenever possible.

. . . .

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

Goals

1. To design a simplified process for housing sponsors that reduces the burden of separate applications and budget forms.

2. To the extent possible, implement the use of a standard development and operating budget submission for all affordable housing programs and agencies.

Time Period for Implementation During Year 1 and 2 of Strategic Plan (FY96 and FY97)
Action #2 - Total time frame of 24 months.

ACTIVITY TO DATE (Action #2)
VHFA is collaborating with the Department of Housing and Community Affairs and the Vermont Housing & Conservation Board to develop a consolidated application form. The process is currently on hold due to a reorganization at the Department of Housing and Community Affairs.

8A Maintain Data Collection, Analysis, and Dissemination of Housing Data

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

Goals

1. To provide information in programmatic and fiscal decision-making processes.

2. To update data on a regular basis for VHFA staff in a variety of professional and public contexts.

3. To broaden an understanding of the issues surrounding affordable housing.

4. To support efforts by other affordable housing organizations and state government to gather and disseminate housing data.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action - Total time frame of 2 to 6 months.

ACTIVITY TO DATE

In an effort to reduce our operating costs and while we consider potential opportunities created by changes at the State level in the housing delivery system, we have reduced the research analyst position to 60% of full time.

10A Expansion of Financing to Non-Housing Activities

Action #1 Explore feasibility of integration of existing entity functions

Goals

1. Determine opportunities for integration of services, for which VHFA would provide administrative and financial support.

2. Prove overall savings both in costs and efficiencies available through consolidation of activities.

3. Show earnings potential to VHFA.

4. Indicate possible increased usage based on marketing and outreach.

5. Get legislature/governor's office support.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #1 - Total time frame 9-12 months.

ACTIVITY TO DATE (Action #1)
Some exploratory discussions with other state officials have been conducted. Staff will continue to administer the functions of VHMGB including expanding the data processing capabilities and enhancing their programs, such as offering an annual premium option.

10C Reduce Operating and User Costs

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

Goals

1. Under-perform CPI for overall budget (depending upon actual revenue growth).

2. Stabilize benefits costs.

3. Promote the concept of a "paperless" office.

Time Period for Implementation Ongoing
Action - Total time frame is ongoing.

ACTIVITY TO DATE
With respect to reducing operating and user costs, we are continuing our work in trying to achieve efficiencies in our operating costs. Currently, initiatives are underway in the areas of improved data processing efficiency and the investigation of document imaging technologies. Additionally, we have consulted with our financial advisors, Evensen Dodge, to create a "bottom line" for the Agency in order to establish some future financial targets. A significant savings realized in FY96 was the result of a decision not to fill the Director of Development position.

Budget for FY96 was decreased by .5% over FY95 budget. Work was also completed to stabilize or reduce benefit costs, resulting in a 9% reduction in insurance costs.

10D Increase Revenues Thru Loan Servicing Modifications and New Investment Opportunities

Action #1 Explore reducing servicing fees to servicers

Goals

1. Research potential negative impact of reduced fees on program participation or quality of servicing.

2. Review legality of reducing fees on current programs.

3. Design method to implement reduced fees on new programs.

4. Measure impact of reducing fees versus self-servicing.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #1 - Total time frame 6-8 months.

ACTIVITY TO DATE (Action #1)

We have had some success with lenders who wish to originate VHFA mortgage loans, but who do not wish to service these loans. In these instances, VHFA purchases the mortgage loans "servicing released" and has the loans sub-serviced. Through this technique VHFA is able to increase income based on the difference between the servicing fee collected and the sub-servicing fee. The payback period for the servicing released fee VHFA pays is approximately 24 to 30 months; the average life of a mortgage is approximately 10 years. Therefore, after the initial payback period expires, VHFA can look forward to approximately eight years of additional income per loan. To date, two lenders have entered into an agreement of this sort as of 03/31/96, generating 29 loans totalling $1.9 million.

. . . .

Action #3 Maximize revenues through fiscally responsible and aggressive investment of Agency resources

Goals

1. Achieve yields higher than comparable short term money rates.

2. Review investment strategies on an ongoing basis.

Time Period for Implementation During Year 1 of Strategic Plan (FY96)
Action #3 - Ongoing.

ACTIVITY TO DATE (Action #3)
VHFA's investment policy has been revised to include additional restrictions on investment derivatives. Staff continue to monitor short term investment options and invest long term funds in guaranteed investment contracts. Agency resources have been invested into construction and permanent mortgage loans at higher rates than other investment opportunities and also contributed to a more affordable housing product.

FY95 vs. FY96 (July 1, 1995 through March 31, 1996)				
* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS				
MOVE (Includes IORTA)	775 mtges purch; $49,790,073	825 mtges purch; $55,000,000	SF Ops	523 mtges purch; $35,302,980
MCC (Mortgage Plus)	147 MCCs issued; $11,336,000	154 MCCs issued; $11,900,000	SF Ops	68 MCCs issued; $ 5,039,534
HOUSE (Includes IORTA)	45 loans purch; $ 2,789,832	75 loans purch; $ 4,900,000	Devel	53 loans purch; $ 3,312,003
Rural VT Mtge	25 mtges purch; $ 859,560	25 mtges purch; $ 850,000	SF Ops	33 mtges purch; $ 1,136,680
IORTA Down Payment Assist	122 loans purch; $ 7,871,585	(See "Prog/Init Being Devel" section)	SF Ops	25 loans purch; $ 1,625,173
Mobile Home Park Financing (MF)	33 units; $ 281,000	30 units; $ 300,000	Devel	45 units; $ 385,000 (Apps)
Preservation—Section 8	4 Pres Agree signed (114 units)	Pres Agree for 20 projects (400 units)	MF Mgmt	Goals will be revised by 04/30/96
LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	Submitted application for HUD note sale; not approved by HUD
MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750+ pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	4 loans, 69 units ($893,110) St Johnsbury loan (Section 8 Refund); Burlington scattered sites (20 units); plus 1 group home, 6 beds ($90,000)
VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	5 loans closed; $ 71,900 Increased funding to $ 325,000 06/95
SF Development/Construction	11 units; $ 750,000	50 units; $2,700,000	Devel	No activity; accepting applications
LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 allocated CAL 95: 138 units/132 TC units reserved; $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	100% of available credit allocated to projects $767,099 available for allocation in Calendar 1996
Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	Developing training for nonprofits; SF program focus 12/95 target; also plan to develop training on appraising affordable housing
Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 137 attendees 5 other homeownership classes; 99 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes; 150 attendees; non-VHFA events as requested	Comm	2 home buyer fair; 1,045 attendees 3 home buyer wkshp; 72 attendees 7 homeownership classes; 90 attendees 4 non-VHFA events; 90 attendees
Cooperative Advertising	$7,500 allocated to 7 nonprofits; $5,465 dispersed to 6 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	3 mailings for nonprofits to 3,600 consumers; 550 flyers in RE newsletter $8,700 awarded for nonprofits
Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	#504 sold $165,000; #600 letter of interest expired 01/15; option agreement in progress

FY95 vs. FY96 (July 1, 1995 through March 31, 1996)

	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS (Continued)					
	Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	Refinanced $401,110 of St. Johnsbury project out of proceeds at 0%; dedicated savings to supplement Winchester deficits; instituting plan for committing only 1 year of savings in advance
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	Committed $1,100,000 loan participation in VHCB lead paint program; HB.778 passed House and is under consideration in Senate
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	See separate VHMGB business plan (attached)
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000; letter of interest	3 loans $2,000,000 Market program and expand lending	Devel	1 loan 58 units; $690,000
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $600,000 In coordination with Home of Your Own Alliance Coalition	Devel	1 loan closed; $85,000 (in HOUSE totals) 1 loan in process; $88,000
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. LCHDC $150,000; RAHC $36,000; "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	LCHDC Commitment $150,000 03/96; RAHC commitment expired 12/28, extended to 03/31/97 Outstanding balance = $10,500
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Home improvement program development in process	Implement; 150 loans; $1,300,000	Devel	Survey completed; preliminary program being developed; target implementation 09/96
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	Began work with Merchants Bank on electronic data transfer system; instituted VHMGB annual billing
	Expand Down Payment Assistance (IORTA)	VHMGB has granted an additional 50 guarantees in support of this program for FY96; staff working on issues of property inspections, targeting and energy	Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	Program initiated 12/01/95; total new allocation dedicated to this initiative was reserved by 02/08/96
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	Coordination with VHCB has begun with their HOME and grant programs
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	31 inspections have been completed

FY95 vs. FY96 (July 1, 1995 through March 31, 1996)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
	Burlington Enterprise Community	Committed up to $2,000,000 for a rental rehabilitation initiative	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	VHFA was represented by BCLT at Enterprise Community Fair 10/14; VHFA staff will participate in 04/27 Home Buyer Fair; 10 down payment assistance loans available for release 04/96
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	No activity to date; third quarter activity planned
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	$60,000 in capacity funding, plus $100,000 in IORTA funds approved by Board; expect Centers to be fully operational by 06/96
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	05/01/96 implementation scheduled
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	Considering assisted living financing options; 4th quarter activity planned
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	Board approved revised MF underwriting standards; revised application form to be completed by 12/95; MF Mgmt/Dev/Legal discussing ways to make lending process more efficient
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidated Plan; Lead Paint Hazard Commission
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	Ongoing evaluation
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	Discussing cash flow program with Mitas

FY95 vs. FY96 (July 1, 1995 through March 31, 1996)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	Event being planned
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	101 developments (2,841 units)
	Lender Training	46 sessions held; 341 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	19 sessions held; 93 participants 2 sessions with nonprofits held; 19 participants
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	Computer conversion in progress, 05/96 completion anticipated; HP retires 04/96
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	LIHTC allocation plan developed; consistent with HUD Consolidated Plan
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	26 compliance audits completed
	Training for RE Professionals	4 course sessions held; 79 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	6 course sessions held; 111 attendees
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm.	Year 1 goals integrated into Business Plan; progress to date analyzed 03/96
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 15 cases; handled 52 cases; closed 31 cases
	Quality Control	Procedures are being developed to conform VHFA and VHMGB quality control process and procedures to secondary market requirements	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	VHFA quality control procedures conform to secondary market guidelines; audit will verify and/or point out areas to be addressed
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	No activity to date
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	Reduced Research Analyst position to 60% time; will continue to maintain level within our capacity

FY95 vs. FY96 (July 1, 1995 through March 31, 1996)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Spring campaign being planned, with revised print and radio ads; 1/3 of Helpline callers (10/94-11/95) who received informational packets have obtained a VHFA mortgage or MCC
	Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	Developed list of printed materials needing production by 06/96
	Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	Status quo

FY95 vs. FY96 (July 1, 1995 through March 31, 1996)			
	FY95 ACTUALS TO DATE	FY96 GOALS	FY96 ACTUALS TO DATE
ONGOING PROGRAMS			
Guarantees Issued	1,222 issued; $16,929,216 coverage	1,250 issued; $21,100,000 coverage	591 issued; $10,659,082 coverage
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	None to date
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	Program initiated 03/01/96; have received feedback from lenders; modifications will be made to make program more usable
Universal Claim Form	Available on computer; will incorporate with re-write of VHMGB procedural guide	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	Still under consideration
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	Initial draft of new master policy is being reviewed by staff
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Program parameters being developed; may use FHA Title I as guarantee vehicle in pilot stage	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	Participating with VHFA in development of their program to be guaranteed by FHA Title I
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	Still under consideration; initially, may pilot program with conventional loans
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	New master policy under consideration; procedural guide will be updated after final new master policy is accepted and any necessary rule changes made
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	Process is up-to-date and in compliance with secondary market guidelines
Reinsurance	VHMGB Board has authorized staff to research possibilities	Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote
Computer Data Clean-Up	Reconciliation of loans sent out to lenders for completion	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Reconciliation complete with exception of some lenders; will attempt to have lenders report data on disk for next year

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: April 11, 1996

RE: NCSHA 1996 Legislative Conference

As discussed at the Board's March meeting, I attended NCSHA's 15th annual Legislative Conference in Washington D.C. on March 18-20. I met with Vermont's Congressional delegation, Senators Leahy and Jeffords and Representative Sanders, and their staff members who work on housing issues. This conference provides an excellent opportunity to demonstrate to Vermont's elected representatives the value of federal housing programs and to encourage their continued support of VHFA's efforts.

The focus of VHFA's message this year was to highlight the activities in generating home mortgage activities through Mortgage Revenue Bond (MRB) programs, to showcase the Low Income Housing Tax Credit Program (LIHTC), and to convey the importance of the Section 8 Program for Vermont's affordable rental housing stock.

For your interest, attached is a copy of the materials I presented to our Congressional delegation. In a revised format, this information was distributed to the Vermont Legislature through VHFA's Card Room display at the Statehouse, March 29.

Preserving the future:

Affordable Housing for Vermonters

March 18, 1996

vhfa
VERMONT HOUSING FINANCE AGENCY

Housing Credits • MRBs • Section 8

Economy

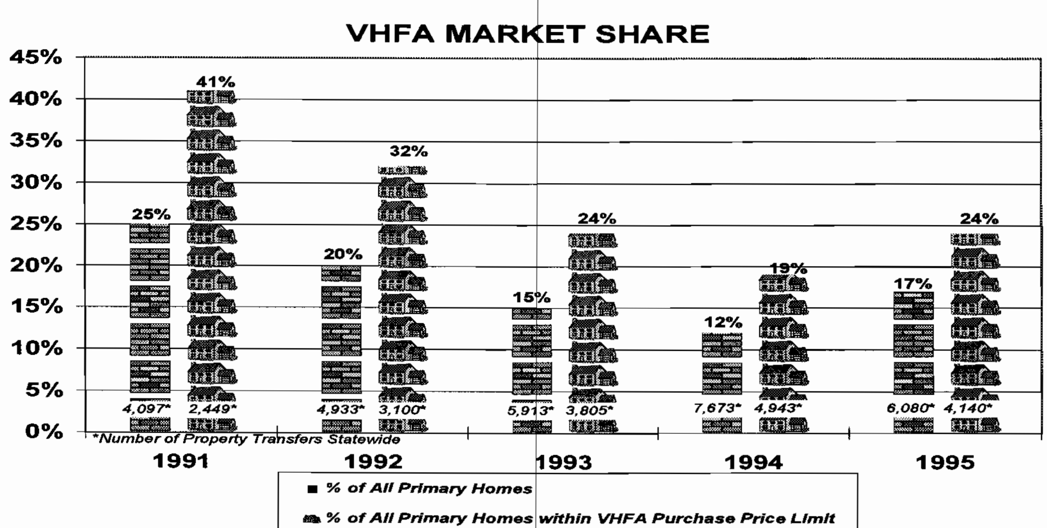
Economic Impact of VHFA Activity

Rental Developments

VHFA's multifamily rental housing portfolio is expected to produce almost $12 million in operating expenses (excluding debt service and escrows) in 1995. This includes administration, utilities, taxes, maintenance, and insurance costs associated with operating these developments. These dollars flow directly into the local economies and state revenues.

Single Family New Construction

A model developed by the Associated General Contractors of America illustrates VHFA's contribution to the state's economy in 1995 through its financing of single family new construction. In 1995, VHFA financed the purchase of 104 newly built homes, totalling nearly $8.5 million in sales. If land costs are assumed to constitute 25 percent of the purchase price, then the estimated value of contracts generated by VHFA financing is about $6.4 million.



Number of Newly Constructed Homes:	**104**
Estimated Contract Cost:	**$6,375,000**
Economic Activity Generated:	**$12,434,437**
(Industries and services in Vermont)	
Jobs Created:	**224**
(for each $1 million, 35.1 jobs created)	
Net Earnings of Households:	**$6,218,337**
(earnings increase by $.6617 for each $1)	

Housing Credits

Affordable Rental Opportunities: Created and Preserved with Housing Credits

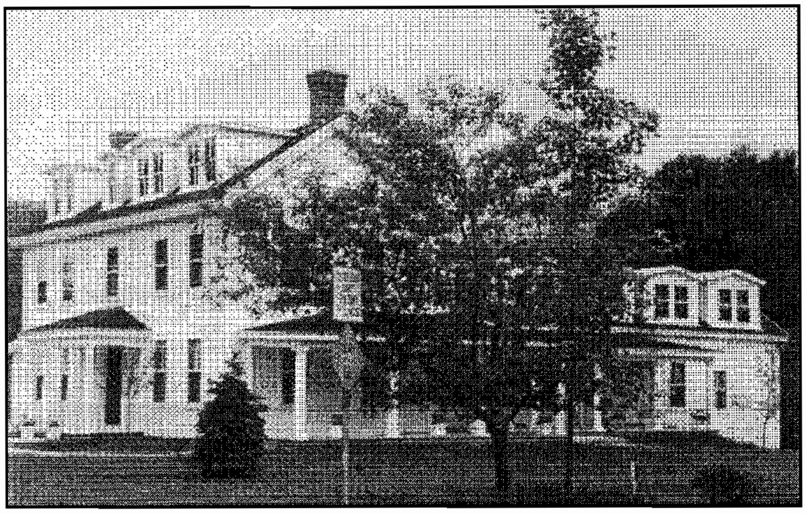
Vermont Housing Finance Agency (VHFA) administers the federal Low Income Housing Tax Credit Program for the Agency of Development and Community Affairs (the State Housing Credit Agency). VHFA issues credits to owners or sponsors of specific developments in accordance with the State's annual Allocation Plan, through which the program is operated.

In November 1995, the U.S. Congress voted to end the Housing Credit program as of December 1997 as part of the deficit-cutting budget reconciliation bill. President Clinton vetoed that legislation, in part, because of his opposition to the termination of the Housing Credit program.

Housing Credits represent the *only* federal incentive for the production, rehabilitation, and preservation of affordable rental housing. For a rural state like Vermont, with little development capital available, Housing Credits have made possible the construction and rehabilitation of housing developments which otherwise could not have been completed.

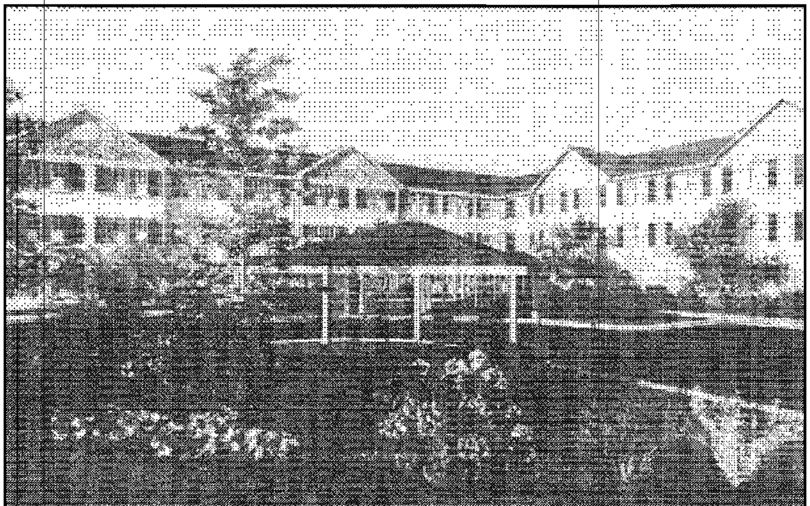
In 1995, $8.28 million was allocated, contributing to the production of 220 newly-built or rehabilitated units in 10 Vermont communities, targeted for the lowest income tenants.

Projects receiving Housing Credits ranged from the acquisition and rehabilitation of 58 units of existing family housing in Springfield (Westview Terrace) to the new construction of an elderly housing development with services in South Burlington (The Pines).



The Bentley Farm in Arlington, Vermont, provides eight rental apartments for elderly residents and was allocated Housing Credits in 1994.

			Placed in Service
Total Allocation Activity	**1995**	**1987-1995**	**1987-1995**
Total Units	220	2,416	2,217
Tax Credit Units	201	2,435	1,622
Total Dollars (in millions)	$ 8.28	$ 68.28	$ 45.00
VHFA Dollars Loaned (in millions)	$ .90	$ 41.39	$41.39



The Pines in South Burlington, Vermont, opened in late 1995.

Over 80% of the credit in 1995 was allocated to projects that involved the rehabilitation of existing buildings in the community. In addition to preserving affordable units, the Housing Credits enabled housing sponsors to create units that were free of lead paint hazards, more energy efficient, visually and functionally improved, and in many cases handicapped accessible.

Since the program's inception in 1987, nearly $70 million in Housing Credit authority has been allocated, resulting in an estimated $155 million in acquisition, development and construction activity. The Housing Credit program has also raised over $41 million in equity capital for affordable housing. This has benefitted the local and regional economies of over 40 communities statewide. Most importantly, over 2,400 rental units specifically targeted for households earning at or below 60% of median income have been created or preserved.

LOW INCOME HOUSING TAX CREDIT ALLOCATION IN VERMONT - 1995

TOWN	HOUSING CREDIT UNITS	MARKET RATE UNITS	TOTAL UNITS	PURPOSE
Barre	15	1	16	R/F-SRO
Brandon	8	1	9	R/F
Burlington	12	0	12	R/F
Fair Haven	13	0	13	AR/E
Lyndon	12	0	14	R/F
Morrisville	8	4	12	R/F
So. Burlington	26	7	33	NC/E
Springfield	58	0	58	AR/F
St. Albans	21	0	21	AR/F
St. Johnsbury	28	4	32	R/F
TOTAL	201	19	220	

A = Acquisition E = Elderly F = Family
NC = New Construction R = Rehabilitation

"We could never have developed The Pines Senior Living Community without the help of the LIHTC program. The loss of the Housing Credit would deal a severe blow to the efforts to create affordable housing here in Vermont."

(Charlie Brush, Green Mountain Development Group's president, developer of The Pines, an 86-unit affordable housing project in South Burlington, Vermont.)

Homeowners

Mortgage Revenue Bonds Spurred Homeownership in 1995

With MRB-generated capital and mortgage credit certificates, VHFA continued to serve low- and moderate income Vermonters who would otherwise be unable to afford home purchase. Almost 900 modest-income households achieved homeownership last year with VHFA's assistance.

Average Single Family*

PROFILE

Income --------------- $28,656
Purchase Price ------ $69,924
Mortgage Amount - $62,769
Down Payment ----- $ 7,155
Age ------------------ 32 Years

* Includes Mortgages for Vermonters (MOVE) and Homeownership Opportunities Using Shared Equity (HOUSE) borrowers.

Homeownership Centers Unveiled

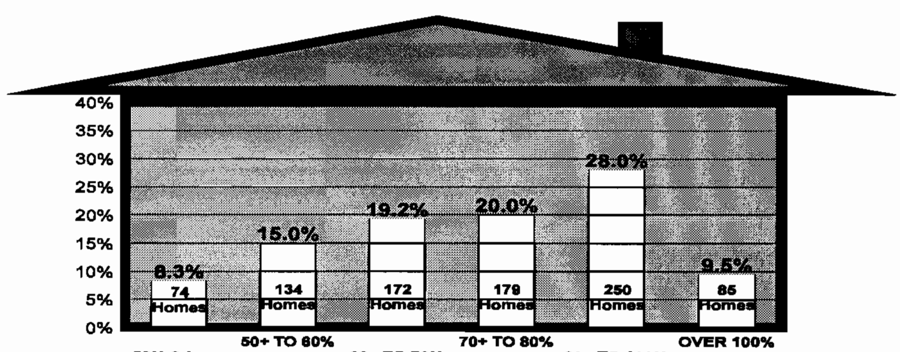
VHFA is sponsoring the development of Homeownership Centers which will provide a full range of education, loan services, and technical assistance to enable low-income households to become successful homeowners. Over the next three years, VHFA will give partial funding to three existing community-based nonprofit organizations in a pilot program in three distinct regions of the state: Burlington Community Land Trust, Rutland West Neighborhood Housing Services, and Gilman Housing Trust. Should the "full cycle lending" approach prove to be successful, this program would be expanded to statewide coverage. Preparations are underway to announce the opening the three Homeownership Centers in June 1996, and clients are already being assisted.

"No more landlords! VHFA made possible a dream we thought couldn't happen for years to come. VHFA made it possible and affordable."

{The Brown family of Brattleboro, Vermont, first time homeowners.}

INCOME DISTRIBUTION OF 1995 VHFA MRB BORROWERS

In Relation to the Greater Of State or County Median Incomes



Down Payment Assistance Initiative

In 1991, the Vermont State Legislature passed a bill directing funds generated through the Interest On Real Estate Trust Accounts (IORTA) to VHFA for providing down payment and closing cost assistance to eligible borrowers. Between July 1, 1992, and June 30, 1995, the IORTA proceeds allowed 450 borrowers with limited accumulated savings to purchase homes totalling $30 million in loan amounts. An additional 100 loans were released in December 1995.

Banner Year for MRB Homeownership Programs

Activity in Vermont Housing Finance Agency's MRB homeownership programs during 1995 was among the highest in the Agency's 21-year history. VHFA reserved almost $72 million in home mortgage loans targeted to low- and moderate-income Vermonters. This represents an increase of 28% when compared with 1994 and is the highest annual level since 1989 during Vermont's housing boom. The number of MRB loans also was significantly higher in 1995, with a total of 894 loans ($56 million in loan volume) during the year.

VHFA programs make the dream of homeownershop a reality today for Vermonters of modest means. The strong demand in 1995 for MRB programs also demonstrates that Vermonters want to own their own homes. The favorable interest rates throughout the year combined with the reduced point loan requirements greatly reduced the cash needed at closing.

VHFA's 1995 loan activity provided a boost to the soft residential real estate market and to the overall economy of the state.

VHFA opens the door for Vermonters who want to be homeowners, but who would otherwise be thwarted in fulfilling their dream. VHFA does not compete with, but rather complements, lenders' own homeownership programs. In fact, lenders must warrant to VHFA that a given borrower does not qualify for a loan of equal down payment and term under any other conventional fixed rate program offered by the lender.

The primary source of MRB funds in 1995 was the bond sale of $66 million in January 1995 to Fannie Mae, the nation's largest investor in home loans. Fannie Mae's purchase of VHFA's bonds resulted in significant cost savings to the Agency which provided more money for Vermont home buyers. With the release of those funds, VHFA sold over $1 billion of Mortgage Revenue Bonds since 1974, a major milestone which demonstrates the ongoing importance of VHFA financing programs throughout Vermont.

Total Lending Activity	**1995**	**1974-1995***
MRB Loans	894	18,606
Millions of Dollars	$56.1	$954.1
MCCs Issued	113	1,427
Millions of Dollars Leveraged	$8.5	$108.1
**Cumulative*		

Section 8

Section 8 Program Jeopardized

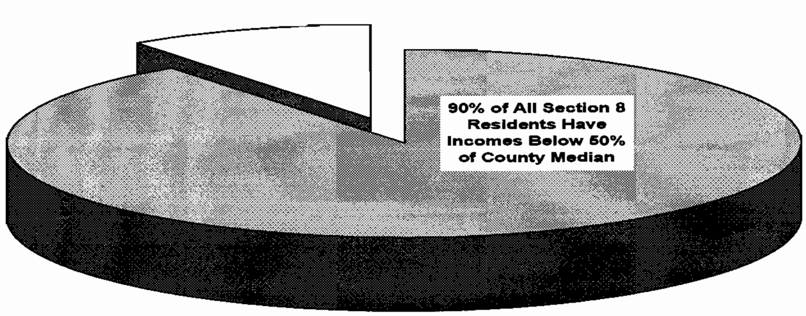
In an effort to reduce the overall cost of the Section 8 program at HUD, a series of proposals have been under consideration for the past year by the U.S. Congress that would impose significant HUD spending limits in future appropriations and budgets.

H.R. 2880, passed by Congress and signed by the President on January 26, 1996, provides for the one year renewal (at current rent levels) of any project based contracts which expire before September 30, 1996. Beyond this one year renewal, it is expected that eligible residents will be given tenant based assistance in the form of certificates subject to the Section 8 Existing Fair Market Rents (FMR).

For example, Highgate Apartments in Barre has been given a one year contract extension in this manner as one of two Vermont properties processed under the Title II Preservation Program, despite the fact that the Use Agreement calls for two additional five year terms beyond the five year expiration on June 30, 1996. The impact of H.R. 2880, in this case, would be to undermine the tremendous gains that have been made at this property and would be a destabilizing event in the future of this previously distressed housing development.

Of the 83 project based Section 8 VHFA-financed developments with mortgages totaling more than $78 million, seven of these (220 units) have contracts expiring in 1996. Many of these expiring contacts are funded under the Certificate Project Based Program and were expected to be renewed for an additional two five-year terms. The uncertainty of these renewals, and the possible conversion to tenant based assistance, leaves these projects in a very precarious position. All of these developments have VHFA mortgage terms that exceed the originally anticipated 15 year contract terms. A one year extension at the five year anniversary date, followed by tenant based certificates at existing FMR's, will expose VHFA and many of these properties to financial hardship.

Section 8 Residents At Or Below 50% of County Median Income



Vermont's most affordable rental housing

The balance of the properties that make up VHFA's Section 8 inventory all have coterminous Section 8 New Construction/Substantial Rehab HAP Contracts and Mortgages. These contracts all have imbedded five year contract renewals. While HUD has indicated that it will honor each of these imbedded renewals for the full contract term, any movement to subject these properties to the terms outlined in H.R. 2880 would trigger serious financial repercussions.

- If these rent reductions were to be implemented it could lead to project operating deficits for 90% of the 83 Section 8 properties in VHFA's portfolio. Even with extreme variable operating expense reductions, operating deficit subsidies required to maintain these units as affordable housing can be expected to be several hundred thousand dollars per year.

- VHFA could expect to see a 75% default rate across its Section 8 multi-family loan portfolio if contract rents were reduced to Fair Market Rent levels as outlined in H.R. 2880.

HUD officials have stated that they are hopeful that the FY 1997 budget will propose funding levels equal to FY 1996 appropriations. However, the fact that the administration has proposed to balance the federal budget by 2002 through deep cuts in discretionary spending and has already conceded that housing will be a target of those cuts, suggests that HUD's budget will be reduced significantly, particularly after the year 2000.

Any efforts to establish new Section 8 rent levels should be done in collaboration with state Housing Finance Agencies since rent adjustments will have a direct impact on the financial stability of projects financed through HFAs. New rent levels must be sufficient to cover all existing debt service and reasonable operating expenses so that the underlying financing structures are not harmed.

Section 8 Contracts Expiring in 1996

Name	Location	Date	Units
700 Riverside	Burlington	06/30/96	8
Hidden Pines	Georgia	11/30/96	8
Highgate	Barre	06/30/96	120
Hunt Farm	Bristol	06/30/96	9
Pinecrest	Williston	11/30/96	6
Templeton	White River	07/31/96	36
Welden Villa	St. Albans	12/31/96	40

Rutland Business Journal March/April 96

Residential Real Estate Activity Is Up, Continuing Last Year's Slight Rebound

Programs, Low Interest Rates Motivate Buyers

Realtors Hope Spring Sales Indicate Profitable 1996

BY ALICE DUGAN

Realtors, eternally optimistic ("you have to be to be in this business," asserts Rutland County Board of Realtors president Walter Findeisen of Martin Associates), predict that 1996 will be a good year. It is starting off with a burst of activity for Realtors in central Vermont at firms like Martin Associates at Killington, Berkley Veller and Greene, Century 21 Rutland Realty and Jim Watson Realty in Rutland, and Kimball Martin Real Estate in Middlebury.

Lower interest rates are encouraging people to make that house purchase they've been postponing, Realtors report. There has been a significant drop in interest rates; for example, in February 1995 at Albank, the interest rate for a 15-year fixed rate loan with no points was 9.00, and 8.375 with two points. This February that same type of loan was advertised at 7.00 with no points, and 6.50 with two points. Other lending institutions reported similar changes, all at least a full point lower than at the same time last year.

Rates bumped up a little (as reported March 2, 1996) to 7.375 with no points, and 6.875 with two points. Banks change rates every ten days, basing their decisions not only upon the going federal rate, but on other factors, Findeisen said, observing that rates tend to come down slowly, and go back up quickly. Even with these variations, Realtors predict that interest rates will continue a downward trend. Lower interest rates mean that more prospective buyers can enter the market, and some can expand their search to include properties in a little higher price range; for example, the lower rate might permit a couple to qualify for a $100,000 to $115,000 house as well as for the under $100,000 category, Jim Watson pointed out.

Since financing a purchase is a key element in a successful property transaction, Realtors urge prospective buyers to get prequalified by a bank or other lending institution before they begin looking at houses. Fran Veller of Berkley Veller and Greene commented that this will assure that buyers will use their time to good advantage seeing houses they know they can afford. If a buyer doesn't have a particular bank in mind, the Realtor will suggest several to be considered.

Banks have been very helpful in processing loan applications and bringing transactions to closing as expeditiously as possible, Realtors report. Each bank and mortgage company offers a slightly different package and different rates, and prospective buyers are encouraged by Realtors to shop around to get the best rate to suit their particular requirements. Included in the choices of loans offered are those made possible through the Vermont Housing Finance Agency (VHFA). These loans have brought home ownership within the reach of an increasing number of moderate income families. Realtors praise the program and affirm that it is very helpful, particularly with first time homebuyers. Watson, who is emphasizing his Absolutely Affordable Homes segment, has used it for a significant number of loans to complete residential property transactions. He calls the VHFA "probably the workhorse for the real estate industry."

About 24 percent of eligible properties in the state and about 30 percent in Rutland County used VHFA loan products in 1995, according to VHFA spokesperson Cathleen Gent. Requirements for income of prospective buyers, limits on the price of properties and other regulations vary for different regions around the state (for instance, VHFA loans are available only to first time homebuyers in Addison County who meet all the qualifications, while this restriction does not apply in Rutland County).

The interest rate is set at the time a bond issue is sold and thus is not tied so closely to the changes in federal interest rates. The current interest rate is 7.55 based on five percent down with one point, a rate which was set when the last bond issue was sold in January 1995. It will change when the next bond issue is sold sometime this year. Although this rate was lower through most of 1995 than that available at most banks, there was a period when it was higher; it is now in the middle. There are a number of factors to be considered in seeking and qualifying for a loan, Realtors advise, and they regard the VHFA loan program as a very good option for many would-be borrowers.

Statistics

Statistics supplied by the Rutland County Board of Realtors indicate that the average price of a single family residence was about $102,467 for 1995, and $104,566 for 1994 (an average influenced by the higher $112,696 average for single family properties sold during the fourth quarter). There were 376 single family homes sold in comparison to 348 in 1994. When the other categories of residential properties—mobile homes, townhouses and multi-family—are added in, the total number of residential properties sold in 1995 was 476, about the same number as sold in 1994. Beverly Anderson, executive officer, cautioned that the figures represent only those sales made through the Multiple Listing Service (MLS). Sales made by individual property owners and real estate agencies not using this service are not included, so the total number of residential properties sold in Rutland County would be greater.

Business was a little better for everyone in the real estate industry in 1995 than in 1994, Anderson commented. In general, prices are inching up slightly and 1996 is starting off with more activity in the market.

Sales of properties on the mountain were about the same in 1995 as in 1994, Findeisen reported; prices had begun to appreciate for single family homes so there was a greater dollar volume than in 1994. Prices for condominiums, which had dropped even more, have come back somewhat but he thinks it will be awhile before they show a significant appreciation in price, as there are a number of properties on the market which had been built in the heady '80s when tax laws encouraged investment in condominium developments. He pointed out that when Congress took away the vehicle for investment properties in 1986, ruling that passive losses could no longer be deducted, buyers who were primarily interested in the properties as investments dropped out of the market. Today's buyers are looking for single family homes or condominiums which they will use themselves, renting the property only for a portion of the time.

Most sales for single family homes in the Killington-Pico area are in the $100,000 to $150,000 price range, while the majority of sales of condominiums are under $100,000, with a range from $40,000 to $200,000. Sales of those at the upper end from $200,000 are rare, as are sales of the $300,000 to $400,000 single family homes. It is still a buyer's market with a number of bargains to be had in the different price categories, he observed.

Busy Spring

Realtors at Century 21 Rutland Realty are "straight out" now following a quiet January, Gina Fucci said. She commented that February "has been great for us" and attributes the increased activity to a feeling of confidence among prospective homebuyers as well as to lower interest rates. She predicts that sales there will exceed those in 1995 which showed some improvement over 1994.

The Century 21 franchise which the Fucci Company acquired when it bought the Rutland Real Estate firm in 1995 is bringing more relocation business through the Century 21 national network, Fucci said. Those buyers are choosing upper end properties. Sales in the $80,000 to $100,000 category are also going well; those priced at $200,000 and over are moving more slowly, she noted, with prospective buyers doing a lot of looking.

This is a busy time at Berkley Veller and Greene, too, which is also looking forward to a profitable spring. The firm finished 1995 with sales a little better than in 1994, helped by a pick up in business during the fall and winter. A variety of properties ranging in price from under $100,000 to $500,000 are being shown currently to a number of prospective buyers who are attracted by the prices which have remained stable and the lower interest rate, Veller commented.

Watson gave as an example of initial over-pricing a house which was put on the market at $105,000, reduced to $99,500 and then sold for $94,500. He and others pointed out that there is still a large inventory of residential properties for sale, and prices for those properties which fell about 30 percent from their peak in the late '80s have stabilized and just begun to inch back up. Prices for properties at the upper end fell about 40 percent, and for condominiums and single family homes on the mountain even more.

Realtors affirm that setting the right price is essential in selling a property within a reasonable length of time. Watson estimated that "90 percent of properties priced right will sell within six months." In cases where the price is right, the house is in excellent condition and in a good location, it can sell in a very short period, both Veller and Fucci pointed out; Fucci cited instances where properties sold within a week or the first month. Contrarily, Fucci said she has had properties on the market for a year which have not sold because of some problem with price, condition, or location. Price can help to overcome other obstacles to a sale, she noted, quoting a favorite saying in the real estate business: "Ain't nothing a price can't fix."

Another reason that a property should be priced realistically if that not only will it take longer to sell if it is overpriced, with much time spent whittling down the price, but an interested buyer cannot get financing from a bank if the price is too far over the appraised value.

Where prices are similar, the house in the best condition will sell first, then the next best, Watson observed. The condition of a house is crucial to its appeal to a prospective buyer, all the Realtors emphasized.

Jim Watson Realty began to represent Absolutely Affordable Homes in the Rutland region last year and Watson said that the program "carried our business," as most of his residential sales have been in the $100,000 and under category, although he has listings in a wide range of prices at his full-service agency. He reports that business got stronger as interest rates came down, and he is busier than he's ever been since he started some 24 years ago. He attributes the improved activity (1995 was a "so-so" year except for the period between Thanksgiving and Christmas when "we were busier than we've been in years") not only to the lower interest rates but to improved feelings of confidence among local residents and the attractive prices of properties.

Almost all the residential sales at Jim Watson Realty are to local people, Watson said. He and others believe that the momentum from various downtown projects is energizing the economy in the region and encouraging people to make house purchases they have been postponing. He predicts that 1996 will see more activity in real estate across the board, in commercial and land as well as residential (both primary and second homes and condominiums).

Rutland Environs

In Middlebury the new year is starting off well at Coldwell Banker Bill Beck Real Estate where Bill Beck reports he is happy to see increased activity after a disappointing fourth quarter in 1995. He commented that the market is not very big in Addison County, with a limited number of prospective buyers for residential properties. Most properties at the lower end of the price range are being purchased by first time homebuyers who live in the area, while those at the upper end are more often bought by people moving in from out-of-state metropolitan areas where prices are higher and consequently Vermont prices for comparable properties are seen as bargains.

Middlebury has a variety of residential condominium properties in a range of prices; at the upper end the units at the Battelle Hill complex are in great demand, with buyers waiting for one to come on the market, Beck said. This is an example of a desirable property combining a sought-for location and excellent condition which will sell quickly and bring a top price when it is listed.

In Manchester, Kimball Martin Real Estate is seeing "a flurry of activity," reports Bene Molloy, who is hopeful this is a sign of good sales in 1996. Activity began to pick up in December, particularly in the higher end properties (those $300,000 and over) and some of those properties are under contract now.

Forty-eight single family homes were sold in Manchester in 1995, with the highest priced property selling for $417,500. In Dorset there were 34 sales, the highest price being $395,000. Molloy commented that sales had been slow in Dorset through most of 1995, "coming alive" in December. Eleven properties sold in the $200,000 category, with most selling for between $150,000 to $200,000; a few are available under that and are usually snapped up quickly. (These statistics were compiled by Walker Kimball, owner of Kimball Martin Real Estate, for Realtors in the area who have an informal association but do not at present have a Board of Realtors participating in the MLS).

Stratton Mountain also had increased activity in December and January when the heavy snow attracted more skiers. Sales there are all second home or condominiums to out-of-state buyers; in Manchester, too, most buyers are from out of state. They are retirees or people buying vacation homes. The remainder of sales in Manchester were made to renters or homeowners living in the area. Molloy expects Manchester to attract even more out-of-state buyers in the future as people make changes in their life-styles and take advantage of innovative computer technology which allows a wide variety of businesses to be run from a home office.

Computer technology is bringing dramatic change to the real estate industry in Vermont and throughout the country as a new national network (Realtors Information Network) is coming on line and will be available to participating Realtors within the year. A new statewide multiple listing service is also being developed, and probably 13 of the 14 boards in the Vermont Association of Realtors are expected to become part of this network, predicts Gar Anderson, executive officer. Manchester Realtors, who have had an informal association and have not subscribed to the MLS previously, will be part of this new statewide structure, Molloy said. Each Board of Realtors must vote on whether to be part of the new MLS and the restructuring is not expected to happen before June. Findeisen explained that the Rutland County Board, for instance, has different options and has not yet voted on whether to subscribe to the new statewide system. □

Champlain Business Journal 4/96

Realtors Report Increase In Home Sales To First-Time and Step-Up Purchasers

Lower Interest Rates Motivate Buyers, Sellers

Market Buoyed By New Hires Of Area Businesses

BY MICHAEL JOHNSON

Area Realtors report increased action in the home real estate sector. Buyers, galvanized by current low interest rates, are looking for homes; sellers, encouraged by motivated buyers, are listing their properties to swell activity across the board. Debbi Burton, president of the Multiple Listing Service of the Northwestern Board of Realtors (NVBR) points to several factors to back up her statement when she says, "We're seeing a nice start to the year."

Helping to bolster the feeling of enthusiasm are these home sale figures from late 1995 and early 1996. In October there were 127 sales recorded by the NVBR, followed by 109 in November and 124 in December. This year, deposits were laid on 144 properties in January and 147 in February. The increase is not limited to the sale of houses, per se; condominiums are also drawing a share of the action. While there were 19 condominiums sold in November and in December, in January 51 units sold and, in February, there were 50 sold.

According to Burton, one of the major contributors to the increase in activity is that interest rates on loans have fallen to the point where would-be homeowners and those looking to step up are inquiring about the possibilities. Rates for a 30-year, fixed-rate, five-percent-down mortgage are about 7.25 percent.

Though 1995 sales for northwestern Vermont were down by 23 percent overall from previous years, it's clear that the level of first quarter interest rates is making people sit up and take notice. Says Burton, "There are now lots of buyers in the marketplace. Not just first-time buyers, but buyers all across the board. That's a good sign."

Most of the people buying are local to the area. Sixty-two percent of all moves are local moves. "That's our bread and butter," she says. "The gravy is the people coming in from the outside." More people are moving into the area this year. New hires by the University of Vermont, IBM and new small businesses are helping. "Last year we didn't see any IBMers," she says, "but this year we're seeing them again."

People also don't mind looking out beyond the Burlington metropolitan area to find the ideal home. "A few years ago," Burton says, "there was a trend for people to get more central, but that's not happening anymore. People are more willing to make the trek to Burlington from Middlebury, Fairfax and Underhill."

Not only are there more people buying real estate, there are more people listing.

"There's a lot of inventory from which to select," she says. Part of this is because of the domino effect. People who own condominiums are now putting their condominiums on the market and looking for first homes; people who already have their first homes are now looking to put those on the market and to upgrade to houses in the $150,000 and higher range. She says there's activity across all levels of household income for all kinds of housing.

The average sale price for a home in December was $147,710. The average price for a home in January, however, was $164,403, up nearly $20,000. The average price for a home in February, on the other hand, was $136,396. Prices for condominiums, however, stayed about the same for all three months, which was in the $80,000 to $90,000 range.

Charlie LaRosa, principal broker and manager for Coburn and Feeley in Burlington, agrees that it's been a good start to the year. "February deposits are seven percent up over last February, and sales up 17 percent." However, he feels total inventory is down. "But that just means we're getting more sales," he adds. Available inventory is also moving faster. Market time, or the time it takes a house to sell after being put on the market, is down. "Things are going faster," he says. LaRosa sees a great deal of activity now in South Burlington and Essex Junction, as well as in Colchester. Charlotte, he says, is also showing a lot of buyer interest.

Another area showing activity is St. Albans. According to Cheryl Boissoneault, a Realtor with Lang Real Estate, there's a lot of momentum. "Franklin County is very viable right now," she says. Though the St. Albans office has been in business for less than a year, Boissoneault says Lang is glad to have made it into the St. Albans market. "Buyers are coming out of the woodwork." St. Albans is seeing more lower-income families. "We're resuscitating some people," Boissoneault says, "people who have been in the $75,000 to $82,000 range for homes, and we're putting them in nicer homes." The average sale for St. Albans is in the $100,000 range. Besides lower-income buyers, St. Albans is seeing a phenomenal number of out-of-state buyers. Says Boissoneault, "We're getting lot of Immigration Service people from Arizona and Texas."

Nancy Desany, a real estate broker for Coldwell Banker Hickock and Boardman Realty in Burlington, sees transferees moving in, too. She's also seeing a great number of first-time home buyers; special deals from the Vermont Housing Finance Agency (VHFA) have made it possible for them to latch into the active market, she says.

Desany is seeing a wide variety of listings on the market, from starter homes to expensive homes, from second homes to even vacant lots. She also sees movement in the condominium area. "More starter condos and townhouses in the $70,000 to $90,000 price range are available," she says, adding that "Last week I went to show six, and this week three are under contract."

Bill Beck of Coldwell Banker Bill Beck Real Estate in Middlebury (Addison County) hasn't seen quite the activity that the agencies in Chittenden County have seen, but he's optimistic about buyers moving in from the outside. "Things down-country are improving economically, and that's where the buyers are coming from," he says.

Others seeing increased activity on the real estate front are VHFA, banks, mortgage companies and appraisers.

Allen S. Hunt, Executive Director of VHFA, says he has seen a 12 percent increase in the application load for the first two months of 1996 over the first two months of 1995. VHFA deals only in first-time home buyers seeking loans for $120,000 or less. Part of the reason for the increase, Hunt says, was a limited, low downpayment offer VHFA recently made. VHFA offered only 150 of these loans in December, and the success of this plan has contributed to the increase. The year 1995, Hunt says, was the best year so far in the last five years, with loans totaling $72,000,000.

He sees the trend will continue. Currently, VHFA offers a loan at 7.5 percent with one point, which, he says, is "a very attractive rate." Because VHFA operates differently from banks, VHFA is able to be more flexible in qualifying loan applicants. Banks, Hunt says, traditionally sell their loans to institutions in other states, and those institutions are stricter in their guidelines. VHFA, however, doesn't sell its loans outside the state, and is able to offer a mortgage product customized for the Vermont consumer.

Looking at property transfers as an indicator of loan activity, Hunt says, VHFA was responsible for 18 percent of loans on homes under $120,000 in 1994, but for 24 percent of them in 1995. "And though property transfers declined by 23 percent in 1995, they increased by 20 percent for homes under $120,000," he adds. Hunt expects the trend to continue.

While VHFA handles only first-time buyers, other lending institutions handle people buying second homes and refinancing. Greg Hahr, Assistant Vice-President and Manager of Secondary Marketing for Vermont Federal Bank, says that initially he's seeing more activity on the refinancing front. "Refinancing activity accounts for 70 percent of our business," he says. "Because interest rates are a full two points below where they were a year ago, we see a lot of people trying to consolidate debt, fix up their houses and lower their monthly payment." Refinancing, he states, always picks up first with the lower interest rates, but that this will get people thinking about listing or buying.

Kittredge Mortgage Corporation sees a little more activity in the purchase end. "It's about 50-50 right now," says Keith Kittredge, Vice President. "Sales have gotten stronger. We've seen more business in the last couple of months than we did in the last quarter of 1995." Kittredge feels that, with the continuing weakening of the economy, the Federal Reserve will lower rates throughout the summer, and loan interest rates will fall about a quarter of a point a month. The rule of thumb that Kittredge uses is "bad economics is good for interest rates."

Just as the banks and lenders are busy, so are the appraisers they use to qualify loans applications.

Howie Weisburgh, of Weisburgh Realty Services, says that business is "way up," adding that it's much stronger than its been for this time of year for the last two years. Appraisal activity is up especially, he says, in Chittenden County and in Grand Isle, as well as parts of Franklin and Addison counties.

Diane Weisburgh, also of Weisburgh Realty Services, notes that a surprising number of homes over $300,000 in Chittenden County have sold recently. "There are more jobs and more things going on," she says, "and we've now got a bigger economic base. There are some pretty hot markets."

NVBR President Burton expects things to pick up as the quarter progresses. "It's an election year. Greenspan will lower rates in March, so in April or May the rates will be even more favorable. It's going to be a great year to buy a home. People shouldn't wait. Rates are great." ☐

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221

DATE: April 15, 1996

RE: SINGLE FAMILY SERIES 7A-C BOND FINANCING

Enclosed please find the following documents for your review prior to the proposed bond sale scheduled for Thursday, April 18:

1. Tenth Supplemental Single Family Housing Bond Resolution *(draft of 04/08/96)*
2. Preliminary Official Statement *(dated 04/08/96)*
3. Purchase Contract *(draft of 04/12/96)*
4. Reimbursement Agreement *(draft of 04/10/96)*
5. Remarketing Agreement *(draft of 04/15/96)*

Following the Board conference call held Monday, April 15, to approve the pre-pricing of the bonds, the five documents listed above will need to be voted upon at the Board meeting being held Thursday, April 18, at 12:30 at the office of the Vermont Housing and Conservation Trust Fund, 136½ Main Street, Montpelier, Vermont.

If you have any questions prior to the April 18 Board meeting, please do not hesitate to contact me.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

DRAFT

FORM OF VOTE APPROVING
TENTH SUPPLEMENTAL BOND RESOLUTION

That the following Resolution is hereby adopted in substantially the form presented with such changes or modifications as are approved by the Chairman, Executive Director, Deputy Director or Director of Finance: "Tenth Supplemental Single Family Housing Bond Resolution."

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director, Ext. 221 ASH

DATE: April 17, 1996

RE: SUPPLEMENT TO BOARD PACKET FOR APRIL 18 MEETING

Enclosed please find an updated agenda, the minutes from the conference calls of April 11 and April 15, and memos regarding the Barre Street, Montpelier, project as well as the latest proposal for LIHTC Allocations.

Please review these items in preparation for the Board meeting at 12:30 April 18, which is being held at the office of the Vermont Housing and Conservation Trust Fund, 136½ Main Street, Montpelier, Vermont.

I look forward to seeing you in Montpelier.

vhfa

VERMONT HOUSING FINANCE AGENCY

REVISED — VHFA BOARD MEETING AGENDA

Office of the Vermont Housing & Conservation Trust Fund
136½ Main Street
Montpelier, Vermont

Thursday, April 18, 1996 at 12:30 p.m.

1. Review and approval of minutes of March 21, 1996

2. Review and approval of minutes of April 11, 1996

3. Review and approval of minutes of April 15, 1996

3. Development
   - ⌂ 1996 Round One Tax Credit Allocations **[Erdelyi/Cummings]**
   - ⌂ BCLT Rental Housing Improvement Project **[Cummings//Enclosure]**
   - ⌂ Assisted Living Financing Program **[Cummings//Enclosure]**
   - ⌂ Gates Street Elderly Predevelopment Loan **[Cummings//Enclosure]**
   - ⌂ RACLT Self-Help Initiative **[Crady//Enclosure]**

4. Operations
   - ⌂ Single Family Program, Servicing and Property Disposition Reports **[Lothrop//Enclosure]**

5. Administration
   - ⌂ Executive Director's Report **[Hunt]**
   - ⌂ NCSHA 1996 Legislative Conference Material **[Hunt//Enclosure]**
   - ⌂ Mid-Year Business/Strategic Plan Update **[Francis//Enclosure]**

6. Finance
   - ⌂ Single Family Series 7A-C Bond Financing **[Schoenbeck]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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vhfa

VERMONT HOUSING FINANCE AGENCY

CONFERENCE CALL BOARD MINUTES

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Thursday, April 11, 1996

PRESENT: (via speakerphone) Chairman White; Commissioners Candon, Canney, Douglas; Mr. Smith (designee of Douglas; not voting)

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Ms. Parker, Mr. Baker, Mr. Jarrett, Mr. Lothrop

Guests: (via speakerphone) Mr. Gurley, Mr. Irvin (PaineWebber); Mr. Amsden (Kutak Rock); Mr. Clancy (Trepp & Co.)

The meeting was called to order by Chairman White at 3:35 p.m. Participants were identified by roll call, and it was agreed that any votes would be taken by roll call as well.

Mr. Gurley addressed the Board, noting that representatives from the Agency's staff; Kutak Rock (the Agency's bond counsel); PaineWebber (underwriters); Orrick, Herrington & Sutcliffe (PaineWebber's counsel); and Trepp & Company (financial consultants) have been working together over the past few months to create the most efficient bond structure possible to result in the best mortgage rate available. One concern throughout the process was negative arbitrage, which is the loss on an investment vs. the bond rate during the mortgage acquisition period. Another consideration was the mortgage rate to be offered by the Agency and its favorable comparison with current conventional mortgage rates. The structure has been simplified to one fixed rate issue, rather than two; this would come from one mortgage pool with two Convertible Option Bond (COB) issues. One of the COBs would not be subject to the alternative minimum tax. Mr. Gurley also noted the volatility of both the bond and stock markets and the negative impact this has had in keeping the proposed mortgage rate in line with conventional rates, as the Board had requested.

Mr. Amsden addressed the legal specifics and details of this financing, explaining that the structure currently being considered is one bond issue comprised of a fixed rate component (a long term fixed rate) and a short term component with a fixed rate for three years, which would then convert to bear interest at long term interest rates, or which could be refunded in three years to become a new long term bond issue. The structure is similar to other single family bond structures brought to the market earlier this year. The disclosure document which will be made available for this bond issue will give full and complete disclosure on the long term bonds; the short term bonds will have disclosure given only on the mandatory tender dates, as required. The disclosure document will be updated at the mandatory tender of the bonds in three years. Mr. Amsden further explained that all of the bond funds are expected to ultimately finance mortgage loans, either when the interest rate on the short term bonds is converted to the fixed interest rate, or through a refunding. The short term bonds, which are COBs, are being used to refund existing bonds with prepayments or with principal maturities coming due. A major advantage of this financing structure is the ability to gain new funds by utilizing older bonds through refunding without using new volume cap. Mr. Schoenbeck noted that the current structure calls for $42 million in long term bonds and $29 million in COBs; volume cap authority will not be needed to issue the COBs.

Explaining the next steps to be taken, Mr. Schoenbeck informed the Board that documents are still being reviewed prior to being sent to the Board for approval. A Board meeting via conference to discuss pricing has been scheduled for 4:00 p.m. April 15. During that meeting, PaineWebber will discuss the current market and the Board will have the option to vote in favor of moving forward with pricing on April 16, with the bonds to be sold at the April 18 Board meeting. The following documents will be delivered to the Board April 16 for review prior to the bond sale: the Preliminary Official Statement; the Reimbursement Agreement with Sanwa Bank; the Remarketing Agreement with PaineWebber; the Series Resolution, prepared by Kutak Rock, authorizing the sale of the bonds; and the Purchase Contract between the Agency, PaineWebber, and Smith Barney.

As there was no necessary Board action related to the bond issue, the guests who participated in the conference call disconnected at this time. Under old or new business, Mr. Jarrett informed the Board that the daily Legislative packet for April 10 included a version of H.806 as passed by the Senate Appropriations Committee. Section 281 of this bill references employee benefits for State authorities and others, specifically mentioning the Agency, the Vermont Student Assistance Corporation, and the Vermont Economic Development Authority. This Section directs that authorities and other organizations covered may not provide a "total employment fringe benefit package" greater than that provided to classified state employees. Mr. Jarrett noted that a comparison of benefits packages would be difficult as benefits such as pension plans are very different for each of the organizations. Mr. Hunt reminded the Board that state employees contribute to the cost of their health plan coverage; currently, Agency employees do not make similar contributions. The cost of the Agency's health plan has been reduced by limiting membership to the Community Health Plan (rather than Blue Cross/Blue Shield). Mr. Hunt also informed the Board that the Senate Appropriations Committee did not proceed with a bill relative to the proposed merger of the Agency and the Vermont Housing and Conservation Trust Fund. There was no Board action necessary, but staff will keep the Board informed about this issue.

The next meeting was scheduled for 4:00 p.m. April 15, via conference call, with the April 18 meeting scheduled for 12:30 in Montpelier at the offices of the Vermont Housing and Conservation Trust Fund. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

vhfa
VERMONT HOUSING FINANCE AGENCY

CONFERENCE CALL BOARD MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Monday, April 15, 1996

PRESENT: (via speakerphone) Chairman White; Commissioners Bradley, Candon, Canney, Douglas, Randall, Seelig

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Ms. Parker, Mr. Baker, Mr. Jarrett, Mr. Lothrop

Guests: (via speakerphone) Mr. Gurley, Mr. Irvin, Mr. Feery (PaineWebber); Mr. Amsden (Kutak Rock); Mr. Clancy (Trepp & Co.)

The meeting was called to order by Chairman White at 4:05 p.m. Participants were identified by roll call, and it was agreed that any votes would be taken by roll call as well.

Mr. Gurley introduced Mr. John Feery, of PaineWebber, who has been responsible for determining the actual pricing of the proposed bond issue. Mr. Feery informed the Board that the week indicates a light calendar in terms of other housing agencies bringing bond issues to the market, with Wyoming, Virginia and Alabama scheduled to finance this week. Overall market activity and potential pricing competitors were also reviewed by Mr. Feery. The proposed scale for the bonds coming to maturity between 1999 and 2010 are as follows: 1999 = 4.60% yield; 2000 = 4.80% yield; 2001 = 5.00% yield; 2002 = 5.10% yield; 2003 = 5.20% yield; 2004 = 5.30% yield; 2005 = 5.40% yield; 2006 = 5.50% yield; 2007 = 5.60% yield; 2008 = 5.70% yield; 2009 = 5.80% yield; 2010 = 5.90% yield. The term bond for 2027 would have a 6.25% yield, and for 2031 the yield would be 6.30%. Mr. Feery also noted that a new investor has expressed an interest in the bonds, but as they have their own internal set of criteria as far as credit, it is unknown if they will actually participate in the purchase of these bonds. The Convertible Option Bonds (COBs) would have a yield of 4.70% for those subject to the Alternative Minimum Tax (AMT) and 4.60% for non-AMT. These bonds will provide positive arbitrage to the financing. A mortgage rate of 7.05% is currently estimated. The COBs currently would comprise $28.690 million of the total financing.

Next, Mr. Gurley reviewed the proposed spread and underwriters discount, and compared these costs with other recent housing financings, explaining that the spread is normally driven by the cost of underwriters' counsel. The total underwriters discount for the long term bonds is $9.48, consisting of $1.25 management fee, $6.15 takedown, and $2.08 for expenses. On the COBs, the takedown is $2.50 and expenses are $.26, for a total of $2.76. The overall underwriters discount computes to $6.71 on a composite basis. Should the Board agree to proceed with the issuance of bonds, the price would be released April 16 and orders would be taken from 9:30 a.m. until 11:30 a.m. that day; at that time, a decision would be made as to whether rates would need to be adjusted due to the order flow. Any rate adjustment recommendations would be made to the Agency by the afternoon of April 16.

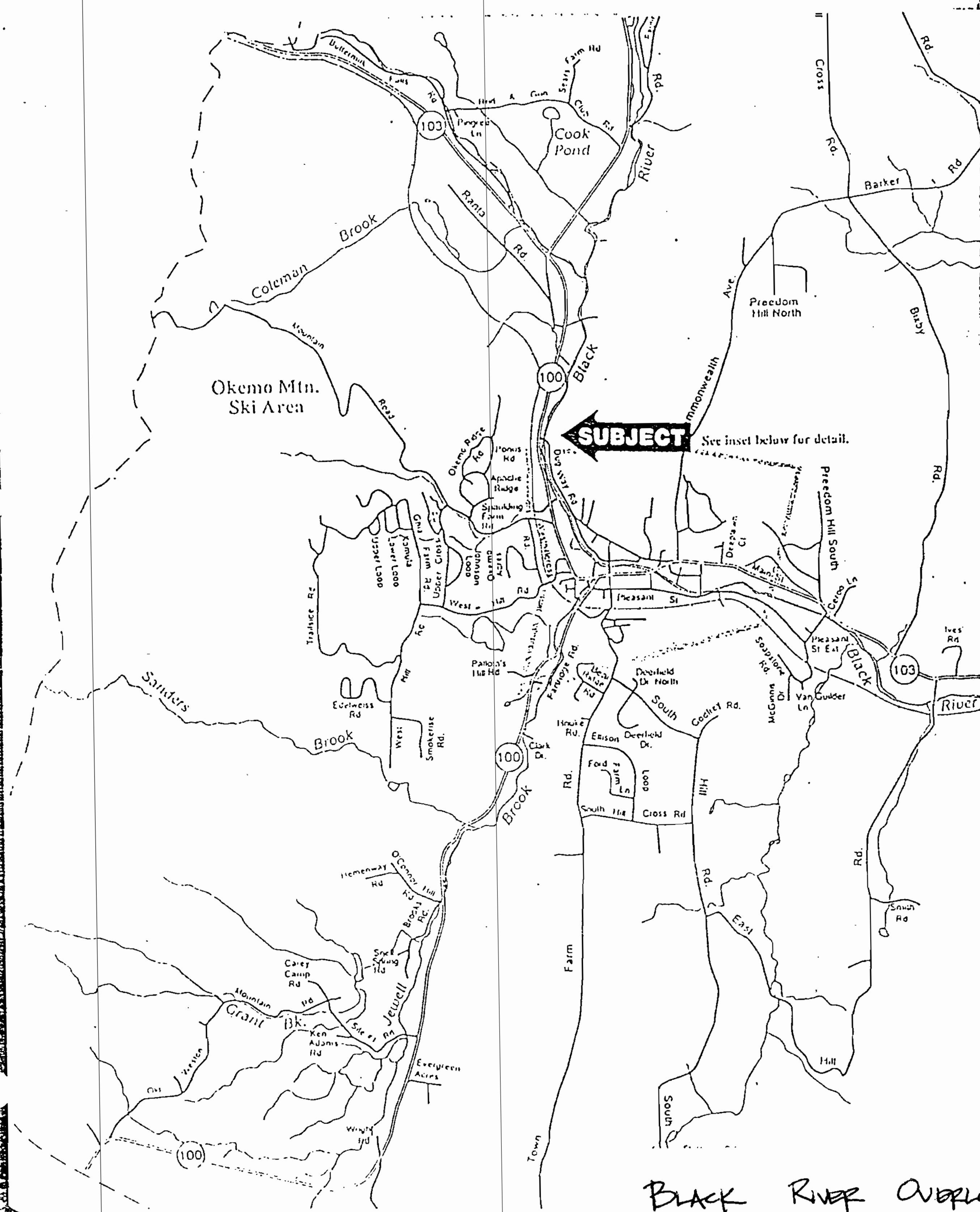
Although no formal Board action was taken, it was generally agreed that pricing on the bonds should go ahead as proposed, with the actual sale of the bonds to take place during the regular monthly Board meeting April 18. The new mortgage rate would not be made available to borrowers until a sufficient amount of mortgages (approximately $6 million) have been made at the Agency's currently available rate of 7.55 percent.

The next meeting was scheduled for 12:30 April 18, to be held in Montpelier at the offices of the Vermont Housing and Conservation Trust Fund. There being no further business, and following a motion duly made and seconded, the meeting adjourned at 4:35 p.m.

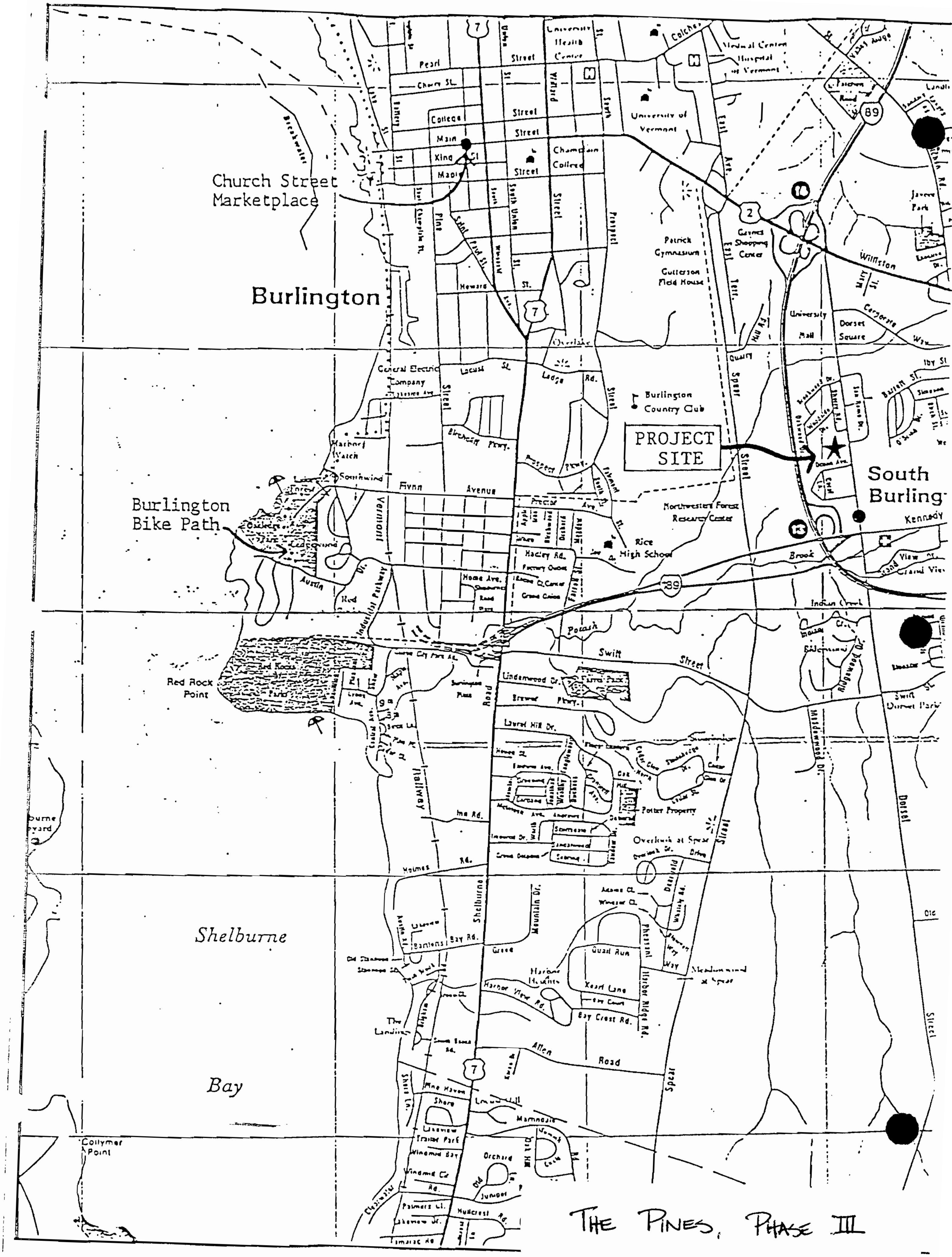
Respectfully submitted,

Allan S. Hunt, Secretary

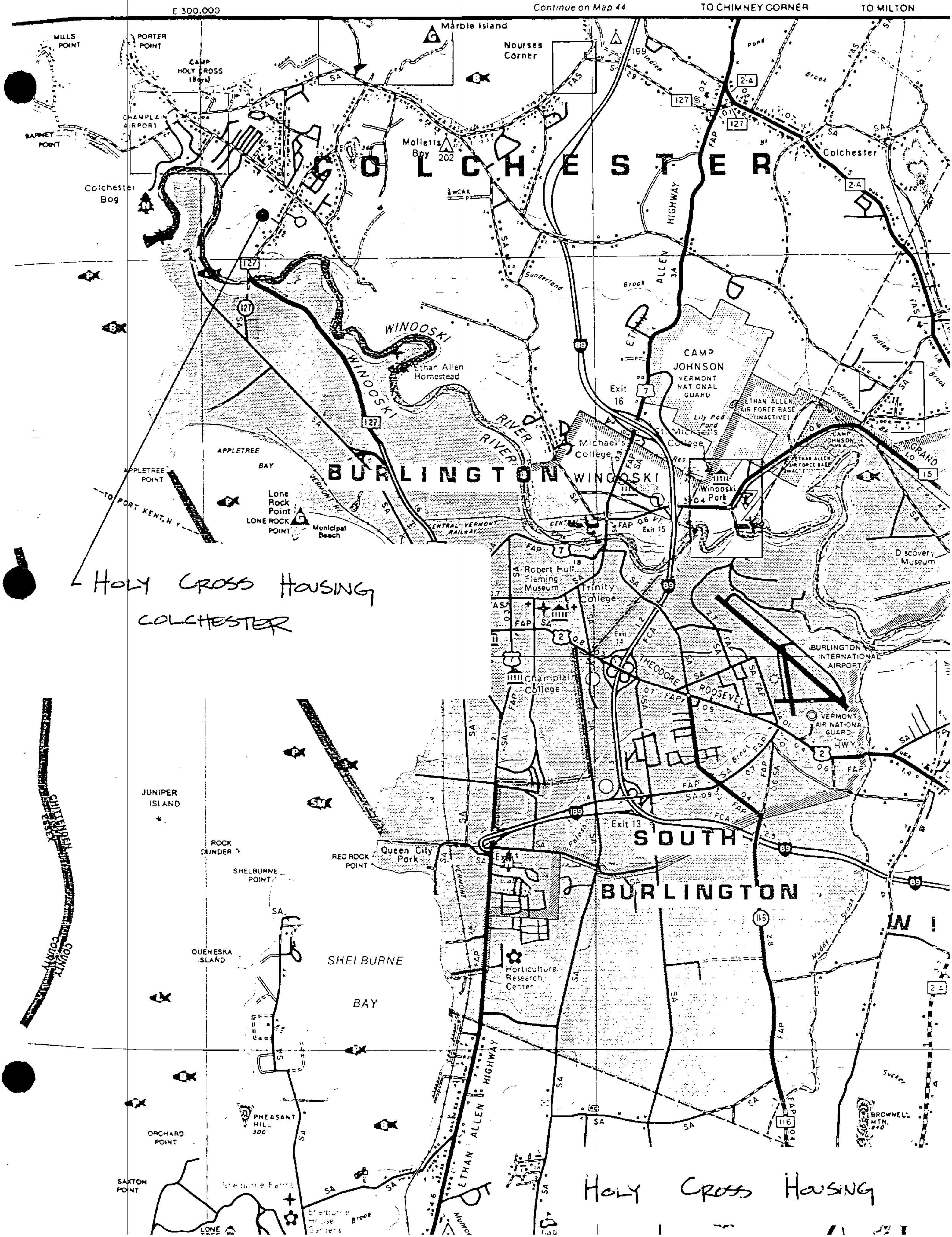
SUBJECT PROPERTY LOCATION MAP



BLACK RIVER OVERLOOK

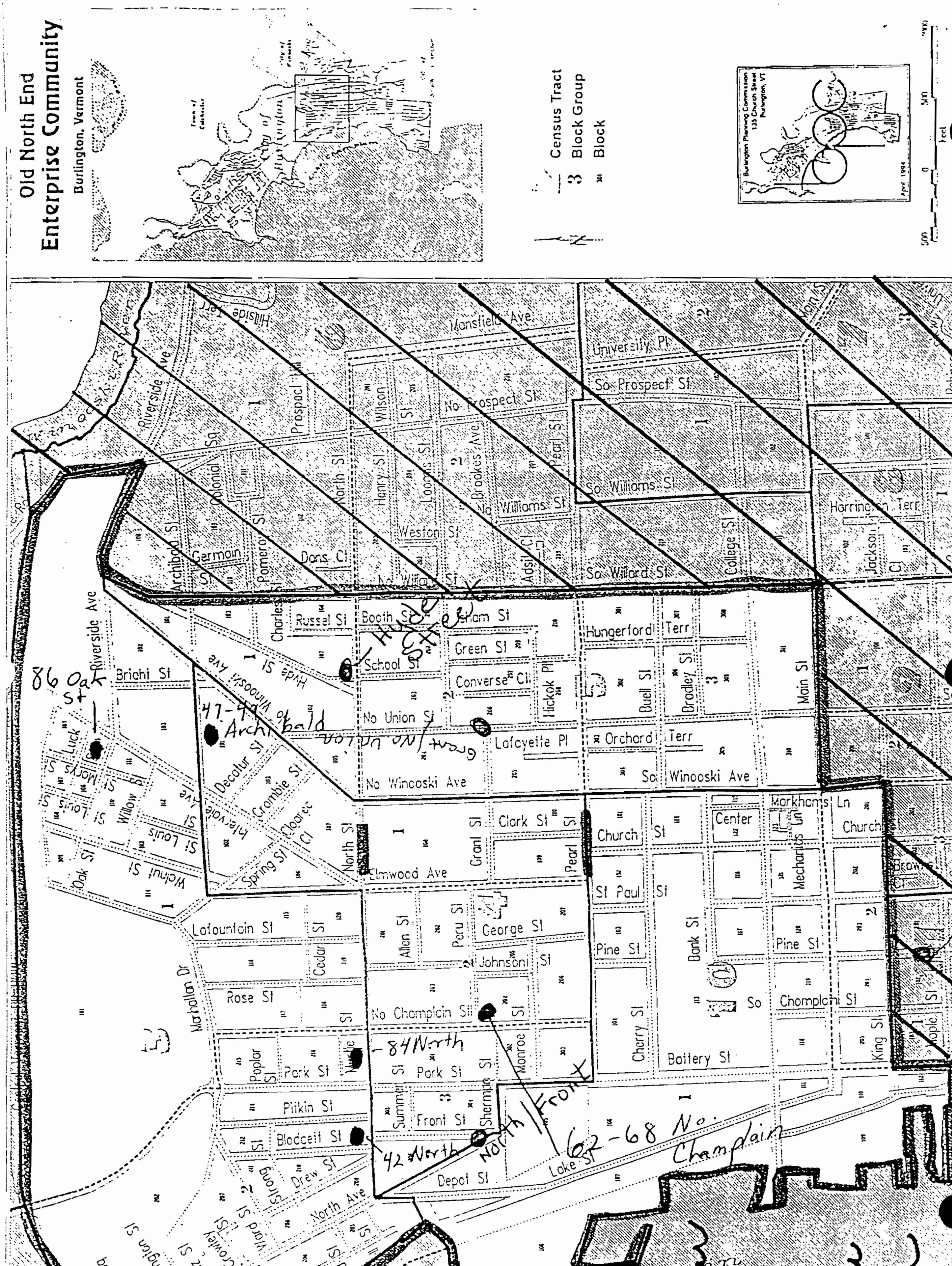


THE PINES, PHASE III



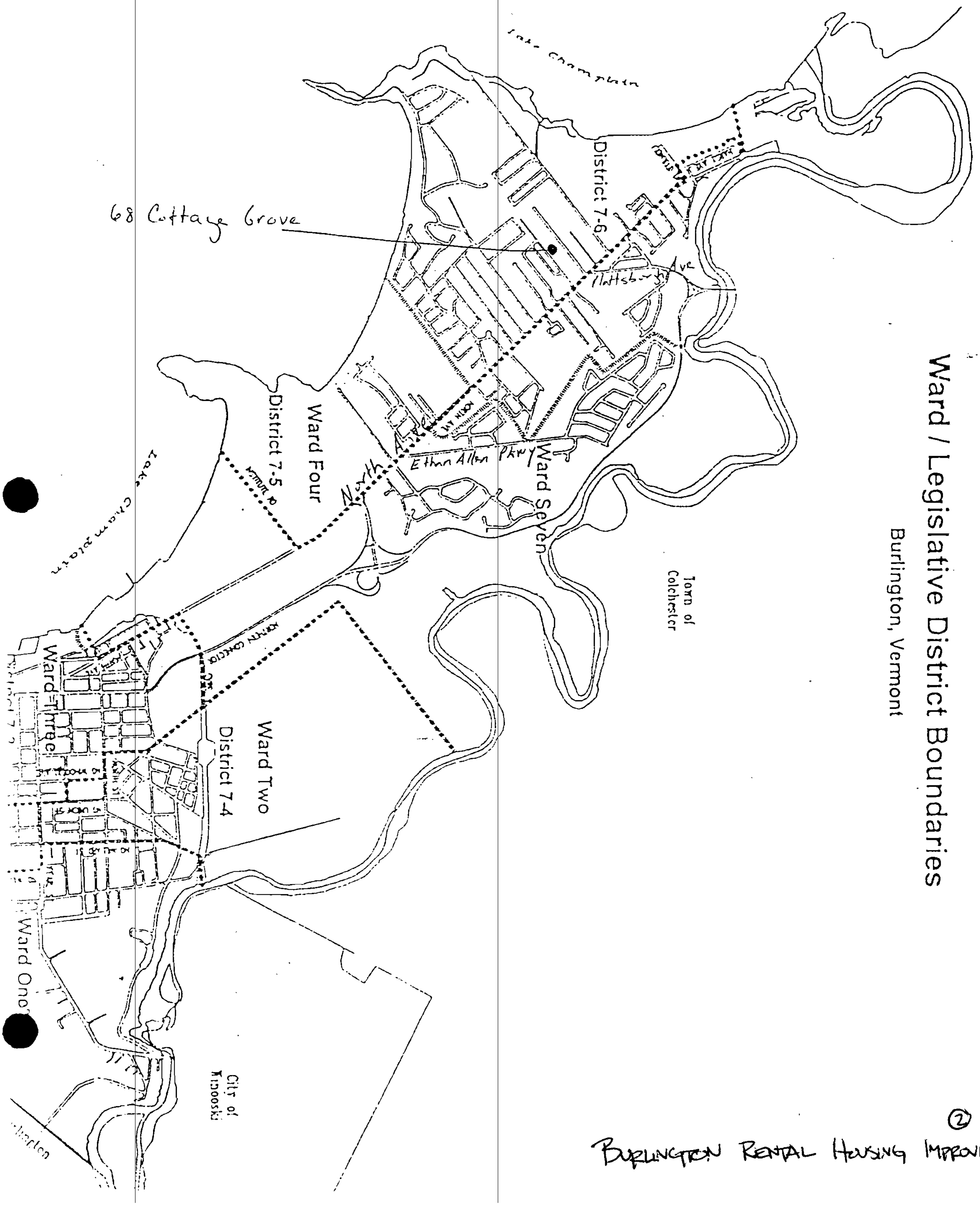
HOLY CROSS HOUSING
COLCHESTER

HOLY CROSS HOUSING



①
BURLINGTON RENTAL HOUSING IMPRVMT

New North End



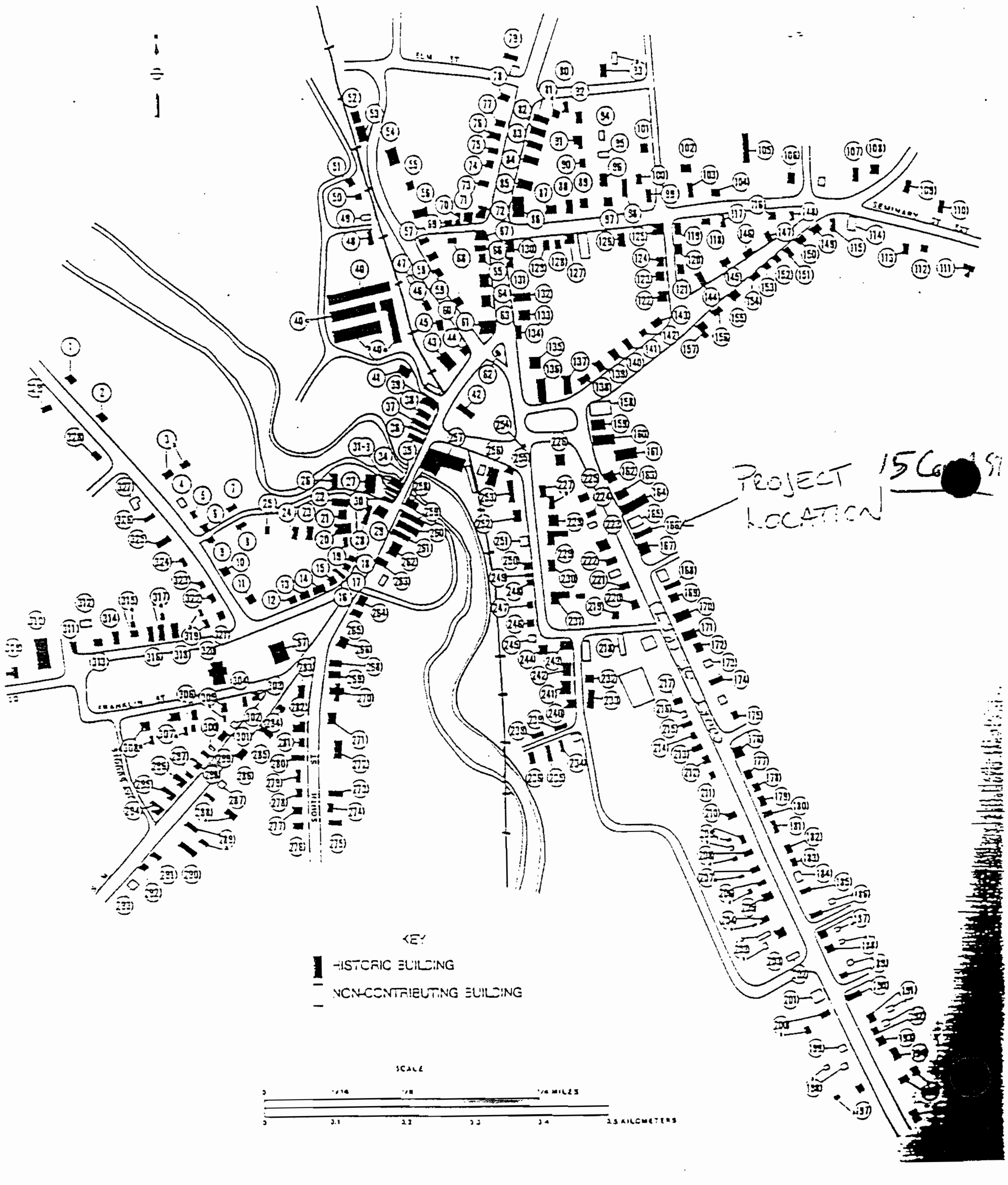
2

BURLINGTON RENTAL HOUSING IMPROVMT

Exhibit 6 - p:5

A MIDDLEBURY VILLAGE HISTORIC DISTRICT MAP

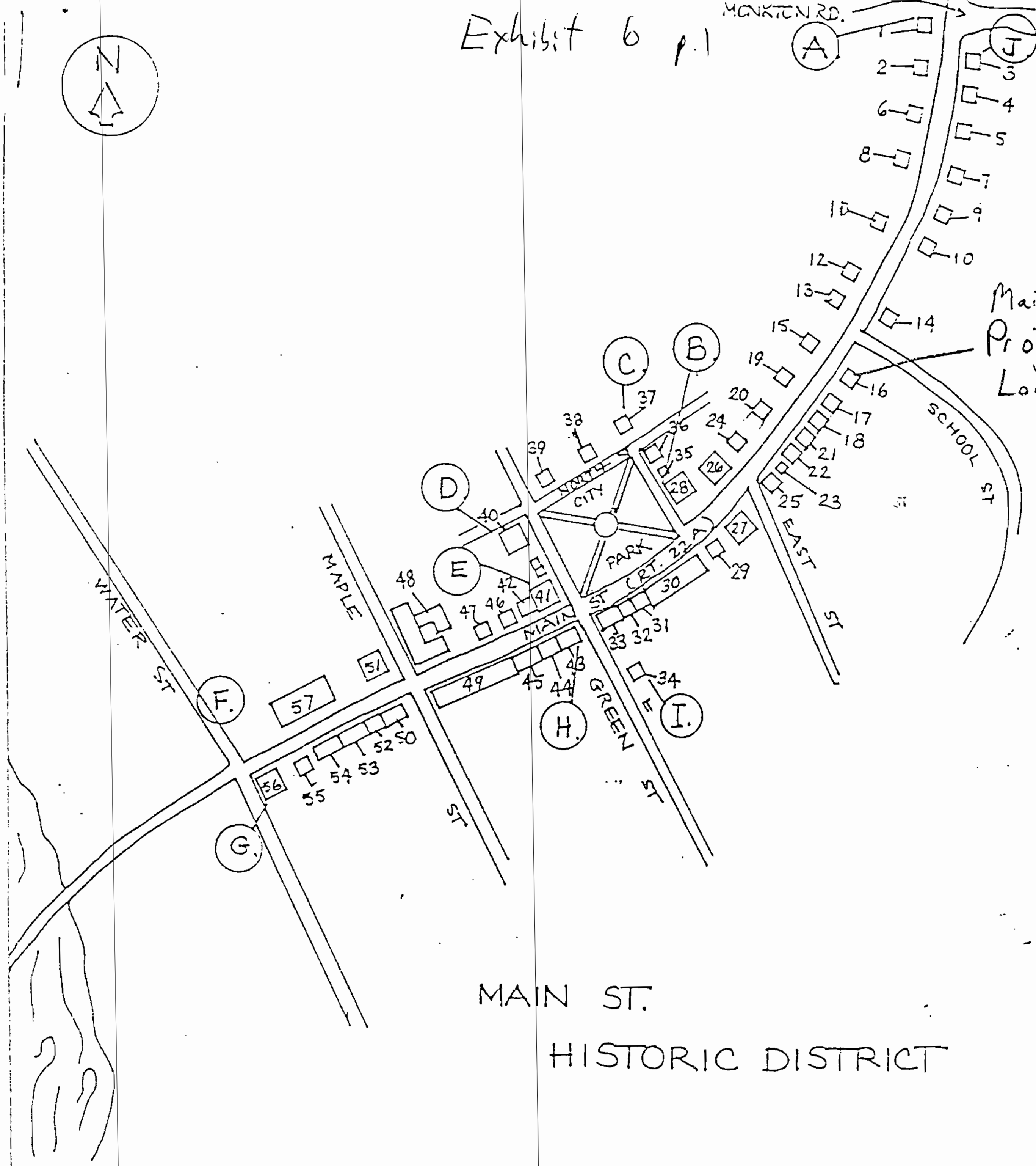
Listed in the National Register of Historic Places
(Sites correspond to Register listing that follows.)



SOURCE: VT. MAPPING PROGRAM ORTHOPHOTOS, 1975.

ACCAG SCATTERED SITES · COURT ST

Exhibit 6 p.1

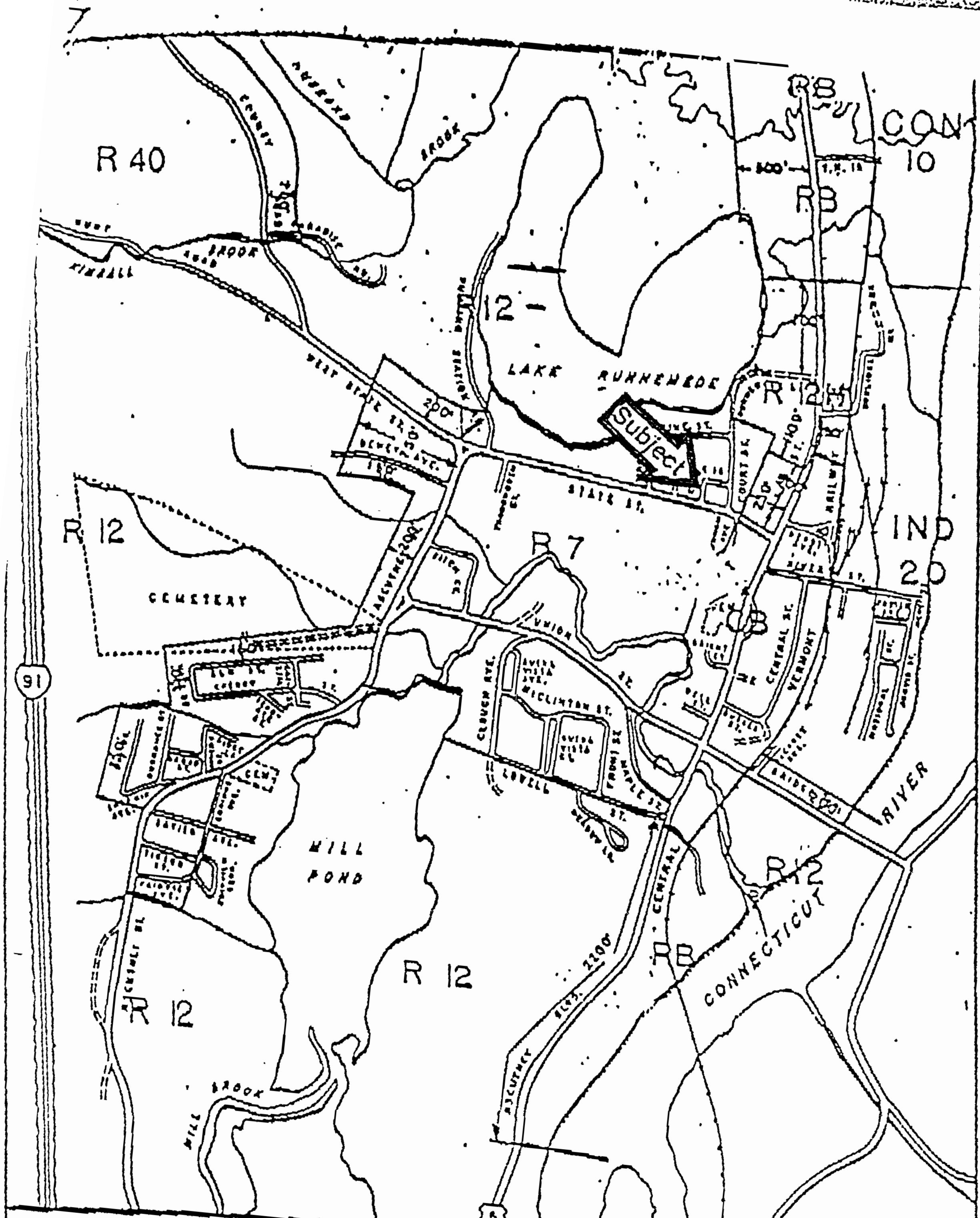


Main St. Project Location

BOUNDARY DESCRIPTION: The boundary commences at point A, the NW corner of the property line of the McCann residence and progresses SW in a line parallel to Main St. and encorporating all properties on the north side of the street to point B, the NW corner of St. Paul's Church. It then runs north to C, the NE corner of the property line of the Labell residence. It progresses SW from C, diagonally across Green St. to D, the NW corner of the Vergennes Post Office. The boundary progresses south to E, the NW corner of the Vergennes Furniture Store, and ~~runs~~ SW in a line parallel to Main St. and encorporating Colby Hall to F, a point (cont.)

RECORDED BY:	ORGANIZATION:
Terry Winters	Vt. Division for Hist

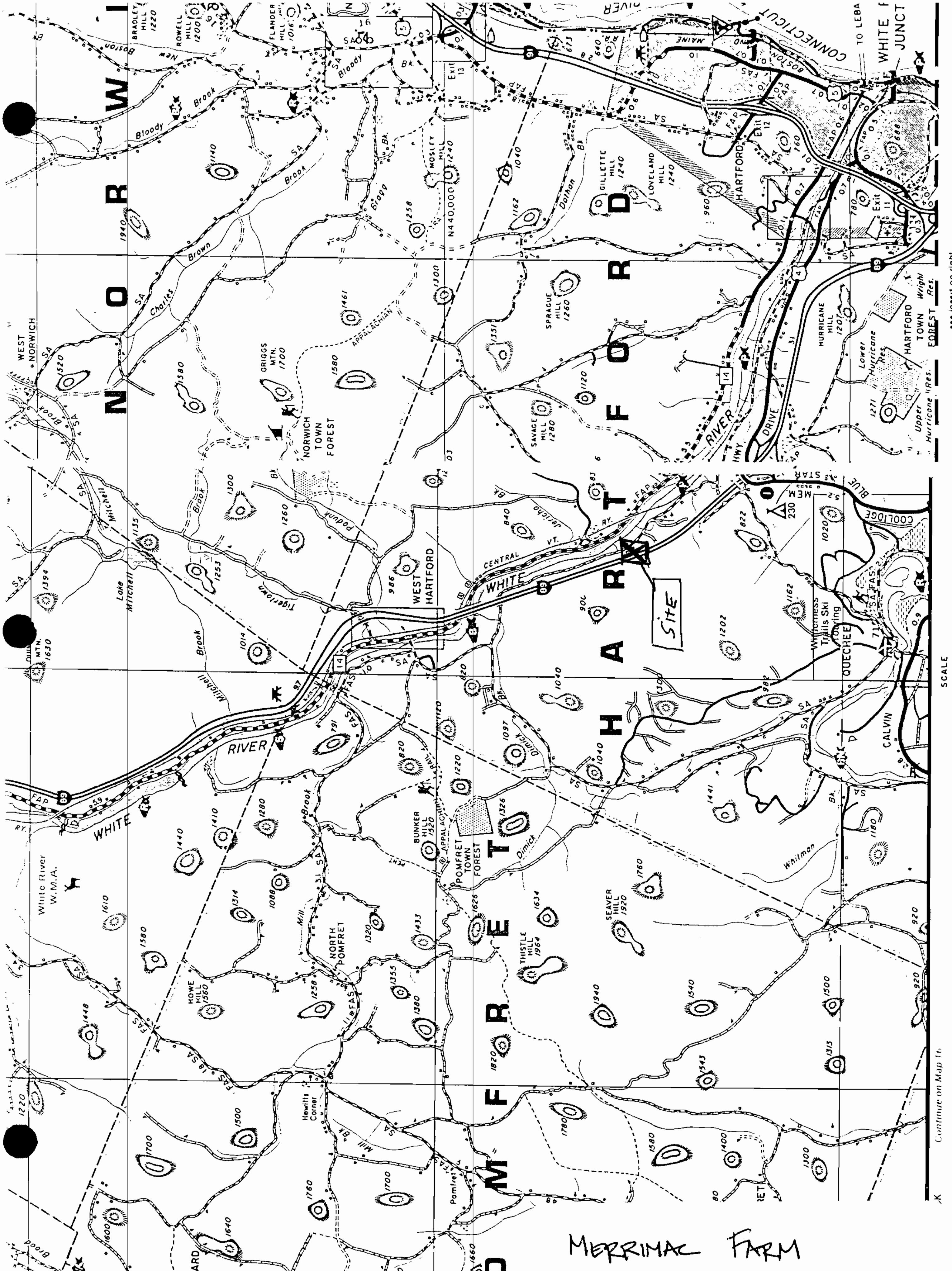
ACCAG SCATTERED SITES - MAIN ST



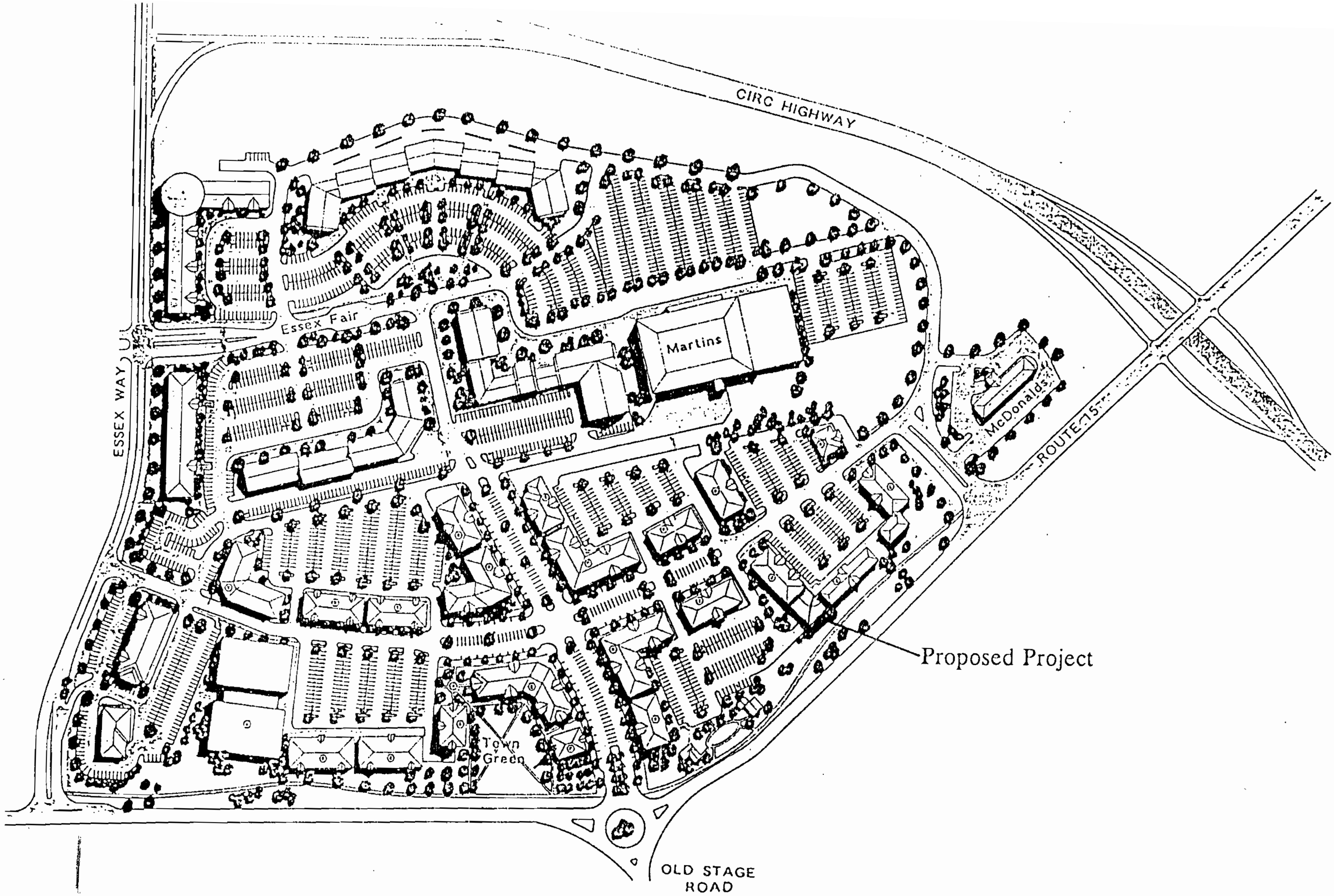
R 40	RURAL RES.	
CON	10 CONSERVATION	
R 7	HIGH DENSITY RES.	
R 12	MED. DENS. RES.	
RB	ROADSIDE BUS.	
CB	CENTRAL BUS.	

ZONING MAP
URBAN AREA
WINDSOR
VERMONT
WINDSOR PLANNING COMMISSION

Phelps Court



MERRIMAC FARM

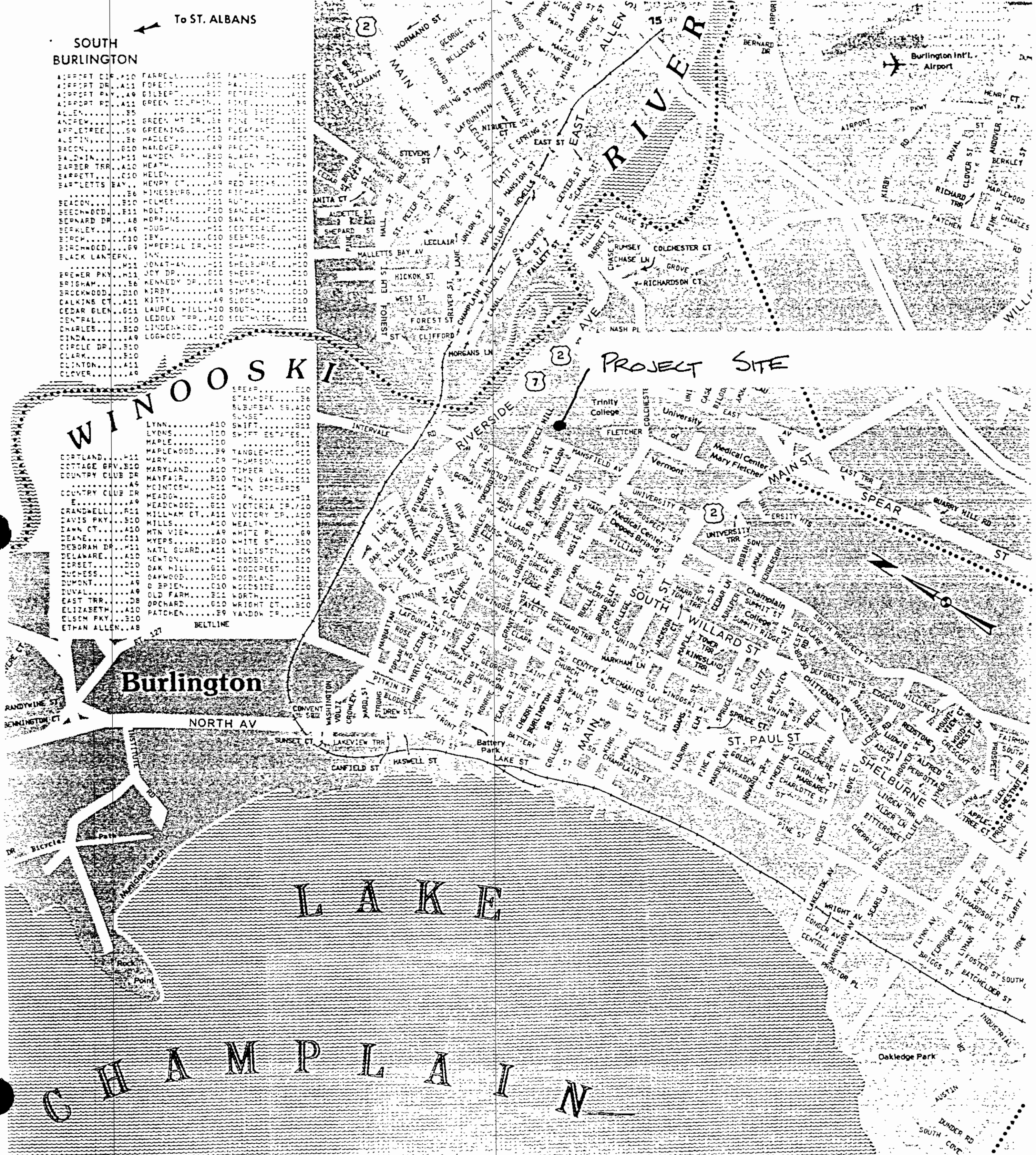


ESSEX TOWN CENTER

Proposed Master Plan
Essex, Vermont

HDI/Eurowest

ESSEX TOWN CENTER



MANSFIELD GARDENS

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter
Paul Cummings, Development Officer PC

DATE: April 17, 1996

RE: April 1996 LIHTC Reservations

EXECUTIVE SUMMARY

VHFA received ten applications for tax credits in the first round of 1996. The attached project summary sheet shows the relevant data for each project. In all, approximately $1,325,974 (173%) of the state's total available 1996 credit of $767,099 was requested. Of the ten applications received, seven were recommended for tax credit reservations at the meeting of the Joint Committee on Tax Credits of April 16; in addition, action on two projects, Mansfield Gardens and Essex Town Center, was deferred until a meeting in May, as yet unscheduled. The seven recommended applications utilized all but $31,710 of the 1996 tax credits. All of the tax credit units in all of the projects are at or below the maximum tax credit income and rent limits.

The Joint Committee on Tax Credits met on April 16, 1996 and endorsed the staff recommendations for the projects in this round.

RECOMMENDED BOARD ACTION

Staff requests Board approval of the attached-described reservations, subject to payment by the sponsors of required reservation fees, and subject to the conditions described below.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JCTC met on April 16, 1996 and considered recommendations for reservations of tax credits for nine proposed projects; and

WHEREAS, the Agency staff recommended seven of the projects to the JCTC for reservations and the JCTC accepted the staff's recommendations; and

WHEREAS, staff has prepared a memorandum dated April 17, 1996 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservation for the projects recommended by staff for reservations in the Memorandum and accepted by the JCTC: The Pines, Phase III; Black River Overlook, Holy Cross Housing, Burlington RHIP, ACCAG Scattered Sites, Phelps Court and Merrimac Farm, subject to the payment of applicable reservation fees, subject to the conditions discussed in the Memorandum.

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

T:\devel\lihtc\lihtcbrd.A96

PROJECT SUMMARIES

Name: Black River Overlook
Location: Ludlow
Sponsor: Realty Resources Chartered/RACLT
Unit Breakdown: 25 total: fifteen 2-Bedroom, 968 square feet; ten 3-Bedroom, 1,056 square feet; two units will be handicapped accessible.
Cost: \$2,337,369 total; \$93,495/unit; \$58/s.f. hard construction cost.
Income Targeting: Eight units below 50% of Area Median Income (HOME units); seven below 55% of Area Median Income; ten below 60% of Area Median Gross Income; all of the units are tax credit-restricted units.

The project involves the new construction of 25 units in five buildings. The creation of 25 units of affordable housing in Ludlow was a condition of the Act 250 approval of the Okemo Mountain ski area expansion; Realty Resources has explored a number of sites in Ludlow before settling on this site. All of the proposed sources of funds are conditionally committed. The sponsor also has a signed partnership agreement that commits the limited partner to contribute equity that will result in a yield of \$.65/tax credit dollar. The current limited partner, Okemo Mountain Inc., is looking for other limited partner investors, to take a portion of, or all of, their limited partner interest, at this rate of return. RACLT will be a co-general partner in the partnership and will hold an option to purchase the property after the initial 15 year compliance period. (The partnership agreement needs to be amended to add RACLT).

The annual tax credits originally requested totalled \$230,125. The project exceeds the per unit cost limits of the tax credit program by \$152,869 (\$6,114/unit). The amount of tax credits that the project would be eligible for if the total cost just equalled what the per unit limits allows would be \$221,073. VHCB has as a condition of its financing that an additional \$35,000 of equity be contributed by an partner in the partnership. If this is added as a source of funds, the "equity gap" calculation reduces the credit level to \$216,518. The sponsor could make the project work with this level of credits by 1) contributing cash or deferring fees of \$35,000; 2) getting a higher yield from syndication of tax credits (from \$.65/dollar to approximately \$.67/dollar); or, 3) a reduction of development costs.

Recommendation: Staff recommends a reservation of credits in the amount of \$216,518 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than July 31, 1996 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes. The sponsor will document this with a cost certification and request for carryover allocation.

2) Sponsor must demonstrate that Okemo Mountain Inc. and/or any other limited partner equity investors will contribute equity to the project at a level that will result in a net yield from syndication of no less than $.65 per tax credit dollar, and that the combination of equity and other sources of funding will result in a project that demonstrates financial feasibility for that tax credit compliance period. The final equity investors must be committed by July 31, 1996.

3) Sponsor must amend the partnership agreement to include Rockingham Area Community Land Trust as co-general partner by no later than July 31, 1996.

Name:	The Pines, Phase III
Location:	South Burlington
Sponsor:	Green Mountain Development Group
Unit Breakdown:	39 total: thirty 1-Bedroom, 650 square feet; nine 2-Bedroom, 820 square feet; all units will be handicapped adaptable and ten percent will be handicapped accessible.
Cost:	$2,548,703 total; $65,351/unit; $63/s.f. hard construction cost
Income Targeting:	Seven units below 30% of Area Median Income; six units below 50% of Area Median Income; nineteen units below 60% of Area Median Income; and seven units at or below 80% of Area Median Income.

The proposed project consists of 39 units of newly constructed elderly housing in South Burlington (see attached site map). These units will be part of an existing independent living facility offering optional services (e.g. housekeeping, linen, transportation and wellness programs) and meals. This is the third phase (first two phases - 86 units) of a proposed three phase development that will total 125 units. All of the units in this phase will be handicapped adaptable and ten percent of the units will be handicapped accessible.

In addition to the existing and proposed living units, the total development includes 1,800 square feet of communal dining and living areas, a 720 square foot commercial kitchen, 1,525 of community/activity areas, and laundry facilities housed in a three-story development, and landscaping (including walking trails, gardens and patios). The building also houses the South Burlington Senior Center, as well as a satellite office of the Visiting Nurse Association. The senior center, located in the approximately 6,000 square foot basement of Phase I, was made possible by a CDBG grant. The project has received an Act 250 permit and local permits for all 125 units.

Based on a market study submitted with the 1994 LIHTC application and the success in renting up Phase I, the sponsor has demonstrated sufficient demand for the additional 39 units in Phase III. Phase I received an occupancy certificate at the end of November and all 53 units were occupied two weeks later. In addition, the property management firm (Coburn & Feeley) has received approximately 60 qualified Housing Credit eligible applications for the proposed Phase II and Phase III from very low and low income seniors. Coburn & Feeley would manage Phase III.

The sponsor would provide a Right of First Refusal to Housing Vermont, which acted as a limited partner in Phase I. However, Housing Vermont would not assist in the syndication of the credits as the syndicator would be East Coast Capital (Boston, MA). East Coast Capital, which also syndicated the tax credits for Phase I and the proposed Phase II, has offered a yield of $0.60/tax credit dollar in an effort to make Phase III feasible without the use of HOME or other grant funds. The other sources of financing include a Federal Home Loan Bank of Boston AHP loan (not yet approved) and deferred developer's fees.

Recommendation: Staff recommends a reservation of credits in the amount of $159,568 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1996 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

Federal Home Loan Bank AHP Funds	July 1, 1996
Equity at a yield of at least $0.60/$1.00 of Low Income Housing Tax Credits	July 1, 1996
Developer's Fee Deferred Note	July 1, 1996

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of all state and local permits for 125 unit development (53 unit Phase I, 33 unit Phase II, and 39 unit Phase III) by July 1, 1996.

4) Sponsor must provide evidence that the proposed construction costs are reasonable through one of the following methods by October 31, 1996: 1) an independent cost estimate or 2) evidence that construction prices have been obtained or agree to obtain them through a competitive bidding process.

5) Sponsor must provide a revised development budget at time of request for carryover.

6) Review and approval by staff of the right-of-first-refusal agreement with

Housing Vermont to purchase the project at year 15. The agreed upon price must maintain the long term affordability of the project.

Name:	Holy Cross Housing
Location:	Colchester
Sponsor:	Lake Champlain Housing Development Corporation/Cathedral Square Corporation
Unit Breakdown:	40 total: thirty-five 1-Bedroom, 600 square feet; five 2-Bedroom, 800 square feet; all of the units will be handicapped adaptable.
Cost:	$2,501,255 total; $62,531/unit; $75/s.f. hard construction cost
Income Targeting:	six units at approximately 30% of Area Median Income; seven units at approximately 50% of Area Median Income; twenty units below 60% of Area Median Income; ten units below approximately 80% of median income.

An organization of Colchester residents, Holy Cross Housing Corporation, has been working for the last eight years to determine the need for affordable housing for senior citizens in Colchester. The organization has recently been given the opportunity to lease vacant land behind the Holy Cross Church in Mallets Bay and has asked Lake Champlain Housing Development Corporation (LCHDC) and Cathedral Square Corporation to assist them in developing and managing a proposed 40-unit affordable elderly housing development. Currently there is no affordable elderly housing in Colchester. The initial marketing survey for the Colchester site indicated that over 70 Colchester households had an immediate interest in living in housing developed at this site.

The project combines debt, CDBG, HOME and VHCB funds to create units that are affordable to households at 30%, 50%, 60% and 80% of median income. At this time the sponsors have received a commitment of HOME and VHCB funds, and the Town of Colchester has agreed to submit a Letter of Intent to apply for CDBG funds. The sponsor also intends to apply to VHFA for permanent mortgage financing.

The proposed construction cost would be $62,531 per unit. The sponsor has been working with the architect in an effort to reduce construction costs and maximize the amount of community space that would be made available. When completed, the housing will have on-call services, a secure building, and a community space which will allow the sponsors to bring in other services and activities to the development.

LCHDC is a nonprofit organization with experience in developing and rehabilitating low income housing tax credit projects in Chittenden County. LCHDC has formed a partnership with Cathedral Square Corporation, a nonprofit organization with a successful track record of developing and operating affordable elderly housing developments in Chittenden County. Cathedral Square Corporation would market and manage the completed development. The sponsors have also reached an agreement with Housing Vermont to syndicate the housing credits at an equity yield of approximately $0.69 per tax credit dollar.

Recommendation: Staff recommends a reservation of credits in the amount of $151,408 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1996 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

   All sources of financing July 1, 1996

   "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of Town zoning approval by July 1, 1996.

4) Sponsor must provide evidence that the proposed construction costs are reasonable through one of the following methods by October 31, 1996: 1) an independent cost estimate or 2) evidence that construction prices have been obtained or agree to obtain them through a competitive bidding process.

5) Sponsor must provide a detailed operating budget by October 31, 1996.

6) Sponsor must provide a revised development budget showing all committed financing by July 1, 1996.

Name: Burlington Rental Housing Improvement Project
Location: Burlington
Sponsor: Housing Vermont/Burlington Community Land Trust
Unit Breakdown: 33 total: two 0-Bedroom studios, 238 square feet, three 1-Bedroom, 448-541 square feet; sixteen 2-Bedroom, 717-874 square feet; nine 3-Bedroom, 915-970 square feet; three 4-Bedroom, 1,392 square feet.
Cost: $2,194,009 total; $66,485/unit; $24/s.f. hard construction cost
Income Targeting: Eleven units below 50% of Area Median Income; sixteen units below 60% of Area Median Income; five units below 80% of Area Median

Income.

Housing Vermont and the Burlington Community Land Trust (BCLT) have agreed to form a partnership to acquire and rehabilitate 33 units in 13 buildings in Burlington. Approximately 80 percent of the units will be affordable to households earning less than 60 percent of median income. BCLT currently owns all 13 buildings and is planning to take advantage of VHFA's remaining low interest recycled Section 8 proceeds to refinance the existing mortgages and ensure the long term affordability of these units.

The City of Burlington has indicated that this proposal satisfies two of its highest priorities, as 1) it involves the rehabilitation of existing housing and 2) a majority of these units are located within Burlington's Old North End Enterprise Community. Most of the buildings are approximately 80 to 100 years old, two and three story structures with gable roofs and clapboard siding. Many of the units also received some renovation either when BCLT purchased them or subsequently. However, all of the units would benefit from additional rehabilitation including energy efficiency improvements, lead paint removal/abatement, window replacement, appliance repair/replacement, roof/siding repair, and wall and floor treatment repair/replacement.

BCLT has managed all the properties since they were acquired, except for the six units in the three Pine Street buildings which have been managed by the Lake Champlain Housing Development Corporation, a nonprofit housing development/management organization in Burlington. BCLT has proposed to manage all of the units after the refinance and rehabilitation. BCLT currently manages approximately 110 similar units in the Burlington area and the 33 units in this proposal are currently fully occupied.

Recommendation: Staff recommends a reservation of credits in the amount of $92,616 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than October 31, 1996 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

   All financing sources July 1, 1996

   "Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide a detailed operating budget by October 31, 1996.

4) Sponsor must provide a revised development budget showing all committed financing by July 1, 1996.

Name: ACCAG Scattered Sites - Court & Main Streets
Location: Vergennes and Middlebury
Sponsor: Housing Vermont/ACCAG
Unit Breakdown: 19 total: two 0-Bedroom, 325-390 square feet; eleven 1-Bedroom, 400-580 square feet; four 2-Bedroom, 630-940 square feet; two 3-Bedroom, 1,150 square feet; three units will be handicapped accessible
Cost: $1,344,025 total; $70,738/unit; $70/s.f. hard construction cost
Income Targeting: 17 of the 19 units below 60% of Area Median Income (tax credit restricted units); Currently all units are affordable to less than 50% of Area Median Income: there will be fourteen VHCB-restricted units, seven HOME-restricted units, and 13 Lead Program-restricted units.

The proposed project is located at 97-101 Main Street in Vergennes and 15 Court Street in Middlebury. The sponsor is proposing financing for the project from VHCB, HOME program funds, Lead Paint program funds, CDBG, and Historic Tax Credit equity. The rents charged will be approximately 83% of the maximum rents allowed under the tax credit program. The large percentage of smaller units is due i part to the sponsor's plan of serving a mixed demographic of tenants that includes chronically mentally ill and homeless individuals. Counseling Service of Addison County (CSAC) runs another facility, the Green Pastures Home, that is owned by ACCAG and serves this population. CSAC transitions these individuals into more mainstream housing, often owned by ACCAG.

The sponsor currently has some funding commitments from VHCB for the Vergennes property, but those commitments do not reflect the financing mix that was shown in the application for tax credits. VHCB staff is recommending the project receive funding at levels consistent with those shown in the tax credit application, and VHCB's Board will meet and consider the funding requests on April 12.

The sponsor has site control of the Vergennes property in the form of a deed; the property was donated from Maynard's Auto to ACCAG. This building currently has three residential rental units and one commercial unit, which the sponsor intends to convert back to residential. The sponsor has a purchase and sales agreement for the Middlebury property.

Recommendation: Staff recommends a reservation of credits in the amount of $79,465 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's

"reasonably expected eligible basis" costs by no later than July 31, 1996, and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes. The sponsor will document this with a cost certification and request for carryover allocation.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

Federal approval of Historic Credit "Part II"	July 31, 1996
HOME	April 12, 1996
VHCB Grant	April 12, 1996
Lead Paint Grant	April 12, 1996
Equity subscription	July 31, 1996

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence of site control for the Middlebury property with a purchase price and timeline consistent with the tax credit application and budget, by no later than April 30, 1996.

4) Sponsor must close on the acquisition of the property by June 30, 1996.

5) Sponsor must provide, by July 31, 1996, a revised development budget showing all sources of funding committed.

Name:	Phelps Court
Location:	Windsor
Sponsor:	RACLT
Unit Breakdown:	14 total: ten 1-Bedroom, 435-958 square feet; four 2-Bedroom, 837-1,238 square feet; one unit will be handicapped accessible.
Cost:	$1,266,165 total; $90,440/unit; $62/s.f. hard construction cost
Income Targeting:	seven of the 14 units will be restricted to 60% of Area Median Income under the tax credit program; ten units will be HOME-restricted and 12 units will be restricted under the Lead Paint Program

The proposed project is located in three adjacent buildings at 8 & 10 Phelps Court and 54 State Street in Windsor. The project involves the acquisition and rehabilitation of three historic properties, with the rehabilitation following the necessary standards to permit the owner to claim historic rehabilitation tax credits. Four of the fourteen units are vacant, and are being held vacant until the property transfer (so that relocation costs may be minimized during rehabilitation). All of the proposed sources of funding are committed except for the equity. The sponsor has engaged Mike Richardson as a syndication consultant to put the tax credit application together and to raise the equity.

The annual tax credits originally requested totalled $34,499. The project exceeds the per unit cost limits of the tax credit program by $100,646 ($7,189/unit). The amount of tax credits that the project would be eligible for if the total cost just equalled what the per unit limits allows would be $26,580.

Recommendation: Staff recommends a reservation of credits in the amount of $26,580 subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than July 31, 1996, and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes. The sponsor will document this with a cost certification and request for carryover allocation.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

Federal approval of Historic Credit "Part II"	July 31, 1996
Equity Subscription	July 31, 1996

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

Name: Merrimac Farm
Location: Hartford
Sponsor: Twin Pines Housing Trust
Unit Breakdown: five total: one 1-Bedroom, 1,000 square feet; three 2-Bedroom, 730-1,000 square feet; one 3-Bedroom, 730 square feet; one unit will be handicapped accessible
Cost: $454,867 total; $90,973/unit; $62/s.f. hard construction cost
Income Targeting: All five units are restricted to households below 60% of Area Median Income under the tax credit program; in addition, three units are restricted under the HOME program

The proposed project is located on Old River Road in Hartford. The sponsor has funding commitments from VHCB, HOME, Lead Paint program funds, a HUD special purpose grant, the HUD 312 program, and amortizing debt from the Vermont Community Loan Fund. The project involves the rehabilitation of five units that TPHT has owned since 1988. The rents charged range from 78%-100% of the maximum allowed by the tax credit program. The sponsor has engaged Mike Richardson as a syndication consultant to put the tax credit application together and to raise the equity.

The annual tax credits originally requested totalled $12,616. The project exceeds the per unit cost limits of the tax credit program by $15,700 ($3,150/unit). The amount of tax credits that the project would be eligible for if the total cost just equalled what the per unit limits allows would be $8,008. Also, the sponsor originally was showing a developer's fee of $58,000, or $11,600 per unit. Although this figure is under the 15% maximum allowed by the tax credit program, it is significantly higher than fees taken for other developer's for the rehabilitation and refinancing of projects currently in portfolio. TPHT has reclassified some expenses out of the developer's fee budget, and has reduced the fee to $29,550, or $5,910 per unit (approximately 7% of the total development cost).

The Board of Directors of the Twin Pines Housing Trust recently dismissed two employees, Wally Roberts and Merike Petrich. The Allocation Plan includes as an evaluation criterion the "experience and capacity of the project team." A reservation of credits should be contingent upon the sponsor assembling a project team with sufficient capacity to develop and manage a tax credit project.

Recommendation: Staff recommends a reservation of credits in the amount of $8,008, subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than July 31, 1996, and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes. The sponsor will document this with a cost certification and request for carryover allocation.

2) Sponsor must resolve staffing issues and demonstrate, to the satisfaction of VHFA staff, that it has the capacity to undertake the project and successfully operate and manage the property in a manner that does not jeopardize the tax credit allocation, by no later than May 31, 1996.

Name:	Essex Town Center
Location:	Essex
Sponsor:	Homestead Design, Inc.
Unit Breakdown:	44 total: twenty-eight 1-Bedroom, 644 square feet; sixteen 2-Bedroom, 844 square feet; all units will be handicapped accessible.
Cost:	$3,603,412 total; $81,896/unit; $75/s.f. hard construction cost
Income Targeting:	22 units below 60% of Area Median Income; 22 units below 80% of Area Median Income.

The proposed project consists of the new construction of 44 units in one "L" shaped building on the corner of an approximately 15 acre site in Essex. The residential units will be built on the top two stories of a three-story mixed-use building which will include approximately 16,000 square feet of retail space on the ground level. VHFA would not finance the commercial portion of the development. All of the units would be affordable to households earning less than median income. HDI is proposing that 50 percent of the units would be Low Income Housing Tax Credit (LIHTC) units, affordable to low income households earning less than 60 percent of median income. The total development cost would be $81,896 per unit.

The Town of Essex has been working since early 1990 to develop a new comprehensive town plan which would encourage growth to occur in compact centers and create a new mixed use town center. The proposed site is between Route 15, the Lang Farm Center in Essex and the Circumferential Highway (I-289). HDI is working with the Town to not only submit an application for Community Development Block Grant (CDBG) funds, but also to hold an option to purchase the property from HDI after 15 years, thus extending the low income restrictions. HDI would also provide an option to a nonprofit housing organization, such as Housing Vermont.

Homestead Design, Inc., is an architectural, building, development, and real estate company which has been operating in Chittenden County since 1976. The principals of the company are John Hausner, a licensed professional architect, and Bob Marcellino, a civil engineer. The firm currently employs nine staff members. During the past 20 years, HDI has been involved in the design and/or building of construction projects with a total value of over $100 million and which cover a broad range of building types such as commercial, institutional, medical, and residential. HDI has developed over 500 units of residential housing, including the 12-unit Wells House on Main Street in Waterbury, a Section 8 rehabilitation financed by VHFA.

HDI is working to reach an agreement with the Town of Essex that would provide the Town with an option to purchase the residential/commercial Essex Town Center building after 15 years (the term of the LIHTC compliance period). HDI is also seeking to provide an option to a nonprofit housing organization, such as Housing Vermont. HDI has proposed to manage the property, in part because they don't want to separate the commercial and residential management contracts and also because they would have substantial equity tied up in the project. HDI has contacted VHFA's LIHTC Multifamily Management Department in order to review the specific LIHTC management requirements and has indicated that they would take every step necessary to develop the capacity to manage the property effectively as an LIHTC project.

Recommendation: Staff does not recommend a reservation of credits at this time because the proposed income targeting (60% of median income) is not competitive when compared with other projects submitting applications in this round. However, because this project 1) efficiently leverages different sources of financing including owner's equity, 2) is proposed in a planned growth center, and 3) creates mixed income housing, it would be considered a competitive application in future reservation rounds.

Name:	Mansfield Gardens
Location:	Burlington
Sponsor:	Housing Vermont/Cathedral Square Corporation/Sisters of Mercy
Unit Breakdown:	95 total: 42 single family units; 53 rental units: seven 1-Bedroom, 672 square feet; forty 2-Bedroom, 850 square feet; and six 3-Bedroom, 1,190 square feet; all units will be handicapped accessible.
Cost:	$4,597,250 total (rental units); $86,741/unit; $84/s.f. hard construction cost.
Income Targeting:	23 units below 50% of Area Median Income; 13 units below 60% of Area Median Income; 17 units at approximately 80% of Area Median Income.

The sponsors have formed a partnership to develop and construct, a mixed income condominium on Mansfield Avenue in Burlington. Cathedral Square Corporation and Housing Vermont have been working closely on the development of this project with the Vermont Friesland Corporation (a Vermont real estate company backed by investors in the Netherlands), Truex DeGroot Cullins (a Burlington architectural firm) and the Smallingerland Housing Association (a large nonprofit housing provider formed in 1901 and based in the Friesland region of the Netherlands). The project will attempt to incorporate some of the social housing principles developed in the Netherlands over the years by creating a mixed income/mixed tenure development.

The development will contain an assortment of for-sale condominium units and for-rent apartments. Thirty-five townhouse condominium units will be created, of which 25 will be sold at current market prices to the general public. The other 10 of the townhouse-style units will be available to the general public, but special marketing efforts will be directed toward single mothers on welfare participating in the Reach-Up independence training programs operated by Trinity College and Champlain College.

All 53 rental units would be owned by a limited partnership consisting of subsidiaries of Housing Vermont and Cathedral Square Corporation, the Sisters of Mercy, and one or more corporate equity investors.

At this time the sponsors have secured site control and a commitment from VHCB for a portion of the financing. However, the sponsors indicate that they need additional time to secure the remaining financing and to insure that the development will be financially feasible and affordable for the long term.

Recommendation: Staff does not recommend a reservation of credits at this time because the sponsor has indicated that additional work on this project needs to be completed before the structure (mix of rental and for-sale housing) would insure long term affordability. Staff would like to emphasize, however, that this project is a potentially innovative example of the type of affordable housing that could be built in Vermont and would be a competitive application in future reservation rounds.

Total 1996 LIHTC Availa

VHFA 1996 LOW INCOME HOUSING TAX CREDITS APPLICATIONS TO DATE ANALYSIS

4/17/96

1996 Per Capita Credits	$725,000
1995 Credits deemed 1996 returns	14,374
1996 Returns	27,725

Total Available	767,099
Less: Round 0,1 Reservations	735,389

Remaining for Allocation in 1996:	31,710

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
St. Johnsbury II - Phase II	St Johnsbury	NCHC / HVT	28	21	rehab	1,226	4%	Yes	830,777	29,671	625	$1.26	165,229	0.00%	0
			----	----		----------									
Reservations - Round 0			28	21		1,226									
Black River Overlook	Ludlow	Realty Resources Chartered	25	25	new construction	216,518	9%	No	2,337,369	93,495	8,661	$0.65	1,407,369	13.89%	285,000
The Pines, Phase III	South Burlington	Pines Housing, L.P.	39	32	new construction.	159,568	9%	No	2,548,703	65,351	4,987	$0.59	947,831	14.70%	326,727
Holy Cross Housing	Colchester	LCHDC / Cathedral Square Corp	40	33	new construction	151,408	9%	Yes	2,501,255	62,531	4,588	$0.69	1,041,074	9.64%	220,000
Burlington RHIP	Burlington	Housing Vermont / BCLT	33	27	acquis/rehab	92,616	Both	Yes	2,194,009	66,485	3,430	$0.71	655,566	7.72%	157,200
ACCAG Scattered Sites	Middlebury/Vergennes	Housing Vermont / ACCAG	19	17	rehab	79,465	9%	Yes	1,341,171	70,588	4,674	$0.92	730,500	11.35%	136,750
Phelps Court	Windsor	RACLT	14	7	rehab	26,580	9%	Yes	1,266,165	90,440	3,797	$1.36	361,495	14.17%	157,191
Merrimac Farm	Hartford	Twin Pines Housing Trust	5	5	rehab	8,008	4%	Yes	439,128	87,826	1,602	$0.74	59,245	5.76%	23,917
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Reservations - Round 1			175	146		734,163									
			----	----		------------									
			203	167		735,389									

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Multifamily Development Underwriter

DATE: April 17, 1996

RE: Barre Street, Montpelier

At its meeting of March 21, 1996, the Board resolved to provide a Letter of Interest to provide permanent financing to the Central Vermont Community Land Trust for the above-referenced property; it also authorized the Executive Director to issue a Letter of Commitment for permanent financing.

One of the sources of funding for the project is the HOME program, administered through VHCB. Recently the U. S. Department of Housing and Urban Development (HUD) has imposed a new condition on the two primary funding programs (HOME and CDBG funds) that it provides annually to Vermont. Specifically, HUD is requiring that both of these programs operate on the same fiscal year. Currently, HOME program commitments are about nine months ahead of CDBG funding commitments. The result of this requirement is that VHCB will probably not be able to release the HOME funds to this project until the first week of July 1996. Because CVCLT will almost certainly be ready to close prior to this, staff would like to have approval to provide a bridge loan not to exceed $297,400 (the amount of the HOME funding). The HOME funds are being used for construction (in conjunction with other funds), so this bridge loan will not need to be utilized if the HOME funding becomes available when anticipated. This bridge loan would serve as a back-up only in the event that there are some unanticipated delays in accessing the HOME funding.

RECOMMENDED BOARD ACTION:

Staff recommends the Board pass the resolution (to be handed out at the Board Meeting) to provide bridge financing of up to $297,400, with a rate of 8%, and a term not to exceed 6 months. The source of funds would be VHFA general funds.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
BARRE STREET (MONTPELIER) DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier, (the "Sponsor") involving the refinancing of a scattered site, mixed use development on Barre Street in Montpelier, currently containing 21 rental apartments, an office, three garage spaces and a day care center (the "Development"); and

WHEREAS, the Agency has, in a resolution dated March 21, 1996, approved a permanent mortgage loan of up to $193,000 with an amortization period of 25 years, with an interest rate of 7.22% per annum from the Agency's recycled Section 8 proceeds; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $254,772 and a lead paint grant of $7,000 from the Vermont Housing and Conservation Board and a HOME grant of $297,400; and

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

WHEREAS, the Board has been presented with a supplemental memorandum dated April 17, 1996 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, the Sponsor is seeking a commitment from the Agency for bridge financing of up to $297,400 since the release of the HOME grant money is not likely to occur before the anticipated closing;

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 maintain the supply

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

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

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a commitment to provide Central Vermont Community Land Trust, Inc. ("CVCLT") with a bridge loan facility in connection with the previously approved refinancing of the Barre Street Development, substantially in accordance with the provisions of the Memorandum. The maximum amount of credit that may be extended to the CVCLT is $297,400.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

DATE: April 17, 1996

RE: Kilbourn Mobile Home Park

The National Bank of Middlebury has agreed to buy a bond from the Agency to finance the Kilbourn Mobile Home Park acquisition by the Addison County Community Trust. Enclosed is a federally taxable bond resolution and three party agreement for your review and discussion at tomorrow's board meeting. Please call me if you have any questions.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AUTHORIZING THE ISSUANCE OF ITS
HOUSING PROJECT BOND (FEDERALLY TAXABLE
ISSUE) KILBOURN 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, Deputy 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 "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 January 19, 1993, 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 Kilbourn 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 2 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 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) Kilbourn Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Three Hundred Eighty Four Thousand Five Hundred Dollars ($384,500), the original principal amount of the Bond to be determined upon their 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 Anniversary Date. Interest on the Bond shall be payable on September 1, 1996 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 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 Bond 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 Bond.

(A) The Bond is hereby sold to the National Bank of Middlebury 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 "Kilbourn 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) Kilbourn General Account (the "General Account");

(2) Kilbourn Sinking Fund Account (the "Sinking Fund Account");

(3) Kilbourn 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. <u>Application of Revenues.</u>

(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, 1996 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 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 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. <u>Transfers from General Fund.</u>

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

SECTION 305. <u>Investment.</u>

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. <u>Obligation of The Bond.</u>

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 owner 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)
Kilbourn Mobile Home Park

No. <u>1</u> $384,500

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 National Bank of Middlebury, or registered assigns, on the Tenth day of September, 2016, the principal sum of THREE HUNDRED EIGHTY FOUR THOUSAND and FIVE

HUNDRED Dollars ($384,500), 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, 1996. 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 7.5%.

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 passed April 18, 1996 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Kilbourn 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, 1996 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 all or part of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment of more than 25% of the outstanding principal amount of the bond, the Agency will pass through amounts of prepayment charges it receives from the Sponsor, which shall be in the amount of 2% of the amount prepaid.

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: ______ _, 199_

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, Deputy 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 Bond 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.

THREE PARTY AGREEMENT

This Agreement is made this _____ day of ________, 1996, by and among the National Bank of Middlebury, a national bank having its principal office at Middlebury, Vermont (hereinafter collectively called the "Buyer"); the Addison County Community Trust, a Vermont nonprofit corporation having its principal office at Middlebury, Vermont (hereinafter called "Borrower"); and the Vermont Housing Finance Agency, having its principal office at 164 St. Paul Street, 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 Bristol, Vermont (the "Development"), and otherwise subject to the terms and conditions of the Agency's commitment letter to the Borrower dated as of March 27, 1996 (the "Commitment Letter"), Agency agrees to make a Permanent Loan (the "Loan") to Borrower in an amount to be determined by the Agency but not to exceed THREE HUNDRED EIGHTY FOUR THOUSAND FIVE HUNDRED ($384,500) AND 00/100 DOLLARS. The Loan shall conform in all respects to the requirements of the Commitment Letter. The 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 June 15, 1996, 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 Buyer to accept the 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 Loans the form of the following documents attached to the Commitment Letter:

(a) Promissory Note
(b) Mortgage Deed
(c) Regulatory Agreement
(d) Conditional Assignment of Leases and Rents
(e) Escrow and Loan Agreement

6. Subject to the terms of the Commitment Letter, at the time of the acquisition of the Development (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 Bonds.

(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 Buyer 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. Notice shall be deemed delivered when mailed registered mail, return receipt requested, to the Borrower at P.O. Box 256, Middlebury, Vermont 05753, to the Agency at P.O. Box 408, Burlington, Vermont 05402-0408, or the Buyer at P.O.

Box 189, Middlebury, Vermont 05753 (or to such other place as a party may designate in writing).

9. 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.

ADDISON COUNTY COMMUNITY TRUST

By: ______________________________
(Borrower)

Its ______________________________

NATIONAL BANK OF MIDDLEBURY

By: ______________________________
(Buyer)

Its: ______________________________

VERMONT HOUSING FINANCE AGENCY

By: ______________________________
(Agency)

Its ______________________________

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EVENSEN DODGE INC
FINANCIAL CONSULTANTS

April 15, 1996

Roger A. Schoenbeck
Director of Finance
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT 05401-4634

Subject: April, 1996 Bond Structure

Dear Roger:

The Agency has requested that Evensen Dodge review the structure of the upcoming bond issue and provided the April 5th memo, including a one page summary, addressed to the VHFA Board for our review.

Based upon the review of the one page summary, Evensen Dodge agrees that the proposed bond structure provides a significant reduction, estimated to be 30 basis points, in the full-spread loan interest rate and that the only cost is the incremental costs paid to Paine Webber in conjunction with the Convertible Option Bond (COB) portion of the issue. We agree that this cost, estimated to be $75,000, is approximately 10% of the amount the subsidy value of about $800,000. There are a number of alternative methods of structuring COB issues and we believe the proposed structure is a good structure.

The use of a COB issue makes financial sense for the Agency and clearly complies with the Tax Code requirements. The interest rate subsidy will also decrease the potential for non-origination, although the cost of non-origination will be higher by the amount of the incremental COB cost.

Evensen Dodge has one recommendation relating to asset/liability management of this structure. The COB earnings can be kept the Agency to the extend that they are below the blended bond yield. The important point is that the Agency has flexibility to use the COB earnings in different ways. While the COB earnings "make up" for the reduced interest payments from the loans, the COB earnings do not need to be used to reduce the mortgage rate. The Agency can use these COB earnings to cross-call high interest rate bonds within the Bond Resolution, to target the term bond of the current issue, to make mortgage loans, or to invest in eligible investment securities. All of these options should be reviewed by the Agency to see which one maximizes the financial value.

We would be pleased to answer questions or provide additional information.

Sincerely,
EVENSEN DODGE INC

Alan L. Hans
Senior Vice President

cc: Allan S. Hunt

Albuquerque • Atlanta • Boston • Buffalo • Costa Mesa • Dallas • Des Moines • Detroit • Fargo
Hartford • Minneapolis • New York • Orlando • Portland • San Francisco • Seattle • Washington D.C.

601 Second Avenue South, Suite 5100, Minneapolis, MN 55402
612/338-3535 800/328-8200 FAX 612/338-7264

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
BARRE STREET (MONTPELIER) DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier, (the "Sponsor") involving the refinancing of a scattered site, mixed use development on Barre Street in Montpelier, currently containing 21 rental apartments, an office, three garage spaces and a day care center (the "Development"); and

WHEREAS, the Agency has, in a resolution dated March 21, 1996, approved a permanent mortgage loan of up to $193,000 with an amortization period of 25 years, with an interest rate of 7.22% per annum from the Agency's recycled Section 8 proceeds; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $254,772 and a lead paint grant of $7,000 from the Vermont Housing and Conservation Board and a HOME grant of $297,400; and

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

WHEREAS, the Board has been presented with a supplemental memorandum dated April 17, 1996 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, the Sponsor is seeking a commitment from the Agency for bridge financing of up to $297,400 since the release of the HOME grant money is not likely to occur before the anticipated closing;

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 maintain the supply

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

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

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a commitment to provide Central Vermont Community Land Trust, Inc. ("CVCLT") with a bridge loan facility in connection with the previously approved refinancing of the Barre Street Development, substantially in accordance with the provisions of the Memorandum. The maximum amount of credit that may be extended to the CVCLT is $297,400.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: May 8, 1996

RE: CANCELLING MAY/RESCHEDULING JUNE BOARD MEETING

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

The June meeting has been rescheduled to 1:00 p.m. Thursday, June 13, at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont. Gus Seelig and Jo Bradley will be unable to attend, as they both to scheduled absences for several weeks in June. As the date approaches, please be sure to let Barbara Parker (ext. 255) know if your availability changes, as we may then have a problem attaining a quorum.

The Board agenda and packet will be mailed to you on June 7.

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

vhfa
VERMONT HOUSING FINANCE AGENCY

June 3, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, June 13, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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EQUAL HOUSING OPPORTUNITY

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: June 7, 1996

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, June 13, at the Office of the Commissioner of Banking, Insurance and Securities, 89 Main Street, Montpelier, Vermont.

Gus Seelig and Jo Bradley will be unable to attend due to scheduled absences for several weeks in June; Barb Grimes will attend in Jo's place. Please be sure to let Barbara Parker (ext. 255) know if your availability changes, as we may then have a problem attaining a quorum.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 June 13!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

VERMONT HOUSING FINANCE AGENCY

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

Thursday, June 13, 1996 at 1:00 p.m.

1. Review and approval of minutes of April 18, 1996

2. Development
   - Black River Overlook Letter of Commitment **[Erdelyi//Enclosure]**
   - Holy Cross Senior Housing Letter of Interest **[Erdelyi//Enclosure]**
   - Proposed Changes to Mortgage Plus Program **[Crady//Enclosure]**

3. Operations
   - Single Family Program, Servicing and Property Disposition Reports **[Lothrop//Enclosure]**
   - Quality Control Report **[Lothrop//Enclosure]**

4. Communications
   - Update of Delinquency Study **[Gent//Enclosure]**
   - Community Outreach Activities **[Gent//Enclosure]**

5. Multifamily Management
   - Prospect/Forest Homes—Randolph **[Falzone//Enclosure]**

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

7. Legal
   - Repeal of Outdated Commitment Resolutions **[Jarrett//Enclosure]**

8. Finance
   - Quarterly Financials as of March 31, 1996 **[Schoenbeck//Enclosure]**
   - FY96 Budget Performance Report—March 31, 1996 **[Schoenbeck//Enclosure]**
   - Proposed FY97 Budget **[Schoenbeck//Enclosure]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Vermont Housing & Conservation Board
136½ Main Street
Montpelier, Vermont

Thursday, April 18, 1996

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

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Lothrop, Mr. Jarrett, Ms. Parker, Mr. Erdelyi, Mr. Cummings, Ms. Crady

Guests: Mr. Gurley, Mr. Irvin, Mr. Dormitzer (PaineWebber); Mr. Amsden (Kutak Rock); Ms. Huffman (Orrick, Herrington & Sutcliffe); Mr. Rittenhouse (AG Edwards); Mr. Dickson (Housing Vermont)

The meeting was called to order by Chairman White at 12:30 p.m. Upon a motion duly made by Mr. Seelig and seconded by Mr. Douglas, the minutes of March 21 were accepted as written, with Ms. Randall abstaining. A motion was then made by Mr. Candon to adopt the minutes of April 11 and April 15 as submitted; this motion was seconded by Mr. Douglas and carried unanimously.

Mr. Erdelyi reviewed the "April 1996 LIHTC Reservations" as described in his memo of April 17, included in the supplemental Board packet. There were ten applications for housing credits in the first round of 1996, representing 173 percent of the state's total available 1996 credit of $767,099. Seven of the applications were recommended for housing credit reservations at the meeting of the Joint Committee on Tax Credits, held April 16. Approval of the seven recommended applications would utilize all but $31,710 of the 1996 housing credits. All of the housing credit units in all of the projects are at or below the maximum housing credit income and rent limits. Mr. Erdelyi reviewed the seven projects currently under consideration. Chairman White voiced concern regarding allocating too much of the total credit available for 1996 this early in the year. However, Mr. Hunt noted that it may be possible to utilize some of the 1997 credit this fall. After a motion was made by Mr. Candon and seconded by Mr. Douglas, the Board voted unanimously to adopt the "Resolution Regarding Low Income Housing Tax Credit Project Reservations" as attached to these minutes.

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Mr. Schoenbeck then introduced to the Board Mr. Gurley, Mr. Irvin and Mr. Dormitzer, of PaineWebber, Inc., the bond underwriters; Mr. Amsden of Kutak Rock, the Agency's bond counsel; and Ms. Huffman of Orrick, Herrington & Sutcliffe, bond counsel for PaineWebber. A copy of a letter from Evensen Dodge Inc. offering their favorable opinion regarding the proposed bond structure was distributed to the Board. Mr. Gurley reviewed the bond structure, which had been outlined and reviewed by the Board in the conference calls of April 11 and April 15. Mr. Dormitzer announced that a mortgage rate of 6.95 percent had been achieved. Copies of the pricing book for the bond issue were distributed to the Board, and reviewed thoroughly. Mr. Dormitzer also reviewed the investment and reinvestment plans for the bond proceeds.

Next, Mr. Gurley announced that the pre-pricing conducted April 15 had generated substantial retail interest. All of the bonds maturing between 2000-2006 had sold retail within Vermont, with those maturing between 2007-2010 left unsold. PaineWebber purchased $1,480,000 of bonds for 2007-2008, and Smith Barney did the same for $1,480,000 from 2009-2010. Portions of the convertible option bond (COB) are subject to the Alternative Minimum Tax (AMT). The long maturity COBs were originally priced at 4.60 percent for non-AMT and 4.70 percent for AMT, with very little market interest generated at these rates. After the rates were adjusted to 4.70 percent for non-AMT and 4.80 percent for AMT, most of these COBs have been sold due to PaineWebber purchasing approximately $15 million of the total $29 million in COBS. The longest maturities, due in 2021 and 2026, were purchased by Fannie Mae; those maturing in 2022 were purchased by U.S. Leasing (Ford); these purchases represent 75 percent of the financing. According to Mr. Irvin, the PaineWebber and Smith Barney activity for the bonds maturing between 2007-2010 is typical of bond structures; orders are allotted to the senior managers, which allows those bonds underwritten to be purchased and thus close the account. Mr. Gurley informed the Board that the actual spread and underwriters discount, driven by the cost of underwriters' counsel, had been lowered from the anticipated costs reviewed during the April 15 Board meeting. The total underwriters discount for the long term bonds is $7.76 and $2.87 on the COBs. The overall underwriters' discount computes to $5.81 on a composite basis. The acquisition fund for this bond issue was provided by AIG, with the escrow fund provided by Bayerische Landesbank, a German banking institution.

Chairman White noted that the Board had originally approved a bond issue resulting in $40 million in immediately lendable proceeds. However, on the day that the issue was brought to the bond market, as the projected mortgage rate for this issue fell below seven percent, Mr. Hunt consulted with the Chairman and both agreed that it would be advantageous to increase the overall size of the issue due to savings realized in the long term bonds to be issued. Chairman White explained that any motion to approve the bond issue should reflect the increased amount of the total bond issue. The need to dedicate more of the Agency's funds available at 7.55 percent prior to taking reservations at the new rate was stressed by Mr. Hunt, who cautioned Board members and those attending the meeting not to publicize the mortgage rate. Mr. Irvin reviewed comparable housing finance agency bond financings finalized during the week prior to the Agency's bond issue. Mr. Gurley expressed his thanks to the staff and Mr. Amsden for their work on this transaction.

Ms. Bradley joined the meeting at this time.

Mr. Amsden then reviewed the proposed Series Resolution that had been distributed in the supplemental Board packet, as well as the four other documents referenced in that resolution. As Mr. Amsden explained, adoption of the Series Resolution, which is the continuing disclosure agreement, also approves the execution of the Reimbursement Agreement; the form of the final Official Statement; the Remarketing Agreement, which has been amended slightly from the version used in prior bond issues; and the Purchase Contract, which is a composite contract with PaineWebber, Smith Barney, and Fannie Mae. The Series Resolution also includes an amendment to the General Resolution that allows Stratevest Group, a wholly-owned subsidiary of Banknorth Group (the Howard Bank) to act as trustee in the future when enough bonds are sold to meet the General Resolution amendment requirements. A motion was then made by Mr. Seelig that the "Tenth Supplemental Single Family Housing Bond Resolution" be adopted in substantially the form presented, with such changes or modifications as are approved by the Chairman, Executive Director, Deputy Director, or Director of Finance. This motion was seconded by Mr. Candon and carried unanimously. Chairman White expressed his thanks to the staff, the bond underwriters, and bond counsel for the hard work evidenced by this bond issue, noting the innovative structure utilized and acknowledging the efforts expended throughout the past few months.

Mr. Hunt introduced Mr. Rittenhouse, of AG Edwards in St. Louis, who was observing the meeting.

Mr. Candon left the meeting at this time.

The "Gates Street Elderly Predevelopment Loan, White River Junction," was reviewed by Mr. Cummings, who referred the Board to his memo of April 12, included in the Board packet. The proposal is for a 14-unit elderly housing development in downtown White River Junction to be built and owned by the Coolidge Apartments Corporation (CAC), a 501(c)(3) nonprofit organization working closely with the Hartford Housing Authority on this property. A $21,000 Vermont Housing Ventures loan was previously approved by staff. However, one of the conditions of the HUD 202 program that will be used to finance this project is that the sponsor submit a comprehensive Firm Commitment application prior to receiving HUD approval. To complete this application, the sponsor must provide architectural drawings, revised construction cost estimates, and a signed contract with a construction contractor. CAC has applied to the Agency for $19,005 in bridge financing to pay for the required activities prior to submitting an application for a firm commitment from HUD; the deadline for applications is May 15. After a motion was made by Mr. Douglas and seconded by Ms. Bradley, the Board voted unanimously to adopt the "Resolution Pertaining to Gates Street Elderly Development (White River Junction)" as attached to these minutes.

Ms. Crady then reviewed the "Rockingham Area Community Land Trust's Self-Help Initiative" as described in her memo of April 12, included in the Board packet. RACLT is requesting the Agency's assistance to implement a Self-Help Initiative to expand homeownership to five households at or below 85 percent of area median income, and to serve as a basis for a model program that could be replicated in other areas of the state. Ms. Crady explained that of the 32 families that have applied and been considered for this initiative, only four families have actually qualified. According to Ms. Crady, there are no other examples in Vermont of self-help initiatives comparable to this proposal, although some regional nonprofits do provide a certain level of technical assistance. A motion was then made by Mr. Seelig and seconded by Ms. Randall to adopt the "Resolution Regarding Rockingham Area Community Land Trust Self-Help Initiative" as attached to these minutes. This motion carried unanimously.

Mr. Dickson, of Housing Vermont, arrived during the previous discussion.

Next, the Board reviewed Mr. Erdelyi's memo of April 17, included in the Board packet, regarding "Barre Street, Montpelier;," a proposed Resolution was distributed to the Board. A letter of interest to provide permanent financing to the Central Vermont Community Land Trust (CVCLT) for this property was approved at the March 21 meeting. The Vermont Housing & Conservation Board (VHCB) will probably not be able to release HOME funds to this project until the first week of July 1996 due to prior HOME program fund commitments. Because CVCLT will almost certainly be ready to close prior to July, a bridge loan in the amount of the forthcoming HOME funding is being requested. This bridge loan would only be activated in the event that there are unanticipated delays in accessing the HOME funding. A motion was made by Ms. Bradley and seconded by Mr. Douglas and the Board voted unanimously to adopt the "Resolution Authorizing Bridge Financing for Barre Street (Montpelier) Development" as attached to these minutes.

Mr. Jarrett then reviewed the "Kilbourn Mobile Home Park" federally taxable bond resolution and three party agreement as included in the supplemental Board packet and described in his memo of April 17. The National Bank of Middlebury has agreed to purchase a federally taxable bond from the Agency. This strategy is similar to others that the Agency has utilized previously for mobile home park financing. Mr. Jarrett explained that this structure creates a source of funds other than the General Fund or Federal Home Loan Bank funds. As Mr. Hunt noted, relatively small projects of $300,000 to $400,000 are not appropriate for public bond financing; other commitments from the General Fund preclude financing from that source for this type of project. Following some further discussion, a motion was made by Ms. Bradley and, after being seconded by Mr. Seelig, the "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Kilbourn Mobile Home Park" as attached to these minutes was unanimously adopted.

The "BCLT Rental Housing Improvement Project Permanent Financing Request" was then reviewed by Mr. Cummings, as further detail to his memo of April 12, included in the Board packet. Mr. Dickson, of Housing Vermont (HVT), was reintroduced to the Board. A combined letter of interest and commitment was approved by the Board in November 1995 to provide permanent financing in an amount up to $430,000 to the Burlington Community Land Trust (BCLT). This loan was to refinance existing short term debt and enable moderate rehabilitation on 19 units that BCLT owns in Burlington. However, BCLT was asked to consider utilizing LIHTC as a source of rehabilitation funds for this project. A new development budget was created, along with a request for housing credits and an additional funding request to the Agency for $122,610 to refinance an additional 14 units. There are a number of funding sources for this loan; the request for Agency funds cannot be accommodated through the Section 8 recycled funds as there are not sufficient funds available from this source. Alternate sources of funds would be the Agency's General Fund or the Federal Home Loan Bank. Mr. Cummings suggested a change to the proposed Resolution, which Mr. Dickson acknowledged as acceptable to HVT. A motion was then made by Ms. Randall to amend the "Resolution Pertaining to Letter of Interest re: Burlington Community Land Trust Scattered Site Development (Burlington)" as attached to these minutes to include a subparagraph 3(c) under the conditions for the Letter of Interest, to read *"The balance of the Replacement Reserve and Working Capital accounts and the amount of annual Replacement Reserve contributions shall be in an amount satisfactory to the Agency."* This motion carried unanimously after being seconded by Mr. Seelig.

Mr. Cummings then reviewed the "Assisted Living Financing Program" described in his memo of April 12, included in the Board packet. HVT has applied to the Agency for $3,815,000 in construction and permanent financing for a proposed 60-unit Level III assisted living facility to be located in Chittenden County. The facility would be an elderly housing development with support services including meals, personal care assistance with activities of daily living including bathing and dressing, and skilled nursing care for assistance with activities such as taking medication. The Agency's Strategic Planning process identified a goal *"to create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs."* The Agency currently has two Level III projects in its portfolio, in St. Johnsbury and Enosburg, providing a total of 66 units of assisted care living. Mr. Cummings noted that staff has not yet reviewed the market study or proposed sites for the Chittenden County facility, as the Board's approval of the concept of financing such developments was being sought prior to further review of the project. Mr. Seelig expressed his opinion that while it would be appropriate to consider financing Level III group homes, the location of the project would need further review. As Mr. Seelig pointed out, there may be other counties in Vermont where the need is greater or more immediate. Mr. Cummings explained that HVT, as a 501(c)(3) organization, would be the owner of the property; however, these would not be "qualified housing units" as most would be studios, with or without kitchen facilities; therefore, the proposed source of financing would be 501(c)(3) bonds. Although no formal action was taken, it was generally agreed by the Board that staff should thoroughly review this proposal and bring a more thoroughly developed project concept to the Board at a later date.

The "Single Family Program Activity Report for March 1996" was reviewed by Mr. Lothrop, who directed the Board to his memo of April 1, included in the Board packet. Through the close of business April 17, nearly $3.7 million has been reserved at the 7.55 percent mortgage rate, with nearly $6.3 million in mortgages in process. The same level of activity is anticipated throughout May, should conventional rates remain higher than those offered by the Agency. The lower mortgage rate made possible through the new bond issue would not be released until a sufficient amount of reservations have been made in the 7.55 percent pool of funds. Mortgage Plus activity, representing Mortgage Credit Certificates (MCCs), has reached $355,000 in mortgages to date, comparing favorably with activity in April 1995 which totalled $359,000. The larger spread between conventional rates and those offered by the Agency usually leads to increased MCC activity. Of the properties appearing on the disposition report for March 1996, the one located in North Hero will not sell as there is no valid septic permit and the town has denied the Agency's request for a new permit to replace the failed septic system. The servicing and delinquency activities were also reviewed by Mr. Lothrop, who noted that the overall number of delinquencies should drop through April as income tax refunds are received and applied by borrowers to accounts that are in arrears. No Board action was necessary.

In his Executive Director's report, Mr. Hunt advised the Board that he would be meeting in Boston with representatives from the Federal Home Loan Bank to discuss ways that the FHLB could improve the availability of funds and fund usage for housing finance agencies. A great deal of time was spent addressing various legislative committees and legislators regarding the proposed merger of the Agency with VHCB; it appears that the committee has reversed its vote and decided not to pursue this strategy. Mr. Hunt then reported that Twin Pines Housing Trust (TPHT), of White River Junction, has dismissed its director and a senior staff member. The Agency is financing TPHT's Starlake Village project, consisting of 14 homes being constructed in Norwich. There are three other potential projects involving TPHT and the Agency, and staff will meet with representatives of TPHT to view a transition plan and determine issues including the solvency of the organization. This work will be conducted in conjunction with VHCB. An audit of TPHT should be completed soon. In an unrelated matter, Mr. Hunt noted that a fire in a 16-unit building in Burlington, on which the Agency holds the mortgage, has left 16 families homeless, although alternative housing has been found for some of those families. HUD has determined that the Agency can provide temporary assistance to the families, using subsidies that would normally apply to the units in this project to subsidize rents elsewhere until the building is restored; restoration should be completed in the next six months. The building was fully insured, so there should be no additional financial exposure for the Agency. A tragic shooting in Middlebury occurred at a multifamily property that is also financed by the Agency; HVT is a partner in that project.

Continuing his report, Mr. Hunt observed that the information on the "NCSHA 1996 Legislative Conference" included in the Board packet was strictly informational. The booklet and other materials developed for and presented at the conference proved to be effective lobbying tools. It appears that the LIHTC and MRB programs are safe through the election period, but it is likely that the CDBG and HOME programs will compete with HUD for available federal funds.

The "Update to Business and Strategic Plans" as included in the Board packet attached to Mr. Francis' memo of April 12, was reviewed by Mr. Hunt. Measurable activity levels are on track through the third quarter of the fiscal year, although mortgage purchases are slightly lower than expected. This activity is expected to pick up through the fourth quarter and is not cause for concern. BCLT has expressed interest in purchasing the remaining commercial building at Dalton Drive in Fort Ethan Allen to provide a live-in facility for people with HIV/AIDS. The architectural work has been completed, but applications have not yet been submitted for the actual capital required.

Mr. Douglas left the meeting at this time, and was replaced by his designee, Mr. Smith.

Continuing his review of the Strategic and Business Plans, Mr. Hunt also noted that the owners of the Applegate and Westgate apartments have met with staff to facilitate the purchase of those properties, which include 230 rental units. Mr. Hunt added that staff is also involved in other activities not included in the Strategic Plan or the Business Plan. These include exploring optical imaging in an effort to reduce the amount of paper generation and related storage issues, especially in terms of single family mortgage files. A cost/benefit analysis is being conducted. Chairman White observed that he would be interested in reviewing the results of the Agency's research in this area, as it may be applicable to his organization as well, since their original analysis indicated that costs were quite high. Ms. Randall advised the Board that based on her own experience, an imaging system for the Agency may be of benefit in other records retention areas, such as human resource documentation. Mr. Hunt also informed the Board that the Agency's supervisory staff has completed an extensive training program in employee evaluation techniques. Implementation will begin immediately.

Mr. Hunt then informed the Board that Mr. Cummings will be leaving the Agency at the end of May, as his wife will be completing her medical residency requirements in Portland, Oregon. Chairman White expressed the Board's appreciation for Mr. Cummings' achievements during his tenure at the Agency.

In other old or new business, Mr. Hunt brought up Housing Vermont, which was created in 1988 with $2 million in start-up funds from the Agency; the Agency also is the only sustaining member of HVT, at an annual cost of $15,000. Mr. Hunt noted that while HVT has done a spectacular job of achieving the goals of their organization, they are now reviewing the possibility of expanding their role into activities related to affordable housing that may not meet the strict definitions established at the creation of HVT. Considerations include housing for the elderly or handicapped, as well as housing that integrates special housing needs with standard housing configurations. New mission statements are being developed that would allow HVT to play a role in the preservation of historic buildings, through the syndication of historic tax credits. As Mr. Dickson explained, the threat of elimination of the LIHTC program and increased competition for housing credits from private sector developers caused HVT to review their mission and overall role in the housing arena. Under its current structure, HVT is unable to participate in activities such as downtown revitalization efforts, as these usually encompass both housing units and retail or commercial space. Mr. Dickson pointed out that HVT has a proven track record for generating private investment in public activities. At issue is the funding agreement which in part requires HVT to return any investment income earned on the $2 million which the Agency provided as start-up funds; this amounts to less than $10,000 per year.

According to Mr. Dickson, HVT is interested in participating in downtown revitalization activities. For example, the Division of Historic Preservation has identified a building in Barton for renovation, if a tenant could be found; HVT has an investor interested in the Barton area, but as there is no housing required in the building selected, HVT would be unable to play a role in this renovation. There are also properties in the Old North End neighborhood in Burlington that need renovation, but as these comprise a mix of housing and commercial space, HVT would again be unable to participate. Mr. Dickson explained that HVT has primarily been able to identify and link tax advantaged investments for institutional investors, such as banks. Ms. Bradley noted that it would appear that HVT would be able to provide the connection between projects and investors, rather than becoming another economic developer, of which there are already quite a few. No formal Board action was taken, but the Board expressed approval for HVT to explore different possibilities outside of affordable housing and to continue discussions with the Executive Director with an objective of bringing a firm proposal to the Board at a later date. Mr. Seelig urged HVT to explore opportunities while including affordable housing in the re-constituted mission as far as is possible.

The next meeting was scheduled for May 16 in Burlington; *{later, this meeting was cancelled and the June meeting was rescheduled to June 13 in Montpelier}*. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt, Secretary

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JCTC met on April 16, 1996 and considered recommendations for reservations of tax credits for nine proposed projects; and

WHEREAS, the Agency staff recommended seven of the projects to the JCTC for reservations and the JCTC accepted the staff's recommendations; and

WHEREAS, staff has prepared a memorandum dated April 17, 1996 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservation for the projects recommended by staff for reservations in the Memorandum and accepted by the JCTC: The Pines, Phase III; Black River Overlook, Holy Cross Housing, Burlington RHIP, ACCAG Scattered Sites, Phelps Court and Merrimac Farm, subject to the payment of applicable reservation fees, subject to the conditions discussed in the Memorandum.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 18, 1996.

Allan S. Hunt

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

VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
BARRE STREET (MONTPELIER) DEVELOPMENT

WHEREAS, a proposal has been presented to the Agency by Central Vermont Community Land Trust, Inc., of Montpelier, (the "Sponsor") involving the refinancing of a scattered site, mixed use development on Barre Street in Montpelier, currently containing 21 rental apartments, an office, three garage spaces and a day care center (the "Development"); and

WHEREAS, the Agency has, in a resolution dated March 21, 1996, approved a permanent mortgage loan of up to $193,000 with an amortization period of 25 years, with an interest rate of 7.22% per annum from the Agency's recycled Section 8 proceeds; and

WHEREAS, the Sponsor has obtained commitments for a deferred loan of $254,772 and a lead paint grant of $7,000 from the Vermont Housing and Conservation Board and a HOME grant of $297,400; and

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

WHEREAS, the Board has been presented with a supplemental memorandum dated April 17, 1996 from Joseph Erdelyi (the "Memorandum"); and

WHEREAS, the Sponsor is seeking a commitment from the Agency for bridge financing of up to $297,400 since the release of the HOME grant money is not likely to occur before the anticipated closing;

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

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

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

7. More than one half of each of (a) the total floor area and (b) the total development cost of the Development will be allocated to dwelling units for persons and families of low and moderate income.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a commitment to provide Central Vermont Community Land Trust, Inc. ("CVCLT") with a bridge loan facility in connection with the previously approved refinancing of the Barre Street Development, substantially in accordance with the provisions of the Memorandum. The maximum amount of credit that may be extended to the CVCLT is $297,400.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on April 18, 1996.

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

RESOLUTION REGARDING
ROCKINGHAM AREA COMMUNITY LAND TRUST
SELF-HELP INITIATIVE

WHEREAS, the Agency has received a request from the Rockingham Area Community Land Trust ("RACLT") to assist in implementing a Self-Help Initiative to facilitate homeownership for five households at or below 85% of median income, and to serve as a model that could be replicated in other areas of the state; and

WHEREAS, RACLT is requesting a $20,000 no interest loan to assist in providing pre-purchase education, counseling and technical assistance and oversight during construction of the five homes; and

WHEREAS, the Board has been presented with a memorandum dated April 12, 1996 from Patricia A. Crady, Development Coordinator outlining the details of the Self-Help Initiative (the "Memorandum"); and

WHEREAS, the RACLT request appears to fit within the scope of the Agency's powers as set out in 10 V.S.A. § 621(5) and may be made under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing;

It is hereby DETERMINED:

The request of the Rockingham Area Community Land Trust for assistance in implementing a Self-Help Initiative, as described in the Memorandum, is authorized under the VHFA Act, 10 V.S.A. § 621(5) and may be implemented under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing.

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to negotiate and execute a loan agreement with RACLT in the amount of $20,000 to assist in RACLT's efforts to expand homeownership to five households at or below 85% of median income through its Self-Help Initiative.

2. A total of $10,000 of the funds loaned will be repaid to the Agency at the time the homes are completed and $2,000 of the balance of $10,000 will be repaid to the Agency at the time of the resale of each home. At the time of resale, RACLT may request that repayment be deferred until a subsequent resale if immediate repayment would cause the home to be unaffordable to households at or below 85% of median income.

3. The loan will be secured by a mortgage on the land and the source of funds will be the Agency's General Fund and Multifamily Refunding Savings.

4. The commitment of the Agency to make the loan authorized herein will expire 90 days from the date of this Resolution unless the Sponsor has made substantial progress, in the sole judgment of the Agency, toward closing on the 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 18, 1996.

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

RESOLUTION PERTAINING TO GATES STREET ELDERLY DEVELOPMENT (WHITE RIVER JUNCTION)

WHEREAS, the Agency has been approached by the Coolidge Apartments Corporation (the "Sponsor"), § 501(c)(3) corporation working with the Hartford Housing Authority, regarding a HUD 202 project for which the Sponsor has applied for funding to be located in White River Junction; and

WHEREAS, the Agency has previously made a loan available to the Sponsor through the Vermont Ventures program in the amount of $14,500; and

WHEREAS, the Sponsor is required under the HUD 202 program to submit a comprehensive application prior to receiving a commitment from the Department of Housing and Urban Development; and

WHEREAS, the Sponsor is seeking additional predevelopment funds in the amount of $25,505 to complete the comprehensive application and desires a bridge loan from the Agency; and

WHEREAS, $6,500 of the Sponsor's request may be accommodated under the Ventures program, leaving $19,005 for the Board to consider; and

WHEREAS, the Sponsor's request appears to fit within the scope of the Agency's powers as set out in 10 V.S.A. § 621(5) and may be made under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing;

WHEREAS, the Board has been presented with a memorandum dated April 12, 1996 from Paul Cummings regarding this request; and

It is hereby DETERMINED:

The request of the Coolidge Apartments Corporation for assistance with pre-development costs, as described in the Memorandum, is authorized under the VHFA Act, 10 V.S.A. § 621(5) and may be implemented under the Agency's Rules for Grants, Loans and Advances to Assist the Planning, Construction, Rehabilitation and Operation of Residential Housing.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to provide a letter of commitment for a predevelopment loan to the Coolidge Apartments Corporation in an amount not to exceed $19,005, with an interest rate of 8% per annum.

2. The letter of commitment shall be conditioned so that not more than $9,500 of the bridge loan funds may be released to the Sponsor prior to acknowledgement by HUD, in a form satisfactory to staff, of receipt of a complete HUD 202 Firm Commitment application from the Sponsor including financially feasible construction cost estimates.

3. The source of funds for this loan shall be the Agency's General Fund.

4. The commitment of the Agency to make the loan authorized herein will expire 90 days from the date of this Resolution unless the Sponsor has made substantial progress, in the sole judgment of the Agency, toward closing on the 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 18, 1996.

Allan S Hunt

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: BURLINGTON COMMUNITY LAND TRUST
SCATTERED SITE DEVELOPMENT (BURLINGTON)

WHEREAS, a proposal has been presented to the Agency by the Burlington Community Land Trust, on behalf of a to-be-formed limited partnership (the "Housing Sponsor") involving the refinancing and rehabilitation of 33 rental units located in 13 buildings in several locations in Burlington, as referenced in a staff memorandum dated April 12, 1996 (the "Development"); and

WHEREAS, the Housing Sponsor presented a proposal to the Agency involving a 19 of the apartments included in this proposal that was the subject of a resolution by the Agency dated November 16, 1995 (the "Prior Resolution"), which resolution and any commitments made by the Agency as a result of the Prior Resolution are hereby superseded and terminated; and

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

WHEREAS, all of the units in the Housing Sponsor's proposal are currently, and the majority would remain, affordable to households earning less than 60 percent of median income; and

WHEREAS, the Housing Sponsor has been approved by the Vermont Housing and Conservation Board (VHCB) for lead based paint abatement and grant funds; and

WHEREAS, the Housing Sponsor has been approved for a HOME grant from the City of Burlington in the amount of $113,428; and

WHEREAS, the Housing Sponsor has also submitted an application to the Agency for Low Income Housing Tax Credits, the award of which will be announced on April 16, 1996;

WHEREAS, the maximum amount of the mortgage loan will not exceed $560,000; and

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

It is hereby DETERMINED:

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

2. The rehabilitation costs incurred by the Housing Sponsor are for housing development costs within the meaning of the Act.

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

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

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

6. The Housing Sponsor is a financially responsible organization.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a limited partnership, a general partner of which will be the Burlington Community Land Trust, Inc., for the refinancing and rehabilitation of the Development in Burlington in an amount not to exceed \$560,000. The loan will be amortized over a period of 25 years, but all outstanding principal and interest on the loan will be due 20 years from the date of the loan. The interest rate on approximately \$487,176 will be 7.22% per annum and the remainder of the loan amount will bear an annual interest rate of 8.0%. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance, construction financing, or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions:

   a) the Housing Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA; and

   b) the Housing Sponsor must provide an energy audit, satisfactory to staff, assessing current energy efficiency of units and heating systems and making recommendations for improvements that would reduce utility costs for the 14 additional units that have not had energy audits performed;

c) the Housing Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board for the current scope of work and, if indicated by the commissioned energy audit, a revised scope of work. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the Housing Sponsor is unable to obtain commitments of "requisite financing", the Housing Sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds; and

d) the Housing Sponsor must demonstrate, in a form satisfactory to staff, structural integrity of the buildings, including, specifically, the North/Front Street building and the Grant/North Union Street building.

3. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for the refinancing and rehabilitation of the Development, in an amount to be determined by the Executive Director, but not to exceed \$560,000. Payments on the loan may be amortized over a period of 25 years, with the payment of all outstanding principal and accrued interest due 20 years from the date of the loan. The interest rate on the portion of the loan made from recycled bond proceeds shall be approximately 7.22% and on the portion made from other proceeds, 8% per annum. The Commitment Letter may be issued to Burlington Community Land Trust as a representative of the Housing Sponsor. The Commitment Letter shall be conditioned on the satisfaction by the Housing Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the following:

(a) Agency approval of the scope of final rehabilitation work including specifications;

(b) Evidence of competitive bidding for construction contract satisfactory to the Agency; and

(c) The balance of the Replacement Reserve and Working Capital accounts and the amount of annual Replacement Reserve contributions shall be in an amount satisfactory to the Agency.

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

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

6. The commitment of the Agency to make the loan authorized herein will expire 90 days from the date of this Resolution unless the Sponsor has made substantial progress, in the sole judgment of the Agency, toward closing on the 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 18, 1996.

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) KILBOURN 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, Deputy 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 "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 January 19, 1993, 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 Kilbourn 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 2 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 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) Kilbourn Mobile Home Park" are hereby authorized to be issued as herein provided in an aggregate principal amount not to exceed Three Hundred Eighty Four Thousand Five Hundred Dollars ($384,500), the original principal amount of the Bond to be determined upon their 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 Anniversary Date. Interest on the Bond shall be payable on September 1, 1996 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 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 Bond 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 Bond.

(A) The Bond is hereby sold to the National Bank of Middlebury 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 "Kilbourn 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) Kilbourn General Account (the "General Account");

(2) Kilbourn Sinking Fund Account (the "Sinking Fund Account");

(3) Kilbourn 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, 1996 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 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 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 owner 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)
Kilbourn Mobile Home Park

No. 1 $384,500

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 National Bank of Middlebury, or registered assigns, on the Tenth day of September, 2016, the principal sum of THREE HUNDRED EIGHTY FOUR THOUSAND and FIVE HUNDRED Dollars ($384,500), 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, 1996. 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 7.5%.

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 passed April 18, 1996 entitled "Resolution of Vermont Housing Finance Agency Authorizing the Issuance of its Housing Project Bond (Federally Taxable Issue) Kilbourn 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, 1996 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 all or part of the outstanding principal amount of the Permanent Loan as described in the Resolution. In the event of a prepayment of more than 25% of the outstanding principal amount of the bond, the Agency will pass through amounts of prepayment charges it receives from the Sponsor, which shall be in the amount of 2% of the amount prepaid.

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: _____ _, 199_

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, Deputy 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 Bond 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.

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 18, 1996.

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

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: June 7, 1996

RE: Black River Overlook, Ludlow - Letter of Commitment, Permanent Financing; Construction Financing

EXECUTIVE SUMMARY

At its meeting of January 18, 1996, the Board approved issuance of a Letter of Interest for the Black River Overlook development in Ludlow, a 25 unit new construction project (see attached memo). The sponsor (Realty Resources Chartered) has made progress in securing construction approvals and other financing commitments, and has requested both a Letter of Commitment for permanent financing ($375,000) and approval for a construction loan ($1,530,000).

LETTER OF INTEREST - STATUS OF CONDITIONS

The following conditions were included in the Letter of Interest:

Sponsor must provide a Level I Environmental Site Assessment:

A Level I Environmental Site Assessment, performed by Strategic Analytical Systems, Inc. of Bellows Falls, was received on March 6th by staff. No significant findings were made, and the Assessment appears to have been performed in accordance with the proper standard to provide the owner with the "innocent landowner" defense to federal CERCLA liability (which was VHFA's primary intent in requiring the Assessment).

Sponsor must secure other financing as proposed, or its equivalent:

The other sources of permanent financing in addition to the VHFA loan include a second mortgage loan from VHCB of $290,000, a HOME deferred loan of $230,000, and tax credit equity. Both the VHCB and HOME funds have been conditionally

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committed, and the sponsor has received a reservation of housing tax credits. The sponsor has two commitments for equity investment, one from Okemo Mountain, Inc., the current owner of the site, and one from Related Capital Corporation, a national syndicator. Further discussion of the equity investment will follow later in this memo.

Review of construction costs by VHFA or its agent:

Staff have not yet commissioned an independent cost estimate, or an independent review of the sponsor's construction budget. Staff did have such a review performed on the Westview Terrace project in Springfield, a project also developed by Realty Resources; this review found the budget for that project to be adequate, yet not "overbudgeted." Staff recommend that this review of construction costs be made a condition of the Letter of Commitment for construction financing.

Sponsor must provide documentation of operating expense budget line items, including a letter from the town regarding the estimated taxes:

The sponsor has obtained such a letter from the town, and has provided other documentation to satisfy this condition.

Satisfactory "stress test" analysis of the cash flow projections under varying assumptions, including higher-than-projected vacancy rates and different income and expense trending rates:

Staff have evaluated the project under a number of different scenarios. Given the levels of rents, expenses, and the mix of financing, staff believe the development should be financially feasible.

Resolution of issues related to the allocation of Low Income Housing Tax Credits, including high per unit cost, developer's fees, and builder's overhead and profit:

In its evaluation of the tax credit application as allocating agency, staff required that adjustments be made to the development budget. Staff also allocated less credits than requested because the project exceeded the per unit cost limits of the program. The sponsor has secured a commitment for equity investment at a higher yield than originally anticipated, to fill the funding gap this created.

Resolution of the rate lock/"not-to exceed" interest rate issue:

It is not clear that the equity investor for this development will require a not-to-exceed interest rate, as did the investor on Realty Resources' last development. By providing both construction financing as well as permanent financing, VHFA may have greater flexibility in addressing the rate lock issue. Staff recommend that this condition be carried forward to the Letter of Commitment for permanent financing.

Justification by sponsor for including heat and other utilities in rent:

The sponsor was considering two sources of heat, propane and fuel oil. Based on feedback received from RACLT, its managing co-general partner, and from VHCB, the sponsor has settled on oil forced hot water, with one system per building. The current rent structure has the tenants paying for electricity, and heat and hot water are included in the rent. Staff's concern was that there be some method of encouraging or enforcing efficient energy usage by the tenants. The sponsor is agreeable to separately metering each unit; the rents will be lower, but the tenants will have to pay for their own utilities.

EQUITY INVESTMENT

The sponsor originally provided a signed partnership agreement which names Okemo Mountain, Inc. as the limited partner/equity investor. The agreement specified that Okemo Mountain, Inc. will provide a net yield from syndication of $.65 per tax credit dollar. (This agreement has lapsed, but Realty Resources, RACLT, and Okemo Mountain, Inc. have signed a Three Party Agreement to enter into a partnership.) Okemo Mountain, Inc. is subject to an Act 250 requirement that they provide 25 units of affordable housing in Ludlow, in order to expand the Okemo Mountain ski area.

Okemo Mountain, Inc. has represented to Realty Resources from the beginning that it intended to find other investors to take some or all of its limited partnership interest, investors that would also be willing to take the same return and provide the same net yield from syndication to the project. Its attempts to find other investors to date have reportedly been unsuccessful. Realty Resources has obtained a letter of commitment for equity investment from Related Capital Corporation, a national tax credit syndicator, that provides a net yield of $.67 per tax credit dollar. This commitment contains a number of provisions that were not originally contemplated by VHFA staff in its underwriting, provisions including priority uses of cash flow, optionee agreements, fees, reserve requirements, etc. The most significant condition in terms of its financial impact on the project, however, is that the final equity pay-in will occur only after three months at 95% occupancy. Because the final equity pay-in will be used to pay off the bridge loan, bridge loan interest will still be accruing at a significant rate until this contribution occurs (see attached flow of funds statement). Under a "best case" scenario (assuming this level of occupancy can be reached the month of the permanent closing), $37,000 in bridge loan interest and $59,000 in construction loan interest need to be budgeted, and all of the bridge loan interest is due to this delay in the final capital contribution.

Staff believe the pressure to rent up the units quickly, as well as the financial cost of any delays in obtaining the final capital contribution, belongs on the sponsor. Staff recommend that any construction or bridge loan interest beyond that in the attached budget be payable from Realty Resources Chartered and Joseph Cloutier, and that payment of such interest be secured by a cash bond, irrevocable letter of credit in VHFA's favor, or other such security that may be approved by VHFA's Executive Director. Staff also recommend that the sponsor be allowed to leave in all or a portion of its developer's fee to cover this (or any other) funding shortfall, provided that such deferred developer's fees do not jeopardize the tax credit allocation.

CONSTRUCTION ISSUES

The development consists of new construction of 25 units in five buildings. The site is located on a hill, on gravel soils (adjacent to a gravel pit). Realty Resources has extensive experience throughout New England in developing housing projects, most of which are new construction and are about the same size as this development. Through VHFA hiring an outside construction specialist to either prepare an independent cost estimate (or to review the sponsor's construction budget), staff believe there will be adequate control of costs. Staff also intend to have a construction inspector attend job meetings, review construction requisitions, inspect materials and construction quality, etc. This should keep staff alert to any deviations in either the budget or the project schedule, and help to minimize VHFA's construction risk. At this point in time, staff's primary construction concern is that lumber prices are rising, and that the budget that was originally submitted has not been adjusted recently. If a review of the budget indicates a shortfall, the sponsor will have to propose a method of filling this gap.

The sponsor has submitted a construction budget using a 9% interest rate for the construction loan. Depending on the source VHFA uses, staff believe that this rate should be achievable. The attached flow of funds analysis assumes the interest is payable monthly up to the permanent closing. At that time, if the sponsor has not been successful in securing an earlier equity pay-in, a bridge loan is required. Staff recommend that a portion of its construction loan, not to exceed half of the total bridge needed, may be left in until the final capital contribution has been made, but not longer than six months after the permanent closing.

VHFA's greatest exposure is just before permanent closing, when up to $1,528,575 in construction proceeds are outstanding. The security value of the completed project is $700,000. Standard security requirements for a VHFA construction loan include either 100% performance and payment bonds or an irrevocable letter of credit in VHFA's favor (by the contractor) and completion guarantees (by the general partners).

The permanent rate is run at 8.5%; although a construction loan carries greater risk than the permanent loan, this rate differential between the construction and permanent rate is smaller than other lenders generally would provide. Staff is recommending that the Board authorize the Executive Director to determine the source of funds and the interest rate to the borrower for this construction/bridge loan.

RECOMMENDED BOARD ACTION

Staff recommends the Board adopt the attached Resolution to provide a Letter of Commitment for permanent financing in the amount of $375,000, term of 20 years with an amortization period of 30 years. The interest rate will be based on the cost of funds to VHFA plus one point (at this time the underwriting rate of 8.5% seems achievable). The source of funds is a Federal Home Loan Bank non-member advance. Staff also recommends the Board pass the attached Resolution to provide construction/bridge financing in the amount of $1,530,000, with a term of one year and both the source of funds and the rate to be determined by the Executive Director. The loans are conditioned on the following:

1) Review of construction costs by VHFA or its agent; and

2) Resolution of the rate lock/"not-to exceed" interest rate issue; and

3) Sponsor must select a limited partner/equity investor and negotiate the most favorable terms possible, with VHFA reserving the right to withdraw its financing commitment if, at its sole discretion, the equity terms create a negative impact on the financial feasibility of the development or are significantly different than the attached pro forma dated May 31, 1996; and

4) Sponsor must provide security acceptable to VHFA Executive Director to cover construction/bridge interest accruing after permanent closing but before final capital contribution; and

5) Sponsor must provide guarantees of completion of construction in a form satisfactory to the VHFA Executive Director.

RESOLUTION REGARDING COMMITMENT LETTER RE: BLACK RIVER OVERLOOK (LUDLOW)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") acting for Ludlow Housing Partnership, a to-be-formed limited partnership (the "Partnership") whose general partners are Joseph Cloutier and Rockingham Area Community Land Trust and whose limited partner is Okemo Mountain, Inc., involving the permanent first mortgage financing for a 25 unit development of new affordable rental housing in Ludlow (the "Development");

WHEREAS, the proposed development will contain 25 two and three bedroom units in five buildings located on a 12 acre site on the east side of Routes 100 and 103 in Ludlow, approximately one and a half miles from the town center (the "Property");

WHEREAS, the Sponsor has been given a reservation for low income housing tax credits, which, will enable the Sponsor to raise equity money through the sale of the tax credits;

WHEREAS, the Sponsor has been given conditional commitments for a second mortgage loan of $290,000 from the Vermont Housing and Conservation Board and a HOME deferred loan of $230,000;

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated June 7, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The costs of site development and construction to be incurred by the housing sponsor are housing development costs within the meaning of the Act.

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

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

moderate income.

5. The amount of the Agency's permanent loan after the construction will not exceed 95% of the security value of the Development.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for construction and bridge financing of the Development. The amount of the construction loan shall be determined by the Executive Director, but is not to exceed $1,530,000. The amount of the bridge loan, if any, shall be determined by the Executive Director, but is not to exceed $615,000. The term of the construction/bridge loan shall not exceed 18 months. The source of funds and the rate of interest on the loan shall be determined by the Executive Director. The Commitment Letter may be issued to Realty Resources, Chartered, as a representative of the Ludlow Housing Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

    a) Review of construction costs by VHFA or its agent; and

    b) Resolution of the rate lock/"not-to exceed" interest rate issue; and

    c) Sponsor must select a limited partner/equity investor and negotiate the most favorable terms possible, with VHFA reserving the right to withdraw its financing commitment if, at its sole discretion, the equity terms create a negative impact on the financial feasibility of the development or are significantly different than the attached pro forma dated June 6, 1996; and

    d) Sponsor must provide security acceptable to VHFA Executive Director to cover construction/bridge interest accruing after permanent closing but before final capital contribution; and

    e) Sponsor must provide guarantees of completion of construction in a form satisfactory to the VHFA Executive Director.

2. The Executive Director may, in his discretion, issue a Commitment Letter for a permanent loan for the Development. The amount of the permanent loan

shall be determined by the Executive Director, but is not to exceed $375,000. The term of the permanent loan shall be 20 years. The source of funds and the rate of interest on the loan shall be determined by the Executive Director. The Commitment Letter may be issued to Realty Resources, Chartered, as a representative of the Ludlow Housing Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the construction/bridge loan and one percent (1.0%) of the principal amount of the permanent loan.

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

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Project:	Okemo Mountain	RUN DATE:	06-Jun-96
Total Residential Units:	25	Increase LIHTC	1.00%
Restricted Units:	25	Increase Market	1.00%
Restricted:	100.00%	Expense increase:	3.00%
Avg Net Monthly Rent:	436	Vacancy Rate:	2.00%
Total Dev Costs	2,378,732	Partner's Tax Rate:	34.00%
TDC/Unit	95,149	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	67.00%
Max Credit Amount	225,264		
Credit Amount Allocated	216,518		
Net Syndication	1,436,164		
LIHTC - 9%	8.60%	(June '96)	
LIHTC - 4%	3.69%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Amortization	Term
VHFA First Mortgage	375,000	15.76%	8.50%	30	20
VHCB Second	290,000	12.19%	1.00%	30	int. only
		0.00%	N/A	N/A	
HOME	230,000	9.67%	6.50%	30	grant
Other Equity	33,061	1.39%	N/A	N/A	
Tax Credit Equity	1,450,671	60.99%	N/A	N/A	
	2,378,732	100.00%			

Gap (0)

	2 Br	83,380	15	1,250,700
	3 Br	88,380	10	883,800
Max cost allowed by unit cost limits				2,134,500
projected total cost, excluding cash accounts				2,328,732
			(over)/under	(194,232)

General Partner's Capital Contribution	14,507
Limited Partner's Capital Contribution	1,436,164
Total Capital Contribution	1,450,671

Okemo Mountain DEVELOPMENT BUDGET 06-Jun-96

			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			100,000	4,000	3.48		
Purchase of Building(s)				0	0.00	0	
Sitework			261,600	10,464	9.10		261,600
Rehabilitation				0	0.00		0
New Buildings			1,029,800	41,192	35.83		1,029,800
OFF SITE IMPROVEMENTS				0	0.00		0
BOND			46,100	1,844	1.60		46,100
General Requirements		0.00%		0	0.00		0
Contractor Overhead		13.88%	200,000	8,000	6.96		200,000
Contractor Profit	13.9%	0.00%		0	0.00		0
Construction Contingency		14.57%	150,000	6,000	5.22		150,000
APPLIANCES				0	0.00		0
Subtotal			1,787,500	71,500	62.20	0	1,687,500
PROFESSIONAL SERVICES							
Architect Fee - Design			37,500	1,500	1.30		37,500
Architect Fee - Supervision				0	0.00		0
Attorney			15,000	600	0.52		15,000
SURVEY/ENGINEERING			18,000	720	0.63		18,000
ACCOUNTING			4,000	160	0.14		4,000
Legal - Title & Recording				0	0.00		0
Subtotal			74,500	2,980	2.59	0	74,500
INTERIM COSTS							
Construction Insurance				0	0.00		0
Construction Interest			58,839	2,354	2.05		58,839
Construction Loan Origination Fee			15,000	600	0.52		15,000
Taxes			4,000	160	0.14		4,000
Subtotal			77,839	3,114	2.71	0	77,839
OTHER SOFT COSTS							
Property Appraisal			3,000	120	0.10		3,000
Market Study			3,000	120	0.10		3,000
Environmental Report			1,200	48	0.04		1,200
SEWER & WATER FEES			1,000	40	0.03		1,000
PERMITS/FEES - STATE			10,000	400	0.35		10,000
PERMITS/FEES - LOCAL			15,850	634	0.55		15,850
Tax Credit Fees			8,861	354	0.31		8,861
Marketing (RENT UP)				0	0.00		
Subtotal			42,911	1,716	1.49	0	42,911
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee			3,750	150	0.13		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee				0	0.00		
Other				0	0.00		
Subtotal			3,750	150	0.13	0	0
SYNDICATION COSTS							
Organizational (Partnership)			20,000	800	0.70		
Bridge Loan Interest			37,232	1,489	1.30		
Tax Opinion				0	0.00		
Subtotal			57,232	2,289	1.99	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			285,000	11,400	9.92		285,000
Consultant Fees				0	0.00		0
Subtotal		13.95%	285,000	11,400	9.92	0	285,000
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital				0	0.00		
Operating Reserve/Sinking Fund			50,000	2,000	1.74		
Subtotal			50,000	2,000	1.74	0	0
TOTAL DEVELOPMENT COSTS			2,378,732	95,149	82.77	0	2,167,750

2,378,732

				Acquisition Credit	Rehab/Const Credit
LESS:	Amount of Non-qualified Financing				
LESS:	Adjustment for per unit cost limits				152,869
LESS:	Historic tax Credit (Residential Portion)				
		Total Eligible Basis		0	2,014,881
TIMES:	Adjusted for QCT/DDA		130.0%		2,619,345
TIMES:	Applicable Fraction		100.00%	0	2,619,345
		Total Qualified Basis		0	2,619,345
TIMES:	Applicable Percentage			3.69%	8.60%
		Total Annual Credit Qualified		0	225,264

Total Tax Credits Requested		
Estimated Net Synd. Proceeds		
Estimated Yield - LIHTC Synd.	67.00%	
Equity Gap	1,456,499	
Credits Needed to fill Equity Gap		217,388

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
2 Br	60% Median		6	452	40	32,544
2 Br	HOME 50%		4	370	40	17,760
3 Br	60% Median		4	544	46	26,112
2 Br	55% Median		5	415	40	24,900
3 Br	55% Median		2	481	46	11,544
3 Br	HOME 50%		4	427	46	20,496
	Totals	28,739	25			133,356

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	28,739	25		133,356
Less Vacancy		2.00%		(2,667)
			NET RENT	130,689

OTHER INCOME

Interest Income	0
Laundry	1,700
Parking	0
Total Other Income	1,700
TOTAL INCOME	132,389

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	10,500	875	35	7.9%
Marketing	1,000	83	3	
Audit/Accounting	2,000	167	7	
Legal	500	42	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	600	50	2	
Other		0	0	
TOTAL ADMINISTRATIVE	14,600	1,217	49	
Utilities				
Water/Sewer	6,785	565	23	
Electric		0	0	
Fuel		0	0	
Other	14,500	1,208	48	
TOTAL UTILITIES	21,285	1,774	71	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	5,200	433	17	
Snow/Grounds		0	0	
Repairs	13,200	1,100	44	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	18,400	1,533	61	
Taxes	20,184	1,682	67	
Insurance	4,488	374	15	
Replacement Reserves	4,500	375	15	
Other	1,200	100	4	
Total	84,657	7,055	267	

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PRO FORMA

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		133,356	134,690	136,036	137,397	138,771	140,158	141,560	142,976	144,405	145,849	147,308	148,781	150,269	151,772	153,289
Less Res Vacancy		(2,667)	(2,694)	(2,721)	(2,748)	(2,775)	(2,803)	(2,831)	(2,860)	(2,888)	(2,917)	(2,946)	(2,976)	(3,005)	(3,035)	(3,066)
Plus Other Income		1,700	1,717	1,734	1,752	1,769	1,787	1,805	1,823	1,841	1,859	1,878	1,897	1,916	1,935	1,954
Total Actual Income		132,389	133,713	135,050	136,400	137,764	139,142	140,533	141,939	143,358	144,792	146,240	147,702	149,179	150,671	152,178
Less Operating Expense		80,157	82,562	85,039	87,590	90,217	92,924	95,712	98,583	101,540	104,587	107,724	110,956	114,285	117,713	121,245
Less Reserves		4,500	4,545	4,590	4,636	4,683	4,730	4,777	4,825	4,873	4,922	4,971	5,021	5,071	5,121	5,173
Net Operating Income		47,732	46,606	45,421	44,174	42,864	41,489	40,045	38,531	36,945	35,283	33,545	31,726	29,824	27,836	25,760
Less Primary Debt Service		34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601	34,601
Less Secondary Debt Service		2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
Cash Flow		10,231	9,105	7,920	6,673	5,363	3,987	2,544	1,030	(556)	(2,218)	(3,957)	(5,776)	(7,677)	(9,665)	(11,741)
Oper Subsidy		0	0	0	0	0	0	0	0	556	2,218	3,957	5,776	7,677	9,665	11,741
Net Cash		10,231	9,105	7,920	6,673	5,363	3,987	2,544	1,030	0	0	0	0	0	0	0
DCR		127.28%	124.28%	121.12%	117.79%	114.30%	110.63%	106.78%	102.75%	98.52%	94.09%	89.45%	84.60%	79.53%	74.23%	68.69%
Cumulative Cash Flow																
Beginning Bal		10,231	19,438	27,552	34,501	40,209	44,599	47,589	49,094	49,585	49,525	47,803	44,324	38,992	31,704	22,356
Interest	2.0%	102	194	276	345	402	446	476	491	496	495	478	443	390	317	224
Withdrawls		0	0	0	0	0	0	0	0	(556)	(2,218)	(3,957)	(5,776)	(7,677)	(9,665)	(11,741)
Ending Balance		10,333	19,632	27,828	34,846	40,611	45,045	48,064	49,585	49,525	47,803	44,324	38,992	31,704	22,356	10,839

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		47,732	46,606	45,421	44,174	42,864	41,489	40,045	38,531	36,945	35,283	33,545	31,726	29,824	27,836	25,760
Plus Reserves		4,500	4,545	4,590	4,636	4,683	4,730	4,777	4,825	4,873	4,922	4,971	5,021	5,071	5,121	5,173
Less Interest Expense		(49,616)	(50,337)	(51,100)	(51,905)	(52,756)	(53,654)	(54,603)	(55,604)	(56,661)	(57,776)	(58,952)	(60,191)	(61,498)	(62,874)	(64,324)
Less Depreciation		(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)	(78,057)
Taxable Income (Loss)		(75,441)	(77,243)	(79,145)	(81,151)	(83,265)	(85,493)	(87,838)	(90,305)	(92,900)	(95,627)	(98,493)	(101,502)	(104,660)	(107,973)	(111,448)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		25,650	26,263	26,909	27,591	28,310	29,067	29,865	30,704	31,586	32,513	33,488	34,511	35,584	36,711	37,892
Plus Tax Credits		216,518	216,518	216,518	216,518	216,518	216,518	216,518	216,518	216,518	216,518					
Less Cap Gain Tax																0
After Tax Cash Flow	(1,450,671)	242,168	242,781	243,427	244,109	244,828	245,585	246,383	247,222	248,104	249,031	33,488	34,511	35,584	36,711	37,892
Total 15 years		2,631,824												Original Basis		2,372,904
Internal Rate of Return:	11.57%													Less Depreciation		(1,170,848)
														Basis at Sale		1,202,056
														Sales Price		1,174,334
														Gain		(27,722)
														Tax	34.00%	0

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		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Year		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Residential Rent		154,822	156,370	157,934	159,513	161,109	162,720	164,347	165,990	167,650	169,327	171,020	172,730	174,458	176,202	177,964
Less Res Vacancy		(3,096)	(3,127)	(3,159)	(3,190)	(3,222)	(3,254)	(3,287)	(3,320)	(3,353)	(3,387)	(3,420)	(3,455)	(3,489)	(3,524)	(3,559)
Plus Other Income		1,974	1,993	2,013	2,033	2,054	2,074	2,095	2,116	2,137	2,159	2,180	2,202	2,224	2,246	2,269
Total Actual Income		153,699	155,236	156,789	158,357	159,940	161,540	163,155	164,787	166,434	168,099	169,780	171,478	173,192	174,924	176,673
Less Operating Expense		124,882	128,628	132,487	136,462	140,556	144,772	149,116	153,589	158,197	162,943	167,831	172,866	178,052	183,393	188,895
Less Reserves		5,224	5,277	5,329	5,383	5,436	5,491	5,546	5,601	5,657	5,714	5,771	5,829	5,887	5,946	6,005
Net Operating Income		23,593	21,331	18,972	16,512	13,948	11,276	8,494	5,596	2,580	(558)	(3,822)	(7,217)	(10,746)	(14,415)	(18,227)
Less Primary Debt Service		34,601	34,601	34,601	34,601	193,397	0	0	0	0	0	0	0	0	0	0
Less Secondary Debt Service		2,900	2,900	2,900	2,900	290,000	0	0	0	0	0	0	0	0	0	0
Cash Flow		(13,908)	(16,170)	(18,529)	(20,989)	(469,449)	11,276	8,494	5,596	2,580	(558)	(3,822)	(7,217)	(10,746)	(14,415)	(18,227)
Oper Subsidy		13,908	16,170	18,529	20,989	469,449	0	0	0	0	558	3,822	7,217	10,746	14,415	18,227
Net Cash		0	0	0	0	0	11,276	8,494	5,596	2,580	0	0	0	0	0	0
DCR		62.91%	56.88%	50.59%	44.03%	2.89%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow																
Beginning Bal		10,839	(2,960)	(19,160)	(37,881)	(59,248)	(518,014)	(514,700)	(514,251)	(516,813)	(521,981)	(527,759)	(536,859)	(549,444)	(565,685)	(585,757)
Interest	2.0%	108	(30)	(192)	(379)	(592)	(5,180)	(5,147)	(5,143)	(5,168)	(5,220)	(5,278)	(5,369)	(5,494)	(5,657)	(5,858)
Withdrawls		(13,908)	(16,170)	(18,529)	(20,989)	(469,449)	0	0	0	0	(558)	(3,822)	(7,217)	(10,746)	(14,415)	(18,227)
Ending Balance		(2,960)	(19,160)	(37,881)	(59,248)	(529,290)	(523,194)	(519,847)	(519,394)	(521,981)	(527,759)	(536,859)	(549,444)	(565,685)	(585,757)	(609,842)

Net Operating Income	
Plus Reserves	
Less Interest Expense	
Less Depreciation	
Taxable Income (Loss)	
Cash Flow	
Plus Tax Savings	
Plus Tax Credits	
Less Cap Gain Tax	
After Tax Cash Flow	(1,450,671)
Total 15 years	
Internal Rate of Return:	11.57%

Construction Flow of

06-Jun-96

Sources:		Construction Closing	Month: 1	2	3	4	5	6	7	8	9	Permanent Closing 10	11	12	13	Final Cap Cont. 14
VHFA Permanent Loan	375,000											375,000				
VHFA Construction Loan	1,528,575		90,703	146,930	220,907	222,564	299,483	153,604	154,756	155,917	83,711					
VHCB Loan	290,000	233,803	56,197									0	0	0	0	0
HOME	230,000		23,000	23,000	34,500	34,500	34,500	23,000	23,000	23,000	11,500	0	0	0	0	0
GP Cap Contrb	47,568															47,568
LP Cap. Contrib.	1,436,164	71,808														1,364,356
TOTALS:	3,907,307	305,611	169,900	169,930	255,407	257,064	333,983	176,604	177,756	178,917	95,211	375,000	0	0	0	1,411,924
Uses:																
Land	100,000	100,000														
Sitework	261,600		26,160	26,160	39,240	39,240	39,240	26,160	26,160	26,160	13,080					
New Buildings	1,029,800		102,980	102,980	154,470	154,470	154,470	102,980	102,980	102,980	51,490					
BOND	46,100		4,610	4,610	6,915	6,915	6,915	4,610	4,610	4,610	2,305					
Contractor Overhead	200,000		20,000	20,000	30,000	30,000	30,000	20,000	20,000	20,000	10,000					
Construction Contingency	150,000		15,000	15,000	22,500	22,500	22,500	15,000	15,000	15,000	7,500					
Architect Fee - Design	37,500	30,000	1,150	500	500	500	500	500	500	500		2,850				
Attorney	15,000	12,000										3,000				
~~SURVEY/ENGINEERING~~	~~18,000~~	~~14,700~~										~~3,300~~				
ACCOUNTING	4,000	1,000										3,000				
Construction Interest	58,839		0	680	1,782	3,439	5,108	7,354	8,506	9,667	10,836	11,464				
Construction Loan Origination Fee	15,000	15,000														
Bridge Loan Interest	37,232															37,232
Taxes	4,000						4,000									
Property Appraisal	3,000	3,000														
Market Study	3,000	3,000														
Environmental Report	1,200	1,200														
SEWER & WATER FEES	1,000	1,000														
PERMITS/FEES - STATE	10,000	10,000														
PERMITS/FEES - LOCAL	15,850	15,850														
Tax Credit Fees	8,861	8,861														
Permanent Loan Origination Fee	3,750	3,750														
Organizational (Partnership)	20,000	15,000														5,000
Developer's Overhead & Profit	285,000	71,250					71,250									142,500
Operating Reserve/Sinking Fund	50,000											50,000				
REPAY CONSTRUCTION LOAN	1,528,575											301,386				1,227,189
TOTAL DEVELOPMENT COSTS	3,907,307	305,611	169,900	169,930	255,407	257,064	333,983	176,604	177,756	178,917	95,211	375,000	0	0	0	1,411,921
Construction Loan Balance		0	90,703	237,633	458,540	681,104	980,587	1,134,191	1,288,947	1,444,864	1,528,575	1,227,189	1,227,189	1,227,189	1,227,189	0
Construction Loan Interest 9.0%		0	0	680	1,782	3,439	5,108	7,354	8,506	9,667	10,836	11,464				
Bridge Interest (Cumulative) 9.0%													9,204	18,477	27,819	37,232

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: January 11, 1996

RE: Black River Overlook (Okemo Mountain) - Letter of Interest for permanent financing

Executive Summary

Realty Resources, Chartered, in partnership with Rockingham Area Community Land Trust, Inc. (RACLT), a local 501(c)(3) nonprofit, have requested $375,000 in permanent financing for the acquisition of land and the construction of 25 new rental housing units in Ludlow. In June of 1995 staff brought before the Board a request for financing for this project. At that time the project was tabled on "readiness to proceed" issues. Since then the sponsor has altered the financing plan and now is pursuing VHCB and HOME funds, and no longer is requesting Section 8 refunding savings from VHFA.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$375,000	16.51%
VHCB Second Mortgage	$145,000	6.38%
VHCB Grant	$145,000	6.38%
HOME Grant	$230,000	10.13%
Tax Credit Equity	$1,376,168	60.59%
Totals	$2,271,169	100.00%

Allen & Cable has performed the appraisal, and the property was valued both as a tax credit project (with restricted rents) and as a market-rate project. The values were $550,000 and $700,000 respectively. The loan-to-value ratio for the VHFA financing is approximately 68%, assuming the project will remain a tax credit restricted project (or 54%, if the project is market-rate rentals). The VHFA loan to cost ratio is approximately 17%.

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EQUAL HOUSING OPPORTUNITY

Unit Breakdown and Rents

All of the units will have rents set at a level that is affordable to a household at or below 60% of median income, as required by the Low Income Housing Tax Credit funding. In addition, VHCB will require that eight of the units are targeted to 50% of median. The unit size and rent breakdown is as follows:

Size	#	Rents
2 BR	15	$370-$452
3 BR	10	$427-$544

Tenants will pay for electricity, including electric cooking. All other utilities (heat, hot water, water/sewer, trash) are included in the rent. Two units will be handicapped accessible. All of the remaining units will be handicapped adaptable on the first floor.

Sponsor, Management & Market

A partnership has been formed to own the development. The co-general partners are Joseph Cloutier (president of Realty Resources, Chartered) and RACLT; the limited partner will be Okemo Mountain, Inc.; Timothy and Diane Mueller, principals of Okemo Mountain, Inc., currently own the site.

Realty Resources, Chartered will provide the LIHTC compliance-related aspects of the property management. All other aspects of the management will be the responsibility of RACLT. RACLT currently manages 116 units of rental housing. Realty Resources, Chartered has developed 28 housing projects, five of which are in Vermont; currently they have two other projects under development in Vermont.

The sponsor has provided a market analysis by Douglas J. Kennedy & Associates. There are two assisted housing projects in the region, and the analysis concludes that this project would not have a significant impact on either project. Furthermore, the study explains that much of the rental housing in Ludlow has become occupied on a seasonal basis, and that there is little housing left for long-term renters in town. Within the larger housing market (including surrounding towns), the concludes that year-round rentals are $575 and $675 per month including utilities, for two- and three- bedroom units respectively.

The "highest and best use" analysis portion of the Allen & Cable appraisal is less optimistic about the market. While the Kennedy report states that the rent differential between market-rate units and the proposed development is about 22%, the appraiser believes the differential to be about 10%-15%. Because there is a rent differential, the appraiser agrees that the project should readily rent up; however, the appraiser is concerned that the sudden infusion of new year-round rentals will adversely affect the vacancy rates for all year-round rentals. Furthermore, the appraiser believes that the vacancy rate for the project (as a tax credit project) should be around 10% (the sponsor ran the pro forma using 5%). The appraiser bases these conclusions on the following: there are approximately 350 rental units in the Ludlow area, half of which are seasonal rentals (this proportion is reportedly growing). Of the 175 year-round rentals, this project would represent roughly a 15% increase in one year. The populations of both the town of Ludlow and Windsor county have declined by 1.3% from 1980 to 1990, and the total rental housing units has remained virtually the same over that time period.

At the end of this section of his report, the appraiser concludes that the highest and best use for the property is still for a 25 unit rental housing project, as this use will provide the highest economic return. Since there will be an equity investment of over $1.3 million dollars by the local limited partner, clearly Okemo Mountain, Inc. believes that the project can successfully operate as a tax credit project for the required compliance period. Staff recommends further analysis and "stress test" of the cash flow projections prior to issuing a Letter of Commitment.

Site & Environmental Concerns

The site is on the east side of Route 100/103, approximately 1.5 miles from the center of town (see attached map). The site is located on a large gravel bank, a portion of which the owner intends to excavate. It is the sponsor's intention that gravel extraction activities would precede the housing construction; road clearing and other sitework costs to the housing would be reduced because of this excavation. The site includes approximately 12 acres immediately surrounding the housing. An Act 250 permit has been filed, and the only outstanding issues are reportedly a water supply and wastewater permit, and an indirect discharge permit (because of alternate leachfields within the floodplain - see below). The water supply will be an existing well on an adjacent site.

A portion of the 12 acre site is located within the floodplain of the Black River, but none of the dwelling units are on this portion of the site. Some of the road and leachfields are located within the floodplain; however, the sponsor has received a letter from an engineer at the Vermont Agency of Natural Resources that expresses the opinion that the proposal is acceptable.

VHFA routinely requires a Level I Environmental Site Assessment before making a loan, and the sponsors have not yet had one commissioned. Any loan would be conditioned upon the receipt of a satisfactory Environmental Site Assessment.

DISCUSSION

In 1990, Okemo Mountain, Inc. received Act 250 approval for a ski area expansion. One of the conditions of this approval was that 25 units of affordable housing be built in Ludlow. Timothy Mueller does not want to delay the ski area expansion, and he has reportedly expressed his intent to satisfy the Act 250 condition by constructing single family, "for-sale" homes if Black River Overlook cannot begin construction in the spring of 1996. Since site control is certain, building plans and costs are well developed, and approvals are nearly complete, the sponsor's main objective now is to secure financing.

The sponsor has applied to VHCB and will reportedly receive a positive recommendation, with conditions. The sponsor also intends to apply for tax credits for the first round of 1996, and there are some issues that will have to be addressed during that process (i.e., proposal exceeds builder overhead and profit limits, per unit cost limits, developer fee limits, and credit rates are now lower than projected). These and other issues will need to be resolved prior to receiving an allocation of tax credits.

When VHFA committed to make the permanent loan on the Westview Terrace project in Springfield, the equity investor/construction lender wanted VHFA to provide a rate lock or a "not-to-exceed" interest rate. This led to a compromise solution of VHFA having the right but not the obligation to put its funds in as construction financing. The delay and the complications this caused the project were burdensome. At this time VHFA does not have a source of funds that can readily provide a rate lock for the duration of the construction term. However, the proposed source of funds (Federal Home Loan Bank) could be drawn at the construction closing, thus locking the rate, if VHFA were to do the construction financing. Staff will work with the sponsor to determine what options are available to the project if a rate lock is required, including having the project utilize VHFA construction financing.

Strengths

a) The development team is experienced, and staff is confident that the project can be developed as proposed, approximately within budget and on schedule.

b) The ownership entity has a single, local equity investor who has a strong motivation for seeing that the development is built and successfully operated as a tax credit project.

Weaknesses

a) Demand for the units proposed is low, and construction of 25 new units may have a negative impact on the vacancy rates for all year-round rental properties, including this development. However, the ski area expansion should serve to ameliorate this effect somewhat, through the creation of new service-industry jobs and a corresponding demand for nearby housing. The effect on the demand for housing of the proposed ski area expansion is difficult to quantify.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount of up to $375,000, loan term of 20 years with an amortization period of 30 years, and an interest rate of 8.5%. The source of funds is the Federal Home Loan Bank. The Letter of Interest shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment; and

2) sponsor must secure other financing as proposed, or its equivalent; and

3) review of construction costs by VHFA or its agent; and

4) sponsor must provide documentation of operating expense budget line items, including a letter from the town regarding the estimated taxes; and

5) satisfactory "stress test" analysis of the cash flow projections under varying assumptions, including higher-than-projected vacancy rates and different income and expense trending rates; and

6) resolution of issues related to the allocation of Low Income Housing Tax Credits, including high per unit cost, developer's fees, and builder's overhead and profit; and

7) resolution of the rate lock/"not-to exceed" interest rate issue.

8) justification by sponsor for including heat and other utilities in rent.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cindy Reid, Development Officer CR

DATE: June 7, 1996

RE: Holy Cross Senior Housing - Letter of Interest for Permanent Financing

Executive Summary

Lake Champlain Housing Development Corporation (LCHDC) and Holy Cross Senior Housing Corporation have applied to VHFA for $547,000 in construction and permanent financing. The proposed project consists of a new construction 40-unit elderly housing development in Colchester. The Holy Cross Senior Housing Corporation is a group of Colchester residents that has been working for eight years to address the lack of affordable housing for senior citizens. They contacted LCHDC and Cathedral Square Corporation to develop and manage the project, respectively. The Catholic Diocese is providing a 99 year ground lease for vacant land behind the Holy Cross Church in Malletts Bay for the development.

The project consists of 35 one-bedroom units and five two-bedroom units. Six units will serve households at 30% of median income and below; 10 units will serve 50% of median income and below; 17 units will serve households at 60% of median income and below; five units will serve 80% of median and below; and two units will be at market rate. The total proposed development cost is $61,158 per unit. When completed, the development will have on-call services and a community space which will allow the sponsors to bring in other services and activities for the residents.

THE DEVELOPMENT

Projected Funding Sources		
VHFA First Mortgage	$547,000	22%
VHCB Grant	$215,000	9%
VCLF Subordinate Loan	$47,500	2%
CDBG Deferred Debt	$250,000	10%
HOME Deferred Debt	$420,000	17%
Tax Credit Equity	$967,571	40%
Totals	$2,447,071	100%

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

There has been no appraisal yet to determine loan to value ratio for the VHFA financing. The VHFA loan to cost ratio is approximately 22%.

LCHDC has received a tax credit reservation of $151,408, and commitments for VHCB and HOME funds. LCHDC has submitted a grant application to the Vermont Community Development Program. LCHDC has also submitted a loan application to the Vermont Community Loan Fund (VCLF).

Sponsor and Management

The project is being developed by Lake Champlain Housing Development Corporation. LCHDC is a nonprofit organization with experience in developing and rehabilitating low income tax credit projects in Chittenden County. LCHDC has formed a partnership with Cathedral Square Corporation, which will market and manage the completed development. Cathedral Square is a nonprofit organization with experience developing and managing housing for elderly residents and residents with disabilities. A limited partnership that is yet to be formed will own the development and will include Holy Cross Senior Housing Corporation and Housing Vermont (HV95) as general partners.

Site & Environmental Concerns

The site is located one half mile from the Grand Union on Route 127 in Colchester (see attached site map). It consists of 12 acres; five acres will be reserved for the existing Holy Cross Church and cemetery and seven acres for the proposed development. The site is flat, wooded, and is a sand plain habitat. The Agency of Natural Resources has identified rare plant species on the parcel. LCHDC is working on a management plan for the rare plants. A Level I Environmental Site Assessment has not yet been completed.

DISCUSSION

VHFA staff is reviewing two options for financing. Option A, which LCHDC requested, is to provide three loans secured by one first mortgage: $70,000 at a 10 year term at 8.2%; $127,000 at a 15 year term at 8.35%, and $350,000 at a 20 year term at 8.5%. All rates are subject to VHFA review and availability of funds. This will save the project interest and pay down the debt sooner. Option B is one loan secured by a first mortgage at a 20 year term for 8.5%. LCHDC has requested a prepayable mortgage in this second scenario. Both options leave the project debt free after 20 years, which is LCHDC's goal.

Strengths

a) There appears to be a high demand for affordable elderly housing in Colchester. The Holy Cross Senior Housing Corporation was started by citizens who have been working together for 8 years to address the lack of elderly housing in their community.

b) The Catholic Diocese has agreed to lease the land for the development for 99 years, removing a potentially high land cost. This enhances affordability.

Weaknesses

a) All of the funding sources are not yet committed. The Vermont Community Development Program meets June 26 to decide on a $250,000 grant request. It is a very competitive program, but this is a compelling project with much community support. The Vermont Community Loan Fund will also decide June 26 on a $47,500 loan.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in an amount of up to $560,000, loan term(s) and interest rate(s) to be determined. The proposed source of funds is either Federal Home Loan Bank funds or taxable bond funds. The Letter of Interest shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment, with satisfactory remediation measures being incorporated into the work specifications;

2) sponsor must provide an appraisal acceptable to VHFA staff;

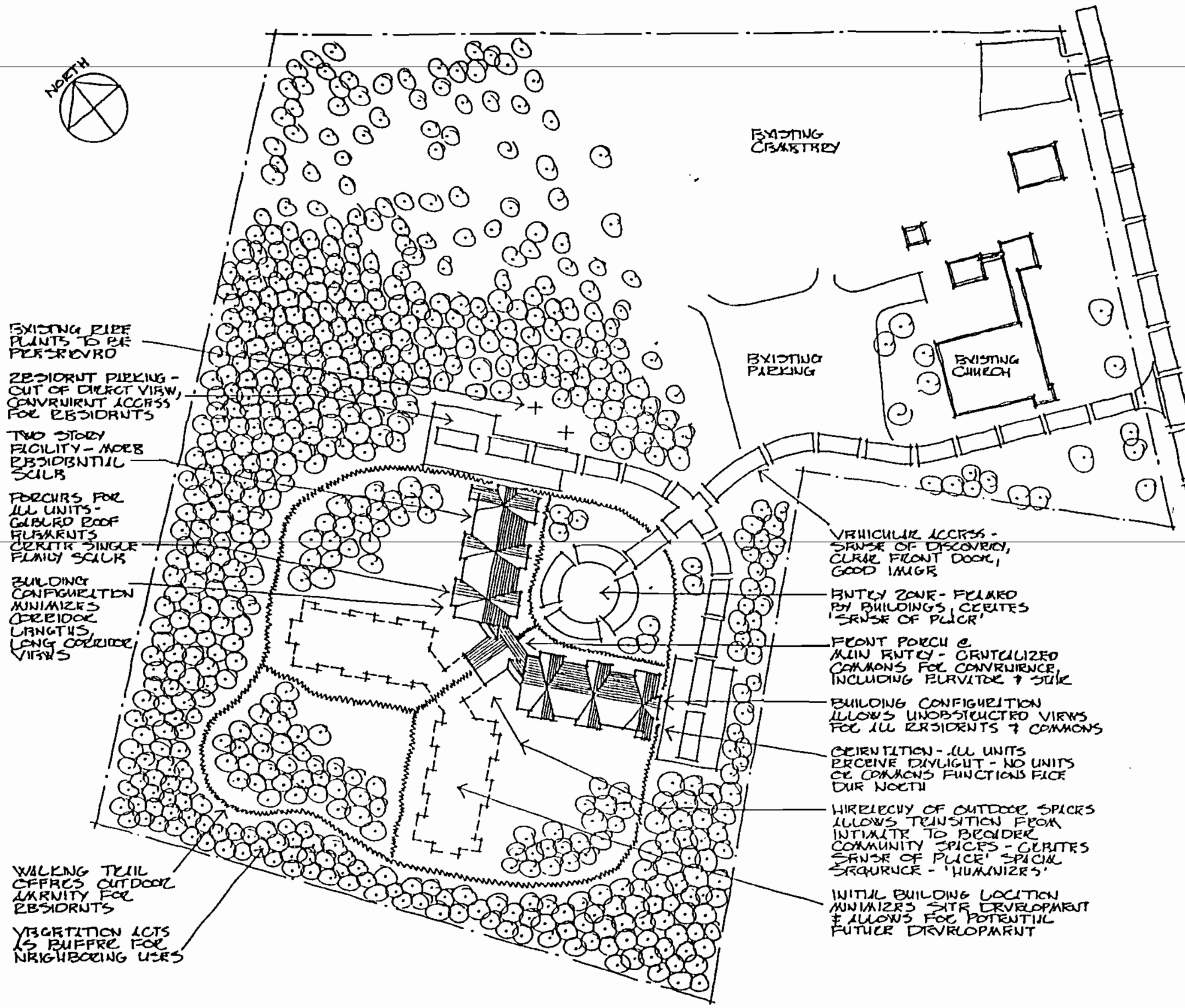
3) sponsor must secure all other sources of financing as proposed, or its equivalent, by July 1, 1996;

4) review of construction costs by VHFA or its agent;

5) data from the sponsor acceptable to VHFA regarding demand for this housing;

6) resolution of issues related to the reservation of the Low Income Tax Credits, including incurring 10% of "reasonably expected eligible basis" costs by October 31, 1996, evidence of Town zoning approval, evidence that proposed construction costs are reasonable, a detailed operating budget, and a revised development budget showing all committed financing by July 1, 1996;

7) evidence of satisfactory Town Design and Site Plan Review and Archaeological Survey Review by July 1 1996, and Act 250 Permit approval by August 30, 1996.



SITE ISSUES

- VIEWS
- ORIENTATION
  - DAYLIGHT
  - VEGETATION
- BUFFERS
- IMAGE/CHARACTER
- FRONT DOOR
- FUTURE EXPANSION
- RESIDENTIAL CHARACTER
  - TWO STORY → HOUSE SCALE
  - GABLES
  - PORCHES
- VEGETATION
  - EXISTING TREES
  - RARE PLANTS
- TOPOGRAPHY
- DRAINAGE
- SOILS
- SEPTIC SYSTEM
- SENSE OF PLACE
  - ENTRY ZONE
  - BUILDING EDGES
  - OUTDOOR ACTIVITIES
    - FORMAL
    - INFORMAL
- WAYFINDING
  - INTERIOR
  - EXTERIOR
- CONVENIENCE
  - PARKING
  - ELEVATOR
  - STAIRS
  - COMMONS
- SECURITY
- COST
  - SITE DEVELOPMENT
- CONTEXT

Site Concept

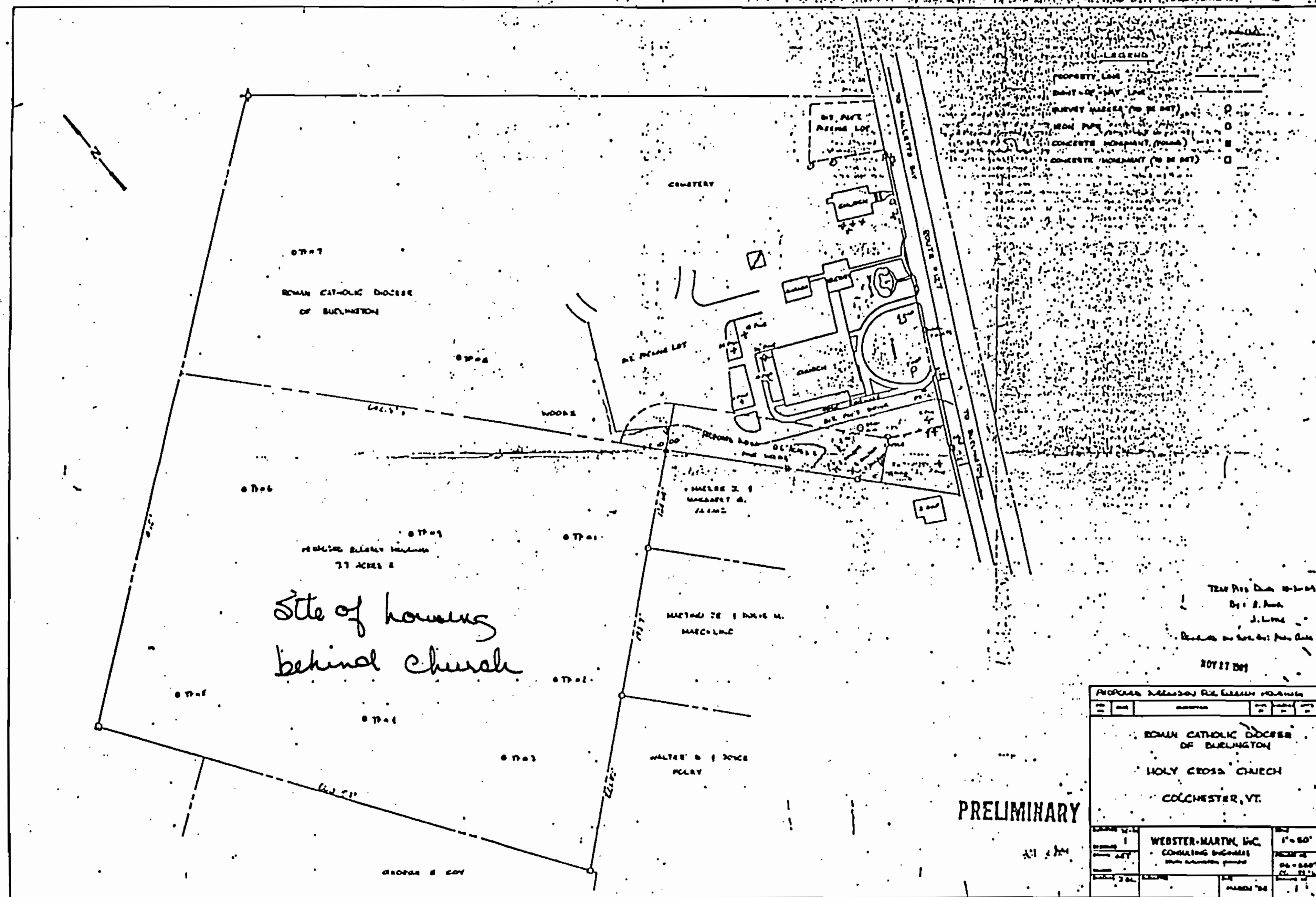
SENIOR HOUSING

CATHEDRAL SQUARE CORPORATION
HOLY CROSS HOUSING
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.

MORRIS/SWITZER & ASSOCIATES

MARCH 1, 1996

ONE INCH = FIFTY FEET



LEGEND
PROPERTY LINE
RIGHT-OF-WAY LINE
CONCRETE MONUMENT (FOUND)
CEMETERY
ROMAN CATHOLIC DIOCESE
OF BURLINGTON
CHURCH
WOODS
ROUTE #127
TO MALLETTS BAY
TO BURLINGTON
Site of housing
behind church
PROPOSED SUBDIVISION FOR ELDERLY HOUSING
ROMAN CATHOLIC DIOCESE
OF BURLINGTON
HOLY CROSS CHURCH
COLCHESTER, VT.
PRELIMINARY
WEBSTER-MARTIN, INC.
CONSULTING ENGINEERS
1" = 80'
CONTRACT NO.

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: HOLY CROSS SENIOR HOUSING

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corporation ("LCHDC") and Holy Cross Senior Housing Corporation ("Holy Cross"), two non-profit corporations based in Chittenden County, (the "Sponsors") on behalf of a to-be-formed limited partnership, whose general partners would include LCHDC, Holy Cross and a Housing Vermont affiliate, involving the construction and permanent financing of a senior housing development containing 40 units in one building located on seven acres in Colchester (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $560,000; and

WHEREAS, the Sponsors have received a reservation of Low Income Housing Tax Credits and have applied for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cindy Reid dated June 7, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership for the construction of the Holy Cross Senior Housing development in Colchester and a permanent loan, in an amount not to exceed $560,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) sponsor must provide a Level I Environmental Site Assessment, with satisfactory remediation measures being incorporated into the work specifications;

   b) sponsor must provide an appraisal acceptable to VHFA staff;

   c) sponsor must secure all other sources of financing as proposed, or its equivalent, by July 1, 1996;

   d) satisfactory review of construction costs by VHFA or its agent;

   e) data from the sponsor acceptable to VHFA regarding demand for this housing;

   f) resolution of issues related to the reservation of the Low Income Tax Credits, including incurring 10% of "reasonably expected eligible basis" costs by October 31, 1996, evidence of Town zoning approval, evidence that proposed construction costs are reasonable, a detailed operating budget, and a revised development budget showing all committed financing by July 1, 1996; and

   g) evidence of satisfactory Town Design and Site Plan Review and Archeological Survey Review by July 1 1996, and Act 250 Permit approval by August 30, 1996.

S:\DEVEL\LIHTC\PROJECTS\HOLYCROS\LOAN.WB2

Project:	Holy Cross Housing	RUN DATE:	06-Jun-96

Total Residential Units:	40	Increase LIHTC	2.00%
Restricted Units:	33	Increase Market	2.00%
Percent Restricted:	81.65%	Expense increase:	4.00%
A[illegible]et Monthly Rent:	451	Vacancy Rate:	4.50%
[illegible]ev Costs	2,446,336	Partner's Tax Rate:	34.00%
T[illegible]/Unit	61,158	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	68.76%

Total Credit Amount	140,611	
Net Syndication	966,836	
LIHTC - 9%	8.55%	(May '96)
LIHTC - 4%	3.66%	

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort Period	Deferred
Senior debt	350,000	14.31%	8.50%	20	20	N
Senior debt 2	127,000	5.19%	8.35%	15	15	N
Senior debt 3	70,000	2.86%	8.20%	10	10	N
VHCB	215,000	8.79%	N/A	N/A		
Junior Debt	47,500	1.94%	6.00%	5	5	N
CDBG Deferred Debt	250,000	10.22%	1.00%	40	40	Y
HOME Deferred Debt	420,000	17.17%	2.18%	30	30	Y
Tax Credit Equity	967,571	39.55%	N/A	N/A		
	2,447,071	100.03%				

Gap: 735

UNIT COST LIMIT ANALYSIS

	Unit Size	Number	
[illegible]om		36	
	Unit Cost Limit	78,380	
2 Bedroom		4	
	Unit Cost Limit	83,380	
Total Cost Limits:		3,155,200	
Total Units:		40	
	Average:	78,880	LIMIT
Prop. Development Costs:		2,446,336	
	Less Capital. Accts:	(13,500)	
	Subtotal:	2,432,836	
	Average:	60,821	COST

Holy Cross Housing — DEVELOPMENT BUDGET — 06-Jun-96

		Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION						
Land			0	0.00		
Purchase of Building(s)			0	0.00	0	
Demolition			0	0.00		
Rehabilitation			0	0.00		
New Buildings		1,745,390	43,635	67.44		1,745,390
Interiors			0	0.00		
Sitework		0	0	0.00		0
Off-site Improvement and Fees			0	0.00		
General Requirements	0.00%		0	0.00		
Contractor Overhead	0.00%		0	0.00		
Contractor Profit	0.00%		0	0.00		
Construction Contingency	10.00%	174,539	4,363	6.74		174,539
Construction Management		12,000	300	0.46		12,000
Landscaping			0	0.00		
Transfer Taxes			0	0.00		
Construction Bond Fee		8,727	218	0.34		8,727
APPLIANCES		28,000	700	1.08		28,000
Subtotal		1,968,656	49,216	76.07	0	1,968,656
PROFESSIONAL SERVICES						
Architect Fee / Engineering		108,000	2,700	4.17		108,000
Architect Fee - Supervision			0	0.00		
Engineering			0	0.00		
Legal/Accounting		15,000	375	0.58		15,000
Arch. Survey		5,000	125	0.19		5,000
Interior Design			0	0.00		
Attorney			0	0.00		
Legal - Title & Recording		4,000	100	0.15		4,000
Subtotal		132,000	3,300	5.10	0	132,000
INTERIM COSTS						
Construction Insurance/Taxes		4,000	100	0.15		4,000
Construction Interest		30,000	750	1.16		30,000
Construction Loan Origination Fee			0	0.00		
Lender Costs			0	0.00		
Other			0	0.00		
Subtotal		34,000	850	1.31	0	34,000
OTHER SOFT COSTS						
Property Appraisal		2,000	50	0.08		2,000
Market Study			0	0.00		
Environmental Report		1,000	25	0.04		1,000
Permits/Fees		9,705	243	0.38		9,705
Other/Contingency		10,000	250	0.39		10,000
Tax Credit Fees		4,700	118	0.18		
Marketing		5,000	125	0.19		
Subtotal		32,405	810	1.25	0	22,705
FINANCING FEES & EXPENSES						
Credit Report			0	0.00		
Permanent Loan Origination Fee		5,775	144	0.22		
Credit Enhancement			0	0.00		
Cost of Issuance			0	0.00		
Title & Recording			0	0.00		
Counsel's Fee			0	0.00		
Other			0	0.00		
Subtotal		5,775	144	0.22	0	0
SYNDICATION COSTS						
Organizational (Partnership)			0	0.00		
Bridge Loan Fees & Expenses			0	0.00		
Tax Opinion			0	0.00		
Subtotal		0	0	0.00	0	0
DEVELOPER'S FEES						
Housing Vermont Fee		120,000	3,000	4.64		120,000
Local Non-Profit Fee		120,000	3,000	4.64		120,000
Subtotal	10.94%	240,000	6,000	9.27	0	240,000
PROJECT RESERVES						
Rent-up (Deficit Escrow) Reserve			0	0.00		
Replacement Reserve			0	0.00		
Working Capital		13,500	338	0.52		
Tax Reserve Account		20,000	500	0.77		
Subtotal		33,500	838	1.29	0	0
TOTAL DEVELOPMENT COSTS		2,446,336	61,158	94.53	0	2,397,361

INCOME

RENTS

Restricted Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent	Affordability
1 Br		630	17	477		97,308	55.79%
2 Br		800	2	532		12,768	58.06%
1 Br	HOME	630	6	280		20,160	32.75%
1 Br	HOME	630	8	435		41,760	50.88%
	Totals	21,130	33			171,996	

Market Rate Units

Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Total Annual Rent	
1 Br		630	5	625		37,500	73.10%
2 Br		800	2	725		17,400	79.13%
	Totals	4,750	7			54,900	

All Units

Grand Totals	25,880	40		226,896
	Less Vacancy	4.50%		(10,210)
			NET RENT	216,686

OTHER INCOME

	Monthly	Annual
Interest Income		
Laundry	200	2,400
Other	292	3,504
Total Other Income		5,904
TOTAL INC		222,590

	Annual	Monthly	Per Unit Per Month	
Administration				
Administration	38,280	3,190	80	16.44%
Supportive Services	9,000	750	19	
Audit/Accounting		0	0	
Legal		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring		0	0	
Other/Inv. Svcs.		0	0	
TOTAL ADMINISTRATIVE	47,280	3,940	99	
Utilities				
Water/Sewer		0	0	
Electric		0	0	
Fuel	38,500	3,208	80	
Common Area		0	0	
Other/Fire/Alarm		0	0	
TOTAL UTILITIES	38,500	3,208	80	
Maintenance				
Maintenance Payroll	31,500	2,625	66	
Supplies		0	0	
Trash Removal		0	0	
Snow/Grounds		0	0	
Repairs		0	0	
Paint/Decorating		0	0	
Exterminating		0	0	
Contract Maintenance		0	0	
Equipment Debt		0	0	
Service Lease/Elevator		0	0	
Other		0	0	
TOTAL MAINTENANCE	31,500	2,625	66	
Taxes	12,000	1,000	25	
Insurance	5,000	417	10	
Replacement Reserves	9,076	756	19	
Other		0	0	
Total	143,356	11,946	299	

06-Jun-96 Holy Cross Housing PRO FORMA

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		226,896	231,434	236,063	240,784	245,600	250,512	255,522	260,632	265,845	271,162	276,585	282,117	287,759	293,514	299,384
Less Res Vacancy		(10,210)	(10,415)	(10,623)	(10,835)	(11,052)	(11,273)	(11,498)	(11,728)	(11,963)	(12,202)	(12,446)	(12,695)	(12,949)	(13,208)	(13,472)
Plus Other Income		5,904	6,022	6,143	6,265	6,391	6,518	6,649	6,782	6,917	7,056	7,197	7,341	7,488	7,637	7,790
Total Actual Income		222,590	227,041	231,582	236,214	240,938	245,757	250,672	255,686	260,799	266,015	271,336	276,762	282,298	287,943	293,702
Less Operating Expense		134,280	139,651	145,237	151,047	157,089	163,372	169,907	176,703	183,771	191,122	198,767	206,718	214,987	223,586	232,530
Less Reserves		9,076	9,258	9,443	9,632	9,824	10,021	10,221	10,425	10,634	10,847	11,064	11,285	11,511	11,741	11,976
Net Operating Income		79,234	78,133	76,902	75,536	74,025	72,364	70,544	68,557	66,394	64,046	61,505	58,760	55,800	52,617	49,197
Less Senior Debt Service		61,603	61,603	61,603	61,603	61,603	61,603	61,603	61,603	61,603	61,603	51,322	51,322	51,322	51,322	51,322
Less Junior Debt Service		11,020	11,020	11,020	11,020	11,020	0	0	0	0	0	0	0	0	0	0
Cash Flow		6,611	5,510	4,280	2,913	1,403	10,761	8,941	6,954	4,791	2,443	10,182	7,437	4,478	1,294	(2,125)
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	0	2,125
Net Cash		6,611	5,510	4,280	2,913	1,403	10,761	8,941	6,954	4,791	2,443	10,182	7,437	4,478	1,294	0
DCR		109.10%	107.59%	105.89%	104.01%	101.93%	117.47%	114.51%	111.29%	107.78%	103.97%	119.84%	114.49%	108.73%	102.52%	95.86%
Cumulative Cash Flow		6,611	12,121	16,401	19,314	20,717	31,479	40,420	47,374	52,165	54,609	64,791	72,228	76,706	78,001	75,876
Cumulative Replacement Reserves		9,076	18,697	28,887	39,674	51,085	63,149	75,896	89,358	103,566	118,555	134,361	151,020	168,572	187,055	206,513
Interest Rate on Accts:	4.00%															

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		79,234	78,133	76,902	75,536	74,025	72,364	70,544	68,557	66,394	64,046	61,505	58,760	55,800	52,617	49,197
Plus Reserves		9,076	9,258	9,443	9,632	9,824	10,021	10,221	10,425	10,634	10,847	11,064	11,285	11,511	11,741	11,976
Less Interest Expense		(48,107)	(46,187)	(44,113)	(41,872)	(39,451)	(37,143)	(35,015)	(32,702)	(30,187)	(27,454)	(24,878)	(22,557)	(20,032)	(17,286)	(14,299)
Less Depreciation		(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)	(85,360)
Taxable Income (Loss)		(45,157)	(44,157)	(43,128)	(42,065)	(40,962)	(40,119)	(39,610)	(39,080)	(38,520)	(37,921)	(37,670)	(37,873)	(38,081)	(38,289)	(38,486)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		15,354	15,013	14,663	14,302	13,927	13,640	13,468	13,287	13,097	12,893	12,808	12,877	12,948	13,018	13,085
Plus Tax Credits		140,611	140,611	140,611	140,611	140,611	140,611	140,611	140,611	140,611	140,611					
Less Cap Gain Tax																0
After Tax Cash Flow	(966,836)	155,965	155,625	155,275	154,913	154,538	154,252	154,079	153,898	153,708	153,504	12,808	12,877	12,948	13,018	13,085
Total 15 years		1,610,492														
Internal Rate of Return:	10.07%															

Original Basis		2,446,336
Less Depreciation		(1,280,402)
Basis at Sale		1,165,934
Sales Price		1,018,702
Gain		(147,232)
Tax	28.00%	0

06-Jun-96 Holy Cross H										PRO FORM	06-Jun-96					
	Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Residential Rent		305,372	311,480	317,709	324,063	330,545	337,156	343,899	350,777	357,792	364,948	372,247	379,692	387,286	395,031	402,932
Less Res Vacancy		(13,742)	(14,017)	(14,297)	(14,583)	(14,875)	(15,172)	(15,475)	(15,785)	(16,101)	(16,423)	(16,751)	(17,086)	(17,428)	(17,776)	(18,132)
Plus Other Income		7,946	8,105	8,267	8,432	8,601	8,773	8,948	9,127	9,310	9,496	9,686	9,880	10,077	10,279	10,485
Total Actual Income		299,576	305,568	311,679	317,913	324,271	330,757	337,372	344,119	351,002	358,022	365,182	372,486	379,935	387,534	395,285
Less Operating Expense		241,831	251,504	261,564	272,027	282,908	294,224	305,993	318,233	330,962	344,200	357,969	372,287	387,179	402,666	418,773
Less Reserves		12,215	12,459	12,709	12,963	13,222	13,486	13,756	14,031	14,312	14,598	14,890	15,188	15,492	15,802	16,118
Net Operating Income		45,531	41,605	37,407	32,923	28,141	23,046	17,623	11,855	5,728	(777)	(7,677)	(14,990)	(22,735)	(30,933)	(39,605)
Less Senior Debt Service		36,449	36,449	36,449	36,449	36,449	0	0	0	0	0	0	0	0	0	0
Less Junior Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow		9,082	5,156	958	(3,525)	(8,307)	23,046	17,623	11,855	5,728	(777)	(7,677)	(14,990)	(22,735)	(30,933)	(39,605)
Oper Subsidy		0	0	0	3,525	8,307	0	0	0	0	777	7,677	14,990	22,735	30,933	39,605
Net Cash		9,082	5,156	958	0	0	23,046	17,623	11,855	5,728	0	0	0	0	0	0
DCR		124.92%	114.15%	102.63%	90.33%	77.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cumulative Cash Flow		84,958	90,114	91,072	87,547	79,239	102,285	119,908	131,763	137,491	135,936	120,583	90,604	45,134	(16,733)	(95,944)
Cumulative Replacement Reserves		226,989	248,528	271,177	294,987	320,009	346,296	373,904	402,891	433,319	465,250	498,750	533,888	570,735	609,366	649,858
Interest Rate on Accts:	4.00%															

Net Operating Income	
Plus Reserves	
Less Interest Expense	
Less Depreciation	
Taxable Income (Loss)	
Cash Flow	
Plus Tax Savings	
Plus Tax Credits	
Less Cap Gain Tax	
After Tax Cash Flow	(966,836)
Total 15 years	
Internal Rate of Return:	10.07%

Scenario Showing 3 loans (all in first position)

Senior debt				
PRINCIPAL	350,000	Deferred?	N	
INTEREST	8.50%			
Amort. Period	20			
MONTHLY PAYMENT	3,037			
ANNUAL PAYMENT	36,449	Total Interest Paid - 20 yrs =		378,972

12 YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
BEGINNING BALANCE	350,000	343,034	335,453	327,201	318,220	308,445	297,806	286,227	273,624	259,908	244,978	228,730	211,045	191,796	170,847
ENDING BALANCE	343,034	335,453	327,201	318,220	308,445	297,806	286,227	273,624	259,908	244,978	228,730	211,045	191,796	170,847	148,046
PRINCIPAL	6,966	7,582	8,252	8,981	9,775	10,639	11,579	12,603	13,717	14,929	16,249	17,685	19,248	20,950	22,801
INTEREST	29,483	28,867	28,197	27,468	26,674	25,810	24,869	23,846	22,732	21,519	20,200	18,764	17,200	15,499	13,647
TOTAL PAID	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449	36,449

Senior debt 2				
PRINCIPAL	127,000	Deferred?	N	
INTEREST	8.35%			
Amort. Period	15			
MONTHLY PAYMENT	1,239			
ANNUAL PAYMENT	14,874	Total Interest Paid - 15 yrs =		96,106

12 YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
BEGINNING BALANCE	127,000	122,564	117,742	112,502	106,808	100,619	93,894	86,585	78,641	70,009	60,627	50,431	39,351	27,309	14,222
ENDING BALANCE	122,564	117,742	112,502	106,808	100,619	93,894	86,585	78,641	70,009	60,627	50,431	39,351	27,309	14,222	0
PRINCIPAL	4,436	4,821	5,240	5,694	6,189	6,726	7,309	7,943	8,633	9,382	10,196	11,080	12,042	13,087	14,222
INTEREST	10,437	10,052	9,634	9,179	8,685	8,148	7,565	6,930	6,241	5,492	4,678	3,793	2,832	1,787	651
TOTAL PAID	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874	14,874

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Senior debt 3				
PRINCIPAL	70,000	Deferred?	N	
INTEREST	8.20%			
TERM	10			
MONTHLY PAYMENT	857			
ANNUAL PAYMENT	10,281	Total Interest Paid - 10 yrs =		32,805

12 YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
BEGINNING BALANCE	70,000	65,285	60,168	54,616	48,591	42,053	34,958	27,259	18,904	9,838	0	0	0	0	0
ENDING BALANCE	65,285	60,168	54,616	48,591	42,053	34,958	27,259	18,904	9,838	0	0	0	0	0	0
PRINCIPAL	4,715	5,117	5,552	6,025	6,538	7,095	7,699	8,355	9,066	9,838	0	0	0	0	0
INTEREST	5,565	5,164	4,728	4,255	3,742	3,186	2,581	1,926	1,214	442	0	0	0	0	0
TOTAL PAID	10,281	10,281	10,281	10,281	10,281	10,281	10,281	10,281	10,281	10,281	0	0	0	0	0

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Total Interest Paid with 3 senior debt loans = 507,883

Option 2 = 1 Senior Debt 547,000

PRINCIPAL	547,000	Deferred?	0		
INTEREST	8.50%				
Amort. Period	20				
MONTHLY PAYMENT	4,747				
ANNUAL PAYMENT	56,964	Total Interest Paid - 20 yrs =			592,278

12 YEAR	1	2	3	4	5	6	7	8	9	10
BEGINNING BALANCE	547,000	536,113	524,265	511,368	497,332	482,056	465,429	447,332	427,636	406,198
ENDING BALANCE	536,113	524,265	511,368	497,332	482,056	465,429	447,332	427,636	406,198	382,866
PRINCIPAL	10,887	11,849	12,896	14,036	15,277	16,627	18,097	19,696	21,437	23,332
INTEREST	46,077	45,115	44,068	42,928	41,687	40,337	38,867	37,268	35,527	33,632
TOTAL PAID	56,964	56,964	56,964	56,964	56,964	56,964	56,964	56,964	56,964	56,964
Pmts of 3 Loans	61,603	61,603	61,603	61,603	61,603	61,603	61,603	61,603	61,603	61,603

12 YEAR	11	12	13	14	15	16	17	18	19	20
BEGINNING BALANCE	382,866	357,472	329,833	299,750	267,009	231,374	192,589	150,376	104,431	54,426
ENDING BALANCE	357,472	329,833	299,750	267,009	231,374	192,589	150,376	104,431	54,426	0
PRINCIPAL	25,394	27,639	30,082	32,741	35,635	38,785	42,213	45,945	50,006	54,426
INTEREST	31,569	29,325	26,882	24,223	21,329	18,179	14,751	11,019	6,958	2,538
TOTAL PAID	56,964	56,964	56,964	56,964	56,964	56,964	56,964	56,964	56,964	56,964
Pmts of 3 Loans	51,322	51,322	51,322	51,322	51,322	36,449	36,449	36,449	36,449	36,449

vhfa
VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: June 6, 1996

RE: Proposed Changes to Mortgage Plus Program

SUMMARY OF REQUEST

The Mortgage Plus program helps buyers qualify for a conventional mortgage through the issuance of a Mortgage Credit Certificate (MCC). The MCC reduces the amount of federal income tax liability. Because less tax is due, buyers receiving an MCC may have fewer tax dollars withheld from their paychecks, and have more income available to meet their mortgage loan payment. MCCs are issued in conjunction with conventional fixed or adjustable rate financing received from a participating lender. Eligibility requirements for Mortgage Plus are generally the same as for VHFA's MOVE and HOUSE programs; however, VHFA does not underwrite the loan but instead relies on affidavits from the buyer, seller, and lender.

Based on the results of an evaluation of the program in FY 1992 that indicated that almost half of the MCCs issued in FY 1991 were not needed by the buyer to qualify for financing, staff recommended and the Board approved changes to the program. These changes were:

- To target Mortgage Credit Certificates (MCCs) to home buyers who need the MCC to qualify for a mortgage. Previous to this change, any eligible buyer could apply for and receive an MCC regardless of need;

- To lower the basic MCC rate from 25% to 20%;

- To provide an incentive for energy efficiency in the form of an additional 5% in the MCC for buyers who purchase an energy efficient home or improve the energy rating of the home they are buying to 4 Stars or better.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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These changes had a dramatic effect on MCC activity, which decreased each year since 1992. MCC activity during the period of 1992 through 1995 was:

YEAR	MCCS ISSUED
1992	380
1993	245
1994	167
1995	113

Staff would like to recommend additional changes to Mortgage Plus to encourage its use with mortgage rehabilitation loans and neighborhood and community revitalization efforts, and to link Mortgage Plus to lender affordable housing programs. In all other situations, the current requirement will still apply that the borrower need the MCC to qualify for a mortgage.

REHABILITATION LOANS -- NEIGHBORHOOD/COMMUNITY REVITALIZATION EFFORTS

On May 14, 1996, VHFA hosted a luncheon to introduce local lenders to recent changes made to the HUD FHA 203(k) Rehabilitation Loan Program. HUD staff from Boston, Manchester (NH), and Burlington discussed the 203(k) program in detail and described changes that make the program more user friendly, especially for Enterprise Communities and other areas targeted for revitalization. Presently two lenders (Norwest Mortgage and Commonwealth United Mortgage) actively originate 203(k) loans. Norwest has several loans in process in the Burlington Enterprise Community.

VHFA is currently surveying lenders to determine what we can do to facilitate their involvement in originating 203(k) program loans and whether VHFA should consider making changes to our MOVE and HOUSE program to purchase these loans. In the meantime, staff would like to use Mortgage Plus to encourage buyers to purchase homes in communities and neighborhoods targeted for revitalization and also to encourage repairs and rehabilitation of housing in these areas and all other areas by allowing an MCC to be issued to any eligible buyer of an existing home where a minimum of $5,000 in repairs and rehabilitation are planned. Staff requests approval of the following changes:

> MCCs Issued in Targeted Communities and Neighborhoods The Mortgage Plus program would be changed to allow the issuance of an MCC to any eligible buyer of a home in a community or neighborhood that has been targeted by a municipality for revitalization. VHFA will not require that the buyer need the MCC to qualify for financing.

<u>MCCs Issued on Rehabilitation Loans</u> The Mortgage Plus program would be changed to allow the issuance of an MCC to any eligible buyer where a minimum of $5,000 in eligible repairs or rehabilitation is planned with financing through the 203(k) program or other programs. VHFA will not require that the buyer need the MCC to qualify for financing.

MORTGAGE PLUS -- LINK TO AFFORDABLE HOUSING PROGRAMS

VHMGB has reviewed and approved a number of lender in-house affordable housing programs. In addition, Fannie Mae and Freddie Mac have introduced programs that allow as little as a three percent (3%) down payment. These programs are important because they supplement financing available from VHFA and serve households who are not eligible for VHFA MOVE and HOUSE financing, especially households who still need flexible financing but who are not first-time buyers.

Lenders who offer affordable housing programs have asked VHFA to allow them to offer an MCC regardless of whether the buyer needs it to qualify. The MCC would provide additional resources to the buyer that could be used to help maintain or improve the property.

Staff requests approval of the following change:

<u>Link MCCs to Lender Affordable Housing Programs</u> The Mortgage Plus program would be changed to allow eligible buyers to apply for an MCC regardless of whether they need it to qualify provided the applicant is determined by the lender to be ineligible for VHFA MOVE or HOUSE financing.

The basic MCC rate will remain at 20% with a 5% incentive for energy efficiency for buyers who purchase an energy efficient home or improve the energy efficiency rating of the home to 4 Stars or better.

To determine eligibility for an MCC, VHFA would continue to rely on buyer, seller, and lender affidavits and would not underwrite loans.

BOARD ACTION REQUESTED

Staff requests approval of the above outlined changes to increase the availability of MCCs.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 1, 1996

RE: Single Family Program Activity Report For April, 1996

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	112	$ 7,899,095		134	$ 9,058,530
Purchases	33	$ 2,141,858		56	$ 3,940,399

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	336	$22,372,721		334	$21,766,136
Purchases	185	$11,965,477		248	$15,969,565

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	16	$ 1,234,410		5	$ 359,150
Issued	11	$ 857,350		3	$ 203,300

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	40	$ 3,047,145		12	$ 897,709
Issued	31	$ 2,434,982		46	$ 2,805,539

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VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: APRIL, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Aut	FCL	Delinq		REO	
ALBANK, FSB	263	7	2.66%	3	1.14%	0	0.00%	3	1.14%	13	4.94%	0	0.00%
BancBoston Mortgage Corp.	307	18	5.86%	0	0.00%	4	1.30%	2	0.65%	24	7.82%	2	0.65%
Banknorth Mortgage Co.	766	36	4.70%	5	0.65%	11	1.44%	5	0.65%	57	7.44%	3	0.39%
Bennington Co-op S&L Assoc.	37	0	0.00%	1	2.70%	0	0.00%	0	0.00%	1	2.70%	0	0.00%
Brattleboro Savings & Loan	15	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	885	45	5.08%	10	1.13%	7	0.79%	7	0.79%	69	7.80%	4	0.45%
Citizens Savings Bank	93	1	1.08%	4	4.30%	2	2.15%	1	1.08%	8	8.60%	0	0.00%
Community National Bank	273	7	2.56%	4	1.47%	2	0.73%	3	1.10%	16	5.86%	0	0.00%
Factory Point Nat. Bank	31	1	3.23%	0	0.00%	0	0.00%	0	0.00%	1	3.23%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	1	8.33%	0	0.00%	0	0.00%	0	0.00%	1	8.33%	1	8.33%
Fleet Mortgage	36	3	8.33%	4	11.11%	1	2.78%	0	0.00%	8	22.22%	0	0.00%
Gramite Bank (NH)	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	211	8	3.79%	5	2.37%	5	2.37%	8	3.79%	26	12.32%	1	0.47%
Green Mountain Bank	171	10	5.85%	3	1.75%	0	0.00%	0	0.00%	13	7.60%	1	0.58%
Lyndonville Savings Bank	57	1	1.75%	0	0.00%	1	1.75%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	327	13	3.98%	5	1.53%	1	0.31%	7	2.14%	26	7.95%	0	0.00%
Mortgage Service Ctr. of NE	85	5	5.88%	1	1.18%	4	4.71%	1	1.18%	11	12.94%	1	1.18%
National Bank of Middlebury	63	1	1.59%	0	0.00%	0	0.00%	0	0.00%	1	1.59%	0	0.00%
New England Federal CU	49	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	116	3	2.59%	1	0.86%	2	1.72%	2	1.72%	8	6.90%	0	0.00%
Passumpsic Savings Bank	176	9	5.11%	2	1.14%	0	0.00%	2	1.14%	13	7.39%	1	0.57%
Peoples Trust Co.	97	7	7.22%	2	2.06%	0	0.00%	0	0.00%	9	9.28%	0	0.00%
Randolph National Bank	46	1	2.17%	0	0.00%	0	0.00%	0	0.00%	1	2.17%	1	2.17%
Union Bank	163	9	5.52%	2	1.23%	2	1.23%	1	0.61%	14	8.59%	0	0.00%
Vermont Development CU	21	1	4.76%	0	0.00%	1	4.76%	0	0.00%	2	9.52%	0	0.00%
Vermont Federal Bank	1006	42	4.17%	7	0.70%	7	0.70%	9	0.89%	65	6.46%	0	0.00%
Vermont National Bank	611	21	3.44%	8	1.31%	14	2.29%	5	0.82%	48	7.86%	1	0.16%
Vermont State Employees CU	0	0	ERR	0	ERR	0	ERR	0	ERR	0	ERR	0	ERR
Wells River Savings Bank	38	1	2.63%	1	2.63%	1	2.63%	0	0.00%	3	7.89%	0	0.00%
Totals	5959	251	4.21%	68	1.14%	65	1.09%	56	0.94%	440	7.38%	16	0.27%
Totals Previous Month	5981	267	4.46%	74	1.24%	71	1.19%	47	0.79%	459	7.67%	13	0.22%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: May 20, 1996

RE: Servicing Activity for April

SERVICING ACTIVITY

<u>Collections:</u>		
Last months 90+ accounts:		71
New 90 day accounts:	17	
Reductions:		
To foreclosure/DIL:	11	
To 60 days or less:	12	
Under payment arrangement:	21	
90+ accounts:		65
<u>In Foreclosure:</u>		
Last months foreclosure accounts:		47
New foreclosures:	13	
To REO:	3	
Successful interventions:	1	
Negotiating workouts:	2	
Foreclosure accounts:		56
<u>Real Estate Owned:</u>		
Last months REO's:		13
New REO's:	3	
Properties sold:	0	
Properties under contract:	3	
REO's:		16

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: April, 1996

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Wells Bennington	$60,000	$58,000	$59,426	$ 4,434	$ 8,578	$13,000	($4,270)	N/A	($ 4,270)
Jolly Barnet	$64,900	$60,000	$90,620	$ 5,059	$ 6,343	$19,500	($16,179)	N/A	($16,179)
Poulin Georgia	$59,900	$77,500	$71,973	$ 6,227	$21,343	$15,700	(6,343)	N/A	($6,343)

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VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: June 3, 1996

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - January 1, 1996 through March 31, 1996

VOLUME

LOANS SELECTED FOR REVIEW

A total of 197 loans were guaranteed by VHMGB during the above period. Of these, 113 were loans to be purchased by VHFA, and 84 were conventional. The conventional loans were further broken down into 63 fixed and 21 adjustable rate loans.

Twenty (20) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans, 11 were to be purchased by VHFA and 9 were conventional loans. The conventional loans were further split as 6 fixed rate and 3 adjustable rate loans.

The chart below demonstrates a comparison by percentage of the loans guaranteed and the loans pulled for quality control review.

Category	VHFA	Conv.	Fixed	Adj.
Total Loans Guaranteed In Period	57%	43%	32%	11%
Total Loans Pulled for QC	55%	45%	30%	15%

Based on the above, the loan types selected for quality control review are an accurate reflection of the loans guaranteed.

LOANS WHICH HAVE BEEN COMPLETED

Twenty-eight (28) loans completed the quality control process. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans

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completed 18 were loans sold or to be sold to VHFA and 9 were conventional loans. The conventional loans were split 4 fixed rate and 5 adjustable rate.

FINDINGS ON LOANS REVIEWED

All loans reviewed were found to meet the guidelines of the investor program for which they were originated. All compensating factors used in the underwriting process appeared to be well documented and reasonable.

On two loans reviewed, underwriters were requested to respond to some questions concerning ratios and credit reports. All questions were responded to satisfactorily.

Five of the loans reviewed required further explanation of the appraisals originally performed in support of the value of the property. The explanations were required as the review appraiser needed some clarification so they could make a valuation as to whether the market value reached on the appraisal was reasonable. After reviewing the information provided by the original appraiser, the values were determined to be reasonable.

All loan conditions which had to be met in order for a guarantee to be issued were met on the loans reviewed.

OTHER

We have received a couple of criticisms of the tone used by one review appraiser in doing the reviews. In addition, the criticism indicated that the reviewer's own bias on performing appraisals was entering the review process. I will be contacting this reviewer to discuss these issues.

BOARD ACTION REQUESTED

No Board action necessary.

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
MBD MaryBeth Deller, Research Analyst

DATE: June 5, 1996

RE: Delinquency Study

Recent figures indicate increased delinquency rates for VHFA loans. To address concern over this increase, a study in collaboration with the Single Family Operations Department has been undertaken to determine whether or not there are easily discernible differences between loans that are current versus loans that are delinquent. The following is a brief summary of progress on this study.

I. Description of analysis

The database currently consists of 162 cases (96 delinquent and 66 current). Initial data were gathered by VHFA underwriters using the Freddie Mac Gold Measure Worksheet, a system of loan scoring resulting from Freddie Mac's study of approximately 18 million loans. Our goal was to determine if this system, or one similar to it, could be used in the underwriting process to predict which loans are most likely to become delinquent. Cases included in the delinquent group had become delinquent or entered foreclosure/REO status during 1995.

II. Results of analysis

The current and delinquency loan status groups were compared with respect to a variety of variables, including those used in the Freddie Mac study, as well as variables that VHFA considered to be possible factors associated with higher delinquency rates. Examples of the VHFA variables include the age of the loan, whether or not the borrower was self-employed or had been on the job for a limited period of time, and the property seller's contribution as a percentage of the purchase price.

- In tests of individual variables, statistically significant differences have been found between delinquent and current groups for the following:
    1. loan to value
    2. percent down payment from borrower's own funds
    3. percent of all tradelines (open or closed) ever delinquent or worse
    4. number of credit inquiries in the past three months (before applying for a mortgage)

  The delinquent group had higher loan to value ratios, a lower percent down payment from the borrower's own funds, a higher percent of tradelines delinquent, and a larger number

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of credit inquiries in the three months prior to applying for a mortgage (suggesting that these borrowers may have been experiencing financial difficulties before buying a home).

- The Freddie Mac Gold Measure Worksheet includes total scores which are used to identify levels of loan risk. VHFA supplemented the Freddie Mac total scores with additional information from loan files. The study showed there are significant differences between groups for each of the following total scores:
    1. Total # 1: the sum of the answers to all non-combined questions, including those created or modified by VHFA.
    2. Total # 2: the sum of the answers to just the original non-combined, unmodified Freddie Mac questions.
    3. Total # 3: the sum of the answers to all the non-combined Freddie Mac questions, including those modified by VHFA.
    4. Total # 4: the sum of the answers to the original non-combined, unmodified Freddie Mac questions, plus less biased answers to the questions created by VHFA.

  The delinquent group had higher total scores for each of the four variables, indicating that these loans are riskier.

- In addition to examining individual variables and total scores, data were analyzed using discriminant analysis, a statistical tool that creates a model for classifying cases. (In this instance, we are trying to create a model that will allow us to determine in advance which loans are most likely to be current versus delinquent.) Unfortunately, this has not resulted to date in any clear-cut models that can be used to consistently classify cases. The most likely reason for lack of a clear cut model is that, while there are significant differences between groups in many respects, there is also a great deal of overlap between the groups for these same variables.

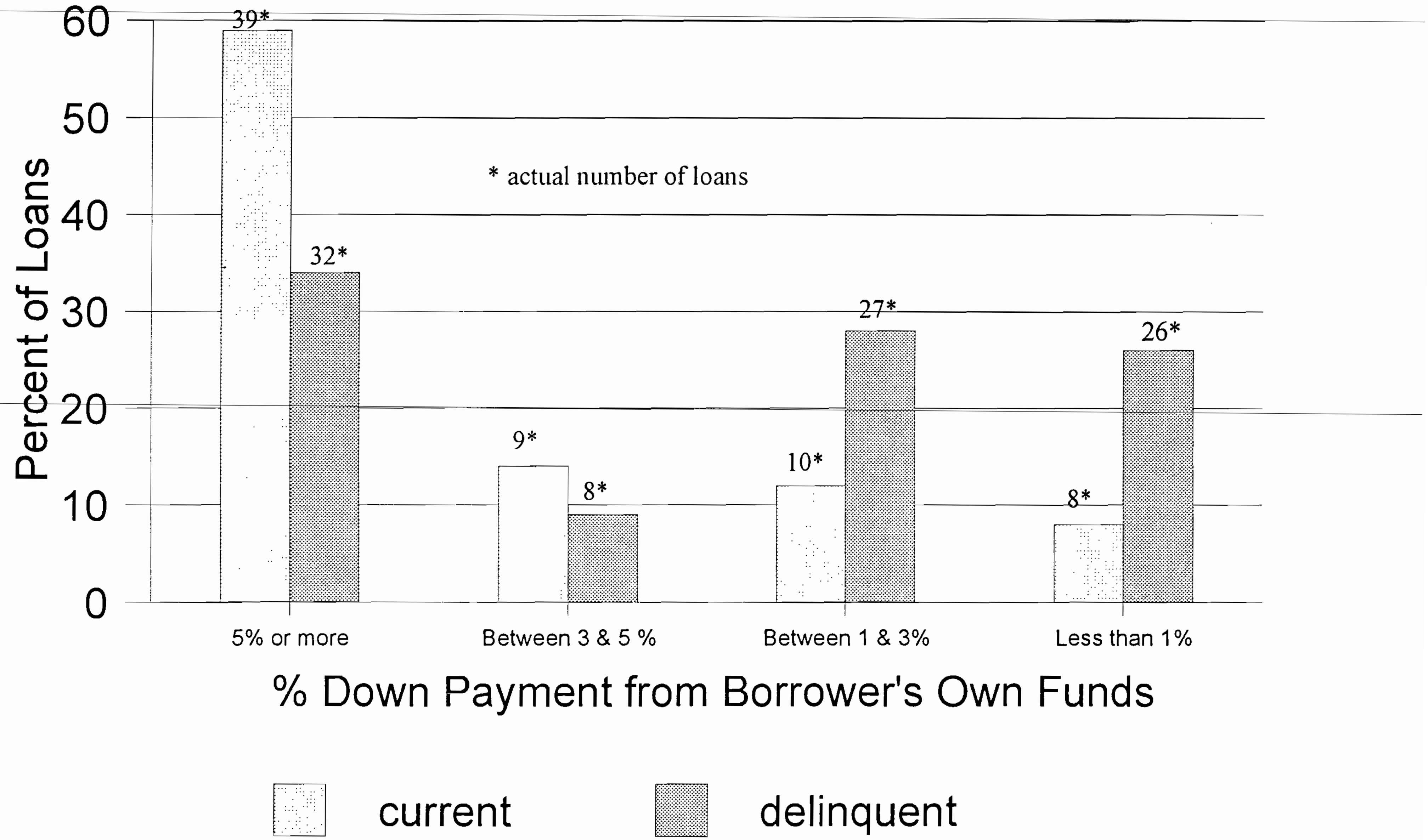
- The one variable that continues to be significant in all analyses, including the discriminant analysis, is the percent of down payment from the borrower's own funds (Figure 1).

Recommended Board Action:
No Board Action is required. The results of the delinquency study indicate that certain factors may be associated with higher delinquency rates, but a specific model was not developed to date. The single variable which appears to be related to delinquent loan status throughout the study is the down payment from the borrower's own funds, reflecting the results of the most recent evaluation of down payment assistance loans (completed in February 1996). No specific changes to VHFA's underwriting procedures are recommended at this time.

In the next month we plan to investigate some alternative analyses in hopes of finding a more clearly defined boundary between the groups. We will also add additional variables that are on VHFA's computer system but not on the Freddie Mac Gold Measure Worksheet.

Figure 1.

Relationship Between % Down Payment & Loan Status



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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cathleen Gent, Director of Communications

DATE: June 6, 1996

RE: Community Outreach Activities

The foundation for VHFA's community-based outreach activities rests in the areas of consumer education, real estate professional outreach, and training. VHFA's Strategic Plan affirmed the importance of maintaining on-going efforts in these areas. During the past year, numerous community-based outreach and education efforts resulted in valuable information about VHFA programs being disseminated and the expansion of our working relationships with a network of affordable housing partners. The following information shows the community outreach activity for FY96 and planned activities for FY97 in the areas of consumer education outreach, real estate professional outreach, and training (lender and nonprofit).

In May, with the departure of the Training Coordinator, a decision was made to combine all outreach and training responsibilities within one position, currently held by Marcia Mattoon, who has been the Community Relations Coordinator at VHFA since 1994. On the basis of that decision, outreach and training efforts will be concentrated more heavily in regional activities, thus creating efficiencies and economies of scale.

CONSUMER OUTREACH

The goal of our consumer education is to reach potential VHFA borrowers through media communications, instruction, and materials that will meet their needs as cost effectively as possible. Organized by Marcia Mattoon, VHFA's Community Relations Coordinator, this outreach is designed to accommodate the needs of a wide range of consumers in varying stages of the home buying process.

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In FY96, consumer education was focused on homeownership education through VHFA and non-VHFA sponsored home buying classes, including workshops taught through the adult continuing education network in the state. One home buyer fair was held in Chittenden County.

Consumer education activities in FY96 were very successful in several respects. The number of events and number of consumer participants met the projected number established at the outset of the year. More importantly, the comments from the participants were overwhelmingly positive. The classes were revamped at the beginning of the year to meet the needs of the audiences depending on their level of knowledge regarding the home buying process: the revised formats proved to be very effective. The Chittenden County Home Buyer Fair held in March was exceptionally well attended and successful: that event has become a significant "kick-off" to the home buying season in northwest Vermont.

Nineteen home buyer events were held in 11 Vermont counties and reached a total of 1,255 consumers, thus exceeding the projected Business Plan goals for FY96. One particularly noteworthy accomplishment was the fact that we were able to reach potential home buyers in more rural areas of the state.

Consumer education activities included the following:

- One VHFA Home Buyer Fair - 1,000 attendees
  [Colchester]

- Three VHFA Home Buying Basics Classes - 72 attendees
  [Cavendish, Hartford, Sheldon]

- Eight Adult Continuing Education Home Buying Basics Classes in six locations - 73 attendees
  [Bennington, Bradford, Burlington, Essex, Newport, Springfield]

- Three Futures Seminar Presentations - Preparation for Single Parents Receiving ANFC who have homeownership as a long term goal - 34 attendees **(New)**
  [Bennington, Lyndonville, St. Johnsbury]

- Four Non-VHFA Sponsored Events - 76 attendees
  [Brandon, Burlington Enterprise Community, Middlebury, Vergennes]

Home Buyer Fair - provides information about the home buying process and an opportunity to meet one-on-one with lenders, real estate agents, and nonprofits to discuss financing and housing options in a free, fair-like atmosphere. This format is geared toward households planning to purchase a home in the near future (within the next 12 months). This year's fair was expanded to include sessions offered throughout the day providing an overview of the home buying process, which were very well attended.

Home Buying Basics Education - is offered in several formats to provide more in-depth information about the home buying process and is geared toward households which would like to own a home someday, but have little or no understanding of the process of home purchase. This education included home buying basics workshops, adult continuing education classes, Futures seminar presentations (as explained above), and participation in non-VHFA sponsored home buying events.

FY97 Consumer Outreach Plan

The formats utilized in FY96 consumer outreach will remain in place, with one exception. The home buying basics workshop, which has in previous years been offered by VHFA staff in conjunction with other housing partners will be modified in FY97. The new format will be offered on a pilot basis at two adult continuing education locations and will consist of three evenings, in consecutive weeks, of instruction by VHFA staff and other housing professionals (eg., lenders, nonprofits, Realtors, Rural Development, Energy Rated Homes, home inspectors). We are experimenting with this alternative approach to determine if more in depth instruction can provide participants with better skills to help them successfully purchase a home. This class will be offered through adult continuing education centers because, based on FY96 survey information, the participants at those classes more closely resemble the typical VHFA buyer.

It is anticipated that there will be numerous requests for participation in non-VHFA sponsored events. In FY96, nine of the 19 consumer outreach events were the result of such requests.

Event	Locations
Home Buyer Fair	Chittenden County - March
Pilot Home Buying Basics Seminars (3 weeks, 1/week)	Franklin, Orange/Windsor Counties
Adult Continuing Education Home Buying Basics	Caledonia, Chittenden, Lamoille, Windham Counties
Non-VHFA Sponsored Event	As Requested

Throughout the year, additional new endeavors may be considered, such as:

- "Train the Trainer" for nonprofits - to train any community-based organization so that they may directly provide consumer homeownership outreach.
- Special outreach opportunities, including renters in public assisted housing who may be preparing for homeownership, the Futures Program, or the Enterprise Community in Burlington's Old North End.

LENDER AND NONPROFIT TRAINING

Lender and nonprofit training is designed to educate lenders and housing nonprofit staff who participate in one or more of VHFA/VHMGB's homeownership programs. The training focuses on the areas of new programs and changes in program guidelines. Lender training dovetails with the activities of the Single Family Operations department by providing feedback from lenders regarding specific program features and by educating lenders. FY96 lender training goals were not completely met, due to the fact that the Training Coordinator was with VHFA for only nine months. Thirty-two sessions with lenders with 239 participants were held in FY96 throughout the state, representing 68% of the goal for the year.

VHFA sponsored two special training sessions, in the northern and southern sections of the state, for twenty nonprofit staff members. This new offering was modeled after the very successful Real Estate Finance Options class taught to real estate professionals. Nonprofit training initiatives serve to ensure that nonprofit organization staff are sufficiently trained in VHFA/VHMGB program guidelines to refer borrowers to participating lenders.

Evaluations from attendees indicated the workshops were very successful in improving lenders' understanding of our programs. Because outreach and training will be provided by a single staff member, the plan for FY97 includes more regional sessions which combine opportunities for both lender staff and nonprofit staff to participate. The general goal for lender/nonprofit training in FY97 is 12 lender/nonprofit sessions with 250 participants. Additional training will be offered for all new VHFA/VHMGB initiatives and program changes.

REAL ESTATE PROFESSIONAL OUTREACH

Real estate professionals represent a critical link for delivering VHFA homeownership programs. Primary goals for real estate professional outreach are: 1) to enhance real estate professionals' working familiarity with VHFA programs; 2) to maintain and expand VHFA's relationship with REALTORs as partners in providing affordable homeownership opportunities to Vermonters.

VHFA Financing Options is a four-credit course approved by the Vermont Real Estse Commission for professional real estate licensees which explains in detail VHFA financing options for low- and moderate-income home buyers. This course continues to receive overwhelmingly positive response from participants.

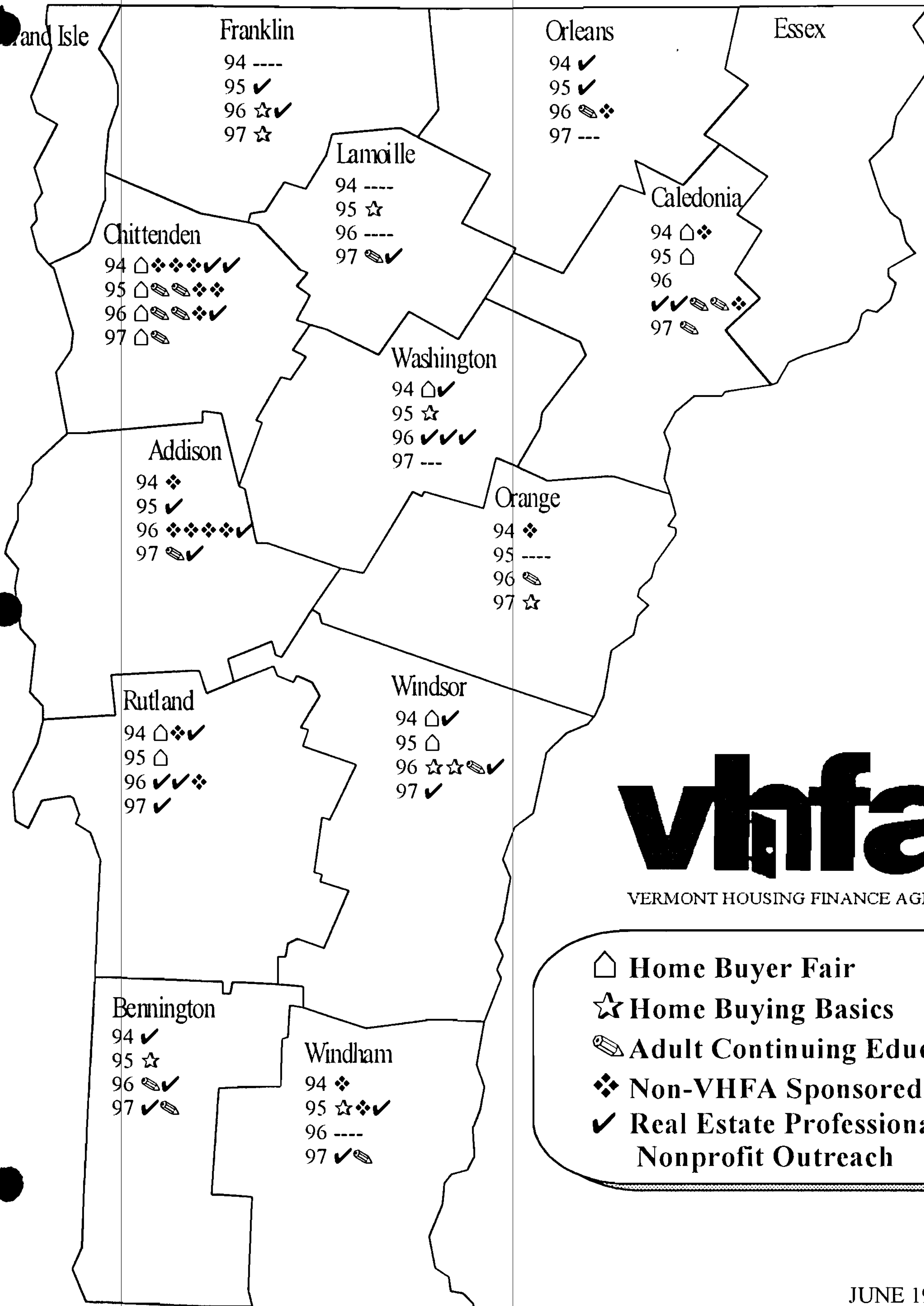
The other approach for reaching real estate professionals was through presentations by VHFA staff (Allan Hunt, Marcia Mattoon) at the monthly regional Real Estate Board meetings and regular mailings to regional Board and agency offices throughout the state.

In FY96, outreach to real estate professionals included:
- VHFA Financing Options Course - 6 sessions held, 116 attendees
- Presentations made at 4 regional real estate Board meetings

Planned real estate professional outreach activities in FY97 follow the formats used in FY96 and include the following:
- VHFA Financing Options Course
  - four classes in Addison, Lamoille, Windham, Windsor Counties
- Regional Real Estate Boards
  - Presentations at 4 regional Boards in Bennington, Brattleboro, Rutland, Windsor

BOARD ACTION REQUESTED No Board action is needed.

VHFA OUTREACH FY94 -FY97



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VERMONT HOUSING FINANCE AGENCY

⌂ **Home Buyer Fair**
☆ **Home Buying Basics**
✎ **Adult Continuing Education**
❖ **Non-VHFA Sponsored Events**
✔ **Real Estate Professional and Nonprofit Outreach**

JUNE 1996

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: June 5, 1996

RE: PROSPECT/FOREST HOMES - RANDOLPH

This 9 unit family property was in the process of being acquired by Twin Pines Housing Trust (TPHT) when staff terminations and serious questions regarding TPHT's capacity caused a collapse in negotiations. The current owner, CVCAC, has owned the property since 1990 when they acquired it from the original nonprofit owner Faith Hope & Charity. CVCAC's Board has since directed them to get out of the housing business and the TPHT transaction was to have accomplished this directive.

Under the circumstances, the idea of VHFA becoming interim owner has been discussed by staff and we have determined that this option is possible under our statute. More importantly, it would allow a $50,000 energy conversion from electric to gas to proceed. CVPS has committed almost $12,000 in demand-side incentive funding toward this project. For the past three years, CVCAC has refused to take on the additional debt required to complete this energy conversion (CVPS's commitment expires 12/31/96). CVCAC's Executive Director and Comptroller have both left the organization, further compounding the situation. Newly appointed Board Chairman Wayne Kowalski has been trying to keep things on track as he gets up to speed on the history of this property. Wayne has indicated his board would consider VHFA's interim ownership if the transfer included a provision for CVCAC to recover a portion of the $27,000 in amounts due them relating to advances made when they managed the property. As a condition of the Twin Pines acquisition, TPHT (with VHFA approval) had negotiated a $9,000 payment to CVCAC at closing and an additional $9,000 from surplus cash over the next few years. Prior to this, VHFA had not recognized these amounts as operating expenses of the property because CVCAC and their auditors were never able to provide adequate documentation as to the specific nature of these expenses.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

At this time, our primary objective is to find a way to complete the energy conversion before CVPS withdraws their $12,000 funding commitment. As interim owner, VHFA would be in a position to make this happen. There is serious doubt as to whether CVCAC is willing to devote the time necessary to complete the conversion when their sole objective is to transfer ownership of the property and recover the amounts due them. Resident comfort and even health are an issue and some units have been unable to maintain a temperature above 55°under deep winter conditions. As a result, the manager had to install gas heaters in 2 units to supplement the electric resistance time-of-day rate heating system.

The property is secure and under the capable management of Rob Caron and thus would not place a burden on VHFA staff if we were to become interim owner. It is also subject to the terms of a Preservation Agreement that was signed when CVCAC acquired the property.

RECOMMENDED BOARD ACTION:

Approve VHFA to become the interim owner until the TPHT situation is resolved or another viable nonprofit can be found to assume ownership control of the Randolph property.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: June 7, 1996

RE: Repeal of Outdated Commitment Resolutions

The Agency has adopted a number of resolutions authorizing commitments for projects that, for one reason or another, will not be utilizing our financing. Rather than keep these commitments on our books, we thought it would be better to repeal the resolutions authorizing these commitments and maintain compliance with the recommendations of our auditors.

REQUESTED ACTION:

Adoption of the attached resolution, repealing commitments on eleven developments the Agency will not be financing.

RESOLUTION REPEALING PRIOR RESOLUTIONS

OF VERMONT HOUSING FINANCE AGENCY

WHEREAS, the Agency has passed several resolutions authorizing the Executive Director to issue commitment letters for loans to multifamily developments that have not resulted in loans being made; and

WHEREAS, the passage of time and other events have made it clear that the Agency will not be making loans to the sponsors of these developments; and

WHEREAS, it is desirable for the Agency to repeal the prior resolutions;

WHEREFORE, it is hereby RESOLVED:

The resolutions adopted on the dates listed below pertaining to the developments and/or sponsors indicated are hereby repealed and are of no further force and effect:

November 16, 1995	Gilman Housing Trust (Derby)
June 5, 1995	Alfred Court (Fair Haven)
April 24, 1994	Counseling Service of Addison County
March 3, 1993	City Center Associates
September 23, 1993	Scott Mansfield (Ten Commandments)
July 29, 1993	Moretown (Community Living)
November 18, 1992	St. Johnsbury (Scattered sites)
June 24, 1992	Deepwood Mobile Home Park (Brattleboro)
May 20, 1992	Windemere Mobile Home Park
May 20, 1992	Hardscrabble Farms
November 7, 1992	Weathervane United (Lincoln)

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
AS AT MARCH 31, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	$2,577,768	$3,612,817	$615,164	$40,107,155	$47,860,773	$1,260,161	$895,007	$282,244	$846,733	$98,057,822
Investments	1,449,383	4,384,977	31,227	18,712,477	13,840,000	6,050,676	2,303,465		882,942	47,655,147
Mortgage and construction loans receivable	5,958,538	5,023,922	182,740	126,772,091	186,086,668	34,955,644	22,712,555	15,266,024	7,262,712	404,220,894
Accrued interest receivable										
-Mortgage and notes	273,181	27,578	8,820	1,108,831	1,329,321	171,722	157,681	148,444	36,313	3,261,891
-Investments	19,708	26,587	4,469	1,220,467	1,631,639	55,076	24,404	1,370	7,620	2,991,340
Deferred cost of bond issuance		35,110		580,663	1,277,338	236,698	338,861	6,092	52,755	2,527,517
Office furniture and fixtures (at cost)	1,082,765									1,082,765
Accumulated depreciation	(843,007)									(843,007)
Land	775,000									775,000
Building	1,004,833									1,004,833
Other receivables: prepaid expenses	342,724	982	15,733	137,623	120,961	17,031				635,054
Interfund receivables (payables)	(1,618,954)	(249,196)	1,936,179	(392,712)	505,169	(56,993)	19,725	(290,335)	147,117	0
Other assets			9,200	877,061	513,698					1,399,959
TOTAL ASSETS	$11,021,939	$12,862,777	$2,803,532	$189,123,656	$253,165,567	$42,690,015	$26,451,698	$15,413,839	$9,236,192	$562,769,215
LIABILITIES & FUND BALANCES										
Deferred income	756,326									756,326
Accounts payable	78,404	1,875	270	46,235	167,299					294,083
Escrowed cash deposits	3,185,223				(91,295)		217,822		276,414	3,588,164
Notes payable	245,000									245,000
Accrued interest	13,092	253,450		4,512,579	6,630,923	368,469	170,238	72,058	187,742	12,208,551
Bonds payable	629,840	8,225,000		173,460,000	240,275,000	38,685,000	23,900,000	15,217,490	8,390,000	508,782,330
Unamortized premium (discount) on bonds		(126,086)		(2,276,556)	(2,117,754)	(638,973)	(1,091,109)	(20,693)	(155,206)	(6,426,377)
Fund balance	6,114,054	4,508,538	2,803,262	13,381,398	8,301,394	4,275,519	3,254,747	144,984	537,242	43,321,138
TOTAL LIABILITIES & FUND BALANCE	$11,021,939	$12,862,777	$2,803,532	$189,123,656	$253,165,567	$42,690,015	$26,451,698	$15,413,839	$9,236,192	$562,769,215

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE NINE MONTHS ENDED MARCH 31, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans	$288,279	$287,514	$18,561	$8,927,081	$10,604,784	$2,271,486	$1,931,950	$802,821	$493,251	$25,625,727
Investments	63,650	315,126	29,270	2,854,362	3,460,868	430,918	146,061	13,665	75,921	7,389,841
Gain on sale of investments		(4,340)								(4,340)
Fee income:										
Multi-family programs	81,457						58,709			140,166
Single-family programs	222,384									222,384
Grant income	15,838									15,838
VHMGB income	227,147									227,147
Miscellaneous income	49,588									49,588
TOTAL REVENUES	$948,343	$598,300	$47,831	$11,781,443	$14,065,652	$2,702,404	$2,136,720	$816,486	$569,172	$33,666,351
EXPENSES:										
Financing costs: including interest and amortization of premium, discount & costs of issuance	47,377	407,725		10,297,024	12,099,683	2,333,908	1,080,078	772,184	490,484	27,528,463
Mortgage service, contract administration fees, & property disposition expense	7,814	19,416	348	368,812	489,931					886,321
Salaries and benefits	1,396,979									1,396,979
Operating expenses	460,050									460,050
Professional fees	70,170									70,170
Trustee and assignee fees	149,906									149,906
Foreclosed property loss	18,687		4,412	423,187	439,947					886,233
TOTAL EXPENSES	$2,150,983	$427,141	$4,760	$11,089,023	$13,029,561	$2,333,908	$1,080,078	$772,184	$490,484	$31,378,122
Excess (deficiency) of revenues over expenses	(1,202,640)	171,159	43,071	692,420	1,036,091	368,496	1,056,642	44,302	78,688	2,288,229
Fund balance, beginning of period	6,362,046	4,387,379	3,510,191	12,823,978	6,839,591	4,147,023	2,362,465	131,682	468,554	41,032,909
Transfer to program funds	(464,080)				464,080					0
Transfer to General fund	1,418,728	(50,000)	(750,000)	(135,000)	(38,368)	(240,000)	(164,360)	(31,000)	(10,000)	0
Fund balance, end of period	$6,114,054	$4,508,538	$2,803,262	$13,381,398	$8,301,394	$4,275,519	$3,254,747	$144,984	$537,242	$43,321,138

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **JUNE 7, 1996**

RE: **GENERAL FUND BUDGET PERFORMANCE**

Attached to this memo is the budget performance report for the nine month period ending March 31, 1996. All things being equal, budget categories should be at 75% of the annual budget. Requests for adjustments to certain line items of the budget based on previous Board actions or unforeseen circumstances follow the general discussion.

INCOME. We are at 82% for the income categories. We continue to utilize more investable funds for loan purposes which has increased our total interest income over the budgeted amount. Single family loan activity has been stronger than anticipated and we have collected more rental income than originally budgeted (miscellaneous income category.)

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected so far this year with two major exceptions. The Howard Multi-Family program has decreased cash availability due to the recycling of prepayments that we have undertaken. No further transfers are expected to be available this year even though the program is profitable. The more serious problem is in the Single Family Housing Bond program, which is the single family program that we are operating under currently. The General Fund has had to contribute $464,000 to the Bond program to cover loan losses. We expect that there may be another $75,000 in losses for the fiscal year. Loan loss coverage for this Bond program is covered by letters of credit instead of cash contributions, necessitating contributions for losses as they occur.

EXPENSES. Total expenses are 68% of budget and therefore within the expense constraints for the fiscal year. Advertising expenses will continue to accelerate and utilize most of the budget for the spring ad campaign. An adjustment of $5,000 is necessary for the Annual report category as we were unable to produce as much of the report in house as we had planned. A $5,000 increase is needed in the Interest expense

category to cover the additional construction loan activity mentioned in the income area. Two loan writeoffs, which were not budgeted, totalling $19,500 from the Ventures program are charged to miscellaneous expense.
Office expenses have exceeded expectations due to higher printing and paper costs as well as unanticipated costs for computer peripherals charged to that category. These costs require an increase of $7,500 to the office expense category. The Homeownership Center initiative that the Board approved for $64,000 will add $48,000 during this fiscal year; those costs are being shown under Subsidy expense. We did not incur all the Consulting expenses that were budgeted and we can decrease consulting by $45,000. The depreciation budget is $15,000 higher than needed due to a change in the building depreciation method as recommended by the auditors. Budgeted occupancy expenses can be reduced by $25,000 due to property tax expenses that did not materialize. All of the requested expense adjustments net out to no change in the overall budget. We expect that all other areas of the budget will come in at or below expected levels.

CAPITAL BUDGET. The amended approved capital budget for the fiscal year is $139,000. Through March 31, 1996 we had expended $91,400 or 66% of the capital budget.

If you have any questions, please contact me at your earliest convenience.

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
MARCH 31, 1996

	ORIGINAL BUDGET	ACTUAL 3/31/96	% BUDGET RECOGNIZED
INCOME			
SINGLE FAMILY FEES	66,000	86,156	130.54%
MULTI-FAMILY FEES	125,000	79,037	63.23%
PROJECT ADMIN FEES	104,000	89,359	85.92%
INTEREST INCOME-LOANS	300,000	288,278	96.09%
INTEREST INCOME-INVEST	90,000	63,609	70.68%
VHMGB CHARGES	350,000	227,147	64.90%
MISCELLANEOUS	45,000	50,157	111.46%
TOTAL INCOME	1,080,000	883,743	81.83%
FUND TRANSFERS			
SINGLE FAM HOUSING	75,000	(425,711)	-567.61%
SHAWMUT MTG PURCHASE	100,000	50,000	50.00%
HOWARD MTG PURCHASE	1,250,000	750,000	60.00%
HOWARD HOME MTG PURCH	300,000	135,000	45.00%
HOWARD MULTI-FAMILY	430,000	240,000	55.81%
CONN NATL MULTI-FAMILY	75,000	75,001	100.00%
HOUSING DEVELOP BDS-MF	0	10,000	N/A
DIRECT PLACEMENT BONDS	35,000	31,000	88.57%
TOTAL TRANSFERS	2,265,000	865,290	38.20%
TOTAL INC & TFRS	3,345,000	1,749,033	52.29%
EXPENSES			
ADVERTISING & PROMOTION	112,000	43,035	38.42%
AUDIT	36,000	36,095	100.26%
ANNUAL REPORT	7,500	12,428	165.71%
COMMISSIONERS EXPENSES	5,000	1,132	22.64%
CONSULTING FEES	101,300	33,491	33.06%
DEPRECIATION	180,000	102,912	57.17%
DUES & SUBSCRIPTIONS	29,440	23,360	79.35%
INSURANCE	190,000	136,512	71.85%
INTEREST EXPENSE	60,000	47,377	78.96%
LEGAL	45,000	22,859	50.80%
MISCELLANEOUS	5,000	23,675	473.50%
OCCUPANCY EXPENSE	120,000	60,991	50.83%
OFFICE EXPENSES	30,000	29,882	99.61%
PENSION PLAN	132,000	79,167	59.98%
POSTAGE	25,000	14,281	57.12%
REPAIRS & MAINTENANCE	55,000	35,247	64.09%
SALARIES & WAGES	1,491,697	1,097,702	73.59%
STAFF TRAVEL & TRAINING	65,000	42,100	64.77%
SUBSIDY-HOUSING VT, ERH	40,000	47,075	117.69%
TAXES-PAYROLL	113,200	82,037	72.47%
TELEPHONE	35,000	20,907	59.73%
TRUSTEE & CREDIT FEES	250,000	149,906	59.96%
TOTAL EXPENSES	3,128,137	2,142,171	68.48%
SURPLUS (DEFICIT)	216,863	(393,138)	-181.28%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **JUNE 7, 1996**

RE: **FISCAL YEAR JUNE 1997 BUDGET**

The accompanying table shows the current year approved budget (before amendments), the proposed budget for FY97 as formulated by staff, and a dollar and percentage increase or decrease comparison between the two years. As a reminder, we are showing total expenses including Vermont Home Mortgage Guarantee Board expenses in the various categories and also showing the charges to VHMGB as income.

A goal of our budgeting and financial process is to generate a surplus and increase the General Fund balance, while keeping fund balance transfers relatively constant.

Income. Total income is expected to increase by 20% over FY96. Single family fee income should improve based on the elimination of no-point mortgages for stepped rate HOUSE program mortgages and increased activity. We have increased interest income on loans due to an estimated $2 million expansion in anticipated construction lending. Project administration fees will decrease because we are not allowed to collect any fees on the refunded developments where we are earning a full bond yield. Rental income is the predominant item in the miscellaneous category. VHMGB charges have been increased due to the budgeting of $25,000 for their biennial actuarial study.

Fund Balance Transfers. The amounts indicated in this area of the budget represent transfers from existing bond programs to help supplement income to pay expenses. There are now seven bond programs under the Single Family Housing Bond Resolution which are expected to contribute $20,000 each to cover expenses. As discussed in the FY96 budget performance report, loan losses in this program have to be covered by transfers from the General Fund. We expect losses could approach $500,000 again this year, but we plan to free up some excesses in this program to cover the losses. Transfers from the Home Mortgage Purchase program continue to decrease as loan losses are paid from this program. The Fleet-Connecticut program is the refunding bond issue which can now take out a full year of earnings. The Housing Development Bond resolution (Winchester) takeout has been reestablished due to the fact that the mortgage shortages are being covered by Refunding program loans.

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EQUAL HOUSING OPPORTUNITY

Capital Budget. The capital portion of the budget is $75,000 which is significantly lower than the $139,000 budgeted for capital items last year. Approximately $35,000 of this year's capital budget is for computer hardware and software, $16,000 for telephone system upgrading and $15,000 for the main photocopier replacement.

Expenses. The following part of this memorandum will discuss individual expense items, which are either areas of special interest or items that show a significant increase or decrease over the FY96 budget. Total budgeted expenses are $15,000 lower than last year with the exception of Interest expense which has been increased to account for the borrowing cost necessary to fund the $2 million anticipated construction loan program.

Advertising. In addition to the listed budget for advertising, $50,000 expenses are assumed to be subsidized by bond issuances during FY97. New lender procedure guides account for the increase in this category.

Consulting Fees. The VHMGB actuarial study at $25,000, the Evensen Dodge financial study for $15,000 and single family review appraisals at $33,000 are the main components of consulting expense.

Interest Expense. As explained above, we have budgeted an additional $130,000 for bank interest on an anticipated $2,000,000 construction loan program.

Occupancy Expense. After one year in the new building, occupancy expenses can be better estimated and we have dropped the payment in lieu of taxes from the budget. Depreciation of the building over a 40 year term instead of a 25 year term justifies the decrease in the depreciation category.

Repairs and Maintenance. Office equipment and computer maintenance agreements are the prime expenses in this category. Eliminating some older computer equipment enables a savings of $15,000.

Salaries and Wages. Salary increases have been factored in at a total of 4.5%. Individual adjustments of between 3.5% and 5.5% have been suggested pending approval of the budget. A separate schedule of salaries will be available at the meeting. A total of 2.4 positions have been eliminated from FY96 levels representing an $85,000 reduction in salaries.

Subsidy--Housing Vermont, ERH, etc. Included in this category are sustaining membership fees of $15,000 for Energy Rated Homes and $15,000 for Housing Vermont. Homeownership Centers funding of $67,000 is being added to this category for FY97.

If you have any questions regarding the budget, please feel free to call upon Allan or myself at your convenience or bring any questions to the Board meeting.

Recommended Board Action: Approval of the operating budget as shown on the attached schedule and the capital budget as explained above.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1997

	APPROVED FYE 6/30/96	PROPOSED FYE 6/30/97	$ INCREASE (DECREASE)	PERCENT CHANGE
INCOME	-----------	-----------	-----------	--------
SINGLE FAMILY FEES	66,000	139,000	73,000	110.61%
MULTI-FAMILY FEES	125,000	135,000	10,000	8.00%
PROJECT ADMIN FEES	104,000	73,700	(30,300)	-29.13%
INTEREST INCOME-LOANS	300,000	450,000	150,000	50.00%
INTEREST INCOME-INVEST	90,000	75,000	(15,000)	-16.67%
VHMGB CHARGES	350,000	375,000	25,000	7.14%
MISCELLANEOUS	45,000	50,000	5,000	11.11%
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TOTAL INCOME	1,080,000	1,297,700	217,700	20.16%
FUND TRANSFERS				
SINGLE FAM HOUSING	75,000	140,000	65,000	86.67%
FLEET SF INSUR MTG	100,000	200,000	100,000	50.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	0	0.00%
HOWARD HOME MTG PURCH	300,000	260,000	(40,000)	-13.33%
HOWARD MULTI-FAMILY	430,000	280,000	(150,000)	-34.88%
FLEET CONN MULTI-FAM	75,000	160,000	85,000	113.33%
HOUSING DEVELOP BDS-MF	0	10,000	10,000	ERR
DIRECT PLACEMENT BONDS	35,000	35,000	0	0.00%
	---------	---------	---------	-----
TOTAL TRANSFERS	2,265,000	2,335,000	70,000	3.09%
	---------	---------	---------	-----
TOTAL INC & TFRS	3,345,000	3,632,700	287,700	8.60%
EXPENSES				
ADVERTISING & PROMOTION	112,000	129,300	17,300	15.45%
ANNUAL REPORT	7,500	7,500	0	0.00%
AUDIT	36,000	38,000	2,000	5.56%
COMMISSIONERS EXPENSES	5,000	5,000	0	0.00%
CONSULTING FEES	101,300	116,800	15,500	15.30%
DEPRECIATION	180,000	145,000	(35,000)	-19.44%
DUES & SUBSCRIPTIONS	29,440	28,700	(740)	-2.51%
INSURANCE	190,000	190,000	0	0.00%
INTEREST EXPENSE	60,000	190,000	130,000	216.67%
LEGAL	45,000	45,000	0	0.00%
MISCELLANEOUS	5,000	5,000	0	0.00%
OCCUPANCY EXPENSE	120,000	100,000	(20,000)	-16.67%
OFFICE EXPENSES	30,000	35,000	5,000	16.67%
PENSION PLAN	132,000	130,000	(2,000)	-1.52%
POSTAGE	25,000	26,000	1,000	4.00%
REPAIRS & MAINTENANCE	55,000	40,000	(15,000)	-27.27%
SALARIES & WAGES	1,491,697	1,456,233	(35,464)	-2.38%
STAFF TRAVEL & TRAINING	65,000	60,000	(5,000)	-7.69%
SUBSIDY-HOUSING VT, ERH	40,000	99,000	59,000	147.50%
TAXES-PAYROLL	113,200	111,400	(1,800)	-1.59%
TELEPHONE	35,000	36,000	1,000	2.86%
TRUSTEE & CREDIT FEES	250,000	250,000	0	0.00%
	---------	---------	---------	------
TOTAL EXPENSES	3,128,137	3,243,933	115,796	3.70%
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SURPLUS (DEFICIT)	216,863	388,767	171,904	79.27%
	=======	=======	========	======

Moody's **Municipal** Credit Report

Vermont Housing Finance Agency

May 9, 1996

New Issue Update | **Housing**

Moody's rating: A1
Single Family Housing Bonds

Moody's rating: A1/VMIG 1
Single Family Housing Bonds, Series 7B and 7C

credit comment:

Moody's has confirmed the **A1** rating on VHFA's Single Family Housing Bonds Series 7A based on the strong mortgage insurance provisions on the program loans, sound financial operations, credit enhancements, adequate portfolio performance and its sound legal provisions. Additionally, the rating of **A1/VMIG 1** is being issued on the Series 7B and 7C convertible option bonds due to the financial strength of the investment providers and the legal provisions regarding the mandatory tender.

Financial Position Remains Satisfactory

Driven by a growing fund balance, the financial position of the program remains satisfactory with a program asset to debt ratio at 1.011 up slightly from the prior year. Revenue measures have displayed recent improvements.

Strong Guarantee Provisions on a Diverse Pool of Mortgages

The pool of mortgages is primarily guaranteed by the Vermont Home Mortgage Guarantee Board whose obligations carry the pledge of the full faith and credit of the State of Vermont with the remainder primarily uninsured with LTV's below 75%.

Satisfactory Portfolio Performance

While rising slightly during the past year, mortgage delinquencies remain comparable to state and national levels. Strong agency management of delinquencies minimizes risks to the bonds.

Cash Flow Projections Indicate Sufficient Revenues to Pay Debt Service

Cash flow projections indicate that revenues will be sufficient to maintain scheduled debt service payments. Some scenarios indicate the need for additional funds which would be available from contingency accounts held pursuant to the resolution.

Sound Legal Provisions Provide Additional Comfort

Further comfort on the transaction is provided by sound legal documentation establishing satisfactory bondholder security. These provisions also provide satisfactory assurance that adequate funds will be available to fund the mandatory tender of the COBs.

This update supplements the Credit Comment published in *Moody's Rating Recap* on April 16. The update was prepared in conjunction with the April 15, 1996, sale of $71,850,000 ($42,745,000 Single Family Housing Bonds, Series 7A and $29,105,000 Single Family Housing Bonds, Series 7B and 7C).

key facts:

Nature of Obligation: Special obligation of the agency.

Reserve Funds: Bond Reserve Fund required at half maximum annual debt service which may be funded

Vermont Housing Finance Agency

with either bond proceeds or with an AMBAC surety bond; Loan Loss Claim Fund required at 1.85% of loans outstanding.

Aditional Bonds: May be issued if standard tests are met.

Parity Bonds: Six series on parity with the Series 7A, 7B, 7C bonds aggregating approximately $240 million as of December 31, 1995.

Loan Type: Single family, home improvement, co-op and rehabilitation loans restricted by applicable supplemental resolutions.

Loan Insurance: Vermont Home Mortgage Guarantee Board (VHMGB) or VA guarantees, FHA or primary mortgage insurance.

Use of Proceeds: Proceeds of the Series 7A bonds will be used to finance mortgage loans, fund reserves and pay costs of issuance.

Cash Flow Projections: Sufficient revenues will be generated over the life of the bonds to fund regular debt service payments. Certain projected high speed and non-origination scenarios may require usage of the Contingency Account which is funded with an AMBAC surety bond.

Interest Rate Adjustment on the Series 7A Bonds: The agency has the option to adjust the interest rate on the bonds until April 1, 1999. If this option is exercised the bonds will be subject to mandatory tender with an option to retain and receive the adjusted rate.

Mandatory Tender on the Series 7B and 7C Bonds: The Series 7B and 7C bonds shall be subject to mandatory tender on May 1, 1999.

analysis:

Financial Position Remains Satisfactory

The program's financial position has remained relatively stable during the past three years as PADR has been maintained at approximately 1.01. The program fund balance has shown some growth over the past few years rising by nearly $1.4 million since 1993. Program net revenue as a percent of total revenue has also shown some improvement during the past year, rising to 6.61%, while net interest revenue as a percent of gross interest revenue climbed to 11.33%. These improvements to revenue measures in FY 1995 are particularly significant as a large portion of program assets were held in cash and investments, much of which will be used to fund higher interest rate loans in the future. The program was bolstered by the transfer of $4 million of assets from a refunded program during fiscal year 1993.

Strong Guarantee Provisions on a Diverse Pool of Mortgages

As of June 30, 1995, the program held 3,330 loans, 89% of which carry a guarantee of the Vermont Home Mortgage Guarantee Board. The VHMGB obligation carries the pledge of the full faith and credit of the State of Vermont, rated **Aa**. 5.6% of loans are uninsured with LTV's below 75%. 81% of loans are on single family detached dwellings with the remainder on 2-4 family houses or condominiums.

Satisfactory Portfolio Performance

While raising slightly during the past year, mortgage delinquencies remain comparable to state and national levels. Strong Agency oversight has helped to keep foreclosures low with only eight loans foreclosed over the life of the program. Program REO's are also kept low with only 13 loans as of December 31, 1995.

Cash Flow Projections Indicate Sufficient Revenues to Pay Debt Service

Cash flow projections indicate that revenues will be sufficient to maintain all scheduled debt service payments when due. Some non-origination and high prepayment speed scenarios indicate the need for additional funds which would be available from the contingency account. Currently the Series 2, 3, and 5 bond contingency accounts are backed by Sanwa Bank, Ltd. (rated **Aa3/P-1**) letters of credit. It is anticipated that the Series 7A contingency account will be funded with an AMBAC (rated **Aaa**) surety bond.

Sound Legal Provisions Provide Additional Comfort

Further comfort on the transaction is provided by sound legal documentation establishing satisfactory bondholder security. All mortgage loans must be either insured or guaranteed by the VHMGB, the

Vermont Housing Finance Agency

RECD, the FHA or a private mortgage insurer; or have an LTV below 75%. While the program resolution allows the funding of various types of loans including cooperative housing loans and home improvement loans, only traditional mortgage loans have been purchased to date. Loan losses incurred by the program above amounts covered by insurance shall be covered by Sanwa Bank Ltd. (rated **Aa3/P-1**) letters of credit currently equal to nearly 2% of loans outstanding. A bond reserve fund is established for all series at the lesser of 50% of maximum annual debt service or 10% of original bond proceeds. Additionally the resolution is supported by a contingency account which is backed by 3 Sanwa Bank Ltd. letters of credit and a surety bond from AMBAC. The contingency account may be utilized under certain non-origination and high prepayment speed scenarios. The bonds maintain an interest rate adjustment period through April 1, 1999 during which bonds may be subject to mandatory tender. Investments of all program funds will be held with providers rated at least **A1**. The resolution also provides satisfactory assurance that adequate funds will be available to fund the mandatory tender of the COB's on May 1, 1999.

sale information:

Legal Name of Issuer: Vermont Housing Finance Agency.

Date of Bonds: Series 7A: April 1. 1996; Series 7B, 7C: Date of Delivery.

Delivery: Series 7A Bonds: May 29, 1996; Series 7B, 7C: April 25, 1996.

Payment Structure: Interest is payable on each May 1 and November 1 commencing November 1, 1996.

Call Provisions: Special redemptions with unexpended proceed, prepayments and excess revenues. Optional redemptions beginning November 1, 2005 at 102% of par down to par on or after November 1, 2007. Mandatory sinking fund redemptions beginning May 1, 2011.

Key Contacts:

- Director of Finance: Roger A. Schoenbeck, (802) 864-5743.
- Managing Underwriter: PaineWebber, Boston, (617) 439-8339.
- Bond Counsel: Kutak Rock, Atlanta, (404) 222-4600.
- Trustee: The Howard Bank, Burlington, (802) 860-5419.

rating history: September 1990: **A1**

analyst: Michael P. Culnan
(212) 553-4554

VERMONT HOUSING FINANCE AGENCY

July 15, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, July 25, at 1:00 p.m., at the office of the Commissioner of Banking, Insurance, Securities and Health Care Administration, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: July 19, 1996

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, July 25, at the Office of the Commissioner of Banking, Insurance, Securities and Health Administration, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and Board packet. The June 13, 1996, Board Minutes will follow under separate cover.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:00 July 25!

REMINDER: VHMGB Board meeting is at 9:15 07/25.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

vhfa

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Office of the Commissioner of Banking, Insurance, Securities and Health Administration
89 Main Street
Montpelier, Vermont

Thursday, July 25, 1996 at 1:00 p.m.

1. Review and approval of minutes of June 13, 1996 — *{Under separate cover}*

2. Annual Meeting and Election of Officers — **[Jarrett//Enclosure]**

3. Development
   - ⌂ Pines II and III (Letter of Interest/Commitment) — **[Erdelyi//Enclosure]**
   - ⌂ 600 Dalton Drive (Letter of Interest/Commitment) — **[Reid//Enclosure]**
   - ⌂ Officers' Row Bridge Financing (LCHDC) — **[Crady//Enclosure]**
   - ⌂ Lamoille Housing Partnership Bridge Loan — **[Crady//Enclosure]**
   - ⌂ Housing Credits - Approval of JCTC Action — **[Erdelyi//Enclosure]**

4. Operations
   - ⌂ Single Family Program, Servicing and Property Disposition Reports — **[Lothrop//Enclosure]**
   - ⌂ Review of Second Quarter Quality Control Results — **[Lothrop//Enclosure]**

5. Multifamily Management
   - ⌂ Winchester Place Status Update — **[Falzone//Enclosure]**
   - ⌂ Management Director's Report — **[Falzone//Enclosure]**

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

7. Finance
   - ⌂ Financial Advisor Request for Proposals — **[Schoenbeck//Enclosure]**

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

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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vhfa

VERMONT HOUSING FINANCE AGENCY

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

Thursday, June 13, 1996

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

Agency Staff: Mr. Hunt, Mr. Francis, Mr. Schoenbeck, Mr. Lothrop, Mr. Falzone, Mr. Jarrett, Ms. Gent, Ms. Parker, Mr. Erdelyi, Ms. Reid, Ms. Deller

Guests: Ms. Wright (Lake Champlain Housing Development Corporation); Mr. Broderick (Housing Vermont); Mr. Shanahan (Realty Resources, Chartered)

The meeting was called to order by Chairman White at 1:10 p.m. Upon a motion duly made by Mr. Candon and seconded by Ms. Randall, the minutes of April 18 were amended to reflect Mr. Candon's attendance at the meeting, and unanimously accepted as amended.

Mr. Lothrop reviewed the "Single Family Program Activity Report for April 1996" as included in the Board packet. Reservations for the first two weeks of June have reached $3.5 million. There has been a slight increase in the number of properties in the real estate owned (REO) segment of the portfolio; however, five have been sold since the report was run, and two other sales are pending. Sales of REO properties to nonprofits should begin soon. Mr. Hunt noted that due to streamlining of the process, delinquencies are being moved into foreclosure status more quickly, resulting in an increase in foreclosure numbers. The "Servicing Activity for April" as included in the Board packet was also reviewed. Mr. Lothrop then reviewed the "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process—January 1, 1996 through March 31, 1996" had been included in the Board packet. No Board action was necessary.

Ms. Gent then introduced Ms. Deller, the Agency's research Analyst, who discussed the "Delinquency Study" as detailed in her memo of June 5, included in the Board packet. A recent study was undertaken to determine whether or not there are easily discernible differences between loans that are current versus loans that are delinquent, since the Agency is experiencing increased delinquencies. Through this study, it was determined that there are four major areas of difference between current and delinquent borrowers: the number of credit inquiries in the last four months; the amount of the borrower's own funds provided for the down payment; the percent of all trade lines (open or closed) ever delinquent, or worse; and the overall loan to value ratio. Other variables such as property conditions or energy efficiency have not yet been reviewed fully, making it difficult to determine a clear set of comparable factors. When asked about the need for real estate tax escrows, Mr. Lothrop noted that the contract with participating lenders requires either an escrow for property taxes, or that the lender verifies, through a tax service or directly, that property taxes have been paid; some lenders prefer not to require property tax escrows. Ms. Gent advised the Board that the lender survey for VHMGB asked lenders if an escrow requirement would affect the lenders' use of the program, and over 50 percent of the underwriters and/or originators responding stated that it would have a negative impact, while approximately one-third felt that it would have no effect. No Board action was required.

Ms. Gent then reviewed the "Community Outreach Activities" as described in her memo of June 6, included in the Board packet, and distributed a map indicating activities conducted throughout Vermont since 1994, as well as those proposed for the remainder of 1996 and early 1997. The Agency's community-based outreach activities consist of consumer education, real estate professional outreach, and training. There were 19 home buyer events held in 11 counties during FY96, reaching 1,255 individuals. A home buyer fair held in Chittenden County had 1,000 attendees. Other home buying workshops were held in rural areas of the state. A scaled back schedule is proposed for FY97, as a direct result of the departure of the training coordinator and the planned consolidation of all training and outreach responsibilities within one staff position. No Board action was required.

Next, Ms. Gent reported that a survey of lenders participating in VHMGB's programs had been conducted by Action Research. A similar survey has been conducted by VHMGB in previous years, but this was the first survey undertaken since the consolidation with the Agency. Originators, underwriters and servicers were contacted, and the full results of the survey will be shared with the VHMGB Board of Commissioners at their next meeting. Chairman White suggested that the Board withhold a detailed discussion on this topic until July.

Mr. Hunt then introduced Ms. Reid, who has joined the Development staff. Beginning her review of her memo of June 7 regarding "Holy Cross Senior Housing—Letter of Interest for Permanent Financing," Ms. Reid in turn introduced Mr. Broderick of Housing Vermont and Ms. Wright of Lake Champlain Housing Development Corporation (LCHDC). This proposed project consists of a new construction 40-unit elderly housing development in Colchester, to consist of 35 one bedroom units and five two bedroom units. The discussion centered around the potential prepayment penalty for Federal Home Loan Bank (FHLB) funds, which may not be avoidable for non-members such as the Agency. However, Mr. Schoenbeck pointed out that although FHLB has been changing some regulations in an effort to accommodate more borrowings by housing finance agencies, it may be more advisable to offer a privately placed bond for this financing. Ms. Wright advised the Board that LCHDC has been in existence for eight years, and is a nonprofit organization with experience in developing and rehabilitating low income housing tax credit projects throughout Chittenden County. An advertisement placed in the *Colchester Chronicle* by LCHDC yielded 147 responses, with 93 individuals interested in the proposed housing. As far as the rare plant species identified on the parcel of land, it may be possible to relocate the actual site of the building in order to preserve that vegetation. Mr. Hunt noted that the letter of interest will include a request that the borrower inform the Agency of the amount of property taxes being charged by the Town of Colchester. A motion was then made by Mr. Candon and after being seconded by Mr. Douglas, the "Resolution Pertaining to Letter of Interest re: Holy Cross Senior Housing" was unanimously adopted as attached to these minutes. Mr. Broderick and Ms. Wright left the meeting following this vote.

Mr. Erdelyi then reviewed the "Black River Overlook, Ludlow—Letter of Commitment, Permanent Financing; Construction Financing" as described in his memo of June 7, included in the Board packet. Mr. Shanahan, of Realty Resources, Chartered, the sponsor for this project, was introduced to the Board. Black River Overlook is a 25-unit new construction project in Ludlow, for which the Board approved issuance of a Letter of Interest in January 1996. Ms. Canney observed that the project as originally presented to the Board had the cost of utilities included in the unit rents; however, the current memo highlights the concerns of energy efficiency, which could lead to a tenant being unable to afford separate utility payments. Mr. Erdelyi explained that the owner plans to install five separate heating plants and is willing to install temperature flow meters which measure each unit's use of heat. This method would help tenants by providing an incentive for them to control energy consumption. Mr. Shanahan further noted that plans would call for tenants to make one combined payment for rent and utilities, rather than paying for them separately, but with the tenant's utility payment based on actual consumption. A motion was then made by Ms. Grimes to adopt the "Resolution Regarding Commitment Letter Re: Black River Overlook (Ludlow)" as attached to these minutes. After being seconded by Mr. Douglas, the motion carried unanimously; Mr. Shanahan then left the meeting.

The "Proposed Changes to Mortgage Plus Program" were reviewed next by Mr. Hunt, who referred the Board to Ms. Crady's memo of June 6, included in the Board packet. The Agency has the authority to issue Mortgage Credit Certificates (MCCs) to income-qualified borrowers using conventional bank financing. The limit on the resource is determined through a formula that counts MCC authority against the amount of bond volume cap the Agency can issue, rather than a pre-set limit. Mr. Lothrop explained that for every dollar in bond authority converted, the Agency receives $.25 in MCC authority. Originally, lenders were providing MCCs to borrowers who did not need the MCC to qualify for a mortgage; the program was later revised to limit borrower qualifications. The current proposal is to revitalize the program by applying it in targeted communities or neighborhoods with concentrated rehabilitation efforts. As Mr. Hunt explained, a single family borrower eligible within certain income or purchase price limitations could be eligible for the MCC without further qualifications. One possible reward or inducement for conventional lenders would be if the lender offers a qualified affordable housing program that would be reviewed and approved by the Agency. This would increase utilization of MCCs, increase the use by a targeted population, encourage lenders to offer more affordable housing programs, and assist in neighborhood revitalization. Geographical areas served by the program could be determined along the same guidelines as used for Community Development Block Grants (CDBG), as many communities have concentrated areas in which attempts are being made to improve the housing stock. Board review may be necessary for clarification in certain instances. It would not be up to the lender to determine the geographic areas to be served; instead, a clear letter of authority would be developed regarding CDBG and links to the MCC in the targeted area.

Mr. Hunt noted that should the Agency choose not to limit the use of the MCC, it would dissipate the availability of this resource. By limiting it to borrowers using doing rehabilitation work, such as under the HUD's 203(K) program, this resource will be preserved. Ms. Randall observed that there currently is a segment of the population that seems to be unable to qualify for debt relief in terms of tax incentives, educational scholarships, tuition assistance, and the like. After some further discussion, a motion was made by Ms. Canney to approve the changes to the MCC program as outlined in Ms. Crady's memo, cited above, in an effort to increase the availability of MCCs; staff is to report back to the Board on program usage at a later Board meeting. After being seconded by Mr. Douglas, the motion was unanimously carried.

The next topic of Board discussion was "Prospect/Forest Homes—Randolph" as described in Mr. Falzone's memo of June 5, included in the Board packet. Mr. Falzone explained that this nine-unit family property has experienced problems with the current ownership and management. The proposal is to have the Agency acquire title to the property and accomplish the energy conversion, after which the property title would be transferred to a nonprofit. The Agency would acquire the property for the debt owed (approximately $320,000) plus a negotiated amount of $9,000 at closing. Additional costs would be $50,000 to complete the energy conversion, with $12,000 to be supplied by Central Vermont Public Service (CVPS) as a conversion incentive, and an additional $9,000 to be paid from surplus cash over the next few years. Any delay in this transaction would lead to the loss of the energy conversion funds from CVPS as well as the opportunity to perform the energy conversion. After a motion was made by Mr. Douglas and seconded by Ms. Randall, the Board voted unanimously to approve the Agency acquiring title to Prospect/Forest Homes and to conduct the energy conversion; title would be held by the Agency until another viable nonprofit can be found to assume ownership control of the property.

Mr. Jarrett then reviewed his memo of June 7, included in the Board packet, regarding the "Repeal of Outdated Commitment Resolutions." A motion was made by Ms. Grimes and seconded by Ms. Canney to adopt the "Resolution Repealing Prior Resolutions" as attached to these minutes. This motion carried unanimously.

The Agency's quarterly financial statements through the third quarter of FY96 were then reviewed by Mr. Schoenbeck, who noted that the Agency has experienced reduced losses on properties during the third quarter, as compared with the first half of the fiscal year. The Agency's fund balance reflects a $43 million surplus which is not available as cash. Although the Agency ranks approximately sixth or seventh in size for financial institutions in Vermont, the Agency's cash position is still tight as a $1 million line of credit from the Howard Bank was accessed this past month for construction loans for which the Agency had previously made commitments. The Agency's overall financial performance has been better during the third quarter than in the previous six months, primarily due to the reduced property losses; there are still some liquidity concerns. No Board action was required.

Mr. Schoenbeck then reviewed the "General Fund Budget Performance" as detailed in his memo of June 7, included in the Board packet. Some budget amendments are being sought, but these would not result in any increase in the overall budget for the Agency. The latest bond resolution included a letter of credit purchased from Sanwa Bank in order to avoid accessing Agency funds to cover loan losses. There is no intention to draw on this letter of credit, but transfers are necessary from the General Fund to the Bond Program to fund actual property losses incurred. Again, there was no Board action taken at this time.

Beginning his Executive Director's report, Mr. Hunt informed the Board that he had attended the opening of the Homeownership Center in West Rutland, which has been made available through collaboration with Rutland West Neighborhood Housing Services (RWNHS). As the invitation for Mr. Hunt to attend had not been received until just a few days before the event, it was not possible to notify Board members and invite them to attend as well. The Homeownership Center operated by Gilman Housing Trust is also in operation, and plans for the Burlington Community Land Trust's Center are progressing. Mr. Hunt also noted that he had attended the National Homeownership Summit in Washington, D.C., where RWNHS received an award for their homeownership center efforts, prior to the actual opening of the Center. It appears that by sponsoring homeownership centers the Agency is once again on the cutting edge in the arena of affordable housing.

Mr. Hunt then updated the Board on the status of Winchester Place, which has experienced significant physical problems with the deterioration of the wood trim siding. Housing Vermont (HVT) hired a contractor and an architect to determine the causes of these problems. Their investigation included dismantling one building and uncovering a great deal of deterioration, primarily due to installation methods, the quality of the wood use, and a lack of back priming. A lawsuit has been brought by Winchester Associates, the owner of the property, against the original architect and contractor of the property. The rough cost to repair the damage is approximately $500,000, which is likely to increase if repairs are not made in a timely manner.

Mr. Hunt explained that it does not seem that the basic structure of the buildings is affected; there are some sheathing problems, but they are relatively minor. A bid process for repairs is underway, and it is expected that about half would be covered by replacement reserves of $225,000. HVT has asked the Merchants Bank to consider participating in the cost of repairs, as this would be an expense or loss they could claim as a general partner. The Agency has been making $25,000 monthly payments, and a current strategy would be to increase payments for a limited period of time to cover the actual cost of repairs. Although the lawsuit will be complex, it is expected ultimately to be winnable. The Agency does not appear as a party in that action. No Board action was required.

Mr. Schoenbeck informed the Board that requests for proposals were sent to three financial advisor firms, with responses due by July 1. An RFP for bond underwriters should be undertaken after a financial advisor has been selected and prior to the next bond financing, which may occur in September or October of this year. The three firms that received an RFP for financial advisor were selected from a published list of possible advisors that have significant housing advisory experience. This topic will be discussed further at the July Board meeting.

The "Fiscal Year June 1997 Budget" was reviewed next by Mr. Schoenbeck, who referred the Board to his memo of June 7, included in the Board packet. The current approved budget for FY96 is as passed prior to the beginning of the fiscal year, with the exception of the amendments noted in the earlier budget discussion during this Board meeting, which still requires formal Board action. Increased construction loan requests may mean that short term notes will be required in FY97 and in future years. Additional losses are expected in the fund transfer category. The capital budget for FY97 is significantly lower than that for FY96. The overall amount for advertising has been increased in order to cover the cost of producing updated procedural guides. Mr. Schoenbeck also noted that the proposed budget includes expenses for VHMGB as well as costs associated with the Agency's financial advisor search.

The area of salary adjustments was then discussed by the Board. Mr. Schoenbeck explained that base increases of 2.5 percent had been made for each of the past two fiscal years. Some positions have been eliminated through attrition, resulting in reduced staffing levels and some savings in terms of salaries, with additional responsibilities being distributed to current staff members. According to Mr. Schoenbeck, the average salary increase last year was four percent. Mr. Francis explained that health insurance costs have increased by six percent, but savings of $23,000 were realized after a staff committee completed a thorough review of the benefits package offered by the Agency; the results of this review were shared with the Board in 1996. The goal of that review was to hold benefit costs stable for a three to four year period, which appears to be happening as anticipated. Mr. Francis explained that although employees are not responsible for paying any portion of premium benefit costs or higher deductibles, there have been cost savings overall and some benefits were eliminated. Employees had been told that they may be required to pay for some portion of benefits offered by the Agency should the overall cost of benefits rise to a level that is considered by the Board to be unacceptable as an Agency cost.

{At this time, Ms. Grimes left the meeting.}

Mr. Francis further noted that there have been many gains in terms of the office environment and the data processing systems utilized by the staff; these improvements have not resulted in the loss of any staff positions, but information is available faster and more accurately. Mr. Hunt noted that staff has performed quite well during a period of a record amount of business being conducted, with 2.5 fewer staff members. The Agency currently offers more programs than ever before in its history, and salary increases were designed to acknowledge the efforts of the staff. Mr. Douglas noted that the State will be offering increases of two percent across the board, and that other places of business will offer increases lower than that proposed by the Agency. As Mr. Hunt further explained, there has been a fair amount of turnover at the Agency, with exiting employees citing higher paying jobs elsewhere as a primary reason for leaving. A motion was made by Ms. Randall to adopt the budget as presented, including an overall increase of 4.5 percent in salaries; this motion was not seconded. After some further discussion, a motion was made by Ms. Randall to amend the FY97 budget to reflect an overall increase of four percent in salaries; this motion was seconded by Mr. Candon and carried unanimously. A motion was then made by Mr. Candon to approve the amended FY96 budget as discussed earlier; this motion carried unanimously after being seconded by Mr. Douglas.

Chairman White informed the Board that he had established a subcommittee comprised of himself, Mr. Candon and Ms. Randall to assist the Executive Director in the search for a deputy director to replace Mr. Francis. The Board expressed its appreciation to Mr. Francis for his efforts over the past five years, and acknowledged his many contributions to the organization in terms of strategic planning, the business plan, the relocation of the office, and the oversight of data processing.

The date of the July Board meeting was not set, due to various scheduling conflicts. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:15 p.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt, Secretary

RESOLUTION REGARDING COMMITMENT LETTER RE: BLACK RIVER OVERLOOK (LUDLOW)

WHEREAS, a proposal has been presented to the Agency by Realty Resources, Chartered, of Rockport, Maine, (the "Sponsor") acting for Ludlow Housing Partnership, a to-be-formed limited partnership (the "Partnership") whose general partners are Joseph Cloutier and Rockingham Area Community Land Trust and whose limited partner is Okemo Mountain, Inc., involving the permanent first mortgage financing for a 25 unit development of new affordable rental housing in Ludlow (the "Development");

WHEREAS, the proposed development will contain 25 two and three bedroom units in five buildings located on a 12 acre site on the east side of Routes 100 and 103 in Ludlow, approximately one and a half miles from the town center (the "Property");

WHEREAS, the Sponsor has been given a reservation for low income housing tax credits, which, will enable the Sponsor to raise equity money through the sale of the tax credits;

WHEREAS, the Sponsor has been given conditional commitments for a second mortgage loan of $290,000 from the Vermont Housing and Conservation Board and a HOME deferred loan of $230,000;

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joseph Erdelyi dated June 7, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

2. The costs of site development and construction to be incurred by the housing sponsor are housing development costs within the meaning of the Act.

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

financing for residential housing for occupancy by such persons and families.

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

5. The amount of the Agency's permanent loan after the construction will not exceed 95% of the security value of the Development.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director may, in his discretion, issue a Commitment Letter for a loan for construction and bridge financing of the Development. The amount of the construction loan shall be determined by the Executive Director, but is not to exceed $1,530,000. The amount of the bridge loan, if any, shall be determined by the Executive Director, but is not to exceed $615,000. The term of the construction/bridge loan shall not exceed 18 months. The source of funds and the rate of interest on the loan shall be determined by the Executive Director. The Commitment Letter may be issued to Realty Resources, Chartered, as a representative of the Ludlow Housing Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including but not limited to the submission of the following in form and content acceptable to the Agency:

    a) Review of construction costs by VHFA or its agent; and

    b) Resolution of the rate lock/"not-to exceed" interest rate issue; and

    c) Sponsor must select a limited partner/equity investor and negotiate the most favorable terms possible, with VHFA reserving the right to withdraw its financing commitment if, at its sole discretion, the equity terms create a negative impact on the financial feasibility of the development or are significantly different than the attached pro forma dated June 6, 1996; and

d) Sponsor must provide security acceptable to VHFA Executive Director to cover construction/bridge interest accruing after permanent closing but before final capital contribution; and

e) Sponsor must provide guarantees of completion of construction in a form satisfactory to the VHFA Executive Director.

2. The Executive Director may, in his discretion, issue a Commitment Letter for a permanent loan for the Development. The amount of the permanent loan shall be determined by the Executive Director, but is not to exceed $375,000. The term of the permanent loan shall be 20 years. The source of funds and the rate of interest on the loan shall be determined by the Executive Director. The Commitment Letter may be issued to Realty Resources, Chartered, as a representative of the Ludlow Housing Partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, of a commitment fee in an amount equal to one percent (1.0%) of the principal amount of the construction/bridge loan and one percent (1.0%) of the principal amount of the permanent loan.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on June 13, 1996.

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

RESOLUTION PERTAINING TO LETTER OF INTEREST
RE: HOLY CROSS SENIOR HOUSING

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corporation ("LCHDC") and Holy Cross Senior Housing Corporation ("Holy Cross"), two non-profit corporations based in Chittenden County, (the "Sponsors") on behalf of a to-be-formed limited partnership, whose general partners would include LCHDC, Holy Cross and a Housing Vermont affiliate, involving the construction and permanent financing of a senior housing development containing 40 units in one building located on seven acres in Colchester (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $560,000; and

WHEREAS, the Sponsors have received a reservation of Low Income Housing Tax Credits and have applied for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cindy Reid dated June 7, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to the to-be-formed limited partnership for the construction of the Holy Cross Senior Housing development in Colchester and a permanent loan, in an amount not to exceed $560,000. The term and interest rate will depend on the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   a) sponsor must provide a Level I Environmental Site Assessment, with satisfactory remediation measures being incorporated into the work specifications;

   b) sponsor must provide an appraisal acceptable to VHFA staff;

   c) sponsor must secure all other sources of financing as proposed, or its equivalent, by July 1, 1996;

   d) satisfactory review of construction costs by VHFA or its agent;

   e) data from the sponsor acceptable to VHFA regarding demand for this housing;

   f) resolution of issues related to the reservation of the Low Income Tax Credits, including incurring 10% of "reasonably expected eligible basis" costs by October 31, 1996, evidence of Town zoning approval, evidence that proposed construction costs are reasonable, a detailed operating budget, and a revised development budget showing all committed financing by July 1, 1996; and

g) evidence of satisfactory Town Design and Site Plan Review and Archeological Survey Review by July 1 1996, and Act 250 Permit approval by August 30, 1996.

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 June 13, 1996.

Allan S Hunt

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

RESOLUTION REPEALING PRIOR RESOLUTIONS OF VERMONT HOUSING FINANCE AGENCY

WHEREAS, the Agency has passed several resolutions authorizing the Executive Director to issue commitment letters for loans to multifamily developments that have not resulted in loans being made; and

WHEREAS, the passage of time and other events have made it clear that the Agency will not be making loans to the sponsors of these developments; and

WHEREAS, it is desirable for the Agency to repeal the prior resolutions;

WHEREFORE, it is hereby RESOLVED:

The resolutions adopted on the dates listed below pertaining to the developments and/or sponsors indicated are hereby repealed and are of no further force and effect:

November 16, 1995	Gilman Housing Trust (Derby)
June 5, 1995	Alfred Court (Fair Haven)
April 24, 1994	Counseling Service of Addison County
March 3, 1993	City Center Associates
September 23, 1993	Scott Mansfield (Ten Commandments)
July 29, 1993	Moretown (Community Living)
November 18, 1992	St. Johnsbury (Scattered sites)
June 24, 1992	Deepwood Mobile Home Park (Brattleboro)
May 20, 1992	Windemere Mobile Home Park
May 20, 1992	Hardscrabble Farms
November 7, 1992	Weathervane United (Lincoln)

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 June 13, 1996.

Allan S. Hunt

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: July 19, 1996

RE: Annual Meeting

The VHFA enabling statute requires an annual meeting to be held in July. The attached resolution assumes that Roger Schoenbeck will be elected Treasurer and has a blank for the name of the Vice-Chairman, who also must be elected. Gus Seelig has been the Vice-Chairman for the last year. The remainder of the resolution deals with staff members' authority to do certain acts and is similar to previous resolutions.

RECOMMENDED ACTION:

Election of a Vice-Chair and Treasurer and adoption of the attached resolution.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, JULY 25, 1996

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, ____________ is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1996 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1996 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	____________________	Allan S. Hunt
Deputy Director	____________________	____________________
Director of Single Family Operations	____________________	Douglas R. Lothrop
Director of Finance	____________________	Roger A. Schoenbeck
Controller	____________________	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 24, 1995" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the Agency's Director of Single Family Operations, Real Estate Disposition Specialist, Loan Servicing Specialist and Foreclosure Specialist be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure Specialist and $5,000 for the Real Estate Disposition Specialist and the Loan Servicing Specialist and without limit for the Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property that the Agency holds a valid lien on;

E. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers; and

5. Affidavits of amounts due and other affidavits required in foreclosure actions.

F. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

3. Acknowledgment of receipt of liens junior to the lien of the Agency.

RESOLVED, that the Agency's Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions that are necessary for the sale of Agency-owned property in an auction.

Real Estate Disposition Specialist	________________	Linda C. Wilson
Foreclosure Specialist	________________	Peter C. Barry
Loan Servicing Specialist	________________	Gregory Lawlor

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

Director of Finance: ______________________________
(Signature)

Controller: ______________________________
(Signature)

Lender Accounting Coordinator: ______________________________
(Signature)

Portfolio Accountant: ______________________________
(Signature)

Investment/Portfolio Assistant: ______________________________
(Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JAE

DATE: July 18, 1996

RE: Combined Letter of Interest/Commitment Letter - Pines Phases II and III
Construction and Permanent Financing

Executive Summary

VHFA has received an application for construction and permanent financing for the Pines, Phases II and III, a new construction, senior living facility with supportive services on Dorset Street in South Burlington. The entire development as originally planned and approved will consist of 125 units; Phase I, with 53 units, was completed in June 1995 and rented up in six months, well ahead of the projected timeline of 12 to 18 months. The first phase of the development includes an elevator, 1,800 square feet of communal dining and living areas, a 720 square foot commercial kitchen, 1,525 square feet of community/activity areas, a VNA satellite office, a 6,000 square foot senior center, laundry facilities and landscaping (including walking trails, gardens and patios).The building was constructed with the addition of Phases II and III planned (the completed development will consist of one structure - see attached plan).

The original plan was to build the development in three phases; because of the strong demand for the units, a concern about rising lumber prices, and a desire to save on other construction costs, the sponsor intends to build Phases II and III together. The sponsor has signed a contract and begun the sitework. Because of the timeline this leaves the sponsor, the financing request is for a combined Letter of Interest and Commitment Letter.

THE DEVELOPMENT

Projected Funding Sources

Phase II:

VHFA First Mortgage	$1,500,000	64.12%
Developer's Fees (Deferred)	$11,275	0.48%
Housing Credit Equity	$827,998	35.40%
Totals	$2,339,273	100.00%

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

Phase III:

VHFA First Mortgage	$1,225,000	47.97%
Developer's Fees (Deferred)	$125,124	4.90%
Housing Credit Equity	$1,201,861	47.06%
Totals	$2,551,985	100.00%

The sponsor has received housing credit allocations for the first two phases and a reservation of credits for the third phase. The sponsor has received commitments from East Coast Capital, a national housing credit syndicator, to purchase the housing credits.

The sponsor has provided an appraisal report, dated June 16, 1996, from Allen and Cable. Staff is currently reviewing the appraisal, which shows a value for Phases II and III of $4.95 million as a housing credit project. The loan to value ratio for the VHFA financing is approximately 55%. The VHFA loan to cost ratio is approximately 56%.

Unit Breakdown and Rents

Sixty-five of the 72 units in the second and third phases are restricted to families at or below 60% of median income. In addition, the sponsor has agreed to restrict 11 of these 65 units to households below 50% of median, and an additional two units to households below 30% of median. The unit size and rent breakdown is as follows:

	Phase II		Phase III	
Size	#	Rents	#	Rents
1 BR	18	$532	30	$266-$532
2 BR	8	$639	9	$533-$639
1 BR	4	$750 (non-restricted)		
2 BR	3	$875 (non-restricted)		

These rents include all utilities. In addition to these basic rents, tenants can choose to purchase meals prepared in the communal kitchen at their discretion. A new, public senior center has recently been built using funding from a Community Development Block Grant and the city of South Burlington, in the basement of Phase I. Bus service is provided to area stores and a supermarket, and the Visiting Nurse Association has a satellite office located in the building. (These services and amenities are optional and any cost for them is not included in the rent.)

Sponsor, Management & Market

The general partner of the partnership that will own the development is P.S.H., Inc., whose principals are John Giebink and Charlie Brush. Mr. Brush and Mr. Giebink have utilized VHFA construction financing and developed the Redrocks-Phase III condominiums in Burlington. This development consists of 100 total units. VHFA provided construction financing in a 50%

participation with Vermont National Bank (total site development cost $855,000) on Phase III-B, which consists of 56 units. The loan was for infrastructure and site improvements, not actual unit construction. The outstanding balance of this loan is approximately $30,000. In addition to Redrocks, the sponsors developed Sugarwood, a 12 unit family Section 8 property in Middlebury (approximately 14 years old). Both developments are doing well and have met or exceeded VHFA's expectations.

The Pines Phase I is being managed by Coburn and Feeley property management, and the sponsor has signed a letter of intent to give the management of the entire property to Coburn and Feeley. There is office space on site that is utilized by a property manager who will be present on a full-time basis, upon completion of all three phases.

The sponsor has also submitted a market study, prepared by Douglas Kennedy and Associates in June of 1994. This report is currently being reviewed by staff. Among other findings, the report concluded that there is a strong demographic need for this development, that the *a la carte* services offer a "unique appeal", and that the average annual demand for these units is expected to be 35-40 households. The sponsors have security deposits and signed reservation letters from qualified tenants for all of the Phase II units, and a waiting list of income-qualified tenants for Phase III.

Site & Environmental Concerns

The site is level and wooded, approximately 6.1 total acres on the west side of Dorset Street in South Burlington (see attached site map).The original parcel of land the Pines is located on was a larger 12 acre parcel, and a Level I Environmental Site Assessment was completed on this entire parcel. Along the line of the property that fronts on Dorset Street were some drainage discharge points, so the sponsor had soils testing performed (a Level II assessment). The portion of the original 12 acre parcel that comprises the Pines site is set back from Dorset Street, and had the Level I been done on just the Pines site, no soils testing would have been required. In addition, the drainage along Dorset Street has been reconstructed, so it no longer discharges towards the Pines site. The sponsor has developed Phase I without incident; many environmental concerns (i.e., lead paint, asbestos) are not present in new construction.

DISCUSSION

A primary staff concern regarding this loan has been identifying a source of funding. The sponsor has approached a number of investors, including Vermont National Life, Howard Bank, and Vermont National Bank, about purchasing a VHFA general obligation bond. Given the sponsor's timeline, an source of capital needs to be identified quickly. Howard Bank recently proposed making a loan to VHFA; VHFA would back the loan repayment with its own credit and use the loan proceeds to fund The Pines. At this point, this option looks most promising.

The other primary area of concern to staff is the operating budget. For the entire development (all three phases), the per unit per month operating budget is $237, which includes all utilities and reserves. By comparison, two other affordable senior developments in Chittenden County have comparable expenses of $237 and $263 for a 44 unit and 82 unit development, respectively. On average, looking at 342 units in nine senior projects around the state, the comparable average is $329 per unit per month. Some of these projects have Section 8 project-based assistance, however, and may have generous budgets. Also, with 125 units in one building at the Pines, certain economies of scale are expected, which would make the unit/month operating expenses low. The sponsor has provided documentation of actual operating costs for Phase I, currently under review by staff.

The sponsor is looking for access to surplus cash in the form of annual cash distributions. VHFA is willing to allow cash distributions on a non-cumulative basis, but by statute the project sponsor must be "limited profit" (i.e., there must be a limit on distributions from the project). Because of the substantial housing credit equity (about $2 million) that is leveraged from a public source (as opposed to the developer's own cash), the standard ten percent of equity distribution that has historically been allowed would greatly exceed any potential annual cash flow. In the cash flow projections attached, the annual cash flow is estimated to run from approximately $46,500 in year one to $71,000 in year 15 for these two phases of the development. From that cash flow, the deferred development fees of approximately $136,000 will be paid. In addition, the partnership expenses (i.e. accounting and tax preparation) are incurred from cash flow, and the limited partners are entitled to 30% of the remaining cash flow. The sponsor has not formed a management, construction, or maintenance subsidiary to provide additional revenues for themselves from this development, as has been done at other developments with VHFA financing. Staff recognize the need to create an incentive for the sponsor to keep the development fully rented and also to control operating expenses. Staff recommends that the Executive Director be authorized to negotiate with the sponsor a mutually acceptable limitation on cash distributions, balancing these needed incentives against VHFA's statutory requirements.

<u>Strengths</u>

a) Because Phase I has been completed and rented, the sponsor has all infrastructure in place, all required approvals, a list of pre-qualified tenants for the units to be built, and the experience necessary to complete the development as proposed.

<u>Weaknesses</u>

a) The operating budget is lower on a per unit per month basis than staff have seen in most other elderly developments. In part this may be due to services being optional (and therefor the cost of services not being included in the budget), and also due to economies of scale. However, management staff will have the usual review and approval of the annual operating budget, and limited control over the maintenance of cash accounts, as outlined in the Regulatory Agreement. In addition, the debt service coverage ratio is high enough (115% to 120%) that cost increases could be absorbed if necessary.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in an amount of up to $2,725,000 (up to $1,500,000 for Phase II, up to $1,225,000 for Phase III); the permanent loan term will be 30 years with an amortization period of 15 years, and interest rate not to exceed VHFA's cost of funds plus 75 basis points, with a target rate of 8.5%. The construction loan term will be up to one year, with the same rate as the permanent loan, but interest payments only. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter. The proposed source of funds is to be determined. Staff are currently looking at privately placed, taxable-bond financing or a bank loan to VHFA, backed by VHFA's credit. The Letter of Interest shall include the following conditions:

1) The sponsor and VHFA's Executive Director must negotiate a mutually acceptable limitation of cash distributions, in conformance with VHFA's statutes.

2) The sponsor must satisfy the conditions of the Housing Credit Reservation Certificate and obtain an allocation of Housing Credits or requisite financing.

3) The sponsor must provide a written Right of First Refusal to VHFA to purchase the development at the end of the housing credit compliance period at the price determined in Section 42(i)(7)(B) of the Internal Revenue Code.

4) VHFA must determine an available source of capital that will make the project financially feasible.

5) Sponsor must provide a construction schedule of values, a month by month construction flow of funds schedule, and construction plans and specifications for approval by with VHFA or its agent.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: THE PINES, PHASES II AND III

WHEREAS, a proposal has been presented to the Agency by P.S.H., Inc., a development corporation (the "Sponsor") on behalf of a to-be-formed limited partnership, whose general partner would be P.S.H., Inc., involving the construction and permanent financing of a senior housing development containing 72 additional units in one building located on approximately six acres in South Burlington (the "Development"); and

WHEREAS, the proposal contemplates a construction loan and permanent loans in an amount not to exceed $2,725,000; and

WHEREAS, the Sponsor has received a reservation of Housing Credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated July 18, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction of the Pines senior housing development, Phases II and III, in South Burlington and a permanent loan, in an amount not to exceed $2,725,000. The term and interest rate will depend on the Agency's source of funds, but will not exceed 75 basis points in excess of the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

    1) The sponsor and VHFA's Executive Director must negotiate a mutually acceptable limitation of cash distributions, in conformance with VHFA statute and regulations.

    2) The sponsor must satisfy the conditions of the Housing Credit Reservation Certificate and obtain an allocation of Housing Credits or requisite financing.

    3) The sponsor must provide a written Right of First Refusal to VHFA to purchase the development at the end of the housing credit compliance period at the price determined in Section 42(i)(7)(B) of the Internal Revenue Code.

    4) VHFA must determine an available source of capital that will make the project financially feasible.

    5) Sponsor must provide a construction schedule of values, a month by month construction flow of funds schedule, and construction plans and specifications for approval by with VHFA or its agent.

3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $2,725,000. The term of the construction loan shall be one year, with a rate to be determined, but not to exceed 75 basis points in excess of the Agency's cost of funds. Interest only shall be payable on the construction loan until the closing of the permanent loan.

4. The permanent loan shall be amortized over a period of 30 years, but all principal and accrued interest shall be due 15 years from the date of the permanent loan. The interest rate shall be determined by the Executive Director, but shall not exceed 75 basis points in excess of the Agency's cost of funds. The Commitment Letter may be issued to P.S.H., Inc., as general partner of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

Pines Phase II		DEVELOPMENT BUDGET					17-Jul-96
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			208,000	6,303	8.92		
Interior Design			1,000	30	0.04	1,000	
Sitework			75,000	2,273	3.22		75,000
Landscaping			18,000	545	0.77		18,000
New Buildings			1,262,520	38,258	54.14		1,262,520
Interiors			30,000	909	1.29		30,000
Furniture, Fixtures, & Equipment			10,000	303	0.43		10,000
General Requirements		0.00%		0	0.00		0
Contractor Overhead		0.00%		0	0.00		0
Contractor Profit	0.0%	0.00%		0	0.00		0
Construction Contingency		5.80%	73,265	2,220	3.14		73,265
Construction Management			69,776	2,114	2.99		69,776
Subtotal			1,747,561	52,956	74.94	1,000	1,538,561
PROFESSIONAL SERVICES							
Architect Fee - Design			70,000	2,121	3.00		70,000
Accounting			3,000	91	0.13		3,000
Attorney			18,000	545	0.77		18,000
SURVEY/ENGINEERING			5,000	152	0.21		5,000
Transfer Taxes			2,600	79	0.11		2,600
Contingency			5,000	152	0.21		5,000
Subtotal			103,600	3,139	4.44	0	103,600
INTERIM COSTS							
Construction Insurance			5,861	178	0.25		5,861
Construction Interest			55,500	1,682	2.38		55,500
Construction Loan Origination Fee			22,200	673	0.95		22,200
Taxes			4,000	121	0.17		4,000
Subtotal			87,561	2,653	3.75	0	87,561
OTHER SOFT COSTS							
Property Appraisal				0	0.00		0
Building Permit Fees			23,100	700	0.99		23,100
Environmental Report				0	0.00		0
Lease-up Fee			10,000	303	0.43		10,000
Marketing Fee			3,000	91	0.13		3,000
Zoning Fee			750	23	0.03		750
Tax Credit Fees			5,600	170	0.24		5,600
Marketing (RENT UP)			3,000	91	0.13		
Subtotal			45,450	1,377	1.95	0	42,450
FINANCING FEES & EXPENSES							
Credit Report				0	0.00		
Permanent Loan Origination Fee				0	0.00		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Other Fees			5,000	152	0.21		
Counsel's Fee			5,000	152	0.21		
Other Consultants			15,000	455	0.64		
Subtotal			25,000	758	1.07	0	0
SYNDICATION COSTS							
Organizational (Partnership)			2,000	61	0.09		
Bridge Loan Interest				0	0.00		
Tax Opinion				0	0.00		
Subtotal			2,000	61	0.09	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			247,101	7,488	10.60		247,101
"Administration"			48,000	1,455	2.06		48,000
Subtotal		14.67%	295,101	8,942	12.65	0	295,101
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve				0	0.00		
Replacement Reserve				0	0.00		
Working Capital			33,000	1,000	1.42		
Operating Reserve/Sinking Fund				0	0.00		
Subtotal			33,000	1,000	1.42	0	0
TOTAL DEVELOPMENT COSTS			2,339,273	70,887	100.31	1,000	2,067,273
	LESS:	Amount of Non-qualified Financing					
	LESS:	Adjustment for per unit cost limits					
	LESS:	Historic tax Credit (Residential Portion)					
				Total Eligible Basis		1,000	2,067,273
	TIMES:	Adjusted for QCT/DDA			100.0%		2,067,273
	TIMES:	Applicable Fraction			78.30%	783	1,618,714
				Total Qualified Basis		783	1,618,714
	TIMES:	Applicable Percentage				3.69%	8.60%
			Total Annual Credit Qualified			29	139,209

Pines Phase II			RUN DATE:	17-Jul-96	
Total Residential Units:	33	Increase LIHTC		1.50%	
Restricted Units:	26	Increase Market		1.50%	
Percent Restricted:	126.92%	Expense increase:		3.00%	
Avg Net Monthly Rent:	585	Vacancy Rate:		5.00%	
Total Dev Costs	2,339,273	Partner's Tax Rate:		34.00%	
TDC/Unit	70,887	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:			
Max Credit Amount	139,209				
Credit Amount Allocated					
Net Syndication	0				
LIHTC - 9%	8.60%	(June '96)			
LIHTC - 4%	3.69%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
VHFA First Mortgage	1,500,000	64.12%	8.50%	30	20
		0.00%	1.00%	20	int. only
		0.00%	6.50%	30	grant
Other Equity	11,275	0.48%	N/A	N/A	
Tax Credit Equity	827,998	35.40%	N/A	N/A	
	2,339,273	100.00%			
Gap	0				
2 Br	83,380		0		
3 Br	88,380		0		
Max cost allowed by unit cost limits			0		
projected total cost, excluding cash accounts			2,339,273		
		(over)/under	(2,339,273)		
General Partner's Capital Contribution			0		
Limited Partner's Capital Contribution			0		
Total Capital Contribution			0		

Pines Phase II	EXPENSE BUDGET			17-Jul-96
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	13,894	1,158	35	7.9%
Marketing		0	0	
Audit/Accounting	1,000	83	3	
Legal	1,000	83	3	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring		0	0	
Supportive Services	2,351	196	6	
TOTAL ADMINISTRATIVE	18,245	1,520	46	
Utilities				
Water/Sewer	1,881	157	5	
Electric	9,405	784	24	
Fuel	7,524	627	19	
		0	0	
TOTAL UTILITIES	18,810	1,568	48	
Maintenance				
Maintenance Payroll	3,919	327	10	
Supplies	314	26	1	
Trash Removal	2,633	219	7	
Snow/Grounds	1,000	83	3	
Repairs	3,919	327	10	
Paint/Decorating	1,568	131	4	
Exterminating	314	26	1	
Contract Maintenance	1,568	131	4	
Equipment Debt		0	0	
Fire/Emergency Calls	627	52	2	
Other	784	65	2	
TOTAL MAINTENANCE	16,646	1,387	42	
Taxes	12,713	1,059	32	
Insurance	2,520	210	6	
Replacement Reserves	6,600	550	17	
Other		0	0	
Total	75,534	6,295	191	

Pines Phase II			Rental Income		17-Jul-96	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		650	18	532		114,912
2 Br		820	8	639		61,344
	Totals	18,260	26			176,256
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		650	4	750		36,000
2 Br		820	3	875		31,500
	Totals	5,060	7			67,500
All Units						
	Grand Totals	23,320	33			243,756
		Less Vacancy	5.00%			(12,188)
					NET RENT	231,568
		OTHER INCOME				
		Interest Income				1,158
		Laundry				4,514
		Parking				0
		Total Other Income				5,672
					TOTAL INCOM	237,240

17-Jul-96		Pines Phase II				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			243,756	247,412	251,124	254,890	258,714	262,594	266,533	270,531	274,589	278,708	282,889	287,132	291,439	295,811	300,248
Less Res Vacancy			(12,188)	(12,371)	(12,556)	(12,745)	(12,936)	(13,130)	(13,327)	(13,527)	(13,729)	(13,935)	(14,144)	(14,357)	(14,572)	(14,791)	(15,012)
Plus Other Income			4,514	4,582	4,650	4,720	4,791	4,863	4,936	5,010	5,085	5,161	5,239	5,317	5,397	5,478	5,560
Total Actual Income			236,082	239,623	243,218	246,866	250,569	254,328	258,142	262,015	265,945	269,934	273,983	278,093	282,264	286,498	290,796
Less Operating Expense			68,934	71,002	73,132	75,326	77,586	79,913	82,311	84,780	87,324	89,943	92,642	95,421	98,283	101,232	104,269
Less Reserves			6,600	6,699	6,799	6,901	7,005	7,110	7,217	7,325	7,435	7,546	7,660	7,774	7,891	8,009	8,130
Net Operating Income			160,548	161,922	163,286	164,639	165,978	167,304	168,615	169,910	171,186	172,444	173,682	174,898	176,090	177,257	178,397
Less Primary Debt Service			138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404	138,404
Less Secondary Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			22,144	23,518	24,882	26,234	27,574	28,900	30,211	31,505	32,782	34,040	35,278	36,493	37,685	38,852	39,993
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash			22,144	23,518	24,882	26,234	27,574	28,900	30,211	31,505	32,782	34,040	35,278	36,493	37,685	38,852	39,993
DCR			116.00%	116.99%	117.98%	118.95%	119.92%	120.88%	121.83%	122.76%	123.69%	124.59%	125.49%	126.37%	127.23%	128.07%	128.90%
Cumulative Cash Flow																	
Beginning Balance			22,144	45,883	71,224	98,170	126,726	156,893	188,672	222,064	257,067	293,677	331,891	371,704	413,106	456,089	500,643
Interest		2.0%	221	459	712	982	1,267	1,569	1,887	2,221	2,571	2,937	3,319	3,717	4,131	4,561	5,006
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance			22,365	46,342	71,936	99,152	127,993	158,462	190,559	224,285	259,637	296,614	335,210	375,421	417,237	460,650	505,649
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income			160,548	161,922	163,286	164,639	165,978	167,304	168,615	169,910	171,186	172,444	173,682	174,898	176,090	177,257	178,397
Plus Reserves			6,600	6,699	6,799	6,901	7,005	7,110	7,217	7,325	7,435	7,546	7,660	7,774	7,891	8,009	8,130
Less Interest Expense			(127,065)	(126,063)	(124,972)	(123,784)	(122,492)	(121,086)	(119,555)	(117,889)	(116,075)	(114,102)	(111,954)	(109,616)	(107,071)	(104,301)	(101,287)
Less Depreciation			(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)	(75,792)
Taxable Income (Loss)			(35,709)	(33,233)	(30,678)	(28,036)	(25,301)	(22,463)	(19,515)	(16,446)	(13,246)	(9,903)	(6,404)	(2,735)	1,118	5,173	9,448
Cash Flow			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings			12,141	11,299	10,430	9,532	8,602	7,638	6,635	5,592	4,504	3,367	2,177	930	(380)	(1,759)	(3,212)
Plus Tax Credits			0	0	0	0	0	0	0	0	0	0					
Less Cap Gain Tax																	(76,108)
After Tax Cash Flow		(827,998)	12,141	11,299	10,430	9,532	8,602	7,638	6,635	5,592	4,504	3,367	2,177	930	(380)	(1,759)	(79,320)
Total 15 years															Original Basis		2,084,273
Internal Rate of Return:		#NUM!													Less Depreciation		(1,136,876)
															Basis at Sale		947,397
															Sales Price		1,171,244
															Gain		223,847
															Tax	34.00%	76,108

The Pines, Phase III	EXPENSE BUDGET			17-Jul-96
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	13,782	1,149	29	5.7%
Marketing		0	0	
Audit/Accounting	2,000	167	4	
Legal	1,000	83	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring		0	0	
Supportive Services	2,779	232	6	
TOTAL ADMINISTRATIVE	19,561	1,630	42	
Utilities				
Water/Sewer	2,223	185	5	
Electric	11,115	926	24	
Fuel	8,892	741	19	
Common Area Utilities	3,000	250	6	
Other		0	0	
TOTAL UTILITIES	25,230	2,103	54	
Maintenance				
Maintenance Payroll	4,631	386	10	
Supplies	371	31	1	
Trash Removal	3,112	259	7	
Snow Removal	4,000	333	9	
Repairs	4,631	386	10	
Paint/Decorating	1,853	154	4	
Exterminating	371	31	1	
Contract Maintenance (HVAC)	1,853	154	4	
Grounds	4,000	333	9	
Fire/Emergency Calls	741	62	2	
Other	926	77	2	
TOTAL MAINTENANCE	26,489	2,207	57	
Taxes	15,678	1,307	34	
Insurance	2,880	240	6	
Replacement Reserves	7,800	650	17	
Other		0	0	
Total	97,638	8,137	209	

The Pines, Phase III			Rental Income		17-Jul-96	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	30% Median	650	2	266		6,384
1 Br	50% Median	650	8	443		42,528
1 Br	60% Median	650	20	532		127,680
2 Br	50% Median	825	3	533		19,188
2 Br	60% Median	825	6	639		46,008
						0
	Totals	26,925	39			241,788
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
	Totals	0	0			0
All Units						
	Grand Totals	26,925	39			241,788
		Less Vacancy	5.00%			(12,089)
					NET RENT	229,699
		OTHER INCOME				
		Interest Income				1,148
		Laundry				5,335
		Parking				0
		Total Other Income				6,483
					TOTAL INCOME	236,182

The Pines, Phase III			RUN DATE:	17-Jul-96	
Total Residential Units:	39	Increase LIHTC		1.50%	
Restricted Units:	39	Increase Market		1.50%	
Percent Restricted:	100.00%	Expense increase:		3.00%	
Avg Net Monthly Rent:	491	Vacancy Rate:		5.00%	
Total Dev Costs	2,553,831	Partner's Tax Rate:		34.00%	
TDC/Unit	65,483	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:		61.00%	
Max Credit Amount	199,322				
Credit Amount Allocated	199,017				
Net Syndication	1,201,861			24,365	
LIHTC - 9%	8.63%	(July '96)		11.99%	
LIHTC - 4%	3.70%			121.56%	
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
VHFA First Mortgage	1,225,000	47.97%	8.50%	30	20
Deferred Developer's Fees	125,124	4.90%			
		0.00%			
		0.00%	N/A	N/A	
Tax Credit Equity	1,201,861	47.06%	N/A	N/A	
	2,551,985	99.93%			
Gap	1,846				
1 Br	83,380	30	2,501,400		
2 Br	88,380	9	795,420		
Max cost allowed by unit cost limits			3,296,820		
projected total cost, excluding cash accounts			2,514,831		
		(over)/under	781,989		
General Partner's Capital Contribution			12,140		
Limited Partner's Capital Contribution			1,201,861		
Total Capital Contribution			1,214,001		

The Pines, Phase III		DEVELOPMENT BUDGET						17-Jul-96
							Acquisition Credit	Rehab/Const Credit
				Budget	Per Unit	Per s.f.		
ACQUISITION & CONSTRUCTION								
Land				175,000	4,487	6.50		
Landscaping				20,000	513	0.74		20,000
Sitework				50,000	1,282	1.86		50,000
Construction Management				93,760	2,404	3.48		93,760
New Buildings				1,443,670	37,017	53.62		1,443,670
Interiors				39,000	1,000	1.45		39,000
FF & E				10,000	256	0.37		10,000
General Requirements			0.00%		0	0.00		0
Contractor Overhead			0.00%		0	0.00		0
Contractor Profit	0.0%		0.00%		0	0.00		0
Construction Contingency			0.00%		0	0.00		0
APPLIANCES					0	0.00		0
Subtotal				1,831,430	46,960	68.02	0	1,656,430
PROFESSIONAL SERVICES								
Architect Fee - Design				60,000	1,538	2.23		60,000
Interior Design				1,000	26	0.04		1,000
Attorney				18,000	462	0.67		18,000
SURVEY/ENGINEERING				5,000	128	0.19		5,000
ACCOUNTING				3,000	77	0.11		3,000
Legal - Transfer Taxes				2,188	56	0.08		
Subtotal				89,188	2,287	3.31	0	87,000
INTERIM COSTS								
Construction Insurance				6,626	170	0.25		6,626
Construction Interest				66,300	1,700	2.46		66,300
Construction Loan Origination Fee				19,500	500	0.72		19,500
Taxes				5,000	128	0.19		5,000
Subtotal				97,426	2,498	3.62	0	97,426
OTHER SOFT COSTS								
Property Appraisal					0	0.00		0
Other Consultants				15,000	385	0.56		15,000
Environmental Report					0	0.00		0
Zoning Fees				1,000	26	0.04		1,000
Bldg Permit Fees				27,300	700	1.01		27,300
Other Fees				5,000	128	0.19		5,000
Tax Credit Fees				8,000	205	0.30		
Marketing				3,000	77	0.11		
Subtotal				59,300	1,521	2.20	0	48,300
FINANCING FEES & EXPENSES								
Contingency				82,822	2,124	3.08		82,822
Permanent Loan Origination Fee					0	0.00		
Marketing Fee				3,000	77	0.11		
Lease-up Fee				12,000	308	0.45		
Soft Contngency				5,000	128	0.19		5,000
Lender's Fees				5,000	128	0.19		5,000
Other					0	0.00		
Subtotal				107,822	2,765	4.00	0	92,822
SYNDICATION COSTS								
Organizational (Partnership)				2,000	51	0.07		
Bridge Loan Interest					0	0.00		
Tax Opinion					0	0.00		
Subtotal				2,000	51	0.07	0	0
DEVELOPER'S FEES								
Developer's Overhead & Profit				267,665	6,863	9.94		267,665
"Administration"				60,000	1,538	2.23		60,000
Subtotal			14.98%	327,665	8,402	12.17	0	327,665
PROJECT RESERVES								
Rent-up (Deficit Escrow) Reserve			35%	39,000	1,000	1.45		
Replacement Reserve					0	0.00		
Working Capital					0	0.00		
Operating Reserve/Sinking Fund					0	0.00		
Subtotal				39,000	1,000	1.45	0	0
TOTAL DEVELOPMENT COSTS				2,553,831	65,483	94.85	0	2,309,643
	LESS:	Amount of Non-qualified Financing						
	LESS:	Adjustment for per unit cost limits						
	LESS:	Historic tax Credit (Residential Portion)						
					Total Eligible Basis		0	2,309,643
	TIMES:	Adjusted for QCT/DDA				100.0%		2,309,643
	TIMES:	Applicable Fraction				100.00%	0	2,309,643
					Total Qualified Basis		0	2,309,643
	TIMES:	Applicable Percentage					3.70%	8.63%
				Total Annual Credit Qualified			0	199,322
Total Tax Credits Requested				199,303				
Estimated Net Syndication Proceeds			1,203,588					
Estimated Yield - LIHTC Syndication			61.00%					
Equity Gap			1,203,707					
Credits Needed to fill Equity Gap				197,329				

17-Jul-96		The Pines, Phase III			Cash Flow Projection											
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent		241,788	245,415	249,096	252,832	256,625	260,474	264,381	268,347	272,372	276,458	280,605	284,814	289,086	293,422	297,824
Less Res Vacancy		(12,089)	(12,271)	(12,455)	(12,642)	(12,831)	(13,024)	(13,219)	(13,417)	(13,619)	(13,823)	(14,030)	(14,241)	(14,454)	(14,671)	(14,891)
Plus Other Income		5,335	5,415	5,496	5,579	5,662	5,747	5,834	5,921	6,010	6,100	6,191	6,284	6,379	6,474	6,571
Total Actual Income		235,034	238,559	242,137	245,770	249,456	253,198	256,996	260,851	264,764	268,735	272,766	276,858	281,010	285,226	289,504
Less Operating Expense		89,838	92,533	95,309	98,168	101,113	104,147	107,271	110,489	113,804	117,218	120,735	124,357	128,088	131,930	135,888
Less Reserves		7,800	7,917	8,036	8,156	8,279	8,403	8,529	8,657	8,787	8,918	9,052	9,188	9,326	9,466	9,608
Net Operating Income		137,396	138,109	138,793	139,445	140,064	140,648	141,196	141,705	142,173	142,598	142,979	143,313	143,597	143,830	144,008
Less Primary Debt Service		113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030	113,030
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow		24,365	25,079	25,762	26,415	27,034	27,618	28,165	28,674	29,143	29,568	29,949	30,282	30,567	30,799	30,978
Oper Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		24,365	25,079	25,762	26,415	27,034	27,618	28,165	28,674	29,143	29,568	29,949	30,282	30,567	30,799	30,978
DCR		121.56%	122.19%	122.79%	123.37%	123.92%	124.43%	124.92%	125.37%	125.78%	126.16%	126.50%	126.79%	127.04%	127.25%	127.41%
Cumulative Cash Flow																
Beginning Balance		24,365	49,688	75,947	103,121	131,186	160,116	189,882	220,455	251,803	283,889	316,677	350,126	384,194	418,835	454,002
Interest	2.0%	244	497	759	1,031	1,312	1,601	1,899	2,205	2,518	2,839	3,167	3,501	3,842	4,188	4,540
Withdrawls		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		24,609	50,185	76,706	104,152	132,498	161,717	191,781	222,660	254,321	286,728	319,843	353,627	388,036	423,024	458,542
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		137,396	138,109	138,793	139,445	140,064	140,648	141,196	141,705	142,173	142,598	142,979	143,313	143,597	143,830	144,008
Plus Reserves		7,800	7,917	8,036	8,156	8,279	8,403	8,529	8,657	8,787	8,918	9,052	9,188	9,326	9,466	9,608
Less Interest Expense		(103,770)	(102,951)	(102,060)	(101,091)	(100,035)	(98,887)	(97,636)	(96,276)	(94,795)	(93,183)	(91,429)	(89,519)	(87,441)	(85,179)	(82,718)
Less Depreciation		(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)	(84,576)
Taxable Income (Loss)		(43,150)	(41,501)	(39,808)	(38,065)	(36,268)	(34,411)	(32,488)	(30,490)	(28,411)	(26,242)	(23,973)	(21,594)	(19,094)	(16,460)	(13,677)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		14,671	14,110	13,535	12,942	12,331	11,700	11,046	10,367	9,660	8,922	8,151	7,342	6,492	5,596	4,650
Plus Tax Credits		199,017	199,017	199,017	199,017	199,017	199,017	199,017	199,017	199,017	199,017					
Less Cap Gain Tax																(8,311)
After Tax Cash Flow	(1,201,861)	213,688	213,127	212,552	211,959	211,348	210,717	210,063	209,384	208,677	207,939	8,151	7,342	6,492	5,596	(3,661)
Total 15 years														Original Basis		2,325,831
Internal Rate of Return:	11.99%													Less Depreciation		(1,268,635)
														Basis at Sale		1,057,196
Max distribution	6.00%	72,112												Sales Price		1,081,640
														Gain		24,444
														Tax	34.00%	8,311

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: July 19, 1996

RE: 600 Dalton Drive/BCLT Combined Letter of Interest/Commitment Letter for permanent financing

Executive Summary

On July 7, 1995, Dalton Drive Neighborhood Inc. (DDNI) as Seller, and Burlington Community Land Trust Inc. (BCLT) as Purchaser, entered into a Letter of Intent for the sale of a commercial building at 600 Dalton Drive for $250,000. The Letter of Intent states that VHFA will provide "up to $250,000 in funding of which a loan of up to $75,000 will be made at an interest rate as low as 0%, and a loan of up to $175,000 will be made at an interest rate not to exceed 8.5%." BCLT requests a loan of $70,000 at 0% for up to 30 years to develop the building into 11 units of assisted housing for families and individuals living with HIV/AIDS.

BCLT will develop and manage the project. On-site services will be provided by Vermont CARES, a statewide non profit organization based in Burlington that provides referrals, education, services and outreach for people with HIV/AIDS. Vermont CARES will have an on-site office, counseling room, congregate kitchen, and meeting facility. BCLT's proposed development budget shows a total project cost of $1,252,850, which is $113,895 per unit. A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

THE DEVELOPMENT

Projected Funding Sources		
VHFA Mortgage	$70,000	6.00%
VCDP Loan	$160,000	13.00%
VHCB Grant	$242,000	19.00%
Historic Tax Credits	$160,000	13.00%
HOME	$309,000	24.00%
HOPWA 96	$33,000	3.00%
HOPWA 97	$278,850	22.00%
Totals	$1,252,850	100.00%

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EQUAL HOUSING OPPORTUNITY

The Vermont Community Development Program (VCDP) did not fund the project in the June round because it did not meet the "readiness" test with regards to other funding commitments. This situation should improve by September, VCDP's next round, making the application more competitive. The VHCB & HOME grants will be decided at the August VHCB meeting. The project is receiving Historic Tax Credits, and Housing Vermont has agreed to syndicate the credits. BCLT received a HOPWA (Housing Opportunities for People With AIDS) 96 pre-development grant, and has a Ventures pre-development loan. The HIV/AIDS Care Consortium has applied for the HOPWA 97 grant for this project. It is a competitive federal grant but it is Vermont's only application; the funding decision is in August. Burlington Housing Authority has applied for Shelter + Care rental subsidies. This application also has an August funding decision.

The property was appraised two months ago "as is" at $250,000, giving VHFA a pre-rehab loan-to-value ratio of 28%. It is currently assessed at $205,400 ($179,300 in Colchester and $26,100 in Essex, as the building is located in both towns). The VHFA loan-to-cost ratio is approximately 6%.

Unit Breakdown and Rents

Initially, all of the units in the proposed development would be affordable to households earning less than 60 % of median income, with 20% of the units affordable to households below 50% of median income. Six units have a Shelter + Care ten year rental subsidy, and five units have a HOPWA three year rental subsidy. BCLT plans to pay for future rental subsidies from positive cash flow to maintain affordability once the Shelter + Care (S+C) and HOPWA rental subsidies expire. As proposed, initially there are 11 rental subsidies, in years four-ten there will be nine rental subsidies (six S+C and three internal subsidies), and after year ten there will be four rental subsidies, for as long as the project can internally subsidize them (attached projection shows a 25 year period). Internal subsidies are projected to serve households at 45% of median income.

There will be an elevator, all units will be adaptable, and two will be accessible. Rents include all utilities. The unit size and rent breakdown is as follows:

Type	Size	#	Rents
Years 1-3			
Fair Market Rent/HOPWA	1BR	3	$478
	2BR	2	$637
High HOME Rent	1BR	4	$478
Low HOME Rent	1BR	2	$443

Type	Size	#	Rents
Years 4-10			
Fair Market Rent/Section 8	1BR	1	$507
	2BR	1	$676
High HOME Rent	1BR	4	$507
Low HOME Rent	1BR	2	$470
Subsidized Rent (100% of FMR)	1BR	2	$507
	2BR	1	$676
Years 11-30			
Fair Market Rent/Section 8	1BR	2	$582
	2BR	1	$777
High HOME Rent	1BR	5	$582
Subsidized Rent (100% of FMR)	1BR	2	$582
	2BR	1	$777

Sponsor, Management & Market

BCLT, an experienced Chittenden County non profit housing developer and property manager, will own and manage the property. BCLT currently manages 134 rental units plus four commercial buildings, of which 32 units are considered special needs housing. Vermont CARES will provide on-site services and make referrals to potential residents. Vermont CARES will fund the on-site services. BCLT will certify tenant eligibility and finalize tenant selection.

This project is a product of the work of the HIV/AIDS Care Consortium formed in 1992. The Consortium is composed of people in need of the services (1/3), representatives of state and community housing, human service and health organizations, the Vermont People with AIDS (PWA) Coalition, the Vermont Department of Health, and more. The work of the Consortium identified the need for affordable housing with supportive services.

In 1994, the HIV/AIDS Care Consortium conducted a statewide Housing Needs Assessment of Vermonters living with HIV/AIDS. The results indicated half of all respondents living well below the poverty level, and a total of 82% below 80% of median income. In addition, one-third reported they had been homeless at one time. The Consortium worked with VHCB staff to apply for a HUD HOPWA grant, for 25 tenant-based Section 8 Certificates (for other projects) and pre-development funds for this project.

Site & Environmental Concerns

The building is located at Fort Ethan Allen on the town line of Colchester and Essex, off Route 15. The Fort consists of 30.05 acres and 77 condominium units and various commercial and retail buildings. 600 Dalton Drive is one of two commercial buildings on Officer's Row owned by DDNI. The other building was sold in July of 1995. The building was chosen by BCLT because of the residential character of the neighborhood, the appropriateness of the building, bus service and access to other services, and because several individuals sympathetic to the mission of the project live in the condominiums. BCLT plans to test for and abate asbestos, and to remove a #2 oil underground storage tank.

DISCUSSION

There is an Option Agreement (more recent than the Letter of Intent previously discussed) between DDNI and BCLT dated April 30, 1996, which expires December 31, 1996. BCLT has applied to all funding sources, has preliminary drawings done, and has contacted local officials in both Colchester and Essex. Staff has inspected the building. The completed project will create 11 units of affordable assisted housing for people living with HIV/AIDS, and improve the quality and energy efficiency of a currently vacant building through rehabilitation.

Staff's recommendation is to allow the loan term to be decided by the Executive Director. The funds to be used for this loan are linked with the yield burn pool that expires in February of 2014. VHFA's practice has been to lend the funds for 20 years. VHFA has the ability to extend this term at its discretion.

Strengths

a) BCLT has successfully developed both single family and multifamily developments, including several special needs housing projects in cooperation with social service agencies;

b) The project would provide 11 units of permanently affordable assisted housing for individuals and households living with HIV/AIDS, and improve the quality of the remaining vacant commercial property at Fort Ethan Allen.

Weaknesses

a) The project does not have many commitments for financing at this time.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent financing in an amount not to exceed $70,000, with an interest rate of 0 percent and a loan term to be determined by the Executive Director. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions described below. The Letter of Interest shall include the following conditions:

1) Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

2) Sponsor must provide a Level I Environmental Site Assessment satisfactory to VHFA staff.

3) Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board and the HOME Program, Housing Opportunities for People With AIDS (HOPWA) 97, Vermont Community Development Program (VCDP), Historic Tax Credits, Shelter + Care (rental subsidy). "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.

The Commitment Letter shall be subject to conditions including the following:

1) VHFA approval of final rehabilitation scope of work including specifications;

2) Sponsor must provide evidence of competitive bidding.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 600 DALTON DRIVE

WHEREAS, a proposal has been presented to the Agency by Burlington Community Land Trust, Inc., ("BCLT"), a non-profit corporation (the "Sponsor") involving the acquisition and rehabilitation of a commercial building on Dalton Drive in Colchester and Essex into 11 units of assisted housing for families and individuals living with HIV/AIDS (the "Development"); and

WHEREAS, the proposal contemplates a loan in an amount not to exceed $70,000; 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 Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 19, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and will qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Burlington Community Land Trust, Inc. for acquisition and rehabilitation in an amount not to exceed $70,000. The interest rate will be 0% per annum and the term will be determined by the Executive Director. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   1) Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

   2) Sponsor must provide a Level I Environmental Site Assessment satisfactory to VHFA staff.

   3) Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board and the HOME Program, Housing Opportunities for People With AIDS (HOPWA) 97, Vermont Community Development Program (VCDP), Historic Tax Credits, Shelter + Care (rental subsidy). "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

3. The Executive Director may, in his discretion, issue a Commitment Letter for the loan for the acquisition, rehabilitation and long-term financing of the Development, in an amount not to exceed $70,000. The term of the construction loan shall be determined by the Executive Director. The interest rate shall be 0% per annum.

4. The Commitment Letter may be issued to BCLT. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including satisfaction of the following conditions:

   1) VHFA approval of final rehabilitation scope of work including specifications;

   2) The Sponsor must provide evidence of competitive bidding.

600 Dalton Drive			RUN DATE:	17-Jul-96	
Total Residential Units:	11	Increase All Units		1.50%	
Restricted Units:	11	Increase Incomes		1.50%	
Percent Restricted:	100.00%	Expense increase:		3.00%	
Avg Net Monthly Rent:	476	Vacancy Rate:		5.00%	
Total Dev Costs	1,252,850				
TDC/Unit	113,895				
Total Square Feet	11,907				
Cost Per Square Foot	105.22				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
VCDP	160,000	12.77%	0.00%	15	15
VHFA	70,000	5.59%	0.00%	20	20
VHCB	242,000	19.32%	N/A	N/A	grant
HOME	309,000	24.66%	N/A	N/A	grant
HOPWA 96	33,000	2.63%	N/A	N/A	grant
HOPWA 97	278,850	22.26%	N/A	N/A	grant
Historic Tax Credits	160,000	12.77%	N/A	N/A	grant
	1,252,850	100.00%			
Gap	0				

600 Dalton Drive		DEVELOPMENT BUDGET			
			Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION					
Land				0	0.00
Purchase of Building(s)			250,000	22,727	21.00
Sitework			1,200	109	0.10
Rehabilitation			633,913	57,628	53.24
Elevator			148,000	13,455	12.43
OFF SITE IMPROVEMENTS				0	0.00
BOND				0	0.00
General Requirements		0.00%		0	0.00
Contractor Overhead		0.00%		0	0.00
Contractor Profit	0.0%	0.00%		0	0.00
Construction Contingency		64.55%	95,537	8,685	8.02
APPLIANCES					
Subtotal			1,128,650	102,605	94.79
PROFESSIONAL SERVICES					
Architect Fee - Design			42,000	3,818	3.53
Engineering			21,200	1,927	1.78
Attorney				0	0.00
SURVEY/ENGINEERING			2,500	227	0.21
ACCOUNTING				0	0.00
Legal - Title & Recording			5,000	455	0.42
Subtotal			70,700	6,427	5.94
INTERIM COSTS					
Construction Insurance				0	0.00
Construction Interest				0	0.00
Construction Loan Origination Fee				0	0.00
Taxes				0	0.00
Subtotal			0	0	0.00
OTHER SOFT COSTS					
Property Appraisal			2,000	182	0.17
Market Study				0	0.00
Environmental Report			3,500	318	0.29
SEWER & WATER FEES				0	0.00
PERMITS/FEES - STATE				0	0.00
PERMITS/FEES - LOCAL			6,000	545	0.50
Tax Credit Fees				0	0.00
Marketing (RENT UP)				0	0.00
Subtotal			11,500	1,045	0.97
FINANCING FEES & EXPENSES					
Credit Report				0	0.00
Permanent Loan Origination Fee				0	0.00
Credit Enhancement				0	0.00
Cost of Issuance				0	0.00
Title & Recording				0	0.00
Counsel's Fee				0	0.00
Carrying Costs			4,000	364	0.34
Subtotal			4,000	364	0.34
SYNDICATION COSTS					
Organizational (Partnership)				0	0.00
Bridge Loan Interest				0	0.00
Tax Opinion				0	0.00
Subtotal			0	0	0.00
DEVELOPER'S FEES					
Developer's Overhead & Profit			33,000	3,000	2.77
Consultant Fees			5,000	455	0.42
Subtotal		3.13%	38,000	3,455	3.19
PROJECT RESERVES					
Rent-up (Deficit Escrow) Reserve				0	0.00
Replacement Reserve				0	0.00
Working Capital				0	0.00
Operating Reserve/Sinking Fund				0	0.00
Subtotal			0	0	0.00
TOTAL DEVELOPMENT COSTS			1,252,850	113,895	105.22

600 Dalton Drive			Rental Income		17-Jul-96	
Rental Mix Years 1-3						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	FMR/HOPWA		3	478		17,208
2 Br			2	637		15,288
1 Br	High HOME		4	478		22,944
2 Br				637		0
1 Br	Low HOME		2	443		10,632
2 Br				532		0
	Totals	11,907	11			66,072
Rental Mix Years 4-10						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	FMR/Sect 8		1	507		6,084
2 Br			1	676		8,112
1 Br	High HOME		4	507		24,336
2 Br				676		0
1 Br	Low HOME		2	470		11,280
2 Br				565		0
1 Br	Sub.100% FMR		2	507		12,168
2 Br			1	676		8,112
	Totals		11			70,092
Rental Mix Years 11-30						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br	FMR/Sect 8		2	582		13,968
2 Br			1	777		9,324
1 Br	High HOME		5	582		34,920
2 Br				777		0
1 Br	Low HOME		0	540		0
2 Br				649		0
1 Br	ub. 100% FMR		2	582		13,968
2 Br			1	777		9,324
	Totals		11			81,504
		Less Vacancy	5.00%			0
					NET RENT 1-3	62,768
					NET RENT 4-10	66,587
					NET RENT 11-30	77,429
		OTHER INCOME				
		Interest Income				0
		Laundry				
		Parking				0
		Total Other Income				0
				TOTAL	OTHER INCOM	0

600 Dalton Drive	EXPENSE BUDGET			17-Jul-96
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	5,280	440	40	8.0%
Marketing	396	33	3	
Audit/Accounting	1,320	110	10	
Legal	1,320	110	10	
Office Expense	0	0	0	
Telephone	660	55	5	
Office Payroll	0	0	0	
Rent	0	0	0	
Compliance Monitoring	0	0	0	
Other	0	0	0	
TOTAL ADMINISTRATIVE	8,976	748	68	
Utilities				
Water/Sewer	1,452	121	11	
Electric	4,092	341	31	
Fuel	3,696	308	28	
Other		0	0	
TOTAL UTILITIES	9,240	770	70	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	1,188	99	9	
Snow/Grounds	2,112	176	16	
Repairs	3,960	330	30	
Paint/Decorating	1,584	132	12	
Exterminating		0	0	
Contract Maintenance	1,320	110	10	
Equipment Debt		0	0	
Service Lease		0	0	
Elevator Contract	3,300	275	25	
TOTAL MAINTENANCE	13,464	1,122	102	
Taxes	7,260	605	55	
Insurance	1,848	154	14	
Replacement Reserves	3,168	264	24	
Other		0	0	
Total	43,956	3,663	333	

17-Jul-96		600 Dalton Drive			Cash Flow Projection												
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			66,072	67,063	68,069	70,092	71,143	72,211	73,294	74,393	75,509	76,642	81,504	82,727	83,967	85,227	86,505
Less Res Vacancy			(3,304)	(3,353)	(3,403)	(3,505)	(3,557)	(3,611)	(3,665)	(3,720)	(3,775)	(3,832)	(4,075)	(4,136)	(4,198)	(4,261)	(4,325)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			62,768	63,710	64,666	66,587	67,586	68,600	69,629	70,673	71,734	72,810	77,429	78,590	79,769	80,966	82,180
Less Operating Expense			40,788	42,012	43,272	44,570	45,907	47,284	48,703	50,164	51,669	53,219	54,816	56,460	58,154	59,899	61,696
Less Reserves			3,168	3,216	3,264	3,313	3,362	3,413	3,464	3,516	3,569	3,622	3,677	3,732	3,788	3,845	3,902
Net Operating Income			18,812	18,483	18,130	18,705	18,317	17,903	17,462	16,993	16,496	15,968	18,937	18,398	17,827	17,223	16,582
Less VCDP Debt Service			10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667
Less VHFA Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Escrow for VHFA Loan		47,500	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Cash Flow			6,246	5,916	5,563	6,138	5,750	5,336	4,895	4,427	3,929	3,402	6,370	5,832	5,261	4,656	4,016
Internal Rent Subsidy Expense			0	0	0	(5,599)	(5,683)	(5,768)	(5,854)	(5,942)	(6,031)	(6,122)	(7,780)	(8,474)	(8,601)	(8,730)	(8,861)
Oper Subsidy			0	0	0	0	0	432	959	1,516	2,102	2,720	0	0	0	0	0
Net Cash			6,246	5,916	5,563	539	67	0	0	0	0	0	(1,410)	(2,642)	(3,340)	(4,074)	(4,845)
DCR			176.37%	173.28%	169.97%	175.36%	171.72%	167.84%	163.71%	159.31%	154.65%	149.70%	177.53%	172.48%	167.13%	161.46%	155.46%
Cumulative Cash Flow																	
Beginning Balance			6,246	12,224	17,910	18,628	18,882	19,070	18,825	18,049	16,704	14,758	10,759	8,254	4,992	1,006	(3,827)
Interest		2%	62	122	179	186	189	191	188	180	167	148	108	83	50	10	(38)
Withdrawls			0	0	0	0	0	(432)	(959)	(1,516)	(2,102)	(2,720)	0	0	0	0	0
Ending Balance			6,308	12,347	18,089	18,814	19,070	18,829	18,054	16,714	14,769	12,185	10,866	8,337	5,042	1,016	(3,865)
Cumulative VHFA Escrow		3%	1,957	3,973	6,049	8,187	10,390	12,659	14,995	17,402	19,881	22,435	25,065	27,774	30,564	33,438	36,398
	Paid in full Year 25																
Number Subsidized Units	1BR					2	2	2	2	2	2	2	3	3	3	3	3
	2BR					1	1	1	1	1	1	1	1	1	1	1	1
Median Income	1 Person		33,100	33,597	34,100	34,612	35,131	35,658	36,193	36,736	37,287	37,846	38,414	38,990	39,575	40,169	40,771
	2 People		37,800	38,367	38,943	39,527	40,120	40,721	41,332	41,952	42,581	43,220	43,868	44,526	45,194	45,872	46,560
Subsidized Rent	1 BR					507	515	522	530	538	546	554	563	582	591	600	609
	2 BR					676	686	696	707	717	728	739	750	777	789	800	812
Monthly Subsidy to 45 % Median	1 BR					118	119	121	123	125	127	129	131	143	146	148	150
	2 BR					231	235	238	242	246	249	253	257	276	280	284	289
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

17-Jul-96		600 Dalto									PRO FORM	17-Jul-96					
		Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Residential Rent			87,803	89,120	90,457	91,814	93,191	94,589	96,008	97,448	98,909	100,393	101,899	103,427	104,979	106,553	108,152
Less Res Vacancy			(4,390)	(4,456)	(4,523)	(4,591)	(4,660)	(4,729)	(4,800)	(4,872)	(4,945)	(5,020)	(5,095)	(5,171)	(5,249)	(5,328)	(5,408)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			83,413	84,664	85,934	87,223	88,531	89,859	91,207	92,575	93,964	95,373	96,804	98,256	99,730	101,226	102,744
Less Operating Expense			63,546	65,453	67,416	69,439	71,522	73,668	75,878	78,154	80,499	82,914	85,401	87,963	90,602	93,320	96,120
Less Reserves			3,961	4,020	4,080	4,142	4,204	4,267	4,331	4,396	4,462	4,529	4,597	4,666	4,736	4,807	4,879
Net Operating Income			15,906	15,191	14,437	13,642	12,806	11,925	10,999	10,025	9,004	7,931	6,806	5,627	4,392	3,099	1,746
Less VCDP Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	70,000
Less VHFA Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less Escrow for VHFA Loan		47,500	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	0	0	0	0	0
Cash Flow			14,006	13,291	12,537	11,742	10,906	10,025	9,099	8,125	7,104	6,031	6,806	5,627	4,392	3,099	(68,254)
Internal Rent Subsidy Expense			(8,994)	(9,129)	(9,266)	(9,405)	(9,546)	(9,689)	(9,834)	(9,982)	(10,132)	(10,284)	(10,438)	(10,594)	(10,753)	(10,915)	(11,078)
Oper Subsidy			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash			5,012	4,162	3,271	2,338	1,360	336	(736)	(1,856)	(3,028)	(4,252)	(3,631)	(4,967)	(6,361)	(7,815)	(79,332)
DCR			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.49%
Cumulative Cash Flow																	
Beginning Balance			1,192	5,320	8,692	11,069	12,587	13,001	12,444	10,670	7,809	3,604	82	(4,922)	(11,244)	(19,197)	(98,618)
Interest		2%	12	53	87	111	126	130	124	107	78	36	1	(49)	(112)	(192)	(986)
Withdrawls			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance			1,204	5,374	8,779	11,180	12,713	13,131	12,568	10,777	7,887	3,640	83	(4,971)	(11,356)	(19,389)	(99,604)
Cumulative VHFA Escrow		3%	39,447	42,587	45,822	49,154	52,585	56,120	59,760	63,510	67,373	71,351	0	0	0	0	0
	Paid in full Year 25																
Number Subsidized Units	1BR		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
	2BR		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Median Income	1 Person		41,383	42,003	42,633	43,273	43,922	44,581	45,250	45,928	46,617	47,317	48,026	48,747	49,478	50,220	50,973
	2 People		47,259	47,968	48,687	49,417	50,159	50,911	51,675	52,450	53,237	54,035	54,846	55,668	56,503	57,351	58,211
Subsidized Rent	1 BR		618	627	636	646	656	665	675	686	696	706	717	728	739	750	761
	2 BR		825	837	850	862	875	888	902	915	929	943	957	971	986	1,001	1,016
Monthly Subsidy to 45 % Median	1 BR		152	154	157	159	161	164	166	169	171	174	177	179	182	185	187
	2 BR		293	297	302	306	311	316	320	325	330	335	340	345	350	356	361
			16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator pac

DATE: July 18, 1996

RE: Lake Champlain Housing Development Corporation

SUMMARY OF REQUEST

At the March 1996 meeting, the Board approved the renewal of a line of credit for $150,000 to Lake Champlain Housing Development Corporation (LCHDC) to assist in the remarketing of units at Officers' Row. LCHDC did not accept the commitment because their Board would not approve the borrowing of funds at six percent (6%) because the added borrowing costs could not be paid by the seller or passed on to the buyer. Whenever LCHDC exercises its option to purchase a unit at Officers' Row to preserve its affordability, they have to pay carrying costs that include legal fees, association dues, and taxes. The carrying costs may not be passed on to the new buyer and have to be paid by LCHDC out of the fee they receive to administer the second mortgage pool. LCHDC has received notice from a unit owner in Essex (unit # 601C) who wants to sell. LCHDC presently owns two units that they are trying to market, and considered not exercising their option and allowing the owner to market the unit without restrictions (the owners would still be required to pay back the second mortgage and share their equity); however, the Essex zoning permit for this project requires that one-half of the affordable units be located in Essex. If LCHDC does not purchase unit #601C, the project will be in violation of its zoning permit. LCHDC has asked VHFA to assist them to purchase the unit by advancing up to $65,000 in funds under its current commitment at zero percent (0%) for a period of six months. The source of funding for this request would be VHFA General Funds.

LCHDC has also initiated discussions with the Burlington Community Land Trust (BCLT) to determine the feasibility of presenting a proposal to VHCB and VHFA to transfer administration of the second mortgage pool and the marketing of affordable units to BCLT. VHFA staff have agreed to work with LCHDC and BCLT to evaluate the feasibility and determine whether any changes should be proposed for consideration by VHCB and VHFA.

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802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
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MARKETING OF UNITS AT OFFICERS' ROW

LCHDC administers the second mortgage pool and monitors affordability of 29 units at the Officers' Row condominium project developed by VHFA. To ensure affordability of the units, LCHDC has an option to purchase units at appraised value. Once the owner sends LCHDC the appraisal and a notice that the owner intends to sell, LCHDC has 60 days to determine if it will exercise its right of first refusal. If LCHDC exercises its right, it has another 60 days (for a total of 120 days from the receipt of the intent to sell notice) to acquire the property. During the option period, LCHDC seeks another lower-income buyer. LCHDC has been successful in selling some units before they have to purchase them; however, in other cases the units did not sell and funds available in the second mortgage pool were used to purchase the units. LCHDC has also had to take title to units because they could not be marketed while they were occupied (due to poor housekeeping habits or owners who were not willing to show their unit to prospective buyers).

When this project was first developed, VHFA believed that LCHDC would not have to take title to units to keep them affordable, and would be successful in selling the units to a new buyer during their option period by maintaining a waiting list of potential buyers. This has not been the case because potential buyers are unwilling to wait to purchase a home if other options are available. One such option has been BCLT's very successful Homeland Program that provides grants of $12,500 to assist lower-income buyers to purchase a home of their choice. LCHDC has initiated discussions with BCLT to determine the feasibility of either working collaboratively or having BCLT take over the administration of the second mortgage pool and affordability of units at Officers' Row. LCHDC has limited experience working with potential home buyers and marketing units with limited equity, while the primary focus of BCLT has been assisting lower-income households to purchase a home via the Community Land Trust model. BCLT has also been very successful in marketing resales, and is one of the three nonprofit groups working with VHFA to develop a Homeownership Center to offer complete services to home buyers. Units at Officers' Row could be a valuable resource to the Homeownership Center due to a reduction in funding for the Homeland Program.

The outcome of LCHDC and BCLT's discussions may require changes to the agreements between VHCB, VHFA, and LCHDC, and the agreement with future homeowners. One such change that has been discussed is to the Housing Subsidy Covenant whereby LCHDC's option period would not start until the unit is in a marketable condition to show potential buyers. Another option is to change the agreements which currently allow LCHDC to charge a loan origination fee on the second mortgage of $620. LCHDC has not assessed this fee because the buyers they work with usually have a difficult time coming up with funds for other closing costs, and cannot afford the additional fee. If this fee was eligible for financing with the second mortgage, additional funds would be available to offset any expenses should LCHDC have to purchase a unit to preserve its affordability. Any changes must be approved by the Boards of all organizations. We plan to have a proposal to present for consideration in September or October.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to advance funds to LCHDC in an amount not exceed $65,000 at zero percent interest (0%) for a period of six months to allow them to acquire unit 601C Officers' Row, and market the unit to another lower-income household.

RESOLUTION REGARDING LOAN TO
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORPORATION

WHEREAS, Lake Champlain Housing Development Corporation ("LCHDC") assists in the remarketing of condominium units at Officers' Row, Fort Ethan Allen in Colchester and Essex (the "Development"); and

WHEREAS, LCHDC has received notice from a unit owner in the Essex portion of the Development who wants to sell his or her property (the "Unit"); and

WHEREAS, the zoning for the Essex portion of the Development requires a certain number of units to remain affordable and if the Unit were sold to a non-qualifying person, the Development would be in violation of its zoning permit; and

WHEREAS, the Board has been presented with a memorandum by Patricia Crady, Development Coordinator, dated July 18, 1996; and

WHEREAS, the Agency has previously approved the renewal of a line of credit in the maximum amount of $150,000 to LCHDC, but the commitment was not accepted because the LCHDC Board refused to accept the 6% per annum interest rate; and

WHEREAS, LCHDC has requested that the Agency loan up to $65,000 to it at an interest rate of 0% to enable it to acquire the Unit.

NOW, THEREFORE it is hereby RESOLVED:

1. Pursuant to 10 V.S.A. § 621(5), the Executive Director is authorized to loan up $65,000 at 0% interest to Lake Champlain Housing Development Corporation for a period ending on the earlier to occur of: sale of unit 601C, or the expiration of six months, to finance its temporary acquisition of unit 601C at the Officers' Row development in Essex.

2. The Executive Director and the Director of Finance are authorized to take all steps and execute all documents necessary to consummate this transaction.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: July 18, 1996

RE: Lamoille Housing Partnership Bridge Financing Request

SUMMARY OF REQUEST

The Lamoille Housing Partnership, Inc. (LHP) has applied to VHFA for a bridge loan in an amount not to exceed $90,000 to assist in their development of a single family home for a family with special needs. The family was referred to LHP from Lamoille County Mental Health because their current living situation is inadequate. Due to the special needs of the children in this family, four bedrooms are required. LHP and Lamoille County Mental Health have been unable to locate adequate housing for this family in Lamoille County. The family is currently not eligible for VHFA financing because of a bankruptcy in 1995 due to a number of unfortunate circumstances. LHP intends to develop the home and execute a lease/purchase agreement with the family. During the lease period LHP will provide homeownership education to the family, and Lamoille County Mental Health will continue to provide counseling and assist them with this transition. LHP requests a loan of up to $90,000 at six percent interest (6%) for a term of 18 months to allow them to construct the home and lease it to the family until such time as they are eligible to obtain a VHFA mortgage to purchase the home.

THE DEVELOPMENT

The Housing Sponsor

LHP serves Lamoille County and has developed 33 units of affordable rental housing and 8 units of owner-occupied housing; Jane Milner is the Executive Director. LHP is also in the process of acquiring and relocating a mobile home park that was damaged by the summer 1995 flood, and developing a 7 unit rental project in Jeffersonville. While LHP's rental units are managed by Technical Planning and Management, LHP has experience in managing lease/purchase properties. LHP currently works with the Rural Development Service (RDS) in the redevelopment of RDS real estate owned, and manages RDS single family homes that are the subject of lease/purchase agreements with low income families. LHP's success in working with RDS in part prompted VHFA to launch its own initiative to rehabilitate and market VHFA REOS in partnership with nonprofit housing organizations.

Construction; Loan Structure; Lease/Purchase

The four-bedroom 1976 square foot home will be built on approximately a one acre lot located in an existing development in Eden. The home will be a split-level with approximately one-half of the basement/bottom floor level unfinished. The land is owned by a builder who has worked with LHP on other projects. The owner/builder and LHP have agreed on a price of $80,000 for the land and construction of the home. The family who will occupy the home will provide sweat equity to keep the home more affordable. The total development cost is projected to be $95,350. LHP requests that VHFA structure this request so that interest is due at maturity so that the rent payments can include a contribution to an escrow account for use as a down payment and/or closing costs. LHP has proposed a Homeland program grant of $12,500. It is unclear at this time whether VHCB will commit Homeland funds in advance or if VHCB will "grandfather" the income should it exceed 85% of median at the time they actually purchase the home. Attached is a preliminary schedule of sources and uses.

LHP will require a compact with Lamoille County Mental Health to continue to provide mental health and counseling services to the family to assist them through the transitional housing period. The family is currently working with the Vermont Development Credit Union (VDCU). Lynn Lundie at VDCU and LHP have devised an action plan over the next twelve months to increase savings and reduce debt. Household income is stated as approximately $35,000, which is 85% of median income based on a family size of six persons. VHFA has not reviewed information on the bankruptcy and current credit, and income/employment.

VHFA has provided bridge loans in the past to Lake Champlain Housing Development Corporation to assist them to preserve the affordability of units at Officers' Row, and to Regional Affordable Housing Corporation to assist them to fill vacant lots at their Willows Mobile Home Park with income eligible tenants.

DISCUSSION

The possibility does exist that the family who will lease the home will not be eligible for VHFA financing to purchase the home from LHP when VHFA's bridge loan matures. During the lease period, it will be necessary that this family maintain a good credit rating, decrease and restructure their current debt payments, and not incur additional debt. If the family is not eligible to purchase the home at the maturity of LHP's loan, VHFA may elect to extend the loan term, provided the family has made substantial progress toward meeting their goals, or request that LHP market the home to another family.

GENERAL LOAN TERMS, REQUIREMENTS AND CONDITIONS

Maximum Loan to Value - The maximum loan to value may not exceed 100% of the appraised value.

Loan Term - The loan term may not exceed eighteen (18) months; principal and interest is due upon sale of the home or at maturity.

Interest Rate - The interest rate will be six percent (6%) per annum due at maturity.

Loan Security - A first mortgage on land and improvements is required.

Appraisal - VHFA requires an appraisal from an appraiser licensed by the State of Vermont.

Other Conditions to Closing

In addition to standard conditions VHFA will require the following conditions to closing:

1. Satisfactory evidence that the Homeland grant is approved and income is "grandfathered" for eligibility for the grant and is based on income at the time of initial application for the grant.

2. Satisfactory review of the 1995 bankruptcy, current credit/debt, and income/employment to determine preliminary eligibility for VHFA financing upon completion of the action plan devised by LHP and VDCU.

3. Satisfactory review and approval of the lease/purchase agreement.

BOARD ACTION REQUESTED

Staff requests approval of the attached resolution to provide a bridge loan to LHP in an amount not to exceed $90,000 to assist them to construct a home for the lease and eventual purchase by a family with special needs.

Staff also requests guidance from the Board on future requests for bridge financing. One possible solution is to expand the Ventures Fund or create a Ventures II fund that would provide staff with the ability to respond to requests for bridge financing that meet certain criteria (approved by the Board) without having the Board review and approve each request.

Lamoille Housing Partnership -- Eden New Construction
Schedule of Sources and Uses

Uses	
Hard Costs	
Construction/Land	80,000
Appliances	1,300
Landscaping Materials	1,000
Contingency (2%)	1,646
Total Hard Costs	83,946
Soft Costs	
Appraisal/ERH Fee	650
LHP Construction Supervision	1,300
Loan Origination Fee (1% of $90,000)	900
Working Capital Reserve	500
LHP Legal/Recording/Misc.	1,500
Soft Cost Contingency	214
Total Soft Costs	5,064
Sub-Total	89,010
VHFA Interest	5,340
Seller Contribution Toward Closing Costs	1,000
Total Uses -- Total Development Costs	95,350

Sources	
VHFA HOUSE Program First Mortgage	79,130
Homeland Grant	12,500
Rental Escrow Avail. for Add'l. Downpmt	3,720
Total Sources -- Total Sales Price	95,350

RESOLUTION PERTAINING TO BRIDGE FINANCING FOR RE: LAMOILLE HOUSING PARTNERSHIP, INC. (EDEN)

WHEREAS, a proposal has been presented to the Agency by the Lamoille Housing Partnership, Inc., a non-profit corporation located in Morrisville, Vermont (the "Sponsor") involving the construction of a single family home in Eden (the "Development"); and

WHEREAS, the proposal contemplates a bridge loan for a maximum period of eighteen months at an interest rate of 6.0% per annum; and

WHEREAS, the Sponsor is seeking a grant from the Vermont Housing and Conservation Board's Homeland Program; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Patricia Crady dated July 18, 1996 containing information and recommendations about the loan (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to make a first mortgage loan to Lamoille Housing Partnership, Inc. for the construction of the Development in Eden in an amount not to exceed $90,000. The term of the loan will be 18 months and the interest rate will be 6% per annum.

2. The Sponsor shall be required to provide the following items in form and content satisfactory to the Agency:

   a. Satisfactory evidence that the Homeland grant is approved and income is "grandfathered" for eligibility for the grant and is based on income at the time of initial application for the grant.

   b. Satisfactory review of the 1995 bankruptcy, current credit/debt, and income/employment to determine preliminary eligibility for VHFA financing upon completion of the action plan.

   c. Satisfactory review and approval of the lease/purchase agreement.

3. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: July 18, 1996

RE: July 1996 Housing Credit Reservations

EXECUTIVE SUMMARY

VHFA received four applications for tax credits in the second round of 1996. The attached project summary sheet shows the relevant data for each project. In all, approximately $562,532 (231%) of the state's total available 1996 credit of $243,440 was requested. Of the four applications received, two were recommended for tax credit reservations at the meeting of the Joint Committee on Tax Credits held July 11. In addition, one development (Woodlands at Pine Bluffs, in Newport) was withdrawn prior to the meeting of the committee. All of the tax credit units in all of the projects are at or below the maximum tax credit income and rent limits.

One of the two applications to receive reservations, The Pines Phase III, was recommended at a level below the amount requested (approximately $193,000 vs. $199,000). This reduction was due to the presence of deferred developers fees, which reduce the "equity gap" and therefor reduce the need for credits. The sponsors requested that, since the interest rate on the financing and the final amount of the fees to be deferred are not yet known, the maximum credit potential of $199,000 be reserved. Staff needs to re-evaluate the credit amount at two later times in the development process and adjust the allocation as needed, so staff were agreeable to this change.

For the first time, VHFA is committing a portion of next year's Housing Credit ceiling on the Essex Town Center development (approximately $115,000), as permitted under the tax code. This commitment will permit the state to utilize all of its 1996 authority and qualify for the National Pool of unused credits in 1997.

The Joint Committee on Tax Credits met on July 11, 1996, and endorsed the staff recommendations for the projects in this round, with two changes. First, that this round be held open, so that if the Essex development is unable to meet its conditions, the Essex and Mansfield Gardens developments would again be considered for the available credits; and second, that the Pines Phase III receive the requested reservation of approximately $199,000, rather than the $193,000 recommended. Staff concurred with these two changes.

RECOMMENDED BOARD ACTION

Staff requests Board approval of the reservations, subject to payment by the sponsors of required reservation fees, and subject to the conditions described below.

PROJECT SUMMARIES

Name:	Pines Phase III
Location:	South Burlington
Sponsor:	Pines Housing III Limited Partnership
Unit Breakdown:	39 total: thirty 1-Bedroom, 650 square feet; nine 2-Bedroom, 825 square feet; All units will be handicapped adaptable; units will be made accessible on an "as needed" basis.
Cost:	$2,551,101 total; $65,413/unit; $61.52/s.f. hard construction cost
Income Targeting:	Two units below 30% of Area Median Income; eleven below 50% of Area Median Income; twenty six below 60% Area Median Income; all of the units are tax credit restricted units.

The proposed project is located on Dorset Street in South Burlington. The general partner of the owner is P.S.H. Inc., a corporation wholly owned by John Giebink and Charlie Brush. They have developed Phase I of the Pines and also received an allocation of credits for Phase II. All three phases have all necessary approvals, and the sponsor desires to build Phases II and III together to minimize construction time and cost. The sponsor is concurrently applying for permanent and construction financing from VHFA in the amount of $1,500,000 for Phase II and $1,225,000 for Phase II. Phase III of the project involves the new construction of 39 units of elderly housing with optional supportive services.

East Coast Capital syndicated the credits on Phase I and has committed to provide the equity for the remaining two phases. Under the terms of their commitment, 60% of the equity will be available at construction closing, making it a substantial source of construction as well as permanent financing.

The budget submitted showed developer's fees at 16% of total cost, as defined in the Allocation Plan. Staff have adjusted this amount down to the 15% program limitation. The sponsor has negotiated a construction contract with Yandow Dousevicz, the contractor for Phase I; staff recommend that any reservation be conditioned upon verification that the program limits on contractor overhead, contractor profit, and general requirements are not exceeded.

Recommendation: Staff recommends a reservation of credits in the amount of $193,310 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/96 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

Permanent Financing	August 31, 1996
Construction Financing	August 31, 1996

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide evidence that contractor overhead, profit, and general requirements do not exceed the program limits.

Name:	Essex Town Center
Location:	Essex
Sponsor:	Homestead Design Inc.
Unit Breakdown:	Twenty eight 1-Bedroom, 644 square feet; sixteen 2-Bedroom, 844 square feet; all units will be handicapped adaptable, (none fully accessible)
Cost:	$3,611,261 total; $82,074/unit; $75.03/s.f. hard construction cost
Income Targeting:	Twenty six units below 60% of Area Median Income; eighteen are market rate; twenty six of the units are tax credit restricted units.

The proposed project is located on 15 acres in the New Town Center area, adjacent to the Essex Outlet Fair in Essex. The sponsor has applied for financing from VHFA and has received a Letter of Interest in March 1996 for up to $2,900,000 in permanent and construction financing. The sponsor also plans to apply for a CDBG grant in the fall, as well as to defer a portion of the development fee. The project involves the new construction of a three story, mixed-use building with commercial space on the ground floor and rental units on the upper floors. There are currently no funds committed to this project.

The development of a new town center in Essex is a large planning project that the sponsor has been involved in for five years, and the town's master plan now incorporates this town center. The sponsor intends that this building would be the first in the town center. Local approval and Act 250 approval have not yet been sought, and the sponsor believes local approvals will be in hand after one planning commission hearing. (The sponsor does not intend to seek approvals until they have a reservation of housing credits.) The sponsor believes that the project will be unopposed for local and Act 250 approvals, and that the Act 250 approval process should take approximately four months.

The budget submitted showed developer's fees at 15.7% of total cost, as defined in the Allocation Plan; staff have adjusted this down to the 15% maximum allowed under the program. The sponsor intends to contract out the construction itself, and has agreed to the program limits on builder's overhead, profit, and general requirements. The development budget submitted exceeds the per unit cost limits by approximately $625 per unit ($27,500 overall). Staff has adjusted the tax credit amount downward to a level that the project would receive if it were just at the cost limits.

Recommendation: Staff recommends a reservation of credits in the amount of $160,310 with a carryover allocation subject to the following conditions:

1) Sponsor must demonstrate that it has incurred at least 10% of the project's "reasonably expected eligible basis" costs by no later than 10/31/96 and that the sponsor (or a partnership formed by the sponsor) has basis in the property for tax purposes.

2) Sponsor must demonstrate that requisite financing has been committed according to the following schedule:

CDBG	October 31, 1996
VHFA	October 31, 1996

"Requisite financing" means the amount and terms of each of the sources of funding represented on the tax credit application or their equivalent.

3) Sponsor must provide a letter from a tax accountant or attorney who has experience with the Housing Credit program regarding the deferred development fees as shown in the attached proforma, dated 7/8/96. Specifically, the letter must address whether the deferral of fees and their proposed payment schedule affects the tax credit basis, and whether the basis must be reduced because of the terms of the fee deferral. This letter must be provided by no later than October 31, 1996, and based on this letter staff may reduce the reservation of credits.

Name: Mansfield Gardens
Location: Burlington
Sponsor: Housing Vermont/Cathedral Square Corporation
Unit Breakdown: 44 total: Twenty eight 1-Bedroom, 630 square feet; sixteen 2-Bedroom, 860 square feet; five units will be handicapped accessible.
Cost: $3,117,879 total; $70,861/unit; $69.24/s.f. hard construction cost
Income Targeting: Thirty units below 60% of Area Median Income; fourteen units at market rates

The proposed project is located on Mansfield Avenue in Burlington. The current tax credit application is for one of three phases of the total development; the other two phases consist of: 1) ten "reach-up" rental units for single parents enrolled in college, and 2) 25 units of owner-occupied townhouse condominiums. The ten "reach-up" rental units are also proposed to use housing credits, but under a later funding round. This phase of the project involves the new construction of 60 garden style units, of which 44 are rentals and 16 are owner-occupied condominiums. The sponsor intends to use special VHFA financing, tax credit equity, deferred development fees, sales revenue from the 16 condominium units, and a VHCB grant. The sources of funding committed currently are the VHCB grant, the deferred development fees (which are at the sponsor's discretion), and the sales proceeds.

Both the equity and the debt are shown in the application at below-market rates. The debt has a stepped-rate structure on the interest rate, with three years at 6.25%, three years at 7.50%, and the remaining term of 14 years at 8.75% interest rate. The sponsor is having discussions with Vermont Friesland Corporation, a Dutch investment group that would purchase a VHFA bond, enabling VHFA to make a loan at these terms. Neither these investors nor VHFA have committed in writing to this financing at this time. The equity, which Housing Vermont usually syndicates to investors with a 12% overall return, shows a 9% overall return. The sponsor is having discussions with the Sisters of Mercy, a religious order that owns the land and will lease it to the sponsor, regarding investors who would be willing to take this lower return.

The development has not yet received local or Act 250 approval, and there is some opposition to the proposal, primarily on the basis of increased automobile traffic. The sponsor points out that the proposed density is below what is permitted by zoning, and that at maximum density, 30 additional units could be placed on the site. The mixture of higher-end elderly condominiums and rental units, lower income elderly and family rentals, and family owner-occupied units follows a housing model from the Netherlands, in which a variety of housing types and age and demographic groups are served in a single development. This manner of housing, it is believed, reduces risk and creates a more traditional community.

Recommendation: Staff recommends that no credits be reserved for this project at this time, due to the uncertainty of receiving the debt and equity funding sources, as described in the 1996 Allocation Plan, "Threshold Requirements" 3(a)(i). In addition, any delays that local opposition might cause the project could make it difficult for the sponsor to meet the carryover allocation test (that ten percent of reasonably expected eligible basis costs be incurred) by December 31, 1996, which is the latest time allowable for meeting this test. Staff urge the sponsor to reapply for housing credits when: 1) funding commitments are either in hand or imminent, and 2) the timeline for local and Act 250 approval is more predictable.

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JCTC met on July 11, 1996 and considered recommendations for reservations of tax credits for four proposed projects; and

WHEREAS, the Agency staff recommended two of the projects to the JCTC for reservations and the JCTC accepted the staff's recommendations; and

WHEREAS, staff has prepared a memorandum dated July 18, 1996 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservation for the projects recommended by staff for reservations in the Memorandum and accepted by the JCTC: The Pines, Phase III and Essex Town Center, subject to the payment of applicable reservation fees, subject to the conditions discussed in the Memorandum.

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

T:\devel\lihtc\lihtcbrd.796

Total 1996 LIHTC Available

VHFA 1996 LOW INCOME HOUSING TAX CREDITS APPLICATIONS TO DATE AND ANALYSIS

7/18/96

1996 Per Capita Credits	$725,000
1995 Credits deemed 1996 returns	14,374
1996 Returns	79,887

Total Available	819,261
Less: Round 0,1 Reservations	575,821

Remaining for Allocation in 1996:	243,440

Project Name	City	Sponsor	Total # of Units	# of LIHTC Units	Project Type	Recommended Allocation	Credit Type	Non-Profit?	Total Development Cost	Total Cost Per Unit	Alloc. Per Unit	Equity Yield Per $ of Tax Credit	Total Equity	Dev. Fee as % of TDC	Developer's Fee
St. Johnsbury II - Phase II	St Johnsbury	NCHC / HVT	28	21	rehab	1,226	4%	Yes	830,777	29,671	625	$1.26	165,229	0.00%	0
			----	----		----------									
Reservations - Round 0			28	21		1,226									
Black River Overlook	Ludlow	Realty Resources Chartered	25	25	new construction	216,518	9%	No	2,337,369	93,495	8,661	$0.65	1,407,369	13.89%	285,000
Holy Cross Housing	Colchester	LCHDC / Cathedral Square Corp	40	33	new construction	151,408	9%	Yes	2,501,255	62,531	4,588	$0.69	1,041,074	9.64%	220,000
Burlington RHIP	Burlington	Housing Vermont / BCLT	33	27	acquis/rehab	92,616	Both	Yes	2,194,009	66,485	3,430	$0.71	655,566	7.72%	157,200
ACCAG Scattered Sites	Middlebury/Vergennes	Housing Vermont / ACCAG	19	17	rehab	79,465	9%	Yes	1,341,171	70,588	4,674	$0.92	730,500	11.35%	136,750
Phelps Court	Windsor	RACLT	14	7	rehab	26,580	9%	Yes	1,266,165	90,440	3,797	$1.36	361,495	14.17%	157,191
Merrimac Farm	Hartford	Twin Pines Housing Trust	5	5	rehab	8,008	4%	Yes	439,128	87,826	1,602	$0.74	59,245	5.76%	23,917
			----	----		----------									
Reservations - Round 1			136	114		574,595									
The Pines, Phase III	South Burlington	Pines Housing, L.P.	39	39	new construction	199,017	9%	No	2,551,101	65,413	5,103	$0.59	1,179,478	14.74%	327,665
Essex Town Center	Essex	Homestead Design, Inc.	44	26	new construction	160,310	9%	No	3,611,261	82,074	6,166	$0.65	1,042,019	14.64%	461,220
			----	----		----------									
Reservations - Round 2			83	65		359,327									
			----	----		------------									
			247	200		935,148									

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: July 1, 1996

RE: Single Family Program Activity Report For June

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	135	$ 8,562,392		101	$ 6,195,939
Purchases	75	$ 4,862,514		50	$ 3,245,487

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	625	$41,197,414		564	$34,907,509
Purchases	320	$20,911,909		367	$23,542,919

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	11	$ 864,701		11	$ 890,609
Issued	12	$ 920,748		6	$ 450,700

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	67	$ 5,087,854		34	$ 2,684,168
Issued	57	$ 4,414,535		71	$ 5,626,414

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Board Property Disposition Report

Month of: June, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Ellison Rutland	$ 00	$45,500	$24,570	$ 5,316	$20,682	$ 2,250	($ 2,818)	N/A	($ 2,818)
Cleveland Brattleboro	$49,900	$47,000	$47,694	$ 7,884	$19,723	$10,750	($17,551)	($20,237)	$ 2,686
Papanicolas Hartford	$49,000	$48,000	$35,606	$ 6,119	$15,948	$ 5,330	($ 9,673)	N/A	($ 9,673)

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Estimated Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Bilodeau Georgia	$94,900	$94,900	$88,065	$ 4,724	$ 7,683	$ 5,572	N/A	N/A	N/A
Schlesling Berkshire	$55,000	$40,000	$63,611	$ 7,442	$11,040	$13,500	($13,593)	N/A	($13,593)
Cushing Milton	$64,900	$55,000	$86,814	$ 5,752	$10,965	$55,775	$ 3,744	N/A	$ 3,744

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: JUNE, 1996

Lenders–	Loans	30	Days	60	Days	90+	Days	Aut	FCL	Delinq		REO	
ALBANK, FSB	264	14	5.30%	5	1.89%	1	0.38%	2	0.76%	22	8.33%	1	0.38%
Banknorth Mortgage Co.	758	38	5.01%	8	1.06%	13	1.72%	4	0.53%	63	8.31%	1	0.13%
Bennington Co-op S&L Assoc.	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
Brattleboro Savings & Loan	16	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	899	67	7.45%	16	1.78%	5	0.56%	6	0.67%	94	10.46%	5	0.56%
Citizens Savings Bank	93	1	1.08%	2	2.15%	3	3.23%	0	0.00%	6	6.45%	2	2.15%
Community National Bank	275	9	3.27%	4	1.45%	3	1.09%	2	0.73%	18	6.55%	2	0.73%
Factory Point Nat. Bank	32	1	3.13%	0	0.00%	0	0.00%	0	0.00%	1	3.13%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	1	8.33%
Fleet Mortgage	39	4	10.26%	2	5.13%	2	5.13%	0	0.00%	8	20.51%	0	0.00%
Gramite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	209	5	2.39%	7	3.35%	9	4.31%	5	2.39%	26	12.44%	2	0.96%
Green Mountain Bank	167	16	9.58%	4	2.40%	2	1.20%	0	0.00%	22	13.17%	0	0.00%
Homeside Lending, Inc.	299	17	5.69%	1	0.33%	4	1.34%	3	1.00%	25	8.36%	2	0.67%
Lyndonville Savings Bank	57	2	3.51%	0	0.00%	0	0.00%	0	0.00%	2	3.51%	0	0.00%
Merchants Bank	322	13	4.04%	0	0.00%	2	0.62%	8	2.48%	23	7.14%	0	0.00%
Mortgage Service Ctr. of NE	89	5	5.62%	2	2.25%	5	5.62%	1	1.12%	13	14.61%	0	0.00%
National Bank of Middlebury	62	3	4.84%	0	0.00%	0	0.00%	0	0.00%	3	4.84%	0	0.00%
New England Federal CU	47	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	118	3	2.54%	1	0.85%	2	1.69%	2	1.69%	8	6.78%	0	0.00%
Passumpsic Savings Bank	176	9	5.11%	1	0.57%	1	0.57%	1	0.57%	12	6.82%	2	1.14%
Peoples Trust Co.	97	9	9.28%	3	3.09%	0	0.00%	0	0.00%	12	12.37%	0	0.00%
Randolph National Bank	45	1	2.22%	0	0.00%	0	0.00%	0	0.00%	1	2.22%	1	2.22%
Union Bank	168	13	7.74%	4	2.38%	1	0.60%	2	1.19%	20	11.90%	0	0.00%
Vermont Development CU	22	1	4.55%	0	0.00%	1	4.55%	0	0.00%	2	9.09%	0	0.00%
Vermont Federal Bank	1043	58	5.56%	12	1.15%	7	0.67%	9	0.86%	86	8.25%	0	0.00%
Vermont National Bank	603	23	3.81%	9	1.49%	15	2.49%	7	1.16%	54	8.96%	2	0.33%
Vermont State Employees CU	0	0		0		0		0		0		0	
Wells River Savings Bank	37	3	8.11%	0	0.00%	2	5.41%	0	0.00%	5	13.51%	0	0.00%
Totals	5987	316	5.28%	81	1.35%	78	1.30%	52	0.87%	527	8.80%	21	0.35%
Totals Previous Month	5958	253	4.25%	73	1.23%	68	1.14%	56	0.94%	450	7.55%	18	0.30%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commisioners

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

DATE: July 17, 1996

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - April 1, 1996 through June 30, 1996

VOLUME

LOANS SELECTED FOR REVIEW

A total of 232 loans were guaranteed by VHMGB during the above period. Of these, 111 were loans to be purchased by VHFA, and 121 were conventional. The conventional loans were further broken down into 87 fixed rate loans and 34 adjustable rate loans.

Nineteen (19) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these loans 7 were to be purchased by VHFA and 12 were conventional loans. The conventional loans were further split as 9 fixed rate and 3 adjustable rate loans.

The chart below demonstrates a comparison by percentage of the loans guaranteed and the loans pulled for quality control review.

Category	VHFA	Conv.	Fixed	Adj.
Total Loans Guaranteed In Period	48%	52%	38%	14%
Total Loans Pulled for QC	37%	63%	47%	16%

Based on the above, the loan types selected for quality control review are a reasonably accurate reflection of the loans guaranteed.

LOANS WHICH HAVE BEEN COMPLETED

Twenty (20) loans completed the quality control process during the period. Most of these loans were selected to participate in the quality control process in the previous period. Of

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the loans completed 10 were loans sold or to be sold to VHFA and 10 were conventional loans. The conventional loans were split 9 fixed rate and 1 adjustable rate.

FINDINGS ON LOANS REVIEWED

On one loan we were not able to obtain a verification of a gift letter. We requested the servicing lender to assist us in obtaining the verification. After many attempts the verification was not obtained. The file was again reviewed. All other elements of the loan package were in order. I did not believe this was a cause for a default. We will periodically again request verification of the gift letter.

On two loans additional information was requested from VHFA underwriting staff to explain unpaid charged off accounts on one loan and clarification of underwriting decisions on another.

On five loans we requested the original appraiser to further justify the market value shown on the appraisal. All were justified with the exception of one case where the appraised value of the property declined by $1000. This reduction in value had no significant effect on the loan underwriting as the acquisition cost of the property was less than the appraised value. the appraised value in the data base was updated.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Samuel J. Falzone, Director, Multifamily Management**

DATE: **July 18, 1996**

RE: **WINCHESTER PLACE STATUS UPDATE**

Effective July 1, 1996, E.P. Management Corp. assumed all property management functions for Winchester. The Massachusetts based firm has an excellent reputation in Vermont where they manage three VHFA financed properties. The management fee bid process produced significant fee savings that will help improve the overall financial picture ($49,800 compared to $64,132 under the former management agent). Company president Jonathan Ziner has been personally involved in the management transition and began working out of Housing Vermont's offices in the middle of June. An audit is underway which will serve as an accurate basis for responsibility as of the July 1st management transition date.

Rehab Plans and Specifications were completed by Northern Architects in late June and the formal bid process has produced 2 bids from 3 contractors who had been pre-qualified to participate in the process. The low bid came in at $457,800 with alternates to be considered totaling another $58,875. This is well within the estimated $486,000 - $684,000 rehabilitation cost range we were provided by Housing Vermont in May. As this memo is being prepared, Housing Vermont is considering awarding the contract to Burcon, Inc. subject to VHFA's approval. If everything proceeds according to schedule, we expect to see completion of the rehab work by mid October.

Housing Vermont has received written approval from St. Michael's College to use a portion of the replacement reserve account to help fund the cost of this work. This account has a June 30th balance of $282,300. The remaining source of funds is expected to come out of refunding proceeds. The issue of architect and contractor liability settlements and litigation may also provide an additional source of funds to help pay for the repairs although it is unlikely these funds will be received in the near future.

Operating income through June 30th is running better than budget due primarily to a 1% vacancy rate for the period. Expenses over the same period are very close to those used in the Forbearance Agreement pro forma after adjusting for capital expenses, prior year tax payments made in 1996 and other timing related expense variations. Overall, things look very positive after 6 months of operation.

No Board action is required at this time.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Samuel J. Falzone, Director, Multifamily Management

DATE: July 17, 1996

RE: MULTIFAMILY DIRECTORS REPORT

The attached report for the quarter ending March 30, 1996, is provided for the Board's information and includes the status of various financial aspects of the Multifamily portfolio. The report also contains narratives on department activities through June 30, 1996, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I will be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

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MULTIFAMILY MANAGEMENT
DIRECTOR'S REPORT
For the Period Ending March 31, 1996

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	PENALTY/INTEREST	MONTH	NO. OF DAYS
Butler Apts.	Delinquent Jan. & Feb. 1996	$373.25	Jan. & Feb. 1996	79 days total

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY97

PROJECT NAME	ORIGINAL ACC	CURRENT ACC	RESERVE BALANCE
21 Main Street	$46,200	$0	$16,654
Abenaki Family Housing	103,909	0	52,705
Bardwell House	558,504	0	72,597
Bemis Block	83,769	0	48,396
Benson Heights	106,700	0	35,537
Brookside Apts.	33,198	0	2,934
Bobbin Mill	397,273	423,523	78,700
Butler Apts.	53,928	83,428	5,781
Canterbury N & S	217,324	231,324	35,591
Chester Arthur	56,737	61,737	4,324
Colonial Apts.	68,784	0	852
Colonial Village	60,360	70,360	23,485
Conant Square Inn	79,896	0	32,403
Darling Inn	136,704	195,300	11,542
Depot I	50,310	0	5,903
Depot II	52,416	67,416	20,609
Duggan Row House	95,904	118,404	24,109
Garden Apts.	72,876	87,876	24,187
Green Hill Apts.	93,814	0	9,224
Hebert Farm	53,448	0	35,998
Hillside Acres	75,216	92,516	28,237
Holy Angels Commons	227,988	0	46,359
Homestead Mews	180,403	0	25,973
Jeri-Hill	182,326	0	3,610
Lamoille View Apts.	101,976	157,176	41,768
Lane Shops	215,040	290,420	53,954
Linden Terrace	78,504	105,804	31,788

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY 1997 (Cont.)

PROJECT NAME	ORIGINAL ACC	CURRENT ACC	RESERVE BALANCE
Mad River Meadows	190,194	0	51,637
Maple St./Hardwick	65,688	98,388	24,963
Maple St./K.S.N.R.C.	57,900	0	24,762
Meadow Lane	88,452	0	46,711
Mellishwood Houses	40,920	0	2,650
Mellishwood Houses II	63,612	0	22,696
Mill Village	102,127	0	11,967
Mountain View/Fairfax	150,785	0	4,205
Pine Grove	101,496	114,996	30,836
Pine Manor	114,285	0	45,432
Proctor Place	80,254	0	33,884
Randall Apts.	60,528	0	22,191
Randolph Circle	127,080	0	53,549
Randolph House	210,744	281,744	55,166
Saxtons River	103,776	123,776	823
School House Apts.	76,449	0	20,143
School Street Apts.	68,028	89,278	25,808
Sunrise Manor	141,960	159,760	28,559
Walden Mountain	99,096	0	19,871
Wells House Apts.	54,744	82,180	7,765
West Burke Housing	115,664	0	4,637
Westminster Family	86,555	0	38,504
Willey Street Apts.	106,186	0	42,500

3. CASH FLOW PROBLEMS

PROJECT	CASH POSITION as of 03/31/96	OPERATING PROFIT/LOSS	
		Budget	Actual
Hebert Farms	$2,312	$186	($4,454)
Highgate	$64,785	$4,069	($19,181)
Mad River Meadows	$2,007	$1,325	($12,005)
Pine Meadow	$1,705	$1,552	$1,340
School Street Apts.	$701	($1,522)	$647
St. Johnsbury HP	$26,543	$4,946	($6,842)
Winchester	$24,919	$2,000	($12,405)

4. SALES, PRESERVATION AGREEMENTS, AND OPTIONS CLOSED OR UNDER NEGOTIATION

CLOSED			ON HOLD PENDING CONGRESSIONAL ACTION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Abenaki Family Housing	60	NP*		
Brownway	20	Y		
Cummings Street**	28	NP*		
Depot II**	40	NP*		
Dogwood Glen	20	NP*		
Duggan Row	20	Y		
Eno Apts.	19	Y		
Garden Apts.	20	Y		
Graystone Village	Perpetuity	NP*		
Harrington Apts.	19	Y		
Hidden Pines	50	Y		
Highgate**	Perpetuity	NP*		
King St. Apts.	20	Y		
Lake Champlain Apts.	20	Y		
Lane Shops**	15	Y		
Linden Terrace	50	NP*		
Lower Weldon St. Apts.	17	Y		
Maple St./Hardwick	18	Y		
Meadow Lane**	15	N		
Mellishwood I & II	25	Y		
Mountain View/Fairfax	18	Y		
Northgate**	Perpetuity	NP*		
Olde Windsor Village	23	NP*		
Prospect/Forest Homes	22	NP*		
Randolph House**	48	NP*		
Rockingham Canal House	71	Y		
School Street Apts.	20	NP*		
Village Apts.**	19	NP*		
Walden Mtn. Apts.	17	Y		

** LIHTC

* Non-Profit

MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
Through the Month ending June 30, 1996

A. Multifamily Management Activity - Narrative

1. Audited Financial Statements
2. Mitas Computer Conversion
3. Lead Paint Requirements and Capital Needs Assessments

B. Project Reports

1. Abenaki Acres - Swanton
2. Allen Apts. - Winooski
3. Cummings Street - Montpelier
4. Darling Inn - Lyndonville
5. Dogwood Glen - Northfield
6. Duggan Row House - Burlington
7. Hebert Farms - Montpelier
8. Highgate - Barre
9. Hillside MHP - Starksboro
10. Mad River Meadows - Waitsfield
11. Mountain View - Hancock
12. Pine Meadow - Middlebury
13. Point School Apts. - Colchester
14. Prospect/Forest Homes - Randolph
15. Rockingham Canal House - Bellows Falls
16. Salmon Run - Burlington
17. South Meadow - Burlington
18. South St. Paul Townhouses - Burlington
19. St. Johnsbury Housing Partnership - St. Johnsbury
20. Templeton - White River Jct.
21. Winchester - Colchester

A. Multifamily Management Activity - Narrative

1. **Audited Financial Statements:** During the second quarter, a majority of multifamily project audits were due and multifamily staff completed formal written reviews and letters of findings. This annual process is used to authorize owner distributions and fulfill our responsibility to monitor HAP Contract and Regulatory Agreement compliance. With the Government's increasing pressure to find a solution to the long term cost of the Section 8 program, both our budget approvals and audit reviews have concentrated on keeping operating expenses at the lowest reasonable level. Future subsidy renewals and amendments may depend on how well we have exercised control of existing resources using our regulatory authority.

   The approved 1996 budgets produced $273,352 in cost savings compared to the 1995 budgets. These results were obtained from actual expense reductions at 48 (50%) of the multifamily properties. The remaining properties had either no change or slight increases in their expense levels. Although this is a modest sum, these reductions were accomplished in the absence of any HUD directives or threatened program changes and were accomplished solely using our ongoing communication with owners and managers on the issue of preserving resources. It is important to acknowledge that the advice most owners have been getting from their accountants and tax advisors has been exactly the opposite. They are being told to spend as much as possible in order to keep their increasing tax liability to a minimum.

2. **Mitas Computer Conversion:** We are happy to report that the multifamily portion of the Mitas system is on line and providing us with basic reports and access to data. Kim Fitzgerald has completed the Multifamily Mitas Operations Manual which has served as the main training instrument for Department staff learning the new system. We are still working closely with our DP department and Mitas to improve and debug certain aspects of the system and all appears to be going well. Using Crystal Reports, we were recently able to do the complete billing for tax credit compliance monitoring fees.

3. **Lead Paint Requirements and Capital Needs Assessments:** New state and federal requirements for disclosure, notification, testing, essential maintenance practices and abatement were mailed to all owners and managers of VHFA financed rental properties. Vermont's adoption of Lead Paint Bill H.778 coincided nicely with a HUD notice which imposes new guidelines starting September 26, 1996. Agency staff, including Jeff Francis, worked closely with The Vermont Department of Health on this mailing. The Health Department is the primary contact for questions and information on the state's requirements.

   We also completed work on an Agency Capital Needs Assessment policy and notified owners and managers of the need to complete these detailed studies by June 30, 1997. The results of this work will help us determine the adequacy of existing replacement reserve balances and deposit requirements.

B. Project Reports

1. **ABENAKI ACRES - SWANTON**: The exterior of 2 buildings at Abenaki Acres were in dire need of repair. Unfortunately, when these buildings were painted a couple of years ago the clapboards were not properly treated which caused extensive paint peeling and eventually wood rot. The manager bid out this project and found that replacing the current siding with vinyl was the most cost effective solution to this problem. This job is near completion and it has made a significant improvement to the appearance of this development.

2. **ALLEN APARTMENTS - WINOOSKI:** VEIC's recent energy audit for Allen Apartments found that the simple pay back period for an energy conversion would be less than six years. GMP will offer approximately $10,000 in incentives and the Weatherization Assistance Program and Vermont Gas Systems may also contribute funds. The remaining funds will come from the Replacement Reserve account and an energy loan through VHFA. VEIC will be contract manager. The bulk of the conversion needs to be completed by December 31, 1996 to access the GMP incentives. We've been encouraging this 17-unit all electric property to convert and are thrilled to see it finally happening.

3. **CUMMINGS STREET - MONTPELIER**: When the HAP contract expires in 1998, we do not anticipate a contract renewal at this project. Word from the national level is that HUD will provide some sort of project based subsidy. We expect to see reductions in rent that may eventually be set at 90-120% range of Fair Market Rents.

4. **DARLING INN - LYNDONVILLE**: Maintenance expenses were much higher than projected in the first quarter at the Darling Inn. Ice and snow build up were the cause of major roof repairs and inflated maintenance expenses. The old slate roof has been patched for years and has lost its structural integrity. We have approved the owner's plan do a complete roof replacement. The bid was awarded and the work should be complete by the end of the summer. This will alleviate any future roof concerns and should allow the maintenance budget to run according to plan.

5. **DOGWOOD GLEN - NORTHFIELD:** At last, the energy conversion at Dogwood Glen is complete, utility allowances have been reduced and the residents are happy!

6. **DUGGAN ROW HOUSE - BURLINGTON:** After the tragic fire at the Duggan Row House on April 6th, 16 families were displaced and the project was in a state of disrepair. Within one month all tenants had found housing, many with the assistance of the voucher program administered by the Burlington Housing Authority. Now, three months later, building permits have just been issued, the insurance companies are still battling on a settlement figure, and power has been restored to the building. Owner, Joe Duggan, is anxious to get his project back in order and is exploring the possibility of an energy conversion as part of the rehab.

7. **HEBERT FARMS - MONTPELIER:** The cash position here continues to be modest. Since this property consists of only 10 units, a vacancy or two can result in a shortfall in income which has a pronounced impact on operations, such as the $1,200 loss in the first quarter. Occasionally an extraordinary repair which should be capitalized can appear to also effect operations in a significant way. In this instance, carpet replacements are responsible for the $2,576 in repairs contract being above budget. This is being properly requested from replacement reserve this quarter. On a positive note, reserves are reaching a level where some of the deferred maintenance can be addressed.

8. **HIGHGATE - BARRE:** Persistent vacancy problems have adversely impacted operations at this property. While Vacancy claim payments due from HUD will moderate the problem to a degree, the anticipated shortfall may lead the team of resident owners/professional property managers to amend the 1996 operating budget.

With the expiration of the one year extensions of both HAP Contracts now less than a year away, we have requested reductions in the 1997 budget submission. With rents anticipated to be reduced to as low as 90% of Fair Market Rents for FY97, expense reductions of about 14% will be necessary for the coming year, with another similar reduction in FY98.

9. **HILLSIDE MHP - STARKSBORO:** In order to complete our review of the Hillside audit, we have asked for required information which the auditor did not provide in his original statements. Specifically, we have requested an individual balance sheet and revenue statement that breaks out Hillside activity from that of the ACCT organization. This information will show how the project did when compared to the operating budget as well as segregating account balances

The 1996 operating budget was not approved as submitted because of the uncertainty of costs to complete the water supply and distribution system. The owner must choose between a ground infiltration system option or a drilled well option (2 wells have been drilled to date and neither is producing a sufficient supply of water to maintain the entire park). We have requested a water system engineering plan from the owner and hope this will bring closure to the budget process.

10. **MAD RIVER MEADOWS - WAITSFIELD:** Vacancies totaling about $7,000 hurt first quarter performance at this property. These vacancies represented about 11% of total rent potential for the period. Vacancy claims submitted will recover about 75% of the above amount. Vacancies are down during second quarter. The $5,573 in tax payments made at the direction of the Owner - but not budgeted - in the first quarter are actually taxes due from 1995. Interestingly, the property tax reduction of about $5,000 won for the property by its management agent, Technical Planning And Management, will just about offset this delayed payment.

11. **MOUNTAIN VIEW - HANCOCK:** The owner/manager has chosen not to sign the UCC-1's that need to be filed to assure our security interest in the property. While technically a Condition of Default, we have instead chosen to defer any authorized distributions until the owner complies with this provision of the Regulatory Agreement.

12. **PINE MEADOW - MIDDLEBURY:** Vacancies at Pine Meadow continue to be a problem and rents have not kept up with underwriting projections. Expenses have also been much higher than originally expected. The April murder-suicide at this property certainly did not encourage new tenant activity and has further complicated the situation. The sinking fund will be gone by the end of July and future tax and insurance payments are threatened by the lack of adequate cash flow. HVT and the Interfaith Board of Directors are again looking at available options to address the financial difficulties including an appeal to VHCB.

Some of the wood trim boards at this property are starting to show signs of rotting. The owner has contacted the contractor to find out what type of warranty policy is in place. With everything that is happening here, we have put this property on monthly reporting status and will continue to monitor very closely.

13. **POINT SCHOOL APTS. - COLCHESTER:** In conjunction with a grant from VCIL and a loan from LCHV, VHFA has made a loan to complete accessibility modifications needed by a new resident, which otherwise could not have been made.

14. **PROSPECT/FOREST HOMES - RANDOLPH:** Twin Pines Housing Trust, in the midst of a major reorganization, has deferred their interest in the acquisition of this property for another year. Current owner, CVCAC, themselves facing more changes in their upper management, is cooperating with VHFA in proceeding with the energy conversion with CVPS. VHFA has agreed to intercede as interim owner so as not to lose the CVPS commitment of demand side funding.

15. **ROCKINGHAM CANAL HOUSE - BELLOWS FALLS:** The energy conversion at Rockingham Canal House is finally underway. Johnson and Dix won the bid and will begin work this summer. The conversion will cost $55,790 with a payback within five years. VEIC is the contract manager and optimistically believes work will be complete by September. This time line leaves a nice cushion before the heating season begins to deal with balancing and debugging the new system.

16. **SALMON RUN - BURLINGTON**: As was mentioned in the last director's report, Salmon Run has been experiencing negative cash flow due to turnovers. We are pleased to see that the first quarter showed an operating profit of almost $5,000 and turnovers were held to a minimum.

17. **SOUTH MEADOW - BURLINGTON:** The $180,000 Replacement Reserve Letter of Credit will expire on August 10th. The Merchants Bank has been increasingly reluctant to renew it at the current level. In January, we accepted a six month renewal in a good faith effort to allow the Bank and Owner time to resolve any issues. This renewal is important since cash reserves are modest and capital needs appear to be substantial. A recent site visit confirmed that there are a number of deferred maintenance items. The owner has been put on notice.

18. **SOUTH ST. PAUL TOWNHOUSES - BURLINGTON:** The energy conversion at South St. Paul Townhouses is underway. BED completed an audit and is providing a rebate. The remaining funds will come from the project's Residual Receipts account. The pay back period is less than three years. C&L Plumbing & Heating won the contract; They did the heating conversion at the McKenzie House and were the lowest bidder.

19. **ST. JOHNSBURY HOUSING PARTNERSHIP - ST. JOHNSBURY:** This property sustained an operating loss during the first quarter due to loss of income related to vacancies. Phase II of the rehab is in progress and several units are being held vacant to facilitate this process. Once the rehab work is complete, these units will be leased up and this property should be in a position to achieve budgeted income projections.

20. **TEMPLETON - WHITE RIVER JCT.:** Although the rehab escrow account has been exhausted and the initial rehab work is essentially complete, there are still a few capital improvement items that need attention. These improvements include: partial sill replacement, crawl space, vapor barriers, and foundation settlement problems. The owner is working on a plan to fund these additional needs. They have received preliminary estimates of $85,000 to complete this work. We must take into consideration that this property has very limited reserves and is generating only modest cash flow.

21. **WINCHESTER - COLCHESTER:** The contract for the repair of the deteriorating wood trim and associated problems with the siding is being put out to bid. Estimates are in the $500,000 range. Work will hopefully begin in mid-July, with a completion date sometime late this fall. The necessary repairs to the gas-fired boilers, costing $8,000, is underway utilizing moneys from the Replacement Reserve. Finally, E.P. Management has assumed property management responsibilities as of July 1. An audit is going to be conducted as of the 6/30/96 management transition date. We are hopeful that all of these activities will bode well for the future marketability of this property.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Roger A. Schoenbeck, Director of Finance** RAS

DATE: **July 16, 1996**

RE: **Financial Advisor Request for Proposals**

As previously discussed with the Board, staff felt that obtaining the services of a Financial Advisor (FA) would be beneficial in assisting with the issuance of debt and having the benefit of ongoing advisory services as we think about new ways to creatively finance our developmental needs and meet our fiduciary responsibilities. We have engaged Evensen Dodge in the past for "special projects" including our financial study analysis and the direct placement of bonds with Fannie Mae. We have found their assistance invaluable in both saving our resources and getting the best deal on our financing.

In deciding who to solicit for the request for proposal (RFP) we decided to limit the field to those firms which have demonstrated expertise in the housing industry and whose sole function is financial advisory services as opposed to underwriting firms which may have a department which specializes in financial advisory services. The current state of affairs on Wall Street is that many firms are downsizing or getting out of tax-exempt financing altogether. Several years ago we expanded our underwriting team to five firms with the expectation that we could draw on the technical expertise of all the firms to provide us with new ideas and options to help meet our financing needs. Although we continue to receive excellent service from PaineWebber on bond issues, we have had little assistance from the other firms other than to help sell bonds.

The three firms that we solicited proposals from are Evensen Dodge out of Minneapolis, O'Brien Partners Inc., from New York, and CGMS Incorporated headquartered in Northampton, Massachusetts. All three of the firms each service about 10 State Housing Finance Agencies in some capacity. All of the firms are well respected and we believe could meet our needs. We are seeking to award a three year contract based on satisfactory performance and one of the first tasks would be to conduct a review through a Request for Proposal process for underwriters. All of the firms provided hourly rates for special assignments and a per-bond charge for their services relating to bond sales, including minimum and maximum fees. They also quoted rates for providing cash flow analysis work connected with bond offerings and for ongoing needs.

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We have utilized Trepp and Company to do all of our cash flow analysis work for over 10 years. We could hire the FA firm with or without the cash flow component, but there are good arguments as to why it makes sense to have the FA also "run the numbers". The downside is that there is a tremendous amount of work involved to transfer detailed data of over 30 active bond programs to the FA and the potential to have to transfer again if we were to decide to switch financial advisors in the future.

To enable us to do an "apples to apples" comparison of the fees charged by the three firms, we ran a comparison of costs based on a $30 million and a $60 million bond financing. Smaller financings were much less structured and generally would either be done on a negotiated per deal basis or utilizing the hourly charges quoted by the firms.

Evensen Dodge's charge including cash flow work would be $41,000 on a $30 million financing and $47,500 for a $60 million financing. O'Brien Partners computes to $50,000 and $60,000 on the two financings and CGMS would cost $52,500 and $105,000, respectively. Evensen's hourly rate ranges from $125 to $175, O'Brien ranges from $125 to $250 and CGMS from $120 to $195. Where the biggest difference seems to show up is in the charges for the cash flow analysis work: Evensen charges a flat $15,000 per financing while O'Brien's (using Trepp) charge ranges from $25,000 to $30,000 and CGMS's charge is from $22,500 to $45,000.

Costs related to bond issues including cash flows will be charged as part of the bond cost of issuance and will not impact our General Fund budget. Special services engagements, such as the proposed RFP for underwriters, will be charged through the consulting expense category of the budget. Incidental cash flow work is already budgeted for under the trustee fee category.

<u>**Recommended Action**</u>

Based on the information submitted, it would seem logical to choose Evensen Dodge. We have been happy with the work that they have performed for us in the past and we think that they would add some strength to our financing team. We could invite any of the firms in for oral presentations if the Board would prefer that approach. I will have copies of the responses to the RFP available for your review at the Board meeting.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: July 23, 1996

RE: Discussion On The Purchase of Servicing Rights of VHFA Mortgage Loans From Homeside Lending, Inc.

DISCUSSION

About a year ago, VHFA was approached by BancBoston Mortgage Corporation (BancBoston), about the possibility of selling the servicing on the VHFA mortgage loans currently being serviced by them. At that time staff indicated that if BancBoston was interested in selling the servicing, VHFA might be interested in purchasing it. There then was a sale of BancBoston which took an extensive amount of time and negotiations were held up; the surviving entity was called Homeside Lending, Inc. (Homeside).

About a month ago, staff re-initiated negotiations with Homeside on the sale of servicing. As of June 30, 1996, Homeside was servicing a $16.7 million portfolio consisting of 299 mortgage loans. These negotiations have resulted in an anticipated sale price of 50 basis points, or $83,500. Current estimated value of housing finance agency portfolio servicing rights is between 90 and 125 basis points which would result in a sales price of between $150,000 and $208,750.

Staff anticipates that Graystone Mortgage Corporation (Graystone) will sub-service this portfolio for us as they are currently doing the same for mortgage loans originated by Key Bank of Vermont. Graystone would charge VHFA the same rate for sub-servicing that it is currently charging which is $10.00 per loan per month. In addition, we would pay Graystone a onetime loan set up fee of $5.00 per loan.

Based on these numbers, VHFA would earn roughly $62,625 per year in servicing fees, or $26,745 after deducting the cost to VHFA for sub-servicing paid to Graystone. The cost of the purchase of the servicing rights, including the Graystone onetime loan set up fee, would be $85,000. This would mean that the payback period to VHFA would be approximately 36 months.

If the Board approves the purchase of these servicing rights, the portion of our mortgage servicing portfolio currently being sub-serviced by Graystone would increase from 36 loans to 335 loans.

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REQUESTED BOARD ACTION

Authorize the Executive Director to enter into an agreement with Homeside for the purchase of the servicing rights of the VHFA mortgage loans currently being serviced by them for 50bp, and to enter into a sub-servicing agreement with Graystone for the sub-servicing of these loans.

STATE OF VERMONT

AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS

109 STATE STREET
MONTPELIER, VERMONT 05609-0501

DEPARTMENTS OF:
Economic Development 828-3221
Economic Fax No. 828-3258
Housing & Community Affairs 828-3217
Housing Fax No. 828-2928

DIVISIONS OF:
Administration 828-3211
Historic Preservation 828-3226
Vermont Department of Travel & Tourism 828-3237
Travel Fax No. 828-3233
Vermont Life Magazine 828-3241

OFFICE OF THE SECRETARY
Tel.: (802) 828-3211 Fax: (802) 828-3383

RECEIVED JUL 22 1996

July 18, 1996

Brenda Torpy, Executive Director
Burlington Community Land Trust
P.O. Box 523
Burlington, VT 05402

Dear Brenda:

I am writing in reference to the HIV assisted living project that you are developing for the site at 600 Dalton Drive in Colchester.

I just wanted to let you know that while this project was not funded by the Vermont Community Development Program this past cycle, the Community Development Board was very supportive of the project. Although there is no guarantee that the project will be funded in this next cycle, the Board was encouraging in terms of the Town of Colchester's re-applying for VCDP funds. The staff analysis, with which the Board resolution concurred, found that the project would very adequately address community need and benefit. The Board gave a clear message that this project was not funded due to not enough money available to fund all the worthy projects, and this project did not demonstrate the same urgency that many of the others did. Because the next Board meeting will be in September, it was felt there was adequate time before the Purchase and Sales Agreement for 600 Dalton Drive expires in December.

We know that you are in the process of securing federal funding under two HUD programs (HOPWA and Shelter Plus Care) for rental assistance, and we would like to add our voice to the others that support your efforts for this much needed facility.

Sincerely,

Barb

Barbara L. Grimes, Commissioner
Housing & Community Affairs

cc: David Timmons, Town Manager, Colchester
Polly McMurtry, CD Regional Coordinator, DHCA

G:\DHCA\PMD\FFY95\95CY4\CORRESP\TORPY.WPD faxed 8/12 9:50 a.m. -mp

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VERMONT HOUSING FINANCE AGENCY

VIA FACSIMILE AUGUST 12, 1996, TO:

Burlington Free Press (Newsroom)	660-1802
Rutland Herald (Newsroom)	802/775-2423
WCAX-TV (Newsroom)	864-3759
Secretary of Administration (c/o Su Wolters)	802/828-3320

NOTICE OF BOARD MEETING

To satisfy requirements of Vermont's Open Meeting Law, please be advised that:

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Friday, August 16, 1996, at 9:30 a.m. The public may attend the meeting in the Board Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

If you have any questions or need further information, please contact Glenn Jarrett, General Counsel, at Ext. 226.

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T C R (AUG 12 '96 09:48AM)

VHFA 1 802 863 5422

(MANUAL)

DATE	START TIME	REMOTE TERMINAL IDENTIFICATION	TIME	RE-SULTS	MODE	TOTAL PAGES	PERSONAL LABEL	FILE NO.
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	04:06PM	802 527 5259	00'39"	OK	ESM	01		098
	04:09PM	VTSTATEEMPCU	00'34"	OK	ESM	01		099
	04:12PM	18024857565	00'30"	OK	ESM	01		001
	04:16PM	802 879 9094	01'50"	OK	ESM	04		100
	04:19PM	CTC	00'31"	OK	ESM	02		097
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	04:28PM	8024421641	00'43"	OK	SM	01		006
	04:43PM	8028634602	00'45"	OK	ESM	02		010
	04:55PM	KUTAK ROCK	01'31"	OK	ESM	04		011
	05:02PM	802 527 5259	01'51"	OK	ESM	04		012
	05:17PM	802 773 0826	01'37"	OK	ESM	04		013
	05:20PM	802 860 5542	03'50"	OK	SM	04		014
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	08:59AM	CTC	00'18"	OK	ESM	01		025
	09:21AM	8028634602	00'30"	OK	ESM	01		027
	09:26AM	802 865 2757	00'25"	OK	ESM	01		028
	09:44AM	8026601802	00'45"	OK	S	01		030
	09:46AM	RUTLAND HERALD	00'36"	OK	S	01		031
	09:47AM	WCAX·TV·NEWS 8643759	00'32"	OK	S	01		032
	09:48AM	802 828 3320	00'27"	OK	ES	01		033
RECEPTION								
AUG 09	04:15PM	CTC MORTGAGE DEPT	00'28"	OK	ES	02		002
	04:30PM	802 863 4602	01'30"	OK	ES	02		007
	04:37PM	864 1599	02'29"	OK	S	04		009
	06:40PM	802 388 3018	00'40"	OK	S	01		015
AUG 10	10:30AM	8026261342	00'39"	OK	ES	01		016
	10:39AM	8024224131	05'26"	OK	ES	16		017
AUG 11	06:56AM	802 626 1281	00'57"	E	ES	01		018
AUG 12	08:33AM		00'40"	OK	ES	01		021
	08:41AM	802 879 9052	01'47"	OK	ES	03		022
	08:57AM	8022292165	00'57"	OK	D	01		024
	09:00AM	CTC MORTGAGE DEPT	04'17"	OK	ES	10		026
	09:35AM	1 802 295 8691	02'05"	OK	ES	05		029

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E)ECM >)REDUCTION S)STANDARD @)FORWARDING M)MEMORY C)CONFIDENTIAL #)BATCH
D)DETAIL $)TRANSFER
F)FINE P)POLLING

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: August 13, 1996

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 9:30 a.m. Friday, August 16, via conference call originating from the VHFA offices at 164 St. Paul Street, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to speaking with you from Burlington at 9:30 August 16!

REMINDER: September 19 meeting will be in Derby; specifics and directions will be included in the September Board packet.

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VHFA BOARD CONFERENCE CALL AGENDA
Originating from VHFA Offices
164 St. Paul Street
Burlington, Vermont

Friday, August 16, at 9:30 a.m.

1. Review and approval of minutes of July 25, 1996

2. Development
   A. 600 Dalton Drive (Letter of Interest/Commitment) **[Reid//Enclosure]**

3. Finance
   A. Loan Sources (Howard Bank Facility) **[Schoenbeck//Enclosure]**
   B. Underwriter Request for Proposals **[Schoenbeck//Enclosure]**

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

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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BOARD MINUTES

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

Thursday, July 25, 1996

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

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Lothrop, Mr. Falzone, Ms. Gent, Ms. Parker, Mr. Erdelyi, Ms. Reid, Ms. Crady

Guests: Ms. Torpy (Burlington Community Land Trust)

The meeting was called to order by Chairman White at 1:10 p.m. Upon a motion duly made by Mr. Candon and seconded by Mr. Douglas, the minutes of June 13 were amended to eliminate the word "using" in the second line of the second paragraph on page 4, and to note that the comments attributed to Ms. Randall in that paragraph were actually made by Ms. Canney. Following this motion, the minutes were unanimously accepted as amended.

Mr. Lothrop reviewed the "Single Family Program Activity Report for June" as included in the Board packet. June was a banner month for reservations, with roughly $16 million remaining in lendable proceeds from the $40 million released in April. This amount does not include factoring in expected reservation fallout. Mr. Candon asked that future reports include the remaining funds available as well as the amount of funds loaned. Chairman White observed that the high rate of reservations points to a probable early fall bond issuance. No Board action was required at this time.

The "Property Disposition Report" was then reviewed by Mr. Lothrop, who explained that of 21 properties in real estate owned (REO) status, five are now under contract, three have been sold, and three others are under negotiation. These properties appear to be moving rapidly through the current market. Mr. Hunt informed the Board that staff has begun implementing the nonprofit REO disposition as outlined to the Board at an earlier meeting; nonprofits are given information regarding REO properties as they are acquired, and sometimes just prior to the property actually entering the REO portfolio, in an effort to expedite the sale of these properties. Appraisals and estimates for repairs are obtained for each property, with negotiations of the purchase price to be based on these figures; no actual negotiations with nonprofits have been conducted. Ms. Randall reminded staff that the Vermont foreclosure law citing fair and reasonable

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offers must be considered during REO property disposition, especially if there is to be an attempt to collect on deficiencies from the delinquent borrowers. There was no required Board action.

Mr. Lothrop reviewed the "Delinquency Statistical Report" included in the Board packet. Although delinquencies rose somewhat in June after a gradual decline in previous months, almost half of the total increase was activity from two participating lenders, Chittenden Bank and Vermont Federal Bank. Ms. Randall observed that many borrowers would have had property taxes due in June, which may account for the delay in meeting their mortgage obligations. Mr. Douglas asked that future versions of this report also include a comparison with activity during the previous year. No other Board action was taken.

The "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process–April 1, 1996, through June 30, 1996" was then reviewed by Mr. Lothrop, who referred the Board to his memo of July 17, included in the Board packet. As there were no significant findings as a result of this process, no Board action was required.

Mr. Lothrop then distributed to the Board his memo of July 23 containing a "Discussion on the Purchase of Servicing Rights of VHFA Mortgage Loans from Homeside Lending, Inc." As Mr. Lothrop explained, the Agency was approached by BancBoston Mortgage Corporation about a year ago regarding the possibility of selling the servicing on Agency mortgage loans currently being serviced by BancBoston. At the time, staff indicated that the Agency might be interested in purchasing the servicing from BancBoston; however, the subsequent sale of BancBoston took much time and negotiations with the Agency were delayed. The surviving entity from the sale of BancBoston has been named Homeside Lending, Inc. In June the Agency reinitiated negotiations on the sale of servicing, in anticipation of Graystone Mortgage Corporation's willingness to subservice this portfolio for the Agency. Although this would be the first bulk servicing purchase by the Agency, subservicing agreements are already in place. After some further discussion, a motion was made by Ms. Randall authorizing the Executive Director to enter into an agreement with Homeside Lending, Inc., for the purchase of the servicing rights at 50 basis points for Agency mortgage loans currently being serviced by Homeside, and further for the Agency to enter into a subservicing agreement with Graystone for the subservicing of these same loans. This motion was seconded by Ms. Bradley and carried unanimously. Following the vote, Mr. Schoenbeck explained that the cost of purchasing the servicing would come from General Fund operating expenses, and noted that he would consult with the auditors to determine the appropriate method for reflecting this purchase on the Agency's financial statements.

Next, Mr. Falzone reviewed the "Winchester Place Status Update" based on his memo of July 18, included in the Board packet. All property management functions for this project have been assumed by E.P. Management Corp. as of July 1. According to Mr. Falzone, the ownership entity Winchester Associates, through Housing Vermont, should be signing construction contracts shortly for the repair work that has been identified. This work is to begin in early August, with completion planned for mid-October. The construction costs for repairs include replacement of siding and wood trim, metal soffit flashings, replacement of metal doors and total hardware replacement, including locksets and keys. The projected costs of $516,000 do not include soft costs, architect fees and costs for on-site architect work that will be necessary throughout the repair phase, as actual repair determinations will be made building-by-building throughout the project. Only one building was actually dissected in an effort to estimate repairs for the other buildings. The total cost of these repairs is expected to exceed $616,000. As far as the liability of the original builder and architect, Mr. Hunt informed the Board that the deposition phase of the lawsuit filed on behalf of Winchester Associates is nearing completion. A counter-suit has been filed by the original architect. The original construction company has been dissolved, with a new corporation created before the lawsuit was brought; the same principals are connected with the previous and current construction corporation. No Board action was required.

Mr. Falzone also noted that the quarterly "Multifamily Director's Report" had been included in the Board packet, attached to his memo of July 17. This report is provided for the Board's information and includes the status of various financial aspects of the Agency's multifamily portfolio. There was no required Board action. In connection with this report, Mr. Hunt noted that HUD has been trying to reduce the cost of the Section 8 program. The latest drafts of legislation appear favorable to housing finance agencies, indicating that contracts will remain in place and will not be subject to severe reductions, and that renewals of contracts will be made on a one-year basis at some reduced funding level. Mr. Falzone reminded the Board that the Agency has nine contracts due for renewal; one that expired at the end of June 1996 was renewed by HUD for two years at the current rent levels. Mr. Hunt assured the Board that several recommendations made by various housing finance agencies to the National Council of State Housing Agencies have been incorporated into the Senate's response to HUD's budget request. Mr. Hunt noted that the ability for Section 8 projects to support debt is directly affected by the need to raise or lower rents to keep these projects viable. Any budget action concerning HUD's Section 8 program may also affect HOME and CDBG fund availability. On an unrelated topic, Mr. Falzone informed the Board that action taken at the June Board meeting concerning the Agency acquiring title to Prospect/Forest Homes to allow the proposed energy conversion to take place has not yet been implemented. Central Vermont Community Action Council has appointed a new executive director who will be reevaluating the need to transfer ownership to the Agency. The energy conversion will occur regardless of property ownership. No further Board action was necessary.

The Board then reviewed Ms. Reid's memo of July 19 concerning the "600 Dalton Drive/BCLT Combined Letter of Interest/Commitment Letter for Permanent Financing" as included in the Board packet. Ms. Torpy, executive director of the Burlington Community Land Trust (BCLT), was introduced to the Board. Ms. Reid explained that in July 1995 Dalton Drive Neighborhood Inc. entered into a Letter of Intent for the sale of a commercial building at 600 Dalton Drive to BCLT for $250,000. In accordance with the terms of that Letter of Intent, BCLT is requesting a loan of $70,000 at zero percent interest, with a 25 year repayment being considered. BCLT will develop and manage the project. As proposed, the renovated building will provide 11 units of housing for families and individuals living with HIV/AIDS. All of the 11 units will be affordable to households with incomes at or below 60 percent of median income, with 20 percent of the units to be affordable to households below 50 percent of median income.

Ms. Torpy explained that a 1996 pre-development grant through "Housing Opportunities for People with AIDS" (HOPWA) had been received by BCLT, as well as a pre-development loan through the Agency's Vermont Housing Ventures program. HOPWA follows a three-year funding cycle, which is meant to help provide services, communal space within the building, and rental assistance for tenants. The Shelter+Care rental subsidy will be available for five years with an additional five year renewal. As Ms. Torpy further explained, BCLT does not know yet if the HOPWA grant will be renewed after its initial three year term, so a fund is being developed at the start of the project to provide assistance to residents should this funding no longer be available in future years. Some residents may be on disability while others will still be earning incomes; the goal of the project is for residents to be able to move in and remain housed throughout their illness. The Shelter+Care units will be reserved for people who have been homeless. Ms. Torpy also explained that it will not be a requirement that residents be on disability to be accepted for housing in the building, but their diagnosis must confirm a certain pre-determined HIV count. The housing provided in these 11 units should help residents to avoid nursing home care. Through use of the common space and kitchens provided, a group living environment will be provided, which has been shown to be useful and effective for people living with HIV/AIDS.

The Town of Colchester has expressed support for the project and is applying for Vermont Community Development Program funds, which should be decided in September. Ms. Torpy also distributed a letter from the Agency of Development and Community Affairs regarding the Community Development Board's support of this project. According to Ms. Torpy, the HOPWA grant is the only one submitted for the entire state; nationally, this program is very competitive and the support of organizations throughout the state is important to the success of the grant application. Mr. Seelig pointed out that although the Vermont Housing & Conservation Board (VHCB) may be one of the funding providers for this project, the high per unit cost is a concern. Private funding will be vital to the success of this project. Mr. Schoenbeck reported that the current value of $250,000 for the building is reflected on the Agency's financial statements. Costs are incurred on that property each year, with an additional write-off for property taxes and insurance to maintain the $250,000 level. Mr. Schoenbeck noted that it would not be in the Agency's interests to incur additional losses on the property. Operating, maintenance and interest costs of nearly $40,000 were realized during the past fiscal year; anything above that would have to be reflected as a real estate loss in the Agency's portfolio. Chairman White suggested that staff be authorized to issue the loan of $70,000 and consider other methods to reduce the per unit cost, bringing those to the Board's attention via conference call should decisions need to be made prior to the next scheduled Board meeting. A motion was then made by Mr. Douglas to adopt the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: 600 Dalton

Drive" as attached to these minutes. After being seconded by Ms. Bradley, the motion carried unanimously. Following the vote, Ms. Torpy advised the Board that the Homeownership Center developed with the collaboration of the Agency and BCLT is working successfully. Ms. Torpy then left the meeting.

Mr. Erdelyi then reviewed the "Combined Letter of Interest/Commitment Letter–Pines Phases II and III Construction and Permanent Financing" as described in his memo of July 18, included in the Board packet. The discussion centered around the proposed new construction of Phases II and III of this senior living facility with supportive services on Dorset Street in South Burlington. The entire development, as originally planned and approved, will consist of 125 units; of these, 53 were completed in June 1995, representing Phase I of the project. Because of the strong demand for the units, concern about rising lumber prices, and a desire to save on other construction costs, the sponsor intends to build Phases II and III together. The amount of the construction loan requested is equal to the amount of the permanent loan, with 60 percent of the tax credit equity coming in at construction closing. The sponsors did not provide the lender with guarantees of completion of the development for Phase I, and are willing to provide guarantees only in their own names, although their assets are held jointly with their spouses. This is not a point of great concern to staff, but it does represent a deviation from normal Agency procedures. Mr. Seelig informed the Board that several months ago the Joint Committee on Tax Credits gave approval for this project based on a different proposal; at that time, the sponsors had agreed to determine methods to reduce the costs per unit. Ms. Bradley expressed concern about the amount of public funds connected with this project in the form of tax credits and Agency loans, as well as the sponsors unwillingness to provide personal guarantees. Mr. Douglas concurred, noting that conventional lenders had expressed interest in financing the second and third construction phases. However, Mr. Hunt assured the Board that staff believes this to be a secure loan, primarily because the infrastructure is already in place, and also because the succeeding phases of the project will utilize the same contractor as did Phase I; this familiarity with the project site and other considerations should allow for a smooth construction period.

As Mr. Erdelyi noted, the Agency would have the ability to exercise an option at the end of the initial housing credit period, which would allow the project to continue as affordable senior housing. Mr. Hunt explained that the units in this project represent fully independent apartments comprised of 500-600 square feet of living space. What makes the project unique is the capacity to deliver services on an optional basis, and the community space made available to all residents along with meals and other services which are provided as an option. One Agency source of funds for this loan could be a taxable bond. Mr. Schoenbeck then explained that he had discussed the taxable bond option with representatives from the Howard Bank. However, the Howard Bank has since declined to participate in a bond sale and has instead proposed that they provide a letter of credit which could be used as collateral for Federal Home Loan Bank (FHLB) funds. The collateral could be provided by the Howard Bank either on a loan basis or a letter of credit. In turn, FHLB would credit the Agency's collateral account for 90 percent of the loan value when construction is completed, which the Agency could then use as collateral for the permanent loan.

Mr. Candon expressed concern about the Agency's apparent competition with conventional lenders who may be interested in financing this loan. This was echoed by Ms. Bradley, who again noted the lack of equity being contributed directly by the sponsors. According to Mr. Schoenbeck, the Howard Bank is not interested in providing a real estate loan for this project, but views the Agency's participation as adding substantial value to the project. Mr. Erdelyi emphasized that most of the units are at 60 percent of median income, based on the tax credit usage; if conventional financing were provided at 9.5 percent and operating expenses were kept to a minimum, rents would likely be kept at the tax credit maximum for the longest term possible. Agency involvement would deepen the targeting and promote long term affordability by restricting project cash flow. Chairman White noted the efforts that staff had put into the thorough review of this proposal and the analysis of the housing credit usage and risk assessment, but noted that it is difficult for the Board to consider letters of intent and commitment on one project at the same time. Concurring, Mr. Seelig noted that he had voted in favor of this project at the meeting of the Joint Committee on Tax Credits with the understanding that the per unit costs would be significantly reduced; as this has not happened, it does not appear that this will be a truly mixed income senior housing project. A motion was then made by Mr. Seelig and seconded by Mr. Candon to adopt the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: The Pines, Phases II and III." This motion carried, with Ms. Bradley opposed and Ms. Randall abstaining.

Ms. Crady then reviewed the "Lake Champlain Housing Development Corporation" request regarding remarketing of units at Officers' Row on Dalton Drive, as described in her memo of July 18, included in the Board packet, seeking a six month loan of $65,000 at zero percent interest. A renewal of a line of credit for this purpose, in the amount of $150,000, was approved for LCHDC by the Board in March 1996. This commitment was not accepted by LCHDC as the added borrowing costs could not be paid by the seller or passed on to the buyer. As Ms. Crady explained, originally it was believed that LCHDC would not need to take title to any of the units. LCHDC has initiated discussions with BCLT to determine the feasibility of transferring administration of the second mortgage pool and the marketing of affordable units to BCLT. After a motion made by Mr. Candon and seconded by Mr. Seelig, the Board voted unanimously to adopt the "Resolution Regarding Loan to Lake Champlain Housing Development Corporation" as attached to these minutes.

The "Lamoille Housing Partnership Bridge Financing Request" was then reviewed by Ms. Crady, who referred the Board to her memo of July 18, included in the Board packet. This bridge loan would assist LHP in their development of a single family home for a family with special needs. The family was referred to LHP by Lamoille County Mental Health as their current living situation is inadequate; due to special needs of the children in this family, four bedrooms are required. Chairman White noted that staff is asking for action on this particular loan, as well as guidance from the Board on future loan considerations of this type. As Ms. Crady explained, the newly evolving Homeownership Centers will work with potential homeowners and the Agency may be asked to intervene in other circumstances. A suggestion from Chairman White was that staff return to the Board with proposed individual and aggregate limits of authority for loans that could be applied by staff without the need for further Board review. Mr. Candon expressed concern that the Agency would be providing loan funds to LHP, but relying on the family to make the payments, without benefit of the Agency directly underwriting the loan. Ms. Crady explained that as a condition of the loan staff would complete a preliminary underwriting review of the intended buyer. A motion was then made by Ms. Bradley to approve the adoption of the "Resolution Pertaining to Bridge Financing for Lamoille Housing Partnership, Inc. (Eden)" as attached to these minutes. After being seconded by Mr. Douglas, the motion carried, with Mr. Candon opposed.

Mr. Erdelyi then reviewed the "July 1996 Housing Credit Reservations" as described in his memo of July 18, included in the Board packet. There were four applications for housing credits received for the second round of reservations in 1996. Of these, one was withdrawn, and the other three exceed the amount of credit available for allocation. Mr. Erdelyi noted that for the first time the Agency is committing a portion of the next calendar year's housing credit ceiling, as is permitted under the tax code. However, Mr. Seelig noted that he had not been available for the meeting of the Joint Committee on Tax Credits, and in his opinion reserving the next year's credits at the midway point of the current year could compromise future competitions. A motion was then made by Mr. Douglas to adopt the "Resolution Regarding Low Income housing Tax Credit Project Reservations" as attached to these minutes. This motion was seconded by Ms. Randall and carried unanimously.

The Board then turned to the Annual Meeting and Election of Officers. Chairman White informed the Board that a review of the Agency's statute by Mr. Douglas had yielded concern that the Treasurer and Secretary should be appointed from among the Board members, rather than from staff; however, these positions have traditionally been held by staff members since the Agency was created in 1974. A motion was then made by Mr. Candon to nominate Mr. Seelig as Vice Chairman, Mr. Schoenbeck as Treasurer, and to amend the "Resolutions Adopted at the Annual Meeting of July 25 1996" as necessary to reflect these nominations. This motion carried unanimously after being seconded by Ms. Randall.

Mr. Schoenbeck then reviewed the "Financial Advisor Request for Proposals" as explained in his memo of July 16, included in the Board packet. The three responses were fairly close in terms of actual fees, with some differences as far as hourly rates. Chairman White noted that Ms. Canney, who was not available for today's meeting, had called with concerns about adding to the Agency's expenditures by hiring a financial advisor, and had also expressed concern with a three year commitment as proposed. The idea of hiring a financial advisor was originally proposed by Mr. Hunt and Mr. Douglas, with the Board agreeing that such an entity would be vital to the Agency's financial stability. Mr. Hunt pointed out that the bond underwriting industry has changed greatly in the past few years, with a significant decrease in the kinds of services provided by those organizations. A financial advisor works with a variety of issuers around the country and provide recommendations on bond issues and other financial transactions that the Agency may consider. This independent viewpoint should greatly enhance the Agency's ability to continue to provide innovative and affordable housing programs. A financial advisor could also be of tremendous assistance to the Director of Finance during specific bond financings. Mr. Douglas noted that the State currently is in the midst of a five year contract with its financial advisor, but a three-year commitment is more customary. Mr. Schoenbeck stressed the importance of a multi-year commitment rather than an annual turnover. The cash flow functions would probably not be transferred to the financial advisor immediately, but would continue to be performed by Trepp and Company until Mr. Schoenbeck is comfortable with the competency of the cash flow services and after a transition program could be scheduled. A motion was then made by Mr. Seelig and seconded by Ms. Randall to appoint Evensen Dodge as the Agency's financial advisor for a three year period, with staff to evaluate the financial advisor's performance after three financings or one calendar year and report to the Board with any findings. This motion carried unanimously.

Mr. Schoenbeck then informed the Board that a request for proposals had been circulated regarding the Agency's annual audit, with two responses received. KPMG Peat Marwick, which has conducted the Agency's audits for the past eight years, responded with a cost quoted that was significantly higher than the cost for the FY95 audit. The other respondent was Deloitte & Touché LLP, out of New Hampshire. A motion was made by Ms. Randall to approve KPMG Peat Marwick as the auditor for FY96 and possibly FY97, with staff to negotiate a lower fee based on a multi-year engagement. This motion was seconded by Ms. Bradley and carried unanimously.

Chairman White then advised the Board that he had received a copy of the results of the HUD audit through June 30, 1995, citing no significant deficiencies. No Board action was necessary.

In his Executive Director's Report, Mr. Hunt informed the Board that salary increases for the year averaged 3.25 percent, in part by holding higher paid staff to a maximum three percent increase; the overall increase for the Agency was significantly less than the four percent approved by the Board. The search for a Deputy Director is in progress, with nearly 70 resumes received. Of those, eight or nine appear worthy of consideration by the subcommittee of the Board, comprised of Chairman White, Mr. Candon and Ms. Randall. Mr. Hunt noted that he has spent a great deal of time in the past month dealing with issues which normally would fall into the realm of the Deputy Director. Updating the Board on Applegate Apartments in Bennington, Mr. Hunt advised that he has had discussions with HUD regarding the conditions at this troubled project. HUD has visited the site with their "SWAT" team in order to evaluate conditions. The owners have been notified that the Agency would begin to escrow the premium note payments, which were included in the transaction to purchase the Northgate Apartments in Burlington, resulting in the purchase price for Northgate being reduced by $750,000. The current condition of Applegate precludes its outright purchase by the Agency. Mr. Hunt assured the Board that he would keep them apprised of activity regarding Applegate.

A motion was then made by Mr. Candon and seconded by Ms. Randall to enter Executive Session for the purpose of an evaluation of personnel. After a motion made by Mr. Candon which was seconded by Mr. Douglas, the Board came out of Executive Session. A motion was then made by Mr. Candon and seconded by Mr. Douglas to approve a salary increase of three percent for the Executive Director, effective with the first pay period in July. This motion carried unanimously.

The August Board meeting was cancelled, and the September 19 meeting was confirmed, to take place in Derby. 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

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, JULY 25, 1996

RESOLVED, In addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, Gustave Seelig is elected Vice Chairman of the Agency for the fiscal year commencing July 1, 1996 and until his successor be elected and qualified.

RESOLVED, Roger A. Schoenbeck is elected Treasurer of the Agency for the fiscal year commencing July 1, 1996 and until his successor be elected and qualified.

RESOLVED, the following persons shall be authorized to sign checks drawn against the Agency's General Fund:

Executive Director	____________	Allan S. Hunt
Deputy Director	____________	____________
Director of Single Family Operations	____________	Douglas R. Lothrop
Director of Finance	____________	Roger A. Schoenbeck
Controller	____________	Timothy M. Gutchell

Any check in an amount over $1,000 payable against the General Fund must be signed by at least two of the foregoing persons. Any payroll check shall be valid and negotiable when signed by any one of the foregoing persons.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, August 24, 1995" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

RESOLVED, that the Agency's Director of Single Family Operations, Real Estate Disposition Specialist, Loan Servicing Specialist and Foreclosure Specialist be and hereby are authorized to execute documents of the following character for all of the Agency's single family loan programs, whether secured or unsecured:

A. Listing Agreements with real estate brokers for the sale of real estate owned by the Agency;

B. Deeds, property transfer tax returns, and other documents necessary or convenient for the transfer of real estate owned by the Agency;

C. Endorsements to property insurance claim checks pertaining to property on which the Agency holds a valid lien, in amounts up to $10,000 for the Foreclosure

Specialist and $5,000 for the Real Estate Disposition Specialist and the Loan Servicing Specialist and without limit for the Director of Single Family Operations;

D. Preparation and execution of claim forms to primary and pool insurers on property that the Agency holds a valid lien on;

E. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

1. Foreclosure or other acquisition of title to property on which the Agency has a valid lien;

2. Necessary repairs and improvements to real estate owned by the Agency;

3. Actions necessary to make property in which the Agency has an interest secure;

4. Forbearance and modification agreements with delinquent borrowers; and

5. Affidavits of amounts due and other affidavits required in foreclosure actions.

F. Consent to actions of the following character:

1. Release and addition of signers of notes held by the Agency;

2. Creation of easements and rights of way and the partial release of mortgages held by the Agency for purposes of permitting the creation of easements and rights of way over property on which the Agency holds a valid lien; and

3. Acknowledgment of receipt of liens junior to the lien of the Agency.

RESOLVED, that the Agency's Real Estate Disposition Specialist and any other employee designated by the Executive Director or the Director of Single Family Operations be, and hereby is, authorized to sign any documents in connection with real estate auctions that are necessary for the sale of Agency-owned property in an auction.

Real Estate Disposition Specialist	____________________	Linda C. Wilson
Foreclosure Specialist	____________________	Peter C. Barry
Loan Servicing Specialist	____________________	Gregory Lawlor

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

Director of Finance: Roger A. Schaarschmidt
(Signature)

Controller: Timothy M. Gutshall
(Signature)

Lender Accounting Coordinator: Susan B. Joachim
(Signature)

Portfolio Accountant: Martha Fleming
(Signature)

Investment/Portfolio Assistant: Cathy Held-Vak
(Signature)

The names of all personnel of the Agency listed herein are included only for purposes of identification. The power to appoint persons to these or other positions within the Agency belongs to the Executive Director.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on July 25, 1996.

Allan S Hunt

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: THE PINES, PHASES II AND III

WHEREAS, a proposal has been presented to the Agency by P.S.H., Inc., a development corporation (the "Sponsor") on behalf of a to-be-formed limited partnership, whose general partner would be P.S.H., Inc., involving the construction and permanent financing of a senior housing development containing 72 additional units in one building located on approximately six acres in South Burlington (the "Development"); and

WHEREAS, the proposal contemplates a construction loan and permanent loans in an amount not to exceed $2,725,000; and

WHEREAS, the Sponsor has received a reservation of Housing Credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated July 18, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction of the Pines senior housing development, Phases II and III, in South Burlington and a permanent loan, in an amount not to exceed $2,725,000. The term and interest rate will depend on the Agency's source of funds, but will not exceed 75 basis points in excess of the Agency's source of funds. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   1) The sponsor and VHFA's Executive Director must negotiate a mutually acceptable limitation of cash distributions, in conformance with VHFA statute and regulations.

   2) The sponsor must satisfy the conditions of the Housing Credit Reservation Certificate and obtain an allocation of Housing Credits or requisite financing.

   3) The sponsor must provide a written Right of First Refusal to VHFA to purchase the development at the end of the housing credit compliance period at the price determined in Section 42(i)(7)(B) of the Internal Revenue Code.

   4) VHFA must determine an available source of capital that will make the project financially feasible.

   5) Sponsor must provide a construction schedule of values, a month by month construction flow of funds schedule, and construction plans and specifications for approval by with VHFA or its agent.

3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $2,725,000. The term of the construction loan shall be one year, with a rate to be determined, but not to exceed 75 basis points in excess of the Agency's cost of funds. Interest only shall be payable on the construction loan until the closing of the permanent loan.

4. The permanent loan shall be amortized over a period of 30 years, but all principal and accrued interest shall be due 15 years from the date of the permanent loan. The interest rate shall be determined by the Executive Director, but shall not exceed 75 basis points in

excess of the Agency's cost of funds. The Commitment Letter may be issued to P.S.H., Inc., as general partner of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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 July 25, 1996.

Allan S Hunt

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

RESOLUTION PERTAINING TO BRIDGE FINANCING
RE: LAMOILLE HOUSING PARTNERSHIP, INC. (EDEN)

WHEREAS, a proposal has been presented to the Agency by the Lamoille Housing Partnership, Inc., a non-profit corporation located in Morrisville, Vermont (the "Sponsor") involving the construction of a single family home in Eden (the "Development"); and

WHEREAS, the proposal contemplates a bridge loan for a maximum period of eighteen months at an interest rate of 6.0% per annum; and

WHEREAS, the Sponsor is seeking a grant from the Vermont Housing and Conservation Board's Homeland Program; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Patricia Crady dated July 18, 1996 containing information and recommendations about the loan (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to make a first mortgage loan to Lamoille Housing Partnership, Inc. for the construction of the Development in Eden in an amount not to exceed $90,000. The term of the loan will be 18 months and the interest rate will be 6% per annum.

2. The Sponsor shall be required to provide the following items in form and content satisfactory to the Agency:

    a. Satisfactory evidence that the Homeland grant is approved and income is "grandfathered" for eligibility for the grant and is based on income at the time of initial application for the grant.

    b. Satisfactory review of the 1995 bankruptcy, current credit/debt, and income/employment to determine preliminary eligibility for VHFA financing upon completion of the action plan.

    c. Satisfactory review and approval of the lease/purchase agreement.

3. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

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 July 25, 1996.

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 600 DALTON DRIVE

WHEREAS, a proposal has been presented to the Agency by Burlington Community Land Trust, Inc., ("BCLT"), a non-profit corporation (the "Sponsor") involving the acquisition and rehabilitation of a commercial building on Dalton Drive in Colchester and Essex into 11 units of assisted housing for families and individuals living with HIV/AIDS (the "Development"); and

WHEREAS, the proposal contemplates a loan in an amount not to exceed $70,000; 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 Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 19, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

6. The Sponsor is a financially responsible organization and will qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to Burlington Community Land Trust, Inc. for acquisition and rehabilitation in an amount not to exceed $70,000. The interest rate will be 0% per annum and the term will be determined by the Executive Director. The Letter of Interest is not a commitment to

finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

1) Sponsor must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

2) Sponsor must provide a Level I Environmental Site Assessment satisfactory to VHFA staff.

3) Sponsor must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board and the HOME Program, Housing Opportunities for People With AIDS (HOPWA) 97, Vermont Community Development Program (VCDP), Historic Tax Credits, Shelter + Care (rental subsidy). "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

3. The Executive Director may, in his discretion, issue a Commitment Letter for the loan for the acquisition, rehabilitation and long-term financing of the Development, in an amount not to exceed $70,000. The term of the construction loan shall be determined by the Executive Director. The interest rate shall be 0% per annum.

4. The Commitment Letter may be issued to BCLT. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including satisfaction of the following conditions:

1) VHFA approval of final rehabilitation scope of work including specifications;

2) The Sponsor must provide evidence of competitive bidding.

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 July 25, 1996.

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

RESOLUTION REGARDING LOAN TO LAKE CHAMPLAIN HOUSING DEVELOPMENT CORPORATION

WHEREAS, Lake Champlain Housing Development Corporation ("LCHDC") assists in the remarketing of condominium units at Officers' Row, Fort Ethan Allen in Colchester and Essex (the "Development"); and

WHEREAS, LCHDC has received notice from a unit owner in the Essex portion of the Development who wants to sell his or her property (the "Unit"); and

WHEREAS, the zoning for the Essex portion of the Development requires a certain number of units to remain affordable and if the Unit were sold to a non-qualifying person, the Development would be in violation of its zoning permit; and

WHEREAS, the Board has been presented with a memorandum by Patricia Crady, Development Coordinator, dated July 18, 1996; and

WHEREAS, the Agency has previously approved the renewal of a line of credit in the maximum amount of $150,000 to LCHDC, but the commitment was not accepted because the LCHDC Board refused to accept the 6% per annum interest rate; and

WHEREAS, LCHDC has requested that the Agency loan up to $65,000 to it at an interest rate of 0% to enable it to acquire the Unit.

NOW, THEREFORE it is hereby RESOLVED:

1. Pursuant to 10 V.S.A. § 621(5), the Executive Director is authorized to loan up $65,000 at 0% interest to Lake Champlain Housing Development Corporation for a period ending on the earlier to occur of: sale of unit 601C, or the expiration of six months, to finance its temporary acquisition of unit 601C at the Officers' Row development in Essex.

2. The Executive Director and the Director of Finance are authorized to take all steps and execute all documents necessary to consummate this transaction.

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 July 25, 1996.

Allan S. Hunt

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

RESOLUTION REGARDING
LOW INCOME HOUSING TAX CREDIT
PROJECT RESERVATIONS

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

WHEREAS, the JCTC met on July 11, 1996 and considered recommendations for reservations of tax credits for four proposed projects; and

WHEREAS, the Agency staff recommended two of the projects to the JCTC for reservations and the JCTC accepted the staff's recommendations; and

WHEREAS, staff has prepared a memorandum dated July 18, 1996 containing a description of the projects (the "Memorandum"), and

NOW, THEREFORE, it is hereby RESOLVED:

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

2. The Agency approves the reservation for the projects recommended by staff for reservations in the Memorandum and accepted by the JCTC: The Pines, Phase III and Essex Town Center, subject to the payment of applicable reservation fees, subject to the conditions discussed in the Memorandum.

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

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Montpelier, Vermont, on July 25, 1996.

Allan S. Hunt

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

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer

DATE: August 13, 1996

RE: 600 Dalton Drive/Dalton Drive Neighborhood Housing Inc. Combined Letter of Interest/Commitment Letter for permanent financing

<u>Executive Summary</u>

On July 25, 1996, the VHFA Board approved a loan of $70,000 at 0 percent to Burlington Community Land Trust, for their acquisition of a commercial property at 600 Dalton Drive. BCLT plans to rehabilitate the building and create 11 units of assisted housing for families and individuals living with HIV/AIDS. At the meeting, BCLT had additionally requested a reduction in purchase price, or other favorable financing in order to increase the financial viability of the project.

After looking at a number of issues including ways to lower the overall development cost while not shifting costs to the operating budget, and working within the constraints of the various funding sources, staff now proposes a re-structuring of the transaction as it was presented to you at the July Board meeting. In order to: create a financially viable project, sell the building, end VHFA's losses on the building, and pay off the loan Dalton Drive Neighborhood Inc. (DDNI) currently has on the building, the following is proposed for your consideration.

VHFA to loan $275,000 to DDNI at 0 percent for up to 30 years (from refunding proceeds), with no annual payments due until the loan is due in full ($275,000 represents the outstanding balance on the current loan from VHFA to DDNI for 600 Dalton Drive). This new loan will allow DDNI to pay back its current mortgage on the property to VHFA. DDNI will lease the building to BCLT for a period to be determined by the Executive Director, but for no less than 30 years. The lease payment shall be in an amount of approximately $1,000 annually, providing this amount does not adversely affect the project's cash flow, to be determined by VHFA Executive Director. BCLT will make an upfront lease payment to DDNI at time of acquisition in the amount of approximately $80,000. DDNI will hold this amount in escrow in an interest bearing account, for eventual repayment of the 0 percent loan. BCLT will make annual lease payments to DDNI which DDNI will deposit into an interest bearing escrow account. The sum of the two escrow accounts (from the upfront lease payment and the ongoing lease payments) will be used to pay off the $275,000 loan in as soon as 20 years, but no later than 30 years.

Revised Summary of Projected Funding Sources

VCDP Loan	$ 160,000	15.00%
VHCB Grant	220,000	20.00%
Historic Tax Credits	160,000	15.00%
HOME	237,150	22.00%
HOPWA 96	33,000	3.00%
HOPWA 97	278,850	25.00%
Totals	$1,089,000	100.00%
Per Unit Total	$99,000	

The Vermont Housing & Conservation Board approved $220,000 of VHCB funds and up to $309,000 in HOME funds on August 9, 1996. The HOPWA 97 grant, Shelter + Care rental subsidies, Historic Tax Credits, and VCDP loan are still uncommitted.

Use of Refunding Proceeds

The recommendation to use $275,000 from the Section 8 refunding proceeds is consistent with the Board's original approval of the use of refunding proceeds as outlined by Evensen Dodge in their memo of August 14, 1995, approved in concept by the Board at the meeting of August 24,1995. In that memo, Evensen Dodge recommended:

> *The "yield-compliance" loans should first be used for existing Agency financed projects, including Section 8 projects..., or real estate owned which need financial assistance. This will reduce losses that the Agency would otherwise occur and will improve the Agency's long term financial position.*

Clearly, as outlined elsewhere in this memo, the use of this money will reduce losses being incurred on this property and improve the Agency's financial health.

In addition, Evensen Dodge recommended:

> *The Agency should make "yield-compliance" loans only as excess money from the 1995 Series A bonds becomes available or will become available within one or two years. The Agency will have $965,904 per year available. This series of annual decisions preserves the Agency's ability to react to future events.*

Based on previous commitments approved by the Board, and staff's belief that reserving a yearly portion for Section 8 project workouts is unnecessary at this time, we are well within this second guideline.

RECOMMENDED BOARD ACTION

Staff recommends that the Board repeal the Resolution regarding 600 Dalton Drive adopted at the July 25, 1996 Board meeting, and approve the attached Resolution to provide a Letter of Interest to provide permanent financing to Dalton Drive Neighborhood Inc. in an amount not to exceed $275,000, with an interest rate of 0 percent and a loan term of up to 30 years. Staff further recommends that the Board authorize the Executive Director to issue a Commitment Letter upon satisfaction of certain conditions originally described in the July Board memo, including BCLT obtaining a Level I Environmental Site Assessment satisfactory to staff, BCLT obtaining requisite financing as shown above, VHFA approval of final rehabilitation scope of work including specifications, and evidence of competitive bidding.

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 600 DALTON DRIVE

WHEREAS, a proposal has been presented to the Agency by Burlington Community Land Trust, Inc., ("BCLT"), and Dalton Drive Neighborhood, Inc. ("DDNI"), two non-profit corporations, involving the rehabilitation of a commercial building on Dalton Drive in Colchester and Essex currently owned by DDNI into 11 units of assisted housing for families and individuals living with HIV/AIDS (the "Development"); and

WHEREAS, the Development was previously considered by the Agency at its July, 1996 meeting, at which time a resolution was passed authorizing a loan in an amount not to exceed $70,000; and

WHEREAS, the structure of the financing for the Development has changed substantially, necessitating the repeal of the earlier resolution adopted by the Agency; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated August 13, 1996 containing information and recommendations about the Development (the "Memorandum");

WHEREAS, pursuant to the structure outlined in the Memorandum, Dalton Drive Neighborhood, Inc. ("DDNI") would lease the building to BCLT for a period of at least 30 years, with the exact term to be determined by the Executive Director.

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 sponsors undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

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

6. The housing sponsors are financially responsible organization and will qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Resolution entitled "Resolution Pertaining to Combined Letter of Interest and Commitment Letter RE: 600 Dalton Drive" adopted by the Agency on July 25, 1996 is hereby repealed.

2. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to Dalton Drive Neighborhood, Inc. in an amount not to exceed $275,000 from multifamily refunding proceeds. The interest rate will be 0% per annum and the term will be up to 30 years, the precise term to be determined by the Executive Director. No payments shall be due on the loan until it matures. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by DDNI or BCLT in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

3. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   1) DDNI or BCLT must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

   2) DDNI or BCLT must provide a Level I Environmental Site Assessment satisfactory to VHFA staff.

   3) DDNI or BCLT must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board and the HOME Program, Housing Opportunities for People With AIDS (HOPWA) 97, Vermont Community Development Program (VCDP), Historic Tax Credits, Shelter + Care (rental subsidy). "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If BCLT is unable to obtain commitments of "requisite financing", it may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

4. The Executive Director may, in his discretion, issue a Commitment Letter for the loan to DDNI for the long-term financing of the Development, in an

amount not to exceed $275,000. The term of the loan shall be determined by the Executive Director and shall be up to 30 years. The interest rate shall be 0% per annum. No payments will be required until the maturity date of the loan.

5. The Commitment Letter may be issued to DDNI. The Commitment Letter shall be conditioned on the satisfaction by DDNI and BCLT of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including satisfaction of the following conditions:

   1) VHFA approval of final rehabilitation scope of work including specifications;

   2) DDNI or BCLT must provide evidence of competitive bidding satisfactory to the Agency.

08-Aug-96		600 Dalto								PRO FORM	08-Aug-96					
		Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
Residential Rent			87,803	89,120	90,457	91,814	93,191	94,589	96,008	97,448	98,909	100,393	101,899	103,427	104,979	106,553	108,152
Less Res Vacancy			(4,390)	(4,456)	(4,523)	(4,591)	(4,660)	(4,729)	(4,800)	(4,872)	(4,945)	(5,020)	(5,095)	(5,171)	(5,249)	(5,328)	(5,408)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			83,413	84,664	85,934	87,223	88,531	89,859	91,207	92,575	93,964	95,373	96,804	98,256	99,730	101,226	102,744
Less Operating Expense			63,546	65,453	67,416	69,439	71,522	73,668	75,878	78,154	80,499	82,914	85,401	87,963	90,602	93,320	96,120
Less Reserves			3,961	4,020	4,080	4,142	4,204	4,267	4,331	4,396	4,462	4,529	4,597	4,666	4,736	4,807	4,879
Net Operating Income			15,906	15,191	14,437	13,642	12,806	11,925	10,999	10,025	9,004	7,931	6,806	5,627	4,392	3,099	1,746
Less VCDP Debt Service			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Less DDNI Lease Payment			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			14,906	14,191	13,437	12,642	11,806	10,925	9,999	9,025	8,004	6,931	5,806	4,627	3,392	2,099	746
Internal Rent Subsidy Expense			(8,994)	(9,129)	(9,266)	(9,405)	(9,546)	(9,689)	(9,834)	(9,982)	(10,132)	(10,284)	(10,438)	(10,594)	(10,753)	(10,915)	(11,078)
Oper Subsidy			0	0	0	0	0	0	0	956	2,128	3,352	4,631	5,967	7,361	8,815	10,332
Net Cash			5,912	5,062	4,171	3,238	2,260	1,236	164	0	0	0	0	0	0	0	0
DCR			1590.57%	1519.11%	1443.72%	1364.25%	1280.55%	1192.48%	1099.86%	1002.55%	900.35%	793.11%	680.64%	562.74%	439.24%	309.93%	174.60%
Cumulative Cash Flow:																	
Beginning Balance			18,287	23,634	28,149	31,820	34,546	36,311	37,009	37,576	37,157	35,581	32,717	28,552	22,949	15,888	7,223
Interest		3%	274	355	422	477	518	545	555	564	557	534	491	428	344	238	108
Withdrawls			0	0	0	0	0	0	0	(956)	(2,128)	(3,352)	(4,631)	(5,967)	(7,361)	(8,815)	(10,332)
Ending Balance			18,561	23,989	28,572	32,298	35,064	36,856	37,564	37,183	35,586	32,762	28,576	23,014	15,932	7,311	(3,001)
Number Subsidized Units	1BR		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
	2BR		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Median Income	1 Person		41,383	42,003	42,633	43,273	43,922	44,581	45,250	45,928	46,617	47,317	48,026	48,747	49,478	50,220	50,973
Subsidized Rent	2 People		47,259	47,968	48,687	49,417	50,159	50,911	51,675	52,450	53,237	54,035	54,846	55,668	56,503	57,351	58,211
	1 BR		618	627	636	646	656	665	675	686	696	706	717	728	739	750	761
	2 BR		825	837	850	862	875	888	902	915	929	943	957	971	986	1,001	1,016
Monthly Subsidy to 45 % Median	1 BR		152	154	157	159	161	164	166	169	171	174	177	179	182	185	187
	2 BR		293	297	302	306	311	316	320	325	330	335	340	345	350	356	361
Upfront Lease Payment Escrow Fund		6%	194,481	206,150	218,519	231,630	245,527	260,259	275,875	292,427	309,973	328,571	348,285	369,182	391,333	414,813	439,702
Ongoing Lease Payment Escrow		3%	25,673	28,213	30,906	33,760	36,786	39,993	43,392	46,996	50,816	54,865	59,156	63,706	68,528	73,640	79,058
Sum of Escrows		=	220,153	234,362	249,424	265,390	282,313	300,252	319,267	339,423	360,788	383,436	407,442	432,888	459,861	488,453	518,760
			16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

08-Aug-96		600 Dalton Drive				Cash Flow Projection											
		Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Residential Rent			66,072	67,063	68,069	70,092	71,143	72,211	73,294	74,393	75,509	76,642	81,504	82,727	83,967	85,227	86,505
Less Res Vacancy			(3,304)	(3,353)	(3,403)	(3,505)	(3,557)	(3,611)	(3,665)	(3,720)	(3,775)	(3,832)	(4,075)	(4,136)	(4,198)	(4,261)	(4,325)
Plus Other Income			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Actual Income			62,768	63,710	64,666	66,587	67,586	68,600	69,629	70,673	71,734	72,810	77,429	78,590	79,769	80,966	82,180
Less Operating Expense			40,788	42,012	43,272	44,570	45,907	47,284	48,703	50,164	51,669	53,219	54,816	56,460	58,154	59,899	61,696
Less Reserves			3,168	3,216	3,264	3,313	3,362	3,413	3,464	3,516	3,569	3,622	3,677	3,732	3,788	3,845	3,902
Net Operating Income			18,812	18,483	18,130	18,705	18,317	17,903	17,462	16,993	16,496	15,968	18,937	18,398	17,827	17,223	16,582
Less VCDP Debt Service			10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667	10,667
Less DDNI Lease Payment			1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow			7,145	6,816	6,463	7,038	6,650	6,236	5,795	5,326	4,829	4,301	7,270	6,731	6,160	5,556	4,915
Internal Rent Subsidy Expense			0	0	0	(5,599)	(5,683)	(5,768)	(5,854)	(5,942)	(6,031)	(6,122)	(7,780)	(8,474)	(8,601)	(8,730)	(8,861)
Oper Subsidy			0	0	0	0	0	0	59	616	1,203	1,821	511	1,743	2,441	3,175	3,946
Net Cash			7,145	6,816	6,463	1,439	967	468	0	0	0	0	0	0	0	0	0
DCR			161.24%	158.42%	155.39%	160.32%	156.99%	153.45%	149.67%	145.65%	141.39%	136.87%	162.31%	157.70%	152.80%	147.62%	142.13%
Cumulative Cash Flow:																	
Beginning Balance			7,145	14,068	20,742	22,492	23,796	24,621	24,991	25,305	25,060	24,224	22,749	22,590	21,150	19,027	16,090
Interest		3%	107	211	311	337	357	369	375	380	376	363	341	339	317	285	241
Withdrawls			0	0	0	0	0	0	(59)	(616)	(1,203)	(1,821)	(511)	(1,743)	(2,441)	(3,175)	(3,946)
Ending Balance			7,253	14,279	21,053	22,830	24,153	24,991	25,306	25,069	24,234	22,767	22,580	21,187	19,027	16,138	12,386
Number Subsidized Units	1BR					2	2	2	2	2	2	2	3	3	3	3	3
	2BR					1	1	1	1	1	1	1	1	1	1	1	1
Median Income	1 Person		33,100	33,597	34,100	34,612	35,131	35,658	36,193	36,736	37,287	37,846	38,414	38,990	39,575	40,169	40,771
Subsidized Rent	2 People		37,800	38,367	38,943	39,527	40,120	40,721	41,332	41,952	42,581	43,220	43,868	44,526	45,194	45,872	46,560
	1 BR					507	515	522	530	538	546	554	563	582	591	600	609
	2 BR					676	686	696	707	717	728	739	750	777	789	800	812
Monthly Subsidy to 45 % Median	1 BR					118	119	121	123	125	127	129	131	143	146	148	150
	2 BR					231	235	238	242	246	249	253	257	276	280	284	289
Upfront Lease Payment Escrow Fund		6%	81,150	86,019	91,180	96,651	102,450	108,597	115,113	122,020	129,341	137,101	145,327	154,047	163,290	173,087	183,472
Ongoing Lease Payment Escrow		3%	1,000	2,060	3,184	4,375	5,637	6,975	8,394	9,897	11,491	13,181	14,972	16,870	18,882	21,015	23,276
Sum of Escrows		=	82,150	88,079	94,364	101,026	108,087	115,572	123,507	131,917	140,832	150,282	160,299	170,917	182,172	194,102	206,748
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

600 Dalton Drive				RUN DATE:	08-Aug-96	
Total Residential Units:	11	Increase All Units			1.50%	
Restricted Units:	11	Increase Incomes			1.50%	
Percent Restricted:	100.00%	Expense increase:			3.00%	
Avg Net Monthly Rent:	476	Vacancy Rate:			5.00%	
Total Dev Costs	1,089,000					
TDC/Unit	99,000					
Total Square Feet	11,907					
Cost Per Square Foot	91.46					
FINANCING SOURCES						
	Amount		% of TDC	Interest	Amortization	Term
VCDP	160,000		14.69%	0.00%	15	15
VHFA	0		0.00%	0.00%	N/A	N/A
VHCB	220,000		20.20%	N/A	N/A	grant
HOME	237,150		21.78%	N/A	N/A	grant
HOPWA 96	33,000		3.03%	N/A	N/A	grant
HOPWA 97	278,850		25.61%	N/A	N/A	grant
Historic Tax Credits	160,000		14.69%	N/A	N/A	grant
	1,089,000		100.00%			
Gap	0					

600 Dalton Drive		DEVELOPMENT BUDGET			
			Budget	Per Unit	Per s.f.
ACQUISITION & CONSTRUCTION					
Land				0	0.00
Purchase of Building(s)			81,150	7,377	6.82
Sitework			1,200	109	0.10
Rehabilitation			638,913	58,083	53.66
Elevator			148,000	13,455	12.43
OFF SITE IMPROVEMENTS				0	0.00
BOND				0	0.00
General Requirements		0.00%		0	0.00
Contractor Overhead		0.00%		0	0.00
Contractor Profit	0.0%	0.00%		0	0.00
Construction Contingency		14.95%	95,537	8,685	8.02
APPLIANCES					
Subtotal			964,800	87,709	81.03
PROFESSIONAL SERVICES					
Architect Fee - Design			42,000	3,818	3.53
Engineering			21,200	1,927	1.78
Attorney				0	0.00
SURVEY/ENGINEERING			2,500	227	0.21
ACCOUNTING				0	0.00
Legal - Title & Recording			5,000	455	0.42
Subtotal			70,700	6,427	5.94
INTERIM COSTS					
Construction Insurance				0	0.00
Construction Interest				0	0.00
Construction Loan Origination Fee				0	0.00
Taxes				0	0.00
Subtotal			0	0	0.00
OTHER SOFT COSTS					
Property Appraisal			2,000	182	0.17
Market Study				0	0.00
Environmental Report			3,500	318	0.29
SEWER & WATER FEES				0	0.00
PERMITS/FEES - STATE				0	0.00
PERMITS/FEES - LOCAL			6,000	545	0.50
Tax Credit Fees				0	0.00
Marketing (RENT UP)				0	0.00
Subtotal			11,500	1,045	0.97
FINANCING FEES & EXPENSES					
Credit Report				0	0.00
Permanent Loan Origination Fee				0	0.00
Credit Enhancement				0	0.00
Cost of Issuance				0	0.00
Title & Recording				0	0.00
Counsel's Fee				0	0.00
Carrying Costs			4,000	364	0.34
Subtotal			4,000	364	0.34
SYNDICATION COSTS					
Organizational (Partnership)				0	0.00
Bridge Loan Interest				0	0.00
Tax Opinion				0	0.00
Subtotal			0	0	0.00
DEVELOPER'S FEES					
Developer's Overhead & Profit			33,000	3,000	2.77
Consultant Fees			5,000	455	0.42
Subtotal		3.62%	38,000	3,455	3.19
PROJECT RESERVES					
Rent-up (Deficit Escrow) Reserve				0	0.00
Replacement Reserve				0	0.00
Working Capital				0	0.00
Operating Reserve/Sinking Fund				0	0.00
Subtotal			0	0	0.00
TOTAL DEVELOPMENT COSTS			1,089,000	99,000	91.46

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: AUGUST 13, 1996

RE: LOAN SOURCES

As discussed at the last Board meeting we have been seeking a source of funding for the Pines development. The Pines needs approximately $2.75 million to fund Phases II & III which we plan to fund on a permanent basis with Federal Home Loan Bank proceeds. We can only access FHLB funds when the project is completed and we pledge the project as collateral for our advance. We asked the sponsors to talk with lenders that they dealt with about purchasing a VHFA bond and the only bank that was interested was the Howard Bank. Due to the condition that the bond we issue must be taxable, the rates required by the banks do not make the project financially feasible. The Howard Bank has continued to work with us to "find another way" to assist in the financing. After efforts to pledge collateral or a letter of credit for us to the Federal Home Loan Bank, it seems the only way they can assist is to make us a direct loan for a period of time (expected to be about a year) until the project is qualified for collateral with the FHLB. We would take the proceeds of the loan from Howard and purchase securities with the FHLB until the project is completed and pay Howard for the use of funds. We would then be able to make a draw on the FHLB and lock in the permanent rate to the project.

Howard has today approved us for credit and will charge their Federal Home Loan Bank one year rate plus 150 basis points and one-half point for the one year advance. We will charge the Pines a rate to cover our costs of the short term transaction as well as create a spread to us of between 75-125 basis points. Based on Friday's FHLB rates, we could charge 8.5% to the project which the projected cash flow supports.

In addition, Howard has approved an increase in our general line of credit from $1 million to $2.5 million based on the same terms of our current arrangement which is a rate calculated at LIBOR (London Inter Bank Offering Rate) plus 75 basis points. This is important because we know of at least one other project (Black River-Okemo) which requires a construction loan of $1.5 million. We wanted to make certain that the Pines financing would not impact our general credit requirements.

RECOMMENDED ACTION

Authorize staff to enter into an agreement with Howard Bank for the Pines transaction and extension of our line of credit under the terms and conditions as listed above.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Roger A. Schoenbeck, Director of Finance** RAS

DATE: **August 13, 1996**

RE: **Underwriter Request for Proposals**

At the last Board meeting, the Board of Commissioners approved Evensen Dodge as our financial advisors. I had some concerns about their capability to provide adequate cash flow services. After discussing Evensen Dodge's performance with Minnesota, Colorado and West Virginia and after reviewing cash flow work they have recently done with Tennessee, I am satisfied that Evensen Dodge is providing quality service.

In discussing the terms of our engagement with Evensen Dodge, one of the first tasks was for them to assist us in preparing a Request for Proposals for Underwriters. It appears that due to the continued strong performance of our current loan program that we will be out of funds by mid to late September and will need to begin working on a new bond financing in that time frame. That schedule does not leave us enough time to go through the entire underwriter review process in a thoughtful manner. Evensen Dodge agrees that it would be best to proceed with the next financing using the existing Underwriting group and initiate the Request for Proposals process after this financing.

Recommended Action
Defer the Request for Proposals from Underwriters until after the next bond financing is completed.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

DATE: September 12, 1996

RE: CANCELING SEPTEMBER/CONFIRMING OCTOBER BOARD MEETING

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

The October 17 meeting is currently scheduled to take place at 1:00 p.m. The location has not yet been determined, as Standard & Poor's will be here to make a presentation to the Board on the benefits of the Agency having its own general obligation rating.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in October!

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Allan S. Hunt, Executive Director (Ext. 221) ASH

Date: September 11, 1996

Re: Housing Vermont Board Appointments

The Housing Vermont Annual Meeting is September 18 from 5-8 p.m. in Burlington (see enclosed invitation). As in the past, VHFA has the opportunity to appoint three Board members based on our status as a sustaining member. Enclosed is a brief paragraph about each of the three proposed appointees. Since our Board meeting will be after this meeting, we will need to ratify these appointments. Please let me know if you have any concerns or need any additional information about these proposed appointments. If I haven't heard anything negative from you, I will assume you are concurring with this recommendation.

I know Paul Bohne and Peter Richardson quite well and have spoken at length with Steve Pitkin. All three would add much to the Housing Vermont Board.

Enclosures

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~~PLEASE RSVP~~
8/20 bp

Please join the Board of Directors and staff of

HOUSING VERMONT

for the

1996 ANNUAL MEETING

Wednesday, September 18th
5:00 - 8:00 p.m.
Burlington Community Boathouse

Our agenda will include the election of four directors, presentation of the Miles Jensen Award, a slide show of recently completed projects and a farewell to three departing board members - Mark Snelling (Chair), Les Seaver and Gail Byers Freidin.

Hors d'oeuvres and cocktails will be served.

RSVP by September 11th -
please call Dot at (802) 863-8424.

September 6, 1996

PROPOSED VHFA APPOINTMENTS TO THE HOUSING VERMONT BOARD OF DIRECTORS ANNUAL MEETING, SEPTEMBER 18, 1996

PAUL BOHNE, NORTH BENNINGTON (Incumbent) Paul was appointed by VHFA in September, 1994. Paul is Assistant Town Manager of Bennington and was previously Community Development Director of Bennington. He has extensive experience in housing, economic and industrial development, and historic preservation. He participated in the establishment of Regional Affordable Housing Corp, a nonprofit vehicle to provide affordable housing in Bennington County. Prior to 1987 Paul was owner/manager of Harwood Hill Orchard and developer of the Apple Hill subdivision. He is a past chairman of the Bennington Planning Commission and the Vermont Apple Promotion Board, and a past member of the Vermont State Community Development Board and of the Travel Information Council.

STEVE PITKIN, ALBANY, VT (Incumbent) Steve was appointed by the Housing Vermont Board of Directors in February 1996 to fill the unexpired term of Jan Eastman, who was appointed by VHFA in 1992 and 1994. Steve is currently project manager and estimator for Parsons Construction, and is also self-employed as a construction consultant. He has worked in the construction industry since 1970, including supervisory positions with Rosenthal Construction in Barton and Scott's Construction in Newport. Steve has been a member of the Northeast Vermont Development Association, Vermont Geographic Information System Advisory Board, Northeast Kingdom Solid Waste District Executive Board, and Northeast Vermont Transportation Advisory Committee, and is solid waste coordinator for the Albany Board of Selectmen.

PETER RICHARDSON, CHARLOTTE Peter is President of Housing Strategies Incorporated, a company recently formed to provide consulting assistance in affordable housing. Current clients include for-profit and non-profit property owners and developers, other financial advisory firms, and the U.S. Department of HUD. Peter was previously a partner and vice president of the Boston Financial Group, a diversified real estate investment firm. During six years with Boston Financial, he was involved with restructuring older HUD-assisted multifamily properties and with acquiring properties for Low Income Housing Tax Credit investments. Peter has been a member of the boards of the Institute for Responsible Housing Preservation, the National Housing Conference, the Affordable Housing Preservation Tax Policy Group, and the editorial advisory board of the *Housing and Development Reporter*. He has previously worked with the Massachusetts Executive Office of Communities and Development, the Office of the Mayor of Boston, and the San Francisco Model Cities Agency, as well as a private real estate firm and a Washington-based consulting firm.

CC: Core
(no enclosure)

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Allan S. Hunt, Executive Director, Ext. 221 ASH

Date: September 25, 1996

RE: NEWS UPDATES

Deputy Director Search

I am pleased to inform you that I have hired Michael McNamara as our new Deputy Director. He will be starting on October 17, and will be assigned Ext. 231. As you can see from the enclosed resume, Michael has a wealth of housing and management experience and will be a great asset to our organization. Many thanks to Dick, Lisa and Tom for their help and advice during this somewhat arduous process!

New Financing

We are making plans to issue $30 million in Single Family bonds in October following a very busy month which saw $3.7 million in reservations just this past week. It now appears that Fannie Mae is interested in purchasing the entire issue, thus saving us substantial underwriting expenses. We will have a full report at our October 17 Board meeting.

Standard & Poor's Presentation

At the October 17 Board meeting Standard & Poor's will be making a presentation regarding the benefits of the Agency having its own general obligation rating.

Please let me know if you have any questions.

Enclosure

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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July 2, 1996

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

Dear Allan,

In response to your recent advertisement in the Burlington Free Press, I am submitting a resume for the position of Deputy Director of VHFA. I believe that you will find that my qualifications and experience leave me uniquely qualified for the position.

Rather than dwelling on my experience and successes in Burlington and at BHA (of which I know you are well aware), please allow me to share a few thoughts on the future of assisted housing and why I think that VHFA will have an increasingly vital role to play in the delivery of affordable housing in the years ahead.

As you know, HUD is at an important crossroads. Just as critical decisions are being made about how the Section 8 inventory will undergo "Portfolio Reengineering," Public Housing Authorities (PHAs) are being told to "reinvent" themselves. Meanwhile, the non-profit housing sector continues to wonder how it will survive the reforms and funding reductions that are certain to emerge from the state and federal governments.

It has been clear to me for some time that the affordable housing community needs to develop a much more efficient, cost effective delivery system. Now, non-profits, PHAs and Section 8 for-profit developers all fill various niches in the housing "ladder of tenure." As state and federal resources continue to shrink, innovative means of imploding these different entities into leaner, more effective organizations must be found.

With its strong emphasis on homeownership and its continuing role as Contract Administrator for the Section 8 projects, I believe that VHFA will play a leading role in developing a new affordable housing paradigm in Vermont. It is my hope that I can assist you in this worthy effort.

During the past year, I have had the opportunity to learn quite a bit more about tax-exempt bond financing and Low Income Housing Tax Credits while running the Alexandria Redevelopment and Housing Authority. Managing staff and multiple priorities have taken on a new meaning for me during this time, as has my appreciation for the real difference one can make in Vermont.

I would like nothing better than to use the new skills I have acquired to help you bring VHFA and Vermont's affordable housing delivery system into the next century. I look forward to meeting with you at your convenience to discuss your needs and my qualifications.

Sincerely,

Mike McNamara

Michael F. McNamara
6 Dunlop Way
Colchester, Vermont 05446
(802)862-3946 (home)
(703)549-7913 (office)

Career Summary: Seventeen years experience in public housing management/ development, working my way up from an entry-level position in Waltham, MA to executive director of the Alexandria (VA) Redevelopment and Housing Authority, with an inventory of over 2500 units.

Education: Clark University, Worcester, Massachusetts
Master of Public Administration, 1988
University of Massachusetts, Amherst, Massachusetts
Bachelor of Arts in Philosophy, 1976

Experience: **Alexandria Redevelopment and Housing Authority, Alexandria, VA**

April, 1995 to Present

Executive Director: Took over financially-troubled agency with substantial management problems, tenant dissatisfaction and low staff morale. Raised initial Public Housing Management Assessment Program (PHMAP) score from 60.66 to 78.58 in first 9 months through improved systems and supervision. Completed financial restructuring of two troubled developments, saving more than $450,000 per year; successfully negotiated with HUD to expand Operating Subsidy and Comprehensive Grant Program (CGP) capital funds to 133 units, bringing in an additional $425,000 per year. Authored successful $500,000 CDBG application; oversee annual CGP of $1-2 million. Proactively market the ARHA tax-exempt bond financing program, including a recent placement of $34 million to purchase/rehab a 528 unit development in Arlington County utilizing Low Income Housing Tax Credits. Act as chief executive officer to the Board of Commissioners in formulating and carrying out policies for 2500+ housing units. Administer annual operating budget in excess of $15 million; supervise diverse staff of 60.

Burlington Housing Authority, Burlington, VT

June, 1985 to Apr., 1995

Executive Director: Led turn-around of largely dysfunctional public housing authority with an inventory of 875+ units. Worked with family development residents to author several successful modernization grants totaling more than $5 million. Restored agency credibility and accountability through improved management systems and staff reorganization, resulting in HUD PHMAP "High Performer" designation in FY '92 through '94.

Experience: **Burlington Housing Authority** (Continued)... Expanded social services to include resident computer training, a daycare facility and several Shelter + Care facilities serving homeless mentally-ill and youth. Administered operating budgets in excess of $3.5 million; supervised staff of 21. Responsible for all agency public relations in a market with three local network television stations.

Clinton Housing Authority, Clinton, MA

Oct., 1981 to June, 1985 — Executive Director: Upon my arrival, the authority was under Suffolk Superior Court Order to clean-up hundreds of code violations and institute sweeping management improvements. Revamped all CHA policies and procedures, clearing more than 30 HUD Management Review and Fiscal Audit findings. Reduced HUD-cited overconcentration of minority families from 85% to 50% through proactive marketing strategy; increased reserve level from 4% to over 100% during my tenure. Acted as Contract Officer for successful $3.3 million CIAP modernization; administered operating budget in excess of $700,000 for 269 units with a staff of 10.

Watertown Housing Authority, Watertown, MA

May, 1980 to Oct., 1981 — Director of Leased Housing and Rehabilitation: Administered Section 8 and State 707 Leased Housing Programs totaling more than 300 units. Responsible for locating units to purchase and rehab and for the administration of the HUD 312 Loan Program.

Waltham Housing Authority, Waltham, MA

Jan., 1979 to May, 1980 — Chapter 707 Coordinator: Administered 150 unit State Rental Assistance Program; performed all authority public housing evictions and over 1200 HQS unit inspections annually.

Community College of Vermont, Burlington, VT

1989 to 1992 — Adjunct Professor: Taught courses analyzing social problems and ethics in contemporary society.

Professional Affiliations: Quaker Hill Community Association: April, 1995 to Present. ARHA owns 30 condominiums and 30 townhouses in 298 market-rate development where public housing residents live among upper-scale homeowners. I serve of the Boards of the Community Association and the Condominium Association.

Lake Champlain Housing Development Corporation: 1985 to 1995; President, 1988 to 1995. LCHDC is a regional non-profit housing development corporation which concentrates on affordable rental housing for families.

Professional Affiliations: Vermont Energy Investment Corporation: Founding Board Member, 1985; Treasurer, 1989 to 1992. VEIC is a state-wide energy services and education non-profit which pioneered the "shared savings" model for public housing as an outcome of a successful cogeneration project with the Burlington Housing Authority.

Northgate Non-Profit/Northgate Housing, Inc.: Founding Board Member, 1986; President, 1988 to 1991. NNP/NHI was founded in 1986 to purchase and renovate a 336 unit HUD 221(d)3 family housing development. Successful $21 million purchase included $6.5 million in rehabilitation and involved financing from 11 separate public and private sources.

Committee On Temporary Shelter: 1985 to 1990; Chairman, 1987 to 1989. COTS provides several short and long-term programs for the homeless. During my tenure, I played a key role in the development of the Firehouse Family Shelter and the St. John's Hall SRO facility.

National Association of Housing and Redevelopment Officials Vermont Chapter: Founding member and President, 1988 to 1995.

Governor's Advisory Group on the HUD Consolidated Plan, 1994.

Burlington CDBG Advisory Group: Chairman, 1994.

Burlington Minimum Housing Inspection Progam Advisory Committee: Chairman, 1993 to 1995.

Burlington Expo's Baseball Stadium Site Selection Committee: Chairman, 1994.

Certifications: NAHRO Public Housing Manager (PHM) Certification, 1981.

Registered Real Estate Broker, Commonwealth of Massachusetts, 1979.

Code Enforcement Management Training, University of Wisconsin, 1993.

Publications: The Performance Funding System And Its Impact On The Clinton Housing Authority, Robert Hutchings Goddard Library, Clark University, 1988.

References: Available upon request.

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VERMONT HOUSING FINANCE AGENCY

October 9, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Thursday, October 17, at 1:00 p.m., here at the offices of the Vermont Housing Finance Agency, 164 Saint Paul Street, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

faxed 9:45 10/7/96

Attn: Jim Douglas
828-2772

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VERMONT HOUSING FINANCE AGENCY

VIA FACSIMILE OCTOBER 7, 1996, TO:

Burlington Free Press (Newsroom)	660-1802
Rutland Herald (Newsroom)	802/775-2423
WCAX-TV (Newsroom)	864-3759
Secretary of Administration (c/o Su Wolters)	802/828-3320

NOTICE OF SPECIAL MEETING

To satisfy requirements of Vermont's Open Meeting Law, please be advised that:

The Board of Commissioners of the Vermont Housing Finance Agency will meet via telephone conference call on Wednesday, October 9, 1996, at 2:00 p.m. to consider the pricing of an issue of mortgage revenue bonds to be issued by the Vermont Housing Finance Agency, as well as any other matters properly before the meeting. The public may attend the meeting in the Board Room at the Agency's offices at 164 St. Paul Street, Burlington, Vermont 05401.

##

If you have any questions or need further information, please contact Glenn Jarrett, General Counsel, at Ext. 226.

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(MANUAL)

DATE	START TIME	REMOTE TERMINAL IDENTIFICATION	TIME	RE-SULTS	MODE	TOTAL PAGES	PERSONAL LABEL	FILE NO.
TRANSMISSION								
OCT 04	02:57PM	98651891	00'47"	OK	ESM	02		044
	03:15PM	18028798734	00'29"	OK	ESM	01		045
	03:40PM	518 487 4850	00'35"	OK	ESM	01		048
	03:41PM	802 334 8266	00'42"	OK	ESM	01		049
	03:50PM	802 773 0826	00'34"	OK	ESM	01		047
	04:14PM	MERCHANTS	00'33"	OK	ESM	01		055
	04:15PM	UNION	01'18"	OK	ESM	03		054
	04:30PM	18024857565	00'30"	OK	ESM	01		057
	05:16PM	802 879 9052	00'32"	OK	ESM	01		060
OCT 06	04:04PM	919727022045	00'35"	OK	ES	01		063
OCT 07	08:47AM	8027637218	00'48"	OK	SM	01		069
	08:51AM	802 878 5802	00'39"	OK	SM#	01		070
	08:51AM	802 878 5802	00'29"	OK	SM#	01		067
	08:59AM	802 879 9052	00'37"	OK	ESM	02		071
	09:40AM	18026601802	00'45"	OK	S	01		075
	09:41AM	RUTLAND HERALD	00'37"	OK	S	01		076
	09:42AM	WCAX·TV·NEWS 8643759	00'34"	OK	S	01		077
	09:43AM	802 828 3320	00'28"	OK	ES	01		078
	09:44AM	8028282772	00'33"	OK	ES	01		079
RECEPTION								
OCT 04	03:13PM	802 863 4602	00'50"	OK	ES	02		046
	03:52PM	802 773 0826	00'39"	OK	ES	01		050
	03:59PM	8024793152	01'46"	OK	S	04		051
	04:04PM	802 257 0788	00'36"	OK	ES	02		052
	04:06PM	802 773 0826	00'46"	OK	ES	01		053
	04:21PM	802 865 1638	02'17"	OK	ES	04		056
	04:27PM	802 257 0788	00'46"	OK	ES	02		058
	04:33PM	802 879 9052	00'53"	OK	ES	02		059
OCT 05	04:24AM	658-0929	00'53"	OK	D	01		061
OCT 06	02:39AM		00'52"	OK	ES	01		062
OCT 07	08:16AM	802 879 9052	04'52"	OK	ES	05		064
	08:38AM	802 878 5802	01'09"	OK	S	02		066
	08:42AM	802 879 9052	00'47"	OK	ES	02		068
	09:05AM	802 334 8266	00'49"	OK	ES	01		072
	09:16AM		02'58"	OK	S	03		073
	09:20AM	802 879 9245	01'35"	OK	ES	03		074

TX:031707 RX:029186

E)ECM >)REDUCTION S)STANDARD @)FORWARDING M)MEMORY C)CONFIDENTIAL #)BATCH
D)DETAIL $)TRANSFER
F)FINE P)POLLING

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **OCTOBER 2, 1996**

RE: **PROPOSED SERIES 8 FINANCING**

We have been discussing with the working group, consisting of PaineWebber, Kutak Rock and Evensen Dodge, various financing options over the last couple of weeks. Initial cash flow runs indicated that the most efficient financing would incorporate some kind of convertible option bond (COB) as utilized in our last financing. A projected COB financing has substantially less advantages than in the Series 7 financing and would require us to sell those bonds in the open market and incur normal underwriting costs. Another concern with replicating the last financing is that we have $60 million of issuance authority under the statewide volume cap. However, the most efficient COB type financing would require $90 million of bonding authority to produce $30 million of mortgage loans.

Fannie Mae was contacted directly by staff and agreed that they would be willing to negotiate a private placement financing directly, as we had done with our Series 6 bonds. Their only caveat was that they would purchase not more than $30 million of bonds.

Evensen Dodge's cash flow analysis indicates that we would save almost $300,000 by selling direct to Fannie Mae. A full spread mortgage rate would be 7.55% based on last week's tax exempt rates. Evensen Dodge, in their role as Financial Advisor, will also work with us to make sure the pricing of the bonds to Fannie Mae is in line with market financings. The current structure would utilize bond insurance and either the bond insurer or Sanwa Bank would provide a Letter of Credit in the amount of $555,000 to cover potential loan losses. Evensen Dodge has assisted in the preparation of a proposal request to bond insurers that is due back on Thursday. The program specifications will duplicate our last financing, including a setaside for stepped rate mortgages.

The current schedule is to prepare a private placement memorandum (PPM) along with a Series Resolution and price the bonds with Fannie Mae on Wednesday, October 9th. Copies of the PPM and the Series Resolution would be provided to the Board members by David Amsden of Kutak Rock prior to the pricing with Fannie Mae. Those documents and the pricing structure would need to be approved by the Board of Commissioners during the Board conference call scheduled for Wednesday, October 9th at 2:00 PM. We would

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attempt to defer the closing until the middle of November to save on negative arbitrage.

A direct placement with Fannie Mae presents a special opportunity that may not be available in the future and provides us with funds through the Spring when a more stable environment for interest rates is forecast. Please contact Allan (Ext. 221) or myself (Ext. 236) if you have any questions or concerns about the projected plan of financing.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: October 11, 1996

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:00 p.m. Thursday, October 17, here at the VHFA offices, 164 Saint Paul Street, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington at 1:00 October 17!

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VHFA BOARD MEETING AGENDA
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont

Thursday, October 17, 1996 at 1:00 p.m.

1. Review and approval of minutes of August 16, 1996

2. Review and approval of minutes of October 9, 1996

3. Standard & Poor's Presentation on General Obligation Bond Rating

4. Development
   A. CVCLT: Hedding Drive, Randolph (Letter of Interest) **[Reid // Enclosure]**
   B. Vermont Housing Ventures Update **[Reid // Enclosure]**
   C. Income/Purchase Price Limit Recommendations **[Crady // Enclosure]**

5. Operations
   A. Single Family Program/Servicing/Property Disposition **[Lothrop // Enclosure]**
   B. MRB to MCC Authority Conversion Discussion **[Lothrop // Enclosure]**
   C. Results of Quarterly Quality Control Process **[Lothrop // Enclosure]**
   D. Mortgage Funds Available **[Lothrop // Enclosure]**

6. Administration
   A. Executive Director's Report **[Hunt]**

7. Multifamily Management
   A. 1996 LIHTC Compliance Monitoring Update **[Falzone // Enclosure]**

8. Finance
   A. FY96 Audit Results and Final Budget Report **[Schoenbeck // Enclosure]**
   B. Series 8 Single Family Bond Financing Update **[Schoenbeck // Enclosure]**

9. Communications
   A. FY96 Business Plan Results **[Gent // Enclosure]**
   B. FY97 Marketing Plan **[Gent // Enclosure]**
   C. Evaluation of Down Payment Assistance Loans **[Gent // Enclosure]**

10. Legal
   A. Lead Hazard Loan Program Revision **[Jarrett // Enclosure]**

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

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VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Friday, August 16, 1996

PRESENT: Chairman White, Commissioner Randall; Commissioners Canney, Douglas via speakerphone

Agency Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Ms. Blatt

The meeting was called to order by Chairman White at 9:30 a.m. Participants were identified by roll call, and it was agreed that all votes would be taken in the same manner. Upon a motion duly made by Mr. Douglas and seconded by Ms. Randall, the minutes of July 25 were approved as submitted.

Mr. Hunt reviewed Ms. Reid's memo of August 13, included in the Board packet, regarding "600 Dalton Drive/Dalton Drive Neighborhood Housing Inc. Combined Letter of Interest/Commitment Letter for Permanent Financing." This memo outlines a restructuring of the transaction as it was presented to the Board in July. The modifications should help to sell the building and thus end the Agency's losses on the building, create a financially viable project, and pay off the Agency's loan of approximately $275,000 that Dalton Drive Neighborhood Inc. (DDNI) currently has on the building. The present consideration is for the Agency to provide a zero percent loan of up to $275,000 to DDNI; the building would then be leased by DDNI to Burlington Community Land Trust (BCLT) with an upfront lease payment of $80,000 and a lease payment of $1,000 per year, for a term long enough for DDNI to recover the funds loaned by the Agency. Mr. Hunt explained that the Agency would have pledged to it as collateral the lease and all rights to the lease of the building, which would remain owned by DDNI; the present value of the building is more than $250,000. Mr. Hunt also pointed out that the Agency would be not be able to make any other commitments for zero percent loans from these funds for an undetermined period. A motion was then made by Ms. Randall and after being seconded by Mr. Douglas, the Board voted unanimously to adopt the "Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: 600 Dalton Drive" as attached to these minutes.

Mr. Schoenbeck then began a review of his August 13 memo regarding "Loan Sources" included in the Board packet. A source of funding for The Pines development in South Burlington is being sought to provide $2.75 million for Phases II and III of this project, which the Agency plans to fund on a permanent basis with Federal Home Loan Bank (FHLB) proceeds. The Howard Bank has proposed to provide a $3 million loan to VHFA which would be used to purchase collateral for the FHLB advance. The term of the loan would be for one year and the cost would be 150 basis points over The Howard Bank's cost of funds plus a ½ point fee. These charges would all be passed through to The Pines project. The permanent loan would then be pledged as collateral to the FHLB and the existing collateral liquidated and used to pay back the Howard advance. For the permanent loan, the Agency could charge a mortgage rate of 8.5 percent as of the date of this conference call, with the Agency paying 7.375 percent to FHLB. As the developers have paid some up front costs, they appear willing to accept the 8.5 percent interest rate. The Howard Bank has also proposed increasing the Agency's general line of credit from $1 million to $2.5 million, with the existing terms of agreement applying to the increased line of credit. The rate is calculated at LIBOR (London Inter Bank Offering Rate) plus 75 basis points. Following some further discussion, a motion was made by Ms. Canney to adopt the "Amended Resolution Pertaining to Combined Letter of Interest and Commitment Letter re: The Pines, Phases II and III" as attached to these minutes. This motion was seconded by Mr. Douglas and carried unanimously.

Following the vote, Mr. Schoenbeck explained that the Black River/Okemo project in Ludlow, approved by the Board at the June 13 meeting, requires $1.5 million to cover construction costs. The offer from The Howard Bank to increase the Agency's line of credit will allow financing of both The Pines and Black River to proceed as planned. Mr. Douglas asked if staff had considered other options for the line of credit, such as other lenders. Mr. Schoenbeck explained that the rate offered by The Howard Bank for this line of credit is based primarily on the Agency's standing as a past and current client of the bank, and would most likely not be available from another Vermont lender. A motion was then made by Mr. Douglas to authorize staff to enter into an agreement with The Howard Bank for the Pines transaction as described above and to extend the Agency's line of credit under the terms and conditions outlined in Mr. Schoenbeck's memo of August 13; it was further moved that before the line of credit is considered for renewal, staff should conduct a request for proposals to determine possible terms with another Vermont lender. After being seconded by Ms. Randall, the motion carried unanimously.

The Board then considered Mr. Schoenbeck's recommendation to defer the "Underwriter Request for Proposals," as described in his memo of August 13, included in the Board packet. Mr. Hunt explained that staff intended to prepare an RFP for underwriters once the financial advisor had been selected. However, the single family lendable proceeds at the current low interest rate are being reserved faster than was anticipated, necessitating consideration of a bond sale early in the fall. The RFP process would take more than one month, and could delay any single family financing. Mr. Schoenbeck agreed to present information on the proposed bond sale for consideration at the September Board meeting. Although no formal Board action was taken, it was agreed that the RFP for bond underwriters would be postponed until the next single family bond issue has been finalized this fall.

Chairman White reminded the Board that a subcommittee would be interviewing candidates for the Deputy Director position later that day.

The September 19 meeting was confirmed, to take place in Derby. There being no further business, following a motion duly made and seconded, the meeting was adjourned at 10:10 a.m.

Respectfully submitted,

Allan S. Hunt

Allan S. Hunt, Secretary

AMENDED RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: THE PINES, PHASES II AND III

WHEREAS, a proposal has been presented to the Agency by P.S.H., Inc., a development corporation (the "Sponsor") on behalf of a to-be-formed limited partnership, whose general partner would be P.S.H., Inc., involving the construction and permanent financing of a senior housing development containing 72 additional units in one building located on approximately six acres in South Burlington (the "Development"); and

WHEREAS, the proposal contemplates a construction loan and permanent loans in an amount not to exceed $2,725,000; and

WHEREAS, the Sponsor has received a reservation of Housing Credits; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated July 18, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a first mortgage loan to a to-be-formed limited partnership for the construction of the Pines senior housing development, Phases II and III, in South Burlington and a permanent loan, in an amount not to exceed $2,725,000. The term and interest rate will depend on the Agency's source of funds, but will be not less than 75 basis points nor more than 125 basis points in excess of the Agency's cost of funds. The Letter of Interest is not a commitment to finance

and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by the housing sponsor in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

2. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

   1) The sponsor and VHFA's Executive Director must negotiate a mutually acceptable limitation of cash distributions, in conformance with VHFA statute and regulations.

   2) The sponsor must satisfy the conditions of the Housing Credit Reservation Certificate and obtain an allocation of Housing Credits or requisite financing.

   3) The sponsor must provide a written Right of First Refusal to VHFA to purchase the development at the end of the housing credit compliance period at the price determined in Section 42(i)(7)(B) of the Internal Revenue Code.

   4) VHFA must determine an available source of capital that will make the project financially feasible.

   5) Sponsor must provide a construction schedule of values, a month by month construction flow of funds schedule, and construction plans and specifications for approval by with VHFA or its agent.

3. The Executive Director may, in his discretion, issue a Commitment Letter for loans for the construction and long-term financing of the Development, in an amount not to exceed $2,725,000. The term of the construction loan shall be one year, with a rate to be determined, but shall be not less than 75 basis points nor more than 125 basis points in excess of the Agency's cost of funds.

4. The permanent loan shall be amortized over a period of 30 years, but all principal and accrued interest shall be due 15 years from the date of the permanent loan. The interest rate shall be determined by the Executive Director, but shall be not less than 75 basis points nor more than 125 basis points in excess of the Agency's cost of funds. The Commitment Letter may be issued to P.S.H., Inc., as general partner of the to-be-formed limited partnership. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

I hereby certify that the foregoing is a true copy of an amended 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 16, 1996.

Allan S Hunt

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

RESOLUTION PERTAINING TO COMBINED LETTER OF INTEREST AND COMMITMENT LETTER RE: 600 DALTON DRIVE

WHEREAS, a proposal has been presented to the Agency by Burlington Community Land Trust, Inc., ("BCLT"), and Dalton Drive Neighborhood, Inc. ("DDNI"), two non-profit corporations, involving the rehabilitation of a commercial building on Dalton Drive in Colchester and Essex currently owned by DDNI into 11 units of assisted housing for families and individuals living with HIV/AIDS (the "Development"); and

WHEREAS, the Development was previously considered by the Agency at its July 1996 meeting, at which time a resolution was passed authorizing a loan in an amount not to exceed $70,000; and

WHEREAS, the structure of the financing for the Development has changed substanitally, necessitating the repeal of the earlier resolution adopted by the Agency; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated August 13, 1996, containing information and recommendations about the Development (the "Memorandum"); and

WHEREAS, pursuant to the structure outlined in the Memorandum, DDNI would lease the building to BCLT for a period of at least 30 years, with the exact term to be determined by the Executive Director;

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 sponsors undertaking the Development will increase the supply of well-planned, well-designed permanent housing for persons and families of low and moderate income.

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

6. The housing sponsors are a financially responsible organization and will qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Resolution entitled "Resolution Pertaining to Combined Letter of Interest and Commitment Letter RE: 600 Dalton Drive" adopted by the Agency on July 25, 1996, is hereby repealed.

2. The Executive Director is authorized to issue a Letter of Interest declaring Vermont Housing Finance Agency's interest in making a mortgage loan to Dalton Drive Neighborhood, Inc., in an amount not to exceed $275,000 from multifamily refunding proceeds. The interest rate will be 0% per annum and the term will be up to 30 years, the precise term to be determined by the Executive Director. No payments shall be due on the loan until it matures. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish. The Letter of Interest may be used by DDNI or BCLT in support of applications for operating subsidies, mortgage insurance or for other purposes with the consent of the Agency.

3. The Letter of Interest shall include the following conditions. Any documents submitted in satisfaction of these conditions must be satisfactory to the Agency in form and content:

    1) DDNI or BCLT must provide, in a form satisfactory to staff, a determination of value at least equal to the first mortgage debt being provided by VHFA.

    2) DDNI or BCLT must provide a Level I Environmental Site Assessment satisfactory to VHFA staff.

    3) DDNI or BCLT must demonstrate that requisite financing has been committed, including loans/grants from the Vermont Housing and Conservation Board and the HOME Program, Housing Opportunities for People With AIDS (HOPWA) 97, Vermont Community Development Program (VCDP), Historic Tax Credits, Shelter+Care (rental subsidy). "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If BCLT is unable to obtain commitments of "requisite financing", it may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds;

4. The Executive Director may, in his discretion, issue a Commitment Letter for the loan to DDNI for the long-term financing of the Development, in an amount not to exceed $275,000. The term of the loan shall be determined by the Executive

Director and shall be up to 30 years. The interest rate shall be 0% per annum. No payments will be required until the maturity date of the loan.

5. The Commitment Letter may be issued to DDNI. The Commitment Letter shall be conditioned on the satisfaction by DDNI and BCLT of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish, including satisfaction of the following conditions:

    1) VHFA approval of final rehabilitation scope of work including specifications;

    2) DDNI or BCLT must provide evidence of competitive bidding satisfactory to the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on August 16, 1996.

Allan S. Hunt

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

vhfa

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Wednesday, October 9, 1996

PRESENT: (via speakerphone) Vice Chairman Seelig, Commissioners Bradley, Candon, Canney, Douglas, Randall

Agency Staff: Mr. Schoenbeck, Mr. Jarrett, Ms. Parker, Mr. Lothrop, Ms. Gent; (via speakerphone) Mr. Hunt

Guests: (via speakerphone) Mr. Amsden (Kutak Rock); Mr. Hans, Mr. Seibert, and Mr. Sohn (Evensen Dodge)

The meeting was called to order at 2:10 p.m. by Vice Chairman Seelig, who assumed the role of Acting Chairman in the scheduled absence of Chairman White. Participants were identified by roll call, and it was agreed that all votes would be taken in the same manner.

Mr. Schoenbeck reported that discussions with Fannie Mae and the guaranteed investment (GIC) providers have been ongoing throughout the previous weeks and concluded earlier today. Bids were received from bond insurers to provide bond insurance and also provide a surety bond for loan loss claim coverage of $550,000 for this financing, rather than a letter of credit as provided by Sanwa Bank in previous financings, as well as an additional surety bond to provide contingency coverage of $400,000. The pricing with Fannie Mae occurred earlier in the day, resulting in a total bond cost of 6.05 percent to the Agency, which translates to a probable one point mortgage rate of 7.25 percent. This compares favorably with conventional mortgage rates which are currently between 8.125 percent and 8.25 percent for one point mortgages. According to Mr. Hans, the pricing with Fannie Mae went well. Four other housing-related bond issues priced in the last two days, with comparable mortgage rates. Mr. Hans then reviewed the rates achieved for the other financings, which were generated in Connecticut, Ohio, Pennsylvania and Virginia.

According to Mr. Schoenbeck, after the Agency exhausted funds available in Series 7 at 6.95 percent, the Agency released a rate of 7.75 percent for mortgages. Out of the present bond issue of $30 million in lendable proceeds under discussion the Agency has assumed that $1.5 million will be reserved at the higher 7.75 percent rate, which will help to subsidize the projected rate of 7.25 percent. Once the Board has approved the financing, the closing would be scheduled for November 14, allowing the Agency to reduce negative arbitrage on this transaction. For each $1 million in 7.75 percent mortgages, the mortgage rate on the remaining funds from the lendable proceeds of $30 million would be reduced by approximately two basis points. The Agency only releases mortgage rates in five basis point increments; thus, if additional 7.75 percent mortgage funds were to be released, it would be necessary to release enough to result in a mortgage rate of 7.20 percent for the remaining funds. A decision still needs to be reached as to when to release the new rate. Staff is considering waiting until the closing in mid-November, as loan activity is still strong. Although it is fully expected that this transaction will close successfully in November, as scheduled, Fannie Mae has included a standard clause that the transaction could be nullified as result of an act of war or other highly unlikely contingencies.

Mr. Schoenbeck also reported that bids for investment contracts were received, with the best bid for the program account from Assured Return, a Lehman Brothers subsidiary, with a 5.64 percent rate. Bayerische Landesbank bid at 6.25 percent and 6.75 percent to provide the float and debt service reserve over the life of the financing. Those rates would be above the rates paid to Fannie Mae on the bonds, and would help the Agency's cash flow projections.

Ms. Randall asked about the length of time the $30 million in lendable proceeds was projected to last, and Mr. Schoenbeck explained that it should be about a six month supply based on historical performance, sufficient to sustain mortgage activity through March or April 1997, with another financing necessary in early or mid Spring. A larger issue was not possible at this time due to Fannie Mae's policy constraints.

Mr. Amsden then reviewed the Private Placement Memorandum, the Eleventh Supplemental Single Family Housing Bond Resolution, and the Purchase Contract, which had been sent to the Board prior to the conference call. As Mr. Amsden explained, the Purchase Contract is similar to those signed with PaineWebber in previous financings, but will be executed with Fannie Mae. The Series Resolution was structured as it had been for Series 6. The Series Certificate will be drafted incorporating the actual term, setting forth the structure of the transaction, the loan loss claim fund, the contingency reserves, and various other accounts. Adoption of the Series Resolution also authorizes the execution of the Purchase Contract and the release of the Private Placement Memorandum, which is similar to that connected with earlier bond financings that the Agency has completed.

A motion was made by Ms. Bradley and seconded by Mr. Douglas to adopt the "Eleventh Supplemental Single Family Housing Bond Resolution" as attached to these minutes. This motion carried unanimously.

The October 17 meeting was confirmed, to take place in Burlington. Standard & Poor's will be making a presentation to the Board regarding a general obligation bond rating. There being no further business, following a motion duly made and seconded, the meeting was adjourned at 2:35 p.m.

Respectfully submitted,

Allan S. Hunt, Secretary

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: October 11, 1996

RE: Hedding Drive, Randolph - Letter of Interest for Permanent Financing

Note: Generally we bring financing requests to the Board with a recommendation to fund, even with substantial conditions. This project has difficulties but raises several policy issues that need to be considered.

Executive Summary

In 1990 the Central Vermont Community Land Trust (CVCLT) acquired two buildings totaling 16 units on Hedding Drive in Randolph. After the acquisition, CVCLT renovated the buildings. Short term financing was provided by the Institute for Community Economics (ICE). The ICE loan was originally due in February of 1993. It was extended twice and is now due on December 15, 1996. Since April of 1996 CVCLT has been making interest-only payments on the ICE loan.

The property is distressed - it was not rehabilitated sufficiently when acquired, and it has significantly more debt than it can support. The property's condition has deteriorated and it has suffered a high vacancy rate. Several of the units are not rentable until rehabilitated. CVCLT has been subsidizing the property from its organizational operating budget.

The original plan for improving this property's financial and physical condition involved CVCLT transferring the property to Twin Pines Housing Trust (TPHT) in the Spring/Summer of 1996. TPHT was to take over the refinancing and rehabilitating of the property, as Randolph is in Twin Pines' service area. However, TPHT is unable to assume the role, and so responsibility for the project remains with CVCLT. This change of events caused the project to lose time.

The project has received new funding commitments for both debt reduction and rehabilitation from the Vermont Housing & Conservation Board (VHCB) and HOME Program. In addition, CVCLT is requesting permanent financing from VHFA to refinance its current debt at a much lower level. The project consists of four one-bedroom units and 12 two-bedroom units. The rents are being reduced due to the new financing and grant sources: two units will serve households at 50% of median income and below; five units will serve households at 60% of median income and below; nine units are market rate units and will serve households up to 80% of median income.

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THE DEVELOPMENT

<u>Projected Funding Sources</u>

VHCB Grant	$171,477	41%
HOME Grant	$142,343	34%
Gap: VHFA 0% Funds/ICE/RNHS	$101,841	25%
Totals	$415,661	100%

The financing sources when the project was first acquired and rehabilitated (1990) are shown on the attached budgets. The total proposed development cost is $48,637 per unit. There has been no appraisal yet to determine loan to value ratio for the VHFA financing.

<u>Unit Breakdown and Rents</u>

Unit Type	#	Rent	Affordable to	Square Feet
1 BR HOME	2	$238	50% Median	500
1 BR HOME	2	$299	65% Median	500
2 BR HOME	3	$366	65% Median	728
2 BR Market	9	$377	65% Median	728

Tenants pay their own utilities, which are not included in the above rents. Utility allowances (including electric and propane) total $102 per one-bedroom unit, and $127 per two-bedroom unit. The rents currently are higher - $315 per one-bedroom unit, and $385 per two-bedroom unit. They will be lowered after rehab to the rents listed in the table above.

<u>Sponsor, Management and Market</u>

The project is owned and is being developed by CVCLT. CVCLT is a nonprofit organization which develops affordable housing in Washington and northern Orange Counties. Community Property Management, a subsidiary of CVCLT, has been managing the property. With the financial difficulties of the project, its reputation in the community, its high vacancy rate, and the physical distance between Randolph and CVCLT/CPM's Montpelier office, VHFA staff recommends assigning Randolph-based management to the property.

Rob Caron is a Randolph-area property manager who manages 29 rental housing units in Randolph and 25 units in South Royalton. Mr. Caron has 16 years of management experience, including experience turning troubled properties around. He is well known in Randolph and has an excellent reputation there and with VHFA management staff. He has reviewed the income, expense and rehab budgets, and feels the property can be managed with the proposed operating budget. Mr. Caron is a logical choice for VHFA to assume the management of Hedding Drive. With regards to market demand, Mr. Caron commented that "there's a lack of good one and two bedroom apartments in Randolph". There has been no market study.

Site & Environmental Concerns

The property consists of two buildings totalling 16 units, on a 3.2 acre parcel of open, level land. The property is approximately one block from Route 66 (main road), and about .6 miles from the downtown shopping center. It is bordered by Vermont Water Springs Company, a sewage treatment plant, and Randolph Circle, a Section 8 rental development managed by Rob Caron, and single family homes. There is on site parking, green space, and a playground.

A Level I Environmental Site Assessment has not yet been completed.

Use of Refunding Proceeds

The project needs and requested 0% funding from VHFA. The use of the Section 8 refunding proceeds (0% funds) for this project would represent a change from the Board's recommended use as established at the August 24, 1995 meeting. At that meeting, it was decided to use the refunding proceeds first for existing VHFA-financed projects, or troubled real estate in our portfolio which needs financial assistance. Secondly, the loans made from refunding proceeds will be paid back. We do not currently have a loan on the Hedding Drive property, and have determined that the project cannot support a loan. In addition, there is not a reasonable expectation that the project can repay a 0% loan.

DISCUSSION

Hedding Drive is a distressed property which VHCB has re-visited and committed additional resources to in order to improve its financial and physical condition. There is a rehab budget in place, as well as an experienced property manager willing to take over the management. When we first reviewed the application for financing, we expected it to be a refinance/rehabilitation project, in which VHFA would provide a first mortgage and possibly a 0% loan. However, using operating budget assumptions with which staff feel comfortable, we have determined the project cannot afford any debt service. In addition, with current operating budget assumptions, and a $5,000 operating subsidy, the project's cash flow goes negative in year 11, an unacceptable condition.

VHFA staff discussed the use of the 0% money to assist the project, and approached both the Institute for Community Economics (ICE - first mortgagee) and Randolph Neighborhood Housing Services (RNHS - fifth mortgagee) regarding their ability/willingness to defer or forgive some of their respective debts, to make up the deficit. There is a contentious relationship between CVCLT and RNHS; RNHS is suing CVCLT for repayment of interest on the existing loan, although no note was ever executed. To date, we have not had a response from ICE or RNHS.

Strengths

a) The project has financial commitments from VHCB and HOME for both debt reduction and rehabilitation.

b) VHFA has financed three other properties with CVCLT in the past two years (Bromur, Limehurst, Barre Street). By helping CVCLT refinance and rehabilitate Hedding Drive, which has been a significant financial drain on CVCLT, VHFA enhances CVCLT's ability to continue to own and operate affordable housing in the Central Vermont region.

Weaknesses

a) This is a distressed property whose financial and physical condition needs improvement. The project is over-indebted and can support next to no debt service. There also remains a funding gap. Assisting the project would require a 0% loan from VHFA. VHFA is seeking participation from ICE and RNHS to develop a solution.

RECOMMENDATION

Staff recommends that the Board not issue a Letter of Interest for the proposal at this time for the following reasons:

1) Based on cash flow projections, there is no reasonable expectation that the 0% loan will be repaid;

2) Under current development and operating budget assumptions the project does not demonstrate financial feasibility for the term of the loan. It needs operating subsidy, or more rehabilitation. With more rehabilitation staff would be comfortable with a slightly lower operating budget, which would make the development more feasible;

3) There is an outstanding legal issue which needs to be resolved involving RNHS and their suit over the payment of interest on their loan.

Staff would like the Board to discuss the use of 0% funds on non-portfolio development proposals in general, and get the Board's feedback on these conditions for involvement with Hedding Drive in particular.

S:\DEVEL\MFLOAN\Hedding\Hedding.xls							
Project:	Hedding Drive, Randolph		RUN DATE:	09-Oct-96			
Total Residential Units:	16						
Total HOME Units:	7						
		Increase - Rents		1.50%			
		Increase - Expenses		3.00%			
		Vacancy Rate:	Years 1-2	10.00%			
Total Dev Costs	415,661		Years 3-30	5.00%			
TDC/Unit	25,979						
FINANCING SOURCES					Amortization		
	Amount	% of TDC	Interest	Term	Period		
VHFA 1st mortgage debt	0	0.00%	8.00%	20	30		
VHCB Grant	171,477	41.25%	0.00%	0	N/A		
HOME Grant	142,343	34.24%	0.00%	0	N/A		
Gap: VHFA 0%/ICE/RNHS	**101,841**	24.50%					
	415,661	100.00%					
Assumptions:							
Labor & Industry findings do not increase rehab budget; rehab budget is demonstrated to be adequate.							
RNHS loan balance is principle only; interest is not paid since CVCLT is contending this issue.							
Financing gap shown above is after both ICE and RNHS loans are paid in full.							
Capital Needs Assessment is adequate and does not increase rehab budget or replacement reserve deposit amounts.							
Rehab happens as soon as possible to avoid prolonged vacancies.							
First Round Financing:	Amount	% TDC	Interest Rate:	Term:	Other:	Date committed:	
ICE	215,000	36.42%	7%			2/21/90	
RNHS	27,541	4.67%	N/A			12/5/89	
VHCB Loan	151,000	25.58%	0%	30 yrs	1st yr deferred	2/21/90	26,400 paid off
VHCB Grant	51,100	8.66%	N/A			2/21/90	
FHLB AHP Grant	54,638	9.26%	N/A			11/27/90	
LCHDC	91,000	15.42%	0%	Deferred	No Condo Con-	4/10/91	
	590,279	100.00%			version allowed		
Acquisition	375,000						
Rehab	173,179						
Soft Costs	37,100						
Operating Subsidy	5,000						
Total	590,279			total residential cost		590,279	
				total cost per unit		36,892	

Hedding Drive, Randolph	DEVELOPMENT BUDGET			09-Oct-96
			Per Res.	Per Res.
		Budget	Unit	Sq. Ft.
ACQUISITION & CONSTRUCTION				
Refinance/payoff ICE		200,200	12,513	18.65
Payoff RNHS - Assumes no interest		27,541		
Demolition				
Construction		138,390	8,649	12.89
LEAD PAINT ABATEMENT			0	0.00
RELOCATION		3,700	231	0.34
Permits & Fees		700		
CONSTRUCTION CLERK	6.00%	8,303	519	0.77
Cost Estimating & Plans		4,500		
Contractor Profit	0.00%			
Construction Contingency	11.63%	16,607	1,038	1.55
APPLIANCES				
Subtotal		399,941	22,950	37.25
PROFESSIONAL SERVICES				
			0	0.00
DESIGN/SPECIFICATIONS			0	0.00
Attorney			0	0.00
Legal, Title & Recording		1,000		
Subtotal		1,000	0	0.09
INTERIM COSTS				
Construction Insurance				
Construction Interest				
Construction Loan Origination Fee				
Taxes				
Subtotal		0	0	
OTHER SOFT COSTS				
Property Appraisal		1,500	94	0.14
Energy Audit			0	0.00
Environmental Assessment		1,200	75	0.11
Cost Estimates				
Hazardous Materials Testing		1,000	63	0.09
Subtotal		3,700	231	0.34
FINANCING FEES & EXPENSES				
Credit Report				
Permanent Loan Origination Fee		1,020	64	0.10
Ventures Interest				
Cost of Issuance				
Title & Recording				
Counsel's Fee				
FINANCE & CLOSING				
Subtotal		1,020	64	0.10
SYNDICATION COSTS				
Organizational (Partnership)				
Bridge Loan Fees & Expenses				
Tax Opinion				
Subtotal		0	0	
DEVELOPER'S FEES				
Developer's Overhead & Profit				
Consultant Fees				
Subtotal		0	0	
PROJECT RESERVES				
Rent-up (Deficit Escrow) Reserve		10,000		
Replacement Reserve		0		
Working Capital				
Operating Reserve/Sinking Fund				
Subtotal		10,000	0	
TOTAL DEVELOPMENT COSTS		415,661	25,979	38.72

09-Oct-96	Hedding Drive, Randolph			PRO FORMA						
	Year	1	2	3	4	5	6	7	8	9	10
Residential Rent		66,780	67,782	68,798	69,830	70,878	71,941	73,020	74,115	75,227	76,356
Less Res Vacancy		(6,678)	(6,778)	(3,440)	(3,492)	(3,544)	(3,597)	(3,651)	(3,706)	(3,761)	(3,818)
Total Actual Income		60,102	61,004	65,359	66,339	67,334	68,344	69,369	70,410	71,466	72,538
Less Operating Expense		53,878	55,494	57,159	58,874	60,640	62,459	64,333	66,263	68,251	70,299
Less Reserves		5,800	5,887	5,975	6,065	6,156	6,248	6,342	6,437	6,534	6,632
Net Operating Income		424	(378)	2,224	1,400	538	(364)	(1,306)	(2,291)	(3,319)	(4,392)
Less Debt Service		0	0	0	0	0	0	0	0	0	0
Less VHFA 0% Loan Escrow			0	0	0	0	0	0	0	0	0
Cash Flow		424	(378)	2,224	1,400	538	(364)	(1,306)	(2,291)	(3,319)	(4,392)
Oper Subsidy		0	(378)	0	0	0	364	1,306	2,291	3,319	4,392
Net Cash		424	(756)	2,224	1,400	538	0	0	0	0	0
DCR		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Beginning Balance		5,000	5,580	5,381	7,800	9,455	10,285	10,241	9,281	7,338	4,338
Deposits		424	0	2,224	1,400	538	0	0	0	0	0
Interest	3.0%	156	179	195	255	292	319	346	347	320	262
Withdrawls		0	(378)	0	0	0	(364)	(1,306)	(2,291)	(3,319)	(4,392)
Ending Balance		5,580	5,381	7,800	9,455	10,285	10,241	9,281	7,338	4,338	208
		1	2	3	4	5	6	7	8	9	10

09-Oct-96	Hedding Drive										
	Year	11	12	13	14	15	16	17	18	19	20
Residential Rent		77,501	78,663	79,843	81,041	82,257	83,490	84,743	86,014	87,304	88,614
Less Res Vacancy		(3,875)	(3,933)	(3,992)	(4,052)	(4,113)	(4,175)	(4,237)	(4,301)	(4,365)	(4,431)
Total Actual Income		73,626	74,730	75,851	76,989	78,144	79,316	80,506	81,713	82,939	84,183
Less Operating Expense		72,408	74,580	76,817	79,122	81,495	83,940	86,458	89,052	91,724	94,475
Less Reserves		6,731	6,832	6,935	7,039	7,144	7,251	7,360	7,471	7,583	7,696
Net Operating Income		(5,513)	(6,682)	(7,901)	(9,171)	(10,496)	(11,876)	(13,313)	(14,809)	(16,367)	(17,989)
Less Debt Service		0	0	0	0	0	0	0	0	0	0
Less VHFA 0% Loan Escrow		0	0	0	0	0	0	0	0	0	0
Cash Flow		(5,513)	(6,682)	(7,901)	(9,171)	(10,496)	(11,876)	(13,313)	(14,809)	(16,367)	(17,989)
Oper Subsidy		5,513	6,682	7,901	9,171	10,496	11,876	13,313	14,809	16,367	17,989
Net Cash		0	0	0	0	0	0	0	0	0	0
DCR		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Beginning Balance		208	(5,133)	(11,768)	(19,785)	(29,275)	(40,334)	(53,063)	(67,568)	(83,960)	(102,356)
Deposits		0	0	0	0	0	0	0	0	0	0
Interest	3.0%	172	46	(116)	(318)	(563)	(854)	(1,193)	(1,583)	(2,028)	(2,531)
Withdrawls		(5,513)	(6,682)	(7,901)	(9,171)	(10,496)	(11,876)	(13,313)	(14,809)	(16,367)	(17,989)
Ending Balance		(5,133)	(11,768)	(19,785)	(29,275)	(40,334)	(53,063)	(67,568)	(83,960)	(102,356)	(122,875)
		11	12	13	14	15	16	17	18	19	20

Hedding Drive, Randolph			INCOME & EXPENSE BUDGET			09-Oct-96		
			INCOME					
RENTS								
Restricted Units							Total	
	Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	
	1 BR	50% HOME	500	2	238	102	5,712	340
	1 BR	65% HOME	500	2	299	102	7,176	401
	2 BR	50% HOME	728	0	288	127	0	415
	2 BR	65% HOME	728	3	366	127	13,176	493
	2 BR	Market	728	9	377	127	40,716	504
								0
								0
		Totals	4,184	16		Gross Rent	66,780	
		Vacancy Rate	Years 1-2 =	10%				
		Vacancy Rate	Years 3-20 =	5%				
			Less Vacancy	10.00%			0	
						NET RENT	60,102	

Hedding Drive, Randolph		EXPENSE BUDGET		09-Oct-96
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	6,720	560	35	10.1%
Marketing	1,200	100	6	
Audit/Legal	2,900	242	15	
		0	0	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
		0	0	
Owners Fee	960	80	5	
TOTAL ADMINISTRATIVE	11,780	982	61	
Utilities				
Water/Sewer	8,000	667	42	
Electric	1,500	125	8	
Gas	2,000	167	10	
Other		0	0	
TOTAL UTILITIES	11,500	958	60	
Maintenance				
Maintenance Payroll		0	0	
Supplies		0	0	
Trash Removal	2,880	240	15	
Snow Removal	1,400	117	7	
Repairs	7,400	617	39	
Paint/Decorating	2,000	167	10	
Janitorial	1,000	83	5	
Contract Maintenance	1,250	104	7	
Grounds	1,000	83	5	
Service Lease		0	0	
Other		0	0	
TOTAL MAINTENANCE	16,930	1,411	88	
Taxes	9,800	817	51	
Insurance	3,868	322	20	
Replacement Reserves	5,800	483	30	
Other		0	0	
Total	59,678	4,973	311	

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: October 11, 1996

RE: Vermont Housing Ventures Update

Vermont Housing Ventures is VHFA's revolving loan fund of $250,000 created to provide pre-development loans to non-profits. Ventures loans cover expenses such as architectural and engineering, appraisals, development consultants, tax credit and historic consultants, environmental site assessments, legal, surveys and permits. The interest rate is 3% and loans are payable at construction closing. There are maximum loan amounts set according to number of units in a development. For our borrowers, Ventures is often a critical financing piece which gets them through the pre-development process. In the eight years the program has been in operation, VHFA has approved over $1,000,000 in Ventures loans to 55 different projects.

Currently there are 11 outstanding Ventures loans with a total commitment of $197,403. Four loans with balances totalling $69,000 may potentially pay off this month.

Loans made in 1996 include: a loan to Coolidge Apartments Corp. in White River Junction for the development of 14 new units of elderly housing on Gates Street; a loan to Central Vermont Community Land Trust for pre-closing expenses associated with the refinancing/rehabilitating of the Barre Street apartments in Montpelier; a loan to Lamoille Housing Partnership for pre-development expenses associated with the acquisition and historic rehabilitation of a 7-unit multifamily property in Jeffersonville; and a loan to Regional Affordable Housing Corporation for pre-development expenses associated with the acquisition and historic rehabilitation of 17 units in four buildings in Bennington.

Ventures activity is slower this year to date than previous years:

Year	# Loans Made	Amount Committed
1996	4	$47,700
1995	10	$211,200
1994	9	$208,140

In June of 1995, the Board approved a temporary increase of the Ventures' program limit to $325,000 (up from $250,000) in response to an increase in activity. This limit has not been re-visited.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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EQUAL HOUSING OPPORTUNITY

Occasionally there are pre-development, bridge, or other loans which do not fit the Ventures program which are brought to the Board for approval. Examples include the Rockingham Community Land Trust Self-Help Initiative, and a recent lease-purchase single family new construction project with Lamoille Housing Partnership. Pat Crady and I have begun meeting with non-profits around the State to discuss whether there are unmet financing needs which VHFA may be able to address. We are coordinating our efforts with the Vermont Community Loan Fund so as not to duplicate efforts. We plan to bring a report and proposal to the November Board meeting addressing this topic.

RECOMMENDATION

No action is recommended at this time.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PC

DATE: October 10, 1996

RE: Income Limit and Purchase Price Limits Recommendations

Staff has reviewed the income limits and purchase price limits currently in effect for the MOVE, HOUSE, and MORTGAGE PLUS programs. Income limits were last increased in May 1995, and purchase price limits were increased in September 1994. MRB regulations require that income limits be based on HUD median income figures and purchase price limits be based on average area purchase prices issued by the US Treasury Department. Attachment A provides the maximum allowable income limits and purchase price limits for all areas of Vermont.

The following changes to income and purchase price limits for the MOVE, HOUSE, and MORTGAGE PLUS programs are recommended.

INCOME LIMITS

Median income figures for 1996 for all of Vermont were released by HUD earlier this year. The new median income figures show an increase of approximately 6% in state median income (from $36,700 to $38,900). This increase follows several years of little or no increase in median income. For the past few years, income limits in Addison, Bennington, Grand Isle (non-Burlington MSA towns), and Windsor counties (designated by HUD as non-targeted) were established based on the maximum limit allowable under current MRB regulations. At the August 1994 meeting, the Board approved higher income limits for residents of Chittenden County. At the May 1995 meeting, the Board extended the higher income limits to all areas of Vermont with the exception of those areas listed above which were already at the maximum limits. Staff now recommends that income limits for the non-targeted counties (see above) be increased by approximately 6% over current limits, based on the increase in the HUD median income limits. Staff also recommends that the income limits for the Burlington MSA be increased by the same 6% over current limits. Staff is not recommending any changes to income limits for other counties in Vermont (Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, and Windham) because we believe that current income limits in effect for those counties are sufficient.

The following table shows the current income limits and recommended income limits for VHFA's MOVE, HOUSE, and MORTGAGE PLUS programs.

AREA/COUNTY	CURRENT INCOME LIMITS	RECOMMENDED INCOME LIMITS
Addison, Bennington, Chittenden (non-MSA), Grand Isle (non-MSA), and Windsor	1-2 Person Households $36,700 3+ Person Households $42,200	1-2 Person Households $38,900 3+ Person Households $44,700
Burlington MSA (includes some towns in Chittenden, Franklin and Grand Isle Counties)	1-2 Person Households $40,000 3+ Person Households $46,000	1-2 Person Households $42,400 3+ Person Households $48,700
Caledonia, Essex, Franklin (non-MSA), Lamoille, Orange, Orleans, Rutland, Washington, and Windham	1-2 Person Households $40,000 3+ Person Households $46,000	1-2 Person Households $40,000 3+ Person Households $46,000

Staff does not believe that the recommended changes will significantly increase the average borrower income served by VHFA. VHFA will continue to offer financing only to those buyers who are unable to obtain a conventional fixed rate loan. This increase will not negatively impact the ability of lower income buyers to access financing. In 1994, 40.6% of all VHFA assisted buyers had incomes at or below 70% of the greater of state or county median income. This figure increased to 42.5% in 1995, and 47.3% for the first half of 1996. In addition, VHFA's support of the Homeownership Centers will actually continue to increase VHFA's potential to serve lower income households. Higher income limits for the Burlington MSA are recommended because median income is substantially greater in the Burlington MSA than other areas of the state.

PURCHASE PRICE LIMITS

Data obtained from the Vermont Department of Taxes, Property Transfer Tax System, indicates that purchase prices in the Burlington MSA have increased approximately 5% since VHFA's current purchase price limits were established in September 1994. Other areas of Vermont have experienced somewhat more modest increases. While purchase price limits on existing homes for some areas of Vermont are at the maximum purchase price allowable, VHFA does have the ability to increase purchase limits in the Burlington MSA. Current purchase price limits on new construction are below the maximum allowable limits in all areas of the state. Staff recommends that purchase price limits for existing homes in the Burlington MSA be increased by approximately 5% over current limits. Staff also recommends that VHFA continue to have a statewide limit for new construction, and recommend an increase of 5% over the current limit.

The following table shows the current purchase price limits and the recommended purchase price limits for VHFA's MOVE, HOUSE, and MORTGAGE PLUS programs.

AREA/COUNTY	CURRENT PURCHASE PRICE LIMITS		RECOMMENDED PURCHASE PRICE LIMITS	
Addison, Bennington, Chittenden (non-MSA), Grand Isle (non-MSA), and Windsor	Existing One Family Existing Two Family New	$ 92,300 $104,000 $120,000	Existing One Family Existing Two Family New	$ 92,300 $104,000 $126,000
Burlington MSA (includes some towns in Chittenden, Franklin and Grand Isle Counties)	Existing One Family Existing Two Family New	$ 99,000 $107,000 $120,000	Existing One Family Existing Two Family New	$104,000 $112,500 $126,000
Caledonia, Essex, Franklin (non-MSA), Lamoille, Orange, Orleans, Rutland, Washington, and Windham	Existing One Family Existing Two Family New	$ 99,000 $107,000 $120,000	Existing One Family Existing Two Family New	$ 99,000 $107,000 $126,000

The new income and purchase price limits for the MOVE and HOUSE programs would be effective when the new interest rate for the Series 8 financing is released. The new income and purchase price limits for the MORTGAGE PLUS program would become effective with the new program and after required public notice is made.

BOARD ACTION REQUESTED

Approval of the income limit and purchase price limit changes outlined in this memo.

ATTACHMENT A

MAXIMUM PURCHASE PRICE AND INCOME LIMITS FOR MRB PROGRAMS

AREA/COUNTY	MAXIMUM PURCHASE PRICE LIMITS NEW	EXISTING ONE FAMILY	EXISTING TWO FAMILY
Burlington MSA(1)	129,136	115,242	129,762
Addison, Bennington, Chittenden(2), Grand Isle, Windsor	129,136	92,389	104,029
Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, Windham	157,832	112,919	127,146

AREA/COUNTY	MAXIMUM INCOME LIMITS 1 & 2 PERSON HOUSEHOLDS	3+ PERSON HOUSEHOLDS
Burlington MSA(1)	47,300	54,395
Chittenden(2)	48,900	56,235
Addison, Bennington, Grand Isle, Windsor	38,900	44,735
Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Windham	46,680	54,460
Washington	48,360	56,420

(1) Burlington MSA includes: Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, St. George, Shelburne, So. Burlington, Williston and Winooski in Chittenden County; Georgia, Fairfax, St. Albans City, St. Albans Town, and Swanton in Franklin County; Grand Isle and South Hero in Grand Isle County.

(2) Chittenden County town not included in the Burlington MSA are: Bolton, Buels Gore, Huntington, Underhill and Westford.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 9, 1996

RE: Single Family Program Activity Report For August

MORTGAGE PURCHASE PROGRAMS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	146	$10,066,630		154	$ 9,743,920
Purchases	92	$ 6,084,283		57	$ 3,677,748

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	920	$61,213,789		795	$49,492,435
Purchases	492	$32,309,666		508	$32,718,676

MORTGAGE PLUS

Month	No.	Amount	Previous Year	No.	Amount
Reservations	6	$ 401,140		6	$ 451,200
Issued	11	$ 872,845		4	$ 300,800

Period to Date	No.	Amount	Previous Year	No.	Amount
Reservations	76	$ 5,681,794		47	$3,668,193
Issued	72	$ 5,601,684		73	$4,806,849

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: October 9, 1996

RE: Servicing Activity for August

SERVICING ACTIVITY

<u>Collections:</u>

Last months 90+ accounts:		72
New 90 day accounts:	17	
Reductions:		
To foreclosure/DIL:	10	
To 60 days or less:	11	
Under payment arrangement:	15	
Modifications:		
90+ accounts:	68	

<u>In Foreclosure:</u>

Last months foreclosure accounts:		45
New foreclosures:	10	
To REO:	7	
Successful interventions:	0	
Negotiating workouts:	4	
Modifications:	0	
Foreclosure accounts:		48

<u>Real Estate Owned:</u>

Last months REO's:		28
New REO's:	7	
Properties sold:	5	
Properties under contract:	4	
REO's:		30

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

op/serv/servact.mem

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: AUGUST, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	274	12	4.38%	4	1.46%	2	0.73%	1	0.36%	19	6.93%	3	1.09%
Banknorth Mortgage Co.	754	32	4.24%	8	1.06%	10	1.33%	5	0.66%	55	7.29%	1	0.13%
Bennington Co-op S&L Assoc.	37	1	2.70%	0	0.00%	0	0.00%	0	0.00%	1	2.70%	0	0.00%
Brattleboro Savings & Loan	18	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Chittenden Bank	973	46	4.73%	22	2.26%	4	0.41%	6	0.62%	78	8.02%	2	0.21%
Citizens Savings Bank	99	5	5.05%	1	1.01%	2	2.02%	1	1.01%	9	9.09%	2	2.02%
Community National Bank	281	10	3.56%	2	0.71%	3	1.07%	0	0.00%	15	5.34%	2	0.71%
Factory Point Nat. Bank	35	2	5.71%	1	2.86%	0	0.00%	0	0.00%	3	8.57%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	1	8.33%	0	0.00%	0	0.00%	0	0.00%	1	8.33%	1	8.33%
Fleet Mortgage	42	1	2.38%	4	9.52%	2	4.76%	0	0.00%	7	16.67%	0	0.00%
GMAC Mortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Gramite Bank (NH)	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	211	10	4.74%	5	2.37%	10	4.74%	3	1.42%	28	13.27%	5	2.37%
Green Mountain Bank	164	9	5.49%	4	2.44%	0	0.00%	1	0.61%	14	8.54%	0	0.00%
Homeside Lending, Inc.	288	12	4.17%	2	0.69%	1	0.35%	3	1.04%	18	6.25%	3	1.04%
Lyndonville Savings Bank	58	2	3.45%	1	1.72%	0	0.00%	0	0.00%	3	5.17%	0	0.00%
Merchants Bank	315	11	3.49%	3	0.95%	3	0.95%	5	1.59%	22	6.98%	1	0.32%
Mortgage Service Ctr. of NE	90	4	4.44%	4	4.44%	3	3.33%	2	2.22%	13	14.44%	2	2.22%
National Bank of Middlebury	62	3	4.84%	0	0.00%	0	0.00%	0	0.00%	3	4.84%	0	0.00%
New England Federal CU	45	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	116	1	0.86%	2	1.72%	1	0.86%	2	1.72%	6	5.17%	1	0.86%
Passumpsic Savings Bank	175	5	2.86%	3	1.71%	0	0.00%	1	0.57%	9	5.14%	3	1.71%
Peoples Trust Co.	97	9	9.28%	1	1.03%	0	0.00%	0	0.00%	10	10.31%	0	0.00%
Randolph National Bank	44	2	4.55%	0	0.00%	0	0.00%	0	0.00%	2	4.55%	0	0.00%
Union Bank	168	8	4.76%	4	2.38%	4	2.38%	2	1.19%	18	10.71%	0	0.00%
Vermont Development CU	26	2	7.69%	1	3.85%	1	3.85%	0	0.00%	4	15.38%	0	0.00%
Vermont Federal Bank	1089	68	6.24%	11	1.01%	10	0.92%	9	0.83%	98	9.00%	2	0.18%
Vermont National Bank	608	24	3.95%	9	1.48%	11	1.81%	7	1.15%	51	8.39%	1	0.16%
Vermont State Employees CU	0	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	35	2	5.71%	1	2.86%	1	2.86%	0	0.00%	4	11.43%	1	2.86%
Totals	6121	282	4.61%	93	1.52%	68	1.11%	48	0.78%	491	8.02%	30	0.49%
Totals Previous Month	6006	316	5.26%	81	1.35%	78	1.30%	45	0.75%	520	8.66%	28	0.47%
Totals Same Mo. Last Yr.	5791	268	4.63%	64	1.11%	86	1.49%	27	0.47%	445	7.68%	33	0.57%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: August, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	Interest	To Date Expenses	Claim Payment	Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Bilodeau Georgia	$94,900	$94,900	$88,065	$ 4,724	$ 7,683	$ 5,572	N/A	N/A	N/A
Chicoine Fletcher	$72,000	$72,000	$77,205	$ 6,496	$23,844	$17,050	($18,495)	N/A	($18,495)
Laporte Holland	$42,500	$41,000	$62,569	$ 7,487	$ 6,032	$13,971	($21,117)	N/A	($21,117)
Brow Barton	$45,000	$30,000	$49,124	$ 5,752	$ 6,208	$ 8.800	($22,284)	N/A	($22,284)
Percey Bennington	$52,500	$52,000	$49,995	$ 3,833	$11,713	$11,000	($ 2,514)	N/A	($ 2,514)

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

DRL

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

DATE: September 24, 1996

RE: Discussion on the conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates (MCC) authority and authorizing the 90 day public notice of the program as required by the Internal Revenue Service Tax Code.

Conversion of Mortgage Revenue Bonding (MRB) authority to Mortgage Credit Certificates(MCC) authority

Background

The last conversion of MRB authority to MCC authority took place in 1994. The MRB authority converted at that time can only be used to issue MCC commitments until December 31, 1996. Unless more recent MRB authority is converted to MCC authority, VHFA will have to notify participating lenders that it may not issue MCC commitments after December 31 and will effectively end the MCC program until a new one is announced.

The VHFA MCC program has gained statewide usage by 17 participating lenders. This is evidenced by the use to which these lenders are incorporating the program into their affordable housing initiatives. For the period of July 1995 through June 1996, MCC authority in the amount of $1.7 million was utilized which represents approximately $8.4 million in mortgages. Staff estimates that up to 120 MCCs representing $9 million in mortgage loans could be issued from January 1997 through December 1997 and that $9 million in MRB authority should be converted to MCC authority to fund the MCC program.

Available Authority

Currently VHFA has $61.8 million of MRB authority available for issuing mortgage revenue bonds and conversion to MCC authority. All of this amount is from 1995 authority.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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Authority converted from this source can be used to issue MCCs until December 31, 1997. Staff recommends the conversion of up to $9 million of 1995 MRB authority to MCC authority.

Discussion of Authorization to publish 90 day public notices for the program as required by the Internal Revenue Tax Code

Background

The last time VHFA published the public notices for its MCC program, as required by Section 25 of the Internal Revenue Code of 1986 and Treasury Temporary Regulations, was in 1994. Staff is requesting the authorization for the public notices at this time because of the change in the source of the MCC authority. As discussed above, staff is recommending the use of 1995 MRB authority for the continuation of the MCC program.

Recommended Board Action

Approval of the attached resolution authorizing the conversion of up to $9 million of 1995 MRB authority to MCC authority and publication of the required public notices with the inclusion of the income and purchase price limits approved by the Board.

RESOLUTION PERTAINING TO ELECTION OF VERMONT HOUSING FINANCE AGENCY TO CONVERT MORTGAGE REVENUE BOND AUTHORITY TO MORTGAGE CREDIT CERTIFICATE AUTHORITY

WHEREAS, by a vote taken on January 24, 1995, the Emergency Board of the State allocated to the Agency $70,000,000 of the State's 1995 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 Governor of the State of Vermont allocated an additional $20,000,000 of the State's 1995 Volume Cap to the Agency on December 28, 1995; and

WHEREAS, the Agency carried forward the $90,000,000 in Volume Cap from 1995, which Volume Cap may be used for the purposes of mortgage revenue bonds or mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1997; and

NOW THEREFORE, in order to establish the Agency's 1997 Mortgage Credit Certificate Program 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 has previously elected to utilize $90,000,000 of its 1995 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 $9,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1996.

3. The Executive Director, Director of Finance, and the Director of Single Family 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 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.

    D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined by the Agency.

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VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Single Family Programs DRL

DATE: October 9, 1996

RE: Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process - July 1, 1996 through September 30, 1996

VOLUME

LOANS SELECTED FOR REVIEW

A total of 326 loans were guaranteed by VHMGB during the above period. Of these, 200 were loans to be purchased by VHFA, and 126 were conventional. The conventional loans were further broken down into 84 fixed rate loans and 42 adjustable rate loans.

Thirty-five (35) loans guaranteed by VHMGB were randomly selected by the computer to participate in the quality control process. Of these, 15 loans were to be purchased by VHFA and 20 were conventional loans. The conventional loans were further split as 14 fixed rate and six adjustable rate loans.

The chart below demonstrates a comparison by percentage of the loans guaranteed and the loans pulled for quality control review.

Category	VHFA	Conv.	Fixed	Adj.
Total Loans Guaranteed In Period	61%	39%	67%	33%
Total Loans Pulled for QC	43%	57%	70%	30%

Based on the above, it appears as though a disproportionate number of conventional loans were pulled for quality control review as compared with the percent of conventional loans guaranteed. I believe that this is an anomaly for this period, as previous periods have been a much more accurate reflection of the loans pulled for quality control as compared with the loans guaranteed.

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LOANS WHICH HAVE BEEN COMPLETED

Sixteen (16) loans completed the quality control process during the period. Most of these loans were selected to participate in the quality control process in the previous period. Of the loans completed, three were loans sold or to be sold to VHFA and 13 were conventional loans. The conventional loans were split nine fixed rate and four adjustable rate.

FINDINGS ON LOANS REVIEWED

Of the loans completing the quality control process, five required that the original appraiser justify their value findings based on a review appraisers' comment. All were able to justify the values placed on the properties within a tolerance of 5%.

On one loan the gift letter was unable to be verified. We requested the assistance of the originating lender as well as the borrowers. However, a gift verification was never received. All of the other documentation was verified and a bank statement from the borrowers indicated a deposit for the amount shown of the gift letter. It was therefore concluded that the gift was valid and the provider simply refused to verify.

FREDDIE MAC AUDIT OF VHMGB

In early September, Freddie Mac sent a team to conduct an audit of VHMGB for compliance with Freddie Mac guidelines as a public mortgage insurer. At the closing interview, they indicated that Freddie Mac's position on quality control has changed, although their manuals have not and probably would not be updated to reflect this change, from one of selecting loans after they have been guaranteed to targeting certain aspects and doing the quality control prior to guarantee. Once VHMGB receives the final audit letter, we will discuss implementing the changes Freddie Mac recommended.

RECOMMENDED BOARD ACTION

No Board action necessary.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

DRL

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

DATE: October 11, 1996

RE: Mortgage Funds Available as of June 30, 1996

RECYCLABLE FUNDS

	RATE	POINTS	AMOUNT
88B	8.90%	2.00	$ 8,166,064
89A	8.89%	2.00	$ 18,757,467
89B	8.70%	2.00	$ 15,445,991
901			
902			
903			
901-3	8.25%		$ 8,279,412
905	8.15%		$ 1,166,754
906	7.55%	1.00	$ 814,472
907	6.95%		
Sub Total			$ 52,630,160

ORIGINAL PROCEEDS

	RATE	POINTS	AMOUNT
88B	8.90%	2.00	$
89A	8.80%	2.00	$
89B	8.70%	2.00	$
901	7.95%		$
902	8.15%	2.00	$
903	8.25%		$
904	7.45%	1.00	$
905	8.15%		$ 392,043
906	7.55%	1.00	$ 6,195,066
907	6.95%	1.00	$ 40,440,500
Sub Total			$ 47,027,609
Total			$ 99,657,769

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Samuel J. Falzone, Director, Multifamily Management**

DATE: **October 1, 1996**

RE: **1996 LIHTC Compliance Monitoring Update**

This year, 59 projects were subject to LIHTC compliance monitoring. Of these, 39 required on-site tenant file reviews and physical inspections. The remaining properties were subject to desk audits based on submission of the Owner's Annual Certification and Annual Status Reports. In addition to tax credits, VHFA Multifamily staff also completed HOME and VHCB monitoring tasks while on-site at properties where these programs had been used in conjunction with tax credits.

In our continuing effort to improve the efficiency of all monitoring activities, much of this work was coordinated with the Section 8 audits, HUD and VSHA physical inspections and the routine VHFA monitoring activities where there was also an Agency loan. We also signed a Memorandum of Understanding with Rural Development that allows us access to their rental data as part of our monitoring process.

Although the number of tax credit projects will increase to 68 in 1997, we expect to be able to handle this responsibility with existing staff, along with the improved coordination mentioned above. Our success in this area could not have been achieved without the extraordinary efforts of Management Officer, Kim Roy. Over the past three years, she has established a comprehensive and very organized monitoring system. During the GAO's visit to VHFA in May, it was apparent from their reaction that they were impressed with exceptional detail and organization of our compliance monitoring program. Kim has also been responsible for training multifamily staff so that everyone in the department is now contributing to VHFA's LIHTC compliance monitoring effort.

Noncompliance findings that we have been required to report to the IRS continue to be generally minor in nature. With the exception of one project that was never in compliance and withdrew from the program, noncompliance has been limited to insufficient documentation, ineligible residents in restricted units, rent charges in excess of tax credit maximums and owners' failure to submit annual compliance certifications.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: OCTOBER 10, 1996

RE: FISCAL YEAR JUNE 30, 1996, AUDIT RESULTS

The audited financial statements for the fiscal year ended June 30, 1996, are enclosed as completed by our auditors, KPMG Peat Marwick. In addition to the audit, the auditors are preparing additional letters addressing internal controls and conduct of the audit. These reports should be available by the Board meeting and will be sent to the State Auditor of Accounts as required.

Some highlights of the past year follow:

- Total assets increased from $559 million to $602 million for the year, primarily due to the purchase of mortgages exceeding prepayments by $17 million and proceeds collected from the sale of bonds exceeding redemptions of bonds by $38 million.

- On an overall basis, the Agency's total revenues exceeded expenses for the year in the amount of $2.4 million compared to a $1.5 million surplus in FY95 and a loss of $250,000 in FY94. Last year's surplus was enhanced by about $400,000 due to accounting standards adjustments. We benefited this year by $100,000 due to a change in recognition of single family fee income. We incurred actual losses on single family properties during the fiscal year of approximately $1,100,000 (compared to $850,000 for FY95) and also boosted our loss reserve to $900,000 an increase of $370,000.

- The General Fund balance decreased by $119,000 due to loss from operations exceeding transfers from bond programs the for the fiscal year, to $6.2 million, of which about $1 million is available in cash.

If you have any questions regarding the contents of the audited financials, the management letter, the compliance report or the contents of this memo, feel free to contact me at your convenience.

<u>Recommended Board Action</u>:
Acceptance of the audit and special reports as presented.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **OCTOBER 10, 1996**

RE: **GENERAL FUND BUDGET PERFORMANCE**

Attached to this memo is the budget performance report for the fiscal year ending June 30, 1996. The report agrees to the audited financials by adjusting for $273,247 of net fee income recognized on the audited financials from prior year deferrals but not collected during the fiscal year and therefore not shown on the budget report.

INCOME. We finished at 102% for the income categories. We utilized more investable funds for loan purposes which has increased our total interest income over the budgeted amount. Single family loan activity has been stronger than anticipated and we have collected more rental income than originally budgeted (miscellaneous income category.) Charges were held down to the Vermont Home Mortgage Guarantee Board.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected with two major exceptions we discussed previously. The Howard Multi-Family program has decreased cash availability due to the recycling of prepayments that we have undertaken. The General Fund has had to contribute $650,000 to the Single Family Housing Bond program to cover loan losses.

EXPENSES. Total expenses ended at 94% of budget and therefore within the expense constraints for the fiscal year. The only "surprise" in the expenses was a setup for accrued vacation in the amount of $60,000, that was neither budgeted nor recorded in the past. All other expenses were close to expectations.

CAPITAL BUDGET. The approved capital budget for the fiscal year was $139,000, of which $116,400 was expended representing 84% of the capital budget.

If you have any questions, please contact me at your earliest convenience.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
JUNE 30, 1996

	APPROVED BUDGET	AUDITED 6/30/96	% BUDGET RECOGNIZED
INCOME			
SINGLE FAMILY FEES	66,000	136,390	206.65%
MULTI-FAMILY FEES	125,000	83,687	66.95%
PROJECT ADMIN FEES	104,000	89,359	85.92%
INTEREST INCOME-LOANS	300,000	359,948	119.98%
INTEREST INCOME-INVEST	90,000	73,163	81.29%
VHMGB CHARGES	350,000	297,135	84.90%
MISCELLANEOUS	45,000	66,008	146.68%
TOTAL INCOME	1,080,000	1,105,690	102.38%
FUND TRANSFERS			
SINGLE FAM HOUSING	75,000	(580,778)	-774.37%
FLEET MTG PURCHASE	100,000	100,000	100.00%
HOWARD MTG PURCHASE	1,250,000	1,250,000	100.00%
HOWARD HOME MTG PURCH	300,000	319,200	106.40%
HOWARD MULTI-FAMILY	430,000	240,000	55.81%
FLEET MULTI-FAMILY	75,000	75,001	100.00%
HOUSING DEVELOP BDS-MF	0	10,000	N/A
DIRECT PLACEMENT BONDS	35,000	35,000	100.00%
TOTAL TRANSFERS	2,265,000	1,448,423	63.95%
TOTAL INC & TFRS	3,345,000	2,554,113	76.36%
EXPENSES			
ADVERTISING & PROMOTION	112,000	101,466	90.59%
AUDIT	36,000	36,095	100.26%
ANNUAL REPORT	12,500	12,428	99.42%
COMMISSIONERS EXPENSES	5,000	2,293	45.86%
CONSULTING FEES	56,300	43,463	77.20%
DEPRECIATION	165,000	141,126	85.53%
DUES & SUBSCRIPTIONS	29,440	30,491	103.57%
INSURANCE	190,000	182,392	96.00%
INTEREST EXPENSE	65,000	65,752	101.16%
LEGAL	45,000	40,535	90.08%
MISCELLANEOUS	24,500	24,947	101.82%
OCCUPANCY EXPENSE	95,000	74,180	78.08%
OFFICE EXPENSES	37,500	38,357	102.29%
PENSION PLAN	132,000	121,432	91.99%
POSTAGE	25,000	17,003	68.01%
REPAIRS & MAINTENANCE	55,000	43,641	79.35%
SALARIES & WAGES	1,491,697	1,514,354	101.52%
STAFF TRAVEL & TRAINING	65,000	61,731	94.97%
SUBSIDY-HOUSING VT, ERH	88,000	56,308	63.99%
TAXES-PAYROLL	113,200	105,936	93.58%
TELEPHONE	35,000	30,402	86.86%
TRUSTEE & CREDIT FEES	250,000	201,971	80.79%
TOTAL EXPENSES	3,128,137	2,946,303	94.19%
SURPLUS (DEFICIT)	216,863	(392,190)	-180.85%

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA BOARD OF COMMISSIONERS**

FROM: **ROGER A. SCHOENBECK, DIRECTOR OF FINANCE** RAS

DATE: **OCTOBER 11, 1996**

RE: **SERIES 8 SINGLE FAMILY BOND FINANCING**

Following is a synopsis of the bond financing including some key points that were discussed on the conference call on Wednesday, October 9th. We expect to have available for distribution at the Board meeting a summary review portfolio of the transaction as prepared by Evensen Dodge.

All bonds were sold to FannieMae at a rate of 6.05%. The rate was negotiated with the assistance of Evensen Dodge and compares favorably with other financings sold in the marketplace this week. A full spread mortgage rate of 7.25% with one point is expected. We originally assumed that $1.5 million of 7.75% mortgages would be included in the pool of mortgages supporting this transaction. We now expect that the pool of 7.75% mortgages will grow to $3-$4 million based on a proposed November 15 release date of the new rate, (which will coincide with the closing of the bonds). It will be important to not disclose the projected future rate as it will impact ongoing mortgage originations. We believe that we have saved approximately $300,000 in bond underwriting and issuance costs. AMBAC provided us a surety bond to cover our loan loss claim fund and contingency coverage liabilities. Our calculations indicate that based on the Guaranteed Investment Contract (GIC) bids received, that we will not encounter any negative arbitrage. Finally, the cash flow projections indicate earnings over the 35 year life of the financing to be $11.5 million in the expected case, the present value of those earnings are approximately $1.4 million.

If you need any further information prior to the Board meeting, please contact me at your convenience or bring your questions to the Board meeting.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications, Ext. 224

DATE: October 11, 1996

RE: FY96 Business Plan - Year End Results

Attached are the FY96 Business Plan year end results (as of June 30, 1996). The Business Plan summary is in the customary format indicating actual results against our goals for the year. As usual, other members of the staff and I will be prepared to address any specific questions you may have about the FY96 results at the Board meeting. As a reminder, activities set forward in the Strategic Plan which were scheduled for implementation in the FY96 Business Plan are denoted by an asterisk in the first column.

The proposed FY97 Business Plan will be developed for your consideration after Mike McNamara, VHFA's new Deputy Director, has assumed his duties and is prepared to guide the planning process. As part of that process, activities from the Strategic Plan to be undertaken in FY97 will be incorporated into the Business Plan.

Recommended Board Action: No Board action is needed.

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EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
FY96 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY95 vs. FY96 (July 1, 1995 through June 30, 1996)

* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ONGOING PROGRAMS				
MOVE (Includes IORTA)	775 mtges purch; $49,790,073	825 mtges purch; $55,000,000	SF Ops	682 mtges purch; $45,869,023
MCC (Mortgage Plus)	147 MCCs issued; $11,336,000	154 MCCs issued; $11,900,000	SF Ops	109 MCCs issued; $ 8,220,487
HOUSE (Includes IORTA)	45 loans purch; $ 2,789,832	75 loans purch; $ 4,900,000	Devel	62 loans purch; $ 3,834,249
Rural VT Mtge	25 mtges purch; $ 859,560	25 mtges purch; $ 850,000	SF Ops	36 mtges purch; $ 1,212,932
IORTA Down Payment Assist	122 loans purch; $ 7,871,585	(See "Prog/Init Being Devel" section)	SF Ops	52 loans purch; $ 3,607,661
Mobile Home Park Financing (MF)	33 units; $ 281,000	30 units; $ 300,000	Devel	45 units; $ 385,000
Preservation—Section 8	4 Pres Agree signed (114 units)	*Pending Congressional action*	MF Mgmt	0 Preservation Agreements
LIHPRHA Preservation/Westgate	Westgate Tenants Assoc funded; option agreement negotiations ongoing for Westgate/Applegate; projects on hold pending Congressional action on HUD proposals and budget	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Devel	Submitted application for HUD note sale; not approved by HUD
MF Financing	94 units closed; $3,030,506 53 units commit; $ 484,750 + pending	3 loans, 92 units $1,478,000 Expand in conjunction with refunding	Devel	5 loans committed; 175 units $2,477,000 5 loans closed; 91 units $1,086,110 Closed on 1 group home, 6 beds ($90,000)
VT Housing Ventures	6 loans closed; $ 132,300 2 loans pending; $ 60,000	7 loans $ 200,000 Continue program; evaluate risk; possibly add funding	Devel	8 loans closed; $ 127,405 2 loans (non-Ventures pre-dev) $ 49,005
SF Development/Construction	11 units; $ 750,000	50 units; $2,700,000	Devel	No activity; accepting applications
LIHTC	CAL 94: 409 units/383 TC units; $1,455,953 alloc CAL 95: 138 units/132 TC units reserved $535,214	CAL 95: Allocate 100% of available credit ($772,264 plus National Pool)	Devel	100% of avail credit allocated to projects $767,099 avail for allocation in Cal 1996
Nonprofit Training/Technical Assist	LIHTC training workshop in collaboration with VHCB	Training on new programs, other as needed	Devel	2 VHFA financing basics for nonprofits held 12/95 in Montpelier and Rutland; training on appraising affordable housing held 02/96
Home Buyer Education	4 home buyer fairs; 853 attendees 4 home buy basics wkshp; 137 attendees 5 other homeownership classes; 99 attendees	2 home buyer fairs; 850 attendees 4 home buy basics wkshp; 150 attendees 8 other homeownership classes 150 attendees; non-VHFA events as requested	Comm	2 home buyer fairs; 1,045 attendees 3 home buyer wkshps; 72 attendees 7 homeownership classes; 90 attendees 4 non-VHFA events; 90 attendees
Cooperative Advertising	$7,500 allocated to 7 nonprofits; $5,465 dispersed to 6 nonprofits	$8,000 allocated for nonprofits; develop cooperative advertising program for lenders and real estate firms	Comm	4 mailings for nonprof to 4,000 consumers; 2,000 flyers in RE newsletter; $8,700 awarded for nonprofits; $5,633 disbursed
Dalton Drive Commercial Buildings	#504 under negotiation; P&S pending; #600 active interest from local nonprofit	Sell both buildings, with VHFA financing both acquisitions	Admin	#504 sold $165,000; #600 letter of interest expired 01/15; option agreement in progress

VERMONT HOUSING FINANCE AGENCY
FY96 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
FY95 vs. FY96 (July 1, 1995 through June 30, 1996)					
ONGOING PROGRAMS (Continued)					
	Section 8 Refunding	Program development in process for refunding savings; $24,325,000 refunding bonds closing 05/21/95; allocation process begun	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	Refinanced $401,110 of St. Johnsbury project out of proceeds at 0%; dedicated savings to supplement Winchester deficits; instituting plan for committing 1 year of savings in advance
	Lead Paint Response	Committed $1,000,000 loan participation in VHCB lead paint program; HB.471 (comprehensive response required) introduced; no payout until signed into law	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Devel	Committed $1,100,000 loan participation in VHCB lead paint program; HB.778 passed House and Senate
	VHMGB Program Administration	All current VHMGB guarantee programs now being administered by VHFA	Separate business plan being developed for VHMGB programs (attached)	SF Ops	See separate VHMGB business plan (attached)
	MF Construction	Formal program initiated; 1 loan pending; 26 units; $1,270,000; letter of interest	3 loans $2,000,000 Market program and expand lending	Devel	1 loan closed; 58 units; $ 690,000 1 loan committed, 25 units; $1,500,000
	Special Needs Housing	1 application pending 05/95 $85,000; group home; 1 homeownership application in process $57,500; homeownership initiative started	MOVE/HOUSE Pilot 10 loans; $ 600,000 In coordination with Home of Your Own Alliance Coalition	Devel	2 loans closed; $173,000 (in HOUSE totals)
	Bridge Financing Initiative	Lines of credit for nonprofit acquisitions of SF resales. LCHDC $150,000; RAHC $36,000; "Bridge" Financing Initiative"	Monitor existing lines of credit	Devel	LCHDC Commitment $150,000 03/96, $0 outstand bal; RAHC commitment extended to 03/97, outstand bal = $10,500
PROGRAMS/INITIATIVES BEING DEVELOPED					
*	Home Improvement/Qualified Rehab	Home improvement program development in process	Implement; 150 loans; $1,300,000	Devel	Survey completed; preliminary program being developed; target implementation Spring 1997
	Proactive Servicing (SF)	Research in progress; computer system implemented	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY96	Finance	Began work with Merchants Bank on electronic data transfer system; instituted VHMGB annual billing
	Expand Down Payment Assistance (IORTA)	VHMGB has granted an additional 50 guarantees in support of this program for FY96; staff working on issues of property inspections, targeting and energy	Secure at least 150 more Down Payment Assistance guarantees from VHMGB for MOVE. Better utilize the RECD guarantee program.	SF Ops	Total allocation of 100 loans has been reserved; in process of purchasing the loans
*	Monitoring: Streamline Statewide Programs	Coordination with VSHA ongoing; has begun with HVT and Burlington City Inspections	Combine VHFA, HVT, Section 8, Tax Credit and VHCB monitoring requirements where practicable	MF Mgmt	Coordination with VHCB has begun with their HOME and grant programs; MOU has been signed with Rural Development
	Condominium Project Inspections	Compiling list of VHFA-approved condo projects and locations; formatting inspection protocols	Conduct inspections using MF form and photograph at each location (50 condo developments)	MF Mgmt	43 inspections have been completed

VERMONT HOUSING FINANCE AGENCY
FY96 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY95 vs. FY96 (July 1, 1995 through June 30, 1996)

	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
PROGRAMS/INITIATIVES BEING DEVELOPED (Continued)					
	Burlington Enterprise Community	Committed up to $2,000,000 for a rental rehabilitation initiative	Program development and implementation in conjunction with CEDO and local nonprofits	Devel	VHFA was represented by BCLT at Enterprise Community Fair 10/14; VHFA staff partic in 04/27 Home Buyer Fair; 10 down payment assist loans released 04/96
*	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium		Program development	Devel	FHLB used with 1 loan $ 690,000 No loan consortium used
*	Homeownership Centers: Expand Down Payment Assistance; Improve Financing for 3-4 unit owner-occupied	In program development	Program implementation in 3 pilot centers; 20 loan closings	Devel	$60,000 in capacity funding, plus $100,000 in IORTA funds approved by Board; Centers are fully operational and have begun to work with potential home buyers
*	Expand Energy Lending Activities	In program development for rental properties (owner-occupied and investor-occupied)	Program development and implementation in conjunction with VT OEO weatherization program	Devel	VHFA and lenders were ready to go 05/96; VTOEO delayed implementation until 08/96 pending approval from USDOE
	Homeownership Counseling	Continuation of feasibility study in light of strategic planning	Complete feasibility study; explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development
ANALYZE FOR FUTURE IMPLEMENTATION					
*	Financing for Assisted Living	Participated in advisory committee on assisted living	Develop financing options in conjunction with other state agencies, et al.	Devel	Executive Director serves on assisted living advisory committee; considering assisted living financing options; HVT worked on proposal with THM, Inc.
ACTIVITIES IN SUPPORT OF PROGRAMS					
*	Increase Efficiency of MF Lending Process	1. Review underwriting standards 2. Develop new informational application and marketing materials (underway); one page program descriptions completed; others in development 3. Accelerate loan processing 4. Increase efficiency of closing process	1. Finalize and implement new standards 2. Complete and coordinate with other state agencies 3. Continue work on closing process 4. Identify and implement other potential efficiencies.	Devel	Board approved revised MF underwriting standards; revised application form on hold; MF Mgmt/Dev/Legal discussing ways to make lending process more efficient
	Housing Policies State/Fed Level	Assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings	Identify and participate on critical issues	Admin	Executive Director serves on assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidated Plan; Lead Paint Hazard Commission
	Housing Vermont	Evaluation ongoing	Continue evaluation and monitoring; maintain oversight role	Finance	Ongoing evaluation

FY95 vs. FY96 (July 1, 1995 through June 30, 1996)

	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
	Cash Flow: Analyze Alternatives	No progress	Review demo programs in-house	Finance	Decided to switch cash flow program to Evensen Dodge using system compatible with potential in-house program.
	Statewide Affordable Housing Activity/Promotion	Housing "Action Day" held 09/94	Participate in planning and conducting FY96 activity in conjunction with Governor's office	Comm	Statewide conference planned for 09/16/96
	MF Management	97 developments (2,771 units)	100 developments (2,900 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	103 developments (2,908 units) currently in portfolio
	Lender Training	46 sessions held; 341 participants	50 sessions; 500 participants Evaluate training format/efficiency	Comm	30 sessions held; 215 participants 2 sessions with nonprofits held; 19 participants
	Computer Software/Hardware Convert	Computer conversion in progress	Finalize installation of all MITAS modules; retire HP system	Admin	Mitas computer conversion completed; HP retired 04/96; Mitas upgrades will be installed as needed
	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	LIHTC allocation plan developed; consistent with HUD Consolidated Plan
*	Direct Servicing		Pursue service opportunities for VHFA mortgage loans when/where appropriate; VHFA currently services 152 loans totalling $1.7 million; of these, 115 are mortgage loans	Finance	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages. Reviewed first purchase of portfolio mortgages (300) for direct servicing
	LIHTC Compliance Monitoring	45 projects totalling 1,900 units	59 projects totalling 2,223 units	MF Mgmt	52 compliance audits completed
	Training for RE Professionals	4 course sessions held; 79 attendees; presentations made at 5 regional RE Board meetings	6 course sessions; 200 attendees; presentations at 8 RE Board meetings	Comm	6 course sessions held; 111 attendees 4 Real Estate Board meetings; 76 attendees
	Strategic Planning	Completed for FY96-FY2000	Integrate Year 1 goals into Bus Plan	Comm	Year 1 goals integrated into Business Plan; progress to date analyzed 03/96
	Regional Attorneys	Opened 45 files; supervised 61 cases; closed 39 files	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 90 cases; handled 125 cases; estimate closed 65 cases
	Quality Control	Procedures are being developed to conform VHFA and VHMGB quality control process and procedures to secondary market requirements	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	VHFA quality control procedures conform to secondary market guidelines; are integrated with VHMGB quality control process
*	Address Homelessness		Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Devel/Comm	600 Dalton Drive will provide housing with services for people living with HIV/AIDS, many of whom were previously homeless

FY95 vs. FY96 (July 1, 1995 through June 30, 1996)					
	* = FROM STRATEGIC PLAN	FY95 ACTUALS	FY96 GOALS	DEPARTMENT	FY96 ACTUALS TO DATE
ACTIVITIES IN SUPPORT OF PROGRAMS (Continued)					
*	Data Collection, Analysis, Dissemination of Housing Data		Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	Reduced Research Analyst position to 60% time; will continue to maintain level within our capacity
	Promote VHFA's Affordable Housing Programs Through Advertising		Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Spring campaign completed; 4,400 Helpline calls received; 1/3 of all VHFA borrowers also called Helpline; enhanced screening capacity helps callers determine what price home they can afford and provides targeted info; Fall campaign planning underway; focus on assistance to prepare for homeownership
	Communications Plan		Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	List of printed materials for re-design completed; re-design in progress
	Loan Servicing	31 lenders 5,683 loans $293 million	Maintain current levels as needed	Finance	30 lenders 6,136 loans $321 million

FY95 vs. FY96 (July 1, 1995 through June 30, 1996)			
	FY95 ACTUALS TO DATE	**FY96 GOALS**	**FY96 ACTUALS TO DATE**
ONGOING PROGRAMS			
Guarantees Issued	1,222 issued; $16,929,216 coverage	1,250 issued; $21,100,000 coverage	869 issued; $16,149,148 coverage
Lead Hazard Mgmt Loan Guarantee	Guarantee program developed and initiated	10 loans @ $5,000 per loan; $45,000 coverage	None to date
PROGRAMS/INITIATIVES BEING DEVELOPED			
Monthly Premium	Initial research underway; preliminary discussions held with VHMGB Board. Fee structure statutorily in place to make this a viable option.	Board approval and program implementation by 12/31/95	Program initiated and being used by lenders
Universal Claim Form	Available on computer; will incorporate with re-write of VHMGB procedural guide	Obtain VHMGB Board approval for the replacement of current claim form. Introduce change to lending community by 09/30/95.	To be incorporated into VHMGB claim procedure once a new Master Policy is in use
Claim Payment Policy		Obtain VHMGB Board approval to pay guarantee claims prior to sale of property by lender.	To be incorporated into VHMGB claim procedure once a new Master Policy is in use
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Program parameters being developed; may use FHA Title I as guarantee vehicle in pilot stage	Participate with VHFA Development in expansion of current VHMGB loan guarantee program to incorporate home improvement loans	Participating with VHFA in development of their program to be guaranteed by FHA Title I
Delegated Underwriting	Initially researched process used by PMI industry: approved lenders may obtain authority to underwrite conventional mortgage loans for guarantee/mortgage insurance coverage.	Obtain VHMGB Board approval of concept and position VHMGB to offer this in the later part of 1996	Approval of VHMGB Board obtained; first step is not reviewing conditions; target date for implementation of not reviewing conditions 10/96
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation		Completely rewrite VHFA and VHMGB guides to consolidate origination and servicing process; to be completed by 12/31/96	New master policy under consideration; procedural guide will be updated after final new master policy is accepted and any necessary rule changes made
Quality Control	Per agreement with secondary market, quality control process was backlogged by 9 months; process brought current and VHMGB passed secondary market audit	Continue to keep quality control process current and in compliance with secondary market guidelines	Process is up-to-date and in compliance with secondary market guidelines
Reinsurance	VHMGB Board has authorized staff to research possibilities	Ascertain whether guarantee authority can be expanded through the use of this vehicle and present findings to VHMGB Board	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote
Computer Data Clean-Up	Reconciliation of loans sent out to lenders for completion	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Larger lenders are reporting annual information on disk

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications

DATE: October 10, 1996

RE: FY97 Marketing Plan

Advertising is one of the vehicles in the promotion of VHFA's programs and enhancement of our single family portfolio. Our consumer outreach program, training efforts, real estate professional contacts, and opportunities via the press all contribute to "getting the word out" about VHFA.

VHFA's FY96 media marketing campaign met all goals for the year which were designed to complement the Agency's strategic planning objectives, namely to promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts (Strategic Planning Objective #9).

1) Over 4,500 consumer calls were received at VHFA's Helpline in FY96. This volume of calls is consistent with the level received in FY95, and was accomplished with the same budget amount ($100,000). Governor Dean's advertisements in the fall, followed by Vermont storyteller Mac Parker's in the spring campaign, were very successful. VHFA's media advertising campaign results in many consumers learning about VHFA and directing inquiries to participating lenders. The development of a mail-in consumer coupon has proven to be an effective tool for potential borrowers who prefer to communicate with our consumer assistants by mail.

   Our spring media advertising campaign was postponed until May when the Series 7 Bond Issue proceeds became available: the campaign ended on June 30th.

2. We developed a pilot "Promotional Advantage" cooperative advertising program with real estate firms in three distinct regions of the state. The goal of this program is to encourage real estate agencies to promote VHFA in their ads at no cost to VHFA. The results of this pilot program, which was initiated in June, have not yet been analyzed, but anecdotal information is promising.

3. Substantial research was done during FY96 to examine the relationship between Helpline inquiries and the volume of VHFA loans. When we matched caller-based

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information with VHFA borrower data for 1995 and early 1996, we found a conversion rate of 33%: one-third of all borrowers who received VHFA mortgages made in 1995 had previously contacted VHFA's Helpline. This resulted in approximately $22 million in VHFA loans being made. This correlation confirms that advertising does play a major role in generating loan activity and reinforces our marketing efforts to date.

In addition, we began using new computer software in January which enables us to send better targeted collateral materials to the Helpline callers and to track data about our callers throughout Vermont.

FY97 - Theme and Targeting of Campaign

The overall approach in FY97 will be significantly different than in the previous three years of our media campaign. The goal of the campaign is consistent, i.e., to complement the Agency's strategic planning objectives, namely to promote VHFA's affordable housing programs and to build upon VHFA's successful public education and informational efforts. However, the strategies we employ provide more of an educational orientation and promote VHFA's association with participating lenders across Vermont. Details include:

1) A larger portion of the $100,000 total budget is devoted to home buyer education events. The Chittenden County Home Buyer Fair, adult education classes, and a pilot in-depth home buyer education class all require more paid advertising. Approximately $20,000 will be devoted to advertising VHFA consumer events.
2) The general advertising campaign is more educational in nature. Included in each ad is a "tip" to encourage saving and reduction of debts.

   We plan to supplement the general brochure with materials developed by Fannie Mae, Freddie Mac, Consumer Credit Services, and other generic materials which discuss in greater depth the tips topics.

   - Our target audience remains those Vermont households in the $20,000 to $40,000 income range who have thought about buying a home but have not taken the first step.
3) Advertising for consumer events will began in early September: general advertising began on October 9th.
4) Within the constraints of the current budget, we will have a year-round media presence (except Holiday season) because the home buying process is not seasonal in nature. We want buyers to know about homeownership *before* they begin discussions with a lender or real estate professional.

   Strategies:
   - Continue to stretch our print and radio media dollars by targeting outlets in the four larger counties which provide statewide coverage. In 13 of 14 counties, the percentage of Helpline calls increased in FY95 using this

approach.

- Emphasize radio advertising in order to reach the younger, radio-listening segment of our target population.

We are retaining the services of Frascino Consulting of Burlington and Creative Communications of Richmond to assist in the creative design and media buying aspects of the FY97 advertising campaign. They have successfully worked with VHFA for the past three years and presented an excellent plan which accommodates VHFA's shift in direction.

Other aspects of the FY marketing plan include:

1) Complete pilot "promotional advantage" cooperative advertising program and offer to real estate companies on a statewide basis. Develop a similar program for participating lenders which complements our print ads and creates an integrated approach.
2) Develop low-key lender and real estate recognition events around the state. Introduce lenders to VHFA's underwriting staff, highlight high-volume VHFA producers.

The 1996 Fannie Mae Renter Survey, as well as previous VHFA research, shows that the vast majority of Vermont renters want to own a home. Our goal is to help them achieve homeownership in the near future using VHFA products when appropriate. We will continue to plan our media campaign in conjunction with our outreach efforts with consumers, lenders, housing nonprofits and real estate professionals to maximize its effectiveness.

__Recommended Board Action:__ No Board action is needed. Attached is a sample of one of the general campaign print advertisements.

20,000 Vermonters bought their homes because they turned to VHFA for help.

If you earn $20,000 to $40,000 we'd like to help *you* get a mortgage, too.

Vermont Housing Finance Agency (VHFA) has worked with local banks, mortgage companies and credit unions for 22 years to make homeownership affordable for Vermonters.

At VHFA we'll give you the information you need to open the door to home ownership. We'll tell you about our mortgage options with low interest rates, figure out what you can afford to buy and help you get started.

VHFA's Helpful Tip **#1**

• **Start a savings plan!**
Develop a monthly budget. This makes it easy to see where your money is going and to manage your expenses better.

Try setting aside a little from your paycheck, and put the money in a separate savings account. When you pay off an existing debt, don't let the money you had been setting aside slip away unnoticed – save it!

Take the first step to home ownership today!
Call the VHFA Helpline at

1-800-287-8432
TDD 1-800-586-5832

vhfa
VERMONT HOUSING FINANCE AGENCY

A not-for-profit agency providing affordable homeownership options

LENDER

October 8, 1996 BFP

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
MD MaryBeth Deller, Research Analyst

DATE: October 10, 1996

RE: Evaluation of Down Payment Assistance Loans

In an effort to make homeownership opportunities available to eligible borrowers who lack the necessary cash for down payment and closing costs, VHFA has offered two major down payment assistance programs in collaboration with VHMGB. The first was the Down Payment Assistance Program (January 1987 through May 1992); the second, and current, program is IORTA (June 1992 to December 1995). Prior to the introduction of the Down Payment Assistance pilot program in June 1992, VHFA and VHMGB entered into a Risk Share Agreement which required that an annual program review and evaluation be performed. Annual reviews of the program have been performed since the introduction of the IORTA program, as per the original agreement. The results of the June 1996 evaluation are described below.

I. Description of IORTA Program Agreement

Act 86 of the 1991 Legislature required all Vermont real estate brokers to place deposits on certain real estate transactions into interest-bearing accounts (IORTA), with the interest earnings directed to VHFA. Funds must be used by VHFA to assist home buyers with down payment and/or closing costs. Under this program, a goal was set by VHFA to target 50% of the loans made each year to persons whose incomes are at or below 90% of state median income and/or persons purchasing perpetually affordable homes. The risk that VHFA assumed by offering these down payment loans is offset by interest received from deposits on real estate transactions into interest-bearing escrow accounts.

In June 1992, with the cooperation of VHMGB, VHFA introduced a new limited feature to its MOVE and HOUSE Programs which allowed eligible buyers the opportunity to purchase a home with down payment assistance. Loans with "no down payment" were made available to 150 home buyers each year, representing a total of 450 loans over a three-year period.

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EQUAL HOUSING OPPORTUNITY

The last reservation for these loans was taken in December 1994. In June 1995 the VHMGB Board of Commissioners approved an additional 50 loans for this program. Combined with funds made available through loan rejections and lender withdrawals, VHFA released an additional 100 reservations for down payment assistance loans in December 1995. Under the terms of the new release of down payment assistance loans, the home buyer must have a home inspection performed for the property, have an income at or below 90% of the VHFA income limit in their county, and contribute $500 of their own funds. As of June 30, 1996, a total of 436 IORTA loans have been purchased by VHFA.

II. Description of Analysis

As part of the pilot IORTA Program, VHMGB has requested that VHFA compare the performance of the IORTA loans with 95% LTV MOVE loans made during the same period. In addition to reviewing the performance of these loans made since June 1992, the Risk Share Agreement required that an analysis of the performance be done of a group of Down Payment Assistance loans originated from January 1987 through May 1992. This "loans past due" analysis included a comparison of these original down payment assistance loans with a 95% LTV group of loans.

In addition to comparing the "loans past due" status of the loans, the evaluation includes an analysis of the characteristics of the loans and borrowers with respect to the purchase price, geographic distribution of loans, annual income, housing debt, total debt, number of wage earners, and household size. This is done to ensure that the down payment assistance group and the 95% LTV comparison group are similar in all respects other than amounts of down payments.

III. Evaluation Results

The June 1996 evaluation includes both the original down payment assistance loans (made between January 1987 and May 1992) and the IORTA down payment assistance loans (made between June 1992 and June 1996) with 95% LTV loans made during the same time periods. The "past due" status analysis for all four groups is based on June 30, 1996, statistics. All cases in the 95% LTV loan groups were used and *weighted* in order to use as many cases as possible in the analysis. This technique reduces the possibility of biasing the sample (because the removal or inclusion of one case has a greater effect than it would with large groups in which sampling is often a preferred technique).

A. Borrower Characteristics

The Down Payment Assistance loans and the 95% LTV loans have been compared to ensure that no differences exist with respect to borrower characteristics. The original down payment assistance loans (January 1987 through May 1992) were similar in borrower characteristics to the 95% LTV comparison group. This was documented in previous evaluations.

The following tables show the comparison of the IORTA down payment assistance loans to the current 95% LTV comparison group (June 1992 through December 1995).

The two groups were compared with respect to county location, income, purchase price, household characteristics, and debt ratios. This involved using a statistical test comparing averages (means) for these variables. Statistically, the only significant difference between the IORTA and the 95% LTV loans was with respect to the average housing ratios with the IORTA group having a lower average housing debt (Table 1). A possible explanation is that the IORTA borrowers have a slightly higher income and a lower average loan amount, resulting in a smaller housing debt ratio. With these small differences between the two groups, the integrity of the current analysis is not affected.

Table 1. BORROWER CHARACTERISTICS

COMPARISON OF IORTA LOANS AND 95% LTV LOANS PURCHASED 6/1/92 THROUGH 6/30/96		
Characteristics	IORTA Loans	95% LTV Loans
Number of Loans	436	774
Average Annual Income	$29,379	$28,527
Average Purchase Price	$64,636	$68,054
Average Loan Amount	$64,418	$64,652
Average Number of Dependents	2.0	1.4
Average Number of Wage Earners	1.59	1.48
Average Borrower Age	30.9	31.0
Average Housing Debt	25.1%	26.2% *
Average Total Debt	34.3%	34.7%

* Statistically significantly different at $p = 0.05$

B. "Past Due" Status

The number of "past due" loans made between January 1987 and May 1992 (both Down Payment Assistance *and* 95% LTV loans) are, over time, *remaining stable* while the number of "past due" loans made between June 1992 and June 1996 (both Down Payment Assistance *and* 95% LTV loans) are *increasing*. The relative sizes of the portfolios for the two sets of loans are shifting: the original group is decreasing in size due to loans being paid off and the IORTA group has been increasing due to new purchases. Tables 2 through 5 illustrate these trends.

In contrast with the January 31, 1996 evaluation, the "past due" status rates for the loans made through the IORTA Program were not significantly higher than those of the 95% LTV comparison group, using standard statistical measurements, as seen in Table 2. This is in keeping with all other analyses periods. It should be noted that the loans are still relatively "unseasoned" (made since June 1, 1992). The number of "past due" loans was 36 for the IORTA loans and 33 for the weighted 95% LTV comparison group.

Table 2. IORTA Down Payment Assistance and 95% LTV Loans

Past Due Report Date	# of IORTA Loans	IORTA LOANS				95% LTV Loans (Weighted to Result in Equal Sample Size)			
		30	60	90+	Total	30	60	90+	Total
6/30/96	436	18	10	8	36	26	4	3	33
1/31/96	383	18	10	7	35	17	1	9	27
4/30/95	300	12	2	9	23	11	2	5	18
12/31/94	300	10	3	11	24	13	3	6	22
3/31/94	192	4	0	0	4	5	1	0	6
12/31/93	186	1	1	0	2	2	0	0	2
5/31/93	100	0	0	1	1	1	0	0	1
3/31/93	83	1	0	1	2	1	0	0	1

In addition to the lack of difference in "past due" status, the percentage of all loans in the foreclosure process is also not significantly different between the IORTA and the 95% LTV groups (Table 3).

Table 3. Past Due Status and Foreclosure Status for IORTA and Current 95% LTV Loans.

	Current IORTA	Current 95% LTV
Total # Loans Made	436	774
# Loans Still Active	401	723
# in Past Due Status	36	59
% in Past Due status	9.0%	8.2%
# of Loans Ever in Foreclosure	14	15
% in Foreclosure	3.2%	2.1%

An evaluation of the original Down Payment Assistance loan program also shows no significant difference in delinquency rates between the Down Payment Assistance and the 95% LTV Comparison Group loans, using standard statistical measurements (Table 4). As of June 30, 1996, the 95% LTV and the original Down Payment Assistance loans have comparable delinquency rates.

Table 4. Original Program Comparison (Loans Purchased from 1/1/87 through 5/31/92)

Past Due Report Date	DOWN PAYMENT LOANS *				95% LTV Loans **			
	30	60	90+	Total	30	60	90+	Total
6/30/96	5	6	3	14	9	3	1	13
1/31/96	8	1	3	12	9	2	4	15
4/30/95	9	4	0	13	6	2	4	12
12/31/94	13	2	0	15	11	2	4	17
3/31/94	10	3	6	19	8	2	6	16
12/31/93	10	2	5	17	11	3	4	18
5/31/93	8	0	5	13	13	2	3	18
3/31/93	10	0	8	18	8	3	4	15

* 191 Loans ** Weighting Factor = .287

The following table (Table 5) shows the comparison of "past due" and foreclosure status loans for the original program comparison. There is no significant difference between the Down Payment Assistance and 95% LTV groups with respect to past due status and percentage of loans in foreclosure.

Table 5. "Past Due" Status and Foreclosure Status for Original Program Comparison

	Original Down Payment Assistance	Original 95% LTV
Total # Loans Made	191	719
# of Loans Still Active	118	411
# in Past Due Status	14	44
% in Past Due status	11.9%	10.7%
# of Loans Ever in Foreclosure	11	37
% in Foreclosure	5.8%	5.1%

In comparison with VHFA's delinquency rate of 8.8% for the total loan portfolio of 5,987 loans, as of June 30, 1996, the delinquency rate for this analysis was comparable.

- The current IORTA loans had slightly higher total delinquency rates (9.0% compared with 8.8%). The current 95% LTV loan group was only slightly lower than the Agency's portfolio level, at 8.2%.
- Both the Down Payment Assistance loans and the corresponding 95% LTV loans made between January 1987 and May 1992 currently have delinquency rates higher than VHFA's total portfolio, at 11.9% and 10.7% respectively.

C. **At or Below 90% of Median Income**

One of the goals set forth in the Risk Sharing Agreement was that at least 50% of the down payment assistance loans would be made to borrowers earning incomes at or below 90% of the state median income. As seen in Table 6, 67% of the IORTA down payment assistance loans were below the target set in the agreement. The program was successful in meeting this goal; the 95% LTV loan comparison group had an even larger number of loans (73%) with household incomes at or below 90% of the state median income.

The analysis shows that the "past due" rate is not significantly different for groups above 90% or at or below 90% of median income.

Table 6. DISTRIBUTION OF BORROWER INCOME IN RELATION TO VERMONT MEDIAN INCOME: A COMPARISON OF IORTA & 95% LTV LOANS (6/30/96)

"NO DOWN PAYMENT" LOANS AND 95% LTV LOANS AT OR BELOW 90% OF MEDIAN INCOME						
INCOME	IORTA Loans			95% LTV Loans		
	#	%	% Past Due	#	%	% Past Due
Above 90% of VT Med. Income	132	33	10.6	196	27	8.7
At or Below 90% of VT Med. Income	269	67	8.2	527	73	8.0
Total # Active Loans	401	100	9.0	723	100	8.2

Although there are no significant differences in delinquency rates between either of the down payment assistance programs and the corresponding 95% LTV loans, the general increase in delinquency rates for all VHFA loans is of concern. This concern is being addressed through an ongoing study that has been undertaken in collaboration with the Single Family Operations Department. These results were reported to the VHFA Board previously.

On October 15th, a change in VHMGB's guidelines which requires 3% contribution of borrowers' own funds will go into effect, based on the in-process risk analysis undertaken to address loan delinquency rates. In addition, loan scoring procedures are planned, and pre-purchase and post-purchase counseling requirements are under consideration.

Recommended Board Action:

No Board Action is required.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: October 9, 1996

RE: Lead Hazard Loan Program

Last October, the Board approved a participation with the Vermont Housing and Conservation Board ("VHCB") in a lead hazard reduction reduction program. The program used $100,000 of multifamily refunding proceeds to provide interest-free deferred loans, repayable at the time of sale, to homeowners and private landlords, to make housing lead safe.

The VHCB is now requesting that the Agency amend the Agreement that the parties entered into to permit VHCB to use funds for units occupied by children under six years old but who are not necessarily severely lead poisoned. (See attached letter from Joanne LaTuchie, Director, Federal Housing Programs at VHCB). VHCB staff's reasons for the request include that, to date, they have been able to meet the financial needs of those units occupied by severely poisoned children and have several pro-active low-income homeowners with children under six who are not severely poisoned, but who need additional funds to make their homes lead safe. In addition, VHCB staff notes that the demand for lead hazard reduction work has increased dramatically and exceeds the available VHCB resources. They assert that if they could fully utilize the VHFA match, they could undertake to reduce hazards in several additional units during the grant period.

Since the VHFA funds became available, VHCB has commited $14,231 of VHFA funds for two properties.

RECOMMENDED BOARD ACTION:

Approval of the attached resolution modifying the Agency's October 12, 1995 resolution to allow a change in the conditions required in an agreement with the Vermont Housing and Conservation Board allowing Agency funds to be utilized for performing lead hazard reduction work in homes with children under six who are not necessarily severely lead poisoned.

**RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AMENDING PRIOR RESOLUTION
PERTAINING TO DEFERRED LOANS
FOR LEAD HAZARD REDUCTION**

WHEREAS, the Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor-owners desiring to make housing units lead safe and has been operational since November, 1994;

WHEREAS, federal funds available through the Vermont Housing and Conservation Board ("VHCB") have income limitations that preclude certain units from being eligible for loans;

WHEREAS, the amount of subsidy available for certain privately owned units is so low that many property owners lack sufficient financial resources to make their housing units lead safe; and

WHEREAS, the Agency has previously addressed this issue in a resolution dated October 12, 1995 (the "Resolution"); and

WHEREAS, the Agency has agreed to make available up to $100,000 of multifamily refunding savings to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when either VHCB or Vermont Community Development funds are not available or sufficient to complete a lead hazard reduction project;

NOW, THEREFORE, it is hereby RESOLVED:

1. The conditions incorporated by reference in the Resolution are amended to amend the requirement that "Funds would be utilized solely for the purpose of undertaking work in units where a severely poisoned child had been identified" to read, "Funds would be utilized solely for the purpose of undertaking work in units where a child under six resides."

2. The Executive Director is authorized to execute documents in form satisfactory to him and to take other necessary steps to incorporate this change in the Agreement entered into between the Agency and the VHCB.

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Vermont Housing & Conservation Board

136½ Main Street
Montpelier
Vermont 05602

802 828 3250
FAX 802 828 3203

September 25, 1996

Glenn Jarrett
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402-0408

Dear Glenn:

I am writing to you regarding the Lead Hazard Reduction Agreement between Vermont Housing and Conservation Board and Vermont Housing Finance Agency which loans $100,000 to VHCB for the purpose of providing silent second mortgage loans to make housing lead safe. The Agreement targets the funds to units with severely poisoned children. I am requesting that the Agreement be amended to permit VHCB to use these funds for units occupied by children under 6 years but who are not necessarily severely poisoned.

I am making this request for the following reasons:

1. We have been able to meet the financial needs of those units occupied by severely poisoned children to date;
2. We have several pro-active low-income homeowners with children under 6 who are not severely poisoned but who need additional funds to make their homes lead safe;
3. Because it took a considerable amount of time to work out the details of VHFA's match contribution we missed the opportunity to assist several households with poisoned children with VHFA funds. Through no fault, we have not been able to tap into this resource until June 1996. This delay has reduced the period available to us to utilize these resources to the last year of our 3 year grant period.
4. The demand for lead hazard reduction work has skyrocketed and exceeds the available VHCB resources. If we could fully utilize the VHFA match, we can undertake several additional units under this grant period.

I have discussed this with Jeff Francis and Paul Dettman and neither of them could recall any reason to limit the use of the funds to units with severely poisoned children as long as awards are made following VHCB's program priorities. I would appreciate it if you could respond as quickly as possible as we have applications pending that could use VHFA funds. Please call me at 828-5061.

Sincerely,

Joanne LaTuchie

Joanne LaTuchie
Director, Federal Housing Programs

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

DATE: November 1, 1996

RE: CANCELING NOVEMBER/RESCHEDULING DECEMBER BOARD MEETING

This is to inform you that the November 21 meeting of the Vermont Housing Finance Agency Board of Commissioners has been *cancelled.*

The next meeting has been scheduled for **1:30 p.m. Wednesday, December 11**, in Montpelier.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to meeting with you in December!

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

December 2, 1996

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

Dear Ms. Wolters:

The Vermont Housing Finance Agency will be having its regular monthly Board Meeting on Wednesday, December 11, at 1:30 p.m., at the offices of the Vermont Housing and Conservation Trust Fund, 136½ Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

DATE: December 4, 1996

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Wednesday, December 11, at the office of the Vermont Housing & Conservation Board, 136½ Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier at 1:30 December 11!

REMINDER: VHMGB Board meeting is at 10:00 December 11, at the Office of the Commissioner of Banking, Insurance, Securities and Health Care Administration

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

DATE: December 4, 1996

RE: PROPOSED 1997 SCHEDULE

Based on schedules from prior years, I would like to propose the following schedule for Board meetings during 1997 (all meetings would be held on Thursdays):

January 23	1:00	Montpelier
February 20	1:00	Montpelier
March 20	11:00	Montpelier
April 17	1:00	Montpelier
May 22	1:00	Burlington
June 19	1:00	Burlington
July 24	1:00	Burlington
August 21	1:00	Burlington
September 18	1:00	Derby
October 23	1:00	Montpelier
November 20	1:00	Burlington
December 18	1:00	Burlington

These dates may change due to scheduling conflicts, but we will try to give you sufficient notice in order to avoid rescheduling difficulties.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA
Office of the Vermont Housing & Conservation Board
136½ Main Street
Montpelier, Vermont

Wednesday, December 11, 1996 at 1:30 p.m.

1. Review and approval of minutes of October 17, 1996

2. Development
   A. Essex Town Center (Letter of Commitment) **[Erdelyi // Enclosure]**
   B. Holy Cross Senior Housing (Letter of Commitment) **[Reid // Enclosure]**
   C. 600 Dalton Drive **[Reid // Enclosure]**
   D. LCHDC Bridge Financing Request **[Crady // Enclosure]**

3. Operations
   A. Single Family Program/Servicing/Property Disposition **[Lothrop // Enclosure]**
   B. Proposal to Require Property Inspections/Escrows **[Lothrop // Enclosure]**

4. Administration
   A. Executive Director's Report **[Hunt]**
   B. FY97 Business Plan **[McNamara // Enclosure]**

5. Communications
   A. Evaluation of Down Payment Assistance Loans **[Gent // Enclosure]**

6. Multifamily Management
   A. Quarterly Director's Report **[Falzone // Enclosure]**

7. Finance
   A. Budget Report as of September 30, 1996 **[Schoenbeck]**
   B. VHMGB Actuarial Study Results/Impact **[Hunt // Enclosure]**
   C. FHLB Resolution **[Schoenbeck // Enclosure]**

8. Legal
   A. Volume Cap Allocation **[Jarrett // Enclosure]**
   B. Delegation of Authority **[Jarrett // Enclosure]**

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Thursday, October 17, 1996

PRESENT: Vice Chairman Seelig; Commissioners Bradley, Candon, Canney, Douglas

Agency Staff: Mr. Hunt, Mr. McNamara, Mr. Schoenbeck, Mr. Jarrett, Mr. Lothrop, Ms. Parker, Ms. Gent, Ms. Crady, Ms. Reid, Ms. Deller

Guests: Ms. Parkes, Ms. Velardo (Standard & Poor's); Ms. Winchell (CVCLT); Ms. LaTuchie (Vermont Housing & Conservation Board)

Prior to the meeting being called to order, Standard & Poor's gave a 45 minute presentation on the benefits of a housing finance agency obtaining a General Obligation rating.

The meeting was called to order at 1:10 p.m. by Vice Chairman Seelig, who assumed the role of Acting Chairman in the scheduled absence of Chairman White. Upon a motion duly made by Mr. Douglas and seconded by Ms. Canney, the Board voted unanimously to adopt the minutes of August 16 as submitted, and to amend the minutes of October 16 to indicate that the guests participated in the conference call via speakerphone.

Ms. Reid reviewed her memo of October 11 regarding "Hedding Drive, Randolph–Letter of Interest for Permanent Financing" as included in the Board packet. Ms. Reid introduced Ms. Winchell, executive director of the Central Vermont Community Land Trust (CVCLT). The two building property on Hedding Drive in Randolph contains 16 housing units which were renovated by CVCLT after they acquired the property. Ms. Reid explained that short term financing was provided by the Institute for Community Economics (ICE), with a loan originally due in February 1993, which subsequently was extended twice and now is due December 15, 1996. However, CVCLT has been making interest-only payments on the ICE loan since April 1996. In addition, Randolph Neighborhood Housing Services (RNHS) has an outstanding loan on the property, and RNHS is suing CVCLT for payment of interest on the loan. Ms. Reid further explained that CVCLT is subsidizing about $18,000 for this project from the CVCLT annual budget. Points for the Board to consider are the appropriateness of offering a zero percent loan on this property, as well as how best to help CVCLT as one of the Agency's borrowers and as a part of the nonprofit network in Vermont. The Vermont Housing & Conservation Board (VHCB) has committed additional funds to this project, and HOME funds have also been committed, but Ms. Reid stressed the need for an operating subsidy and/or additional rehabilitation in order to enable the

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project to borrow debt and repay it; staff does not feel that the project can repay the amount of debt currently being considered. Mr. Hunt noted that it appears that the Agency's main involvement in providing funding for this project would be to take out the primary and secondary lender, ICE and RNHS, which may not be the most prudent course of action for the Agency. Ms. Reid explained that ICE is a nonprofit revolving loan fund based in Springfield, Massachusetts, with interests throughout the U.S.; ICE primarily provides short-term financing, but has also extended permanent financing in some cases. Ms. Reid also noted that it is possible that ICE could begin foreclosure proceedings if the Hedding Drive project does not resume regular payments; another alternative would be for ICE to extend the loan again, which at this time does not seem likely.

Ms. Winchell informed the Board that she does not agree with the scenario as described, and asked the Board to consider the overall history of this project. While Hedding Drive has had many problems over the past year, none of them individually were enough to cause the current situation; rather, a compounding of difficulties resulted in the current status. The original rehabilitation of the units was not adequate, with insufficient weatherization performed. In an effort to address this need, some repairs are in progress; the project looked neglected due to a lack of funds to address all of the repair needs. The Hedding Drive property had rents slightly above the norm for that area of the state, leading to a rise in vacancies. Applicants for tenancy were also accepted without appropriate checks into credit or past rental histories; this often led to evictions and a higher vacancy rate, with no qualified applicants and no funds to make property repairs. In the past year, vacancies rose as high as 50 percent (eight units), but after small improvements made to the property and due to the Randolph community's understanding that CVCLT can and will reject unqualified applicants, the project now has only three vacancies. A waiting list of applicants has been developed and it appears likely that the project will break even for the remainder of 1996. Ms. Winchell pointed out that the buildings are serviceable but unattractive. In her opinion, the latest letter from RNHS concerning interest repayment on that loan appears to be more positive than previous correspondence regarding this project. ICE is also considering replacing part of the remaining debt with long term financing.

Mr. Hunt noted that the Agency did not consider the operating budget to be sufficient, and asked for CVCLT's response. Ms. Winchell noted that the highest discrepancy appears to be in the "other maintenance" categories; however, all units will have new flooring and walls, with standard appliances provided. In Ms. Winchell's opinion, it is unfair to anticipate the level of redecorating that may be necessary at unit turnover, as a stable tenant population will help to keep these costs lower. Routine repair costs have, in fact, decreased in the last several years, according to Ms. Winchell. Ms. Reid noted that an analysis of unassisted housing projects conducted by Mr. Falzone in August 1996 determined that family housing costs average $297 per unit per month, not including replacement reserves.

Mr. Seelig observed that the project originally came to the attention of CVCLT at the request of RNHS, and received a lesser amount of financing from RNHS than was originally requested; in addition, no note was signed for the RNHS loan. A policy question for the Board to consider is whether the zero percent funds should be used for properties outside the Agency's portfolio. As Mr. Hunt noted, those funds represent a scarce resource given commitments to Winchester Place and the Lead Paint hazard reduction program. Concurring, Mr. Schoenbeck reminded the Board that bond counsel has advised the Agency that zero percent loans must demonstrate an ability to repay in order to qualify as yield-burning portfolio loans. Ms. Bradley expressed her opinion that public funds should not be used to take out ICE's loan, but also noted that if more information on ICE were available or the situation should change, the Board could consider reviewing the project again. Ms. Canney agreed, and further noted that an independent market study should be undertaken to determine the need for housing units in the Randolph area, given the high vacancy rate previously experienced. Mr. Seelig asked staff to develop criteria on the use of zero percent funds outside of the Agency's portfolio. No Board action was taken; Ms. Winchell left the meeting at the conclusion of the discussion.

Ms. Reid then noted that a "Vermont Housing Ventures Update," was included in the Board packet in her memo of October 11. A full report and proposal will be prepared for the next Board meeting, which may include a recommendation to broaden the criteria for selection. No Board action was necessary.

The "Income Limit and Purchase Price Limits Recommendations" were reviewed next by Ms. Crady, who referred the Board to her memo of October 10, included in the Board packet. As Ms. Crady explained, the income limits and purchase price limits currently in effect for the Agency's MOVE, HOUSE and Mortgage Plus programs were reviewed by staff. Income limits were last increased in May 1995, and purchase price limits were increased in September 1994. MRB regulations require that income limits be based on HUD median income figures, while purchase price limits must be based on average area purchase prices issued by the U.S. Treasury Department. Average purchase prices for Vermont based on data obtained from the Vermont Department of Taxes, Property Transfer Tax System indicate an average increase of five percent in the price of homes since purchase price limits were last adjusted by the Agency. Ms. Crady explained that if purchase price limits are not revised, it may result in lost opportunities for homeownership. For example, many of the condominiums created along Officers' Row in Fort Ethan Allen are no longer within the Agency's purchase price limits. Mr. Hunt stressed the need to provide home buyers with some amount of choice among affordable housing. Previous increases in purchase price limits have not reflected any change in the average borrower being assisted through the Agency's programs. A more balanced portfolio could result in fewer delinquencies. However, Mr. Seelig noted that the Agency's share of the market declined following a $10,000 increase two years ago, and questioned the rationale behind an increase in purchase price limits at this time. Ms. Canney agreed, pointing out that the Agency's purchase price limits have a direct effect on market prices throughout Vermont. After some further discussion, a motion was made by Mr. Candon to approve the income limit and purchase price limit changes as outlined in the memo described above. The motion was seconded by Ms. Bradley and carried, with Ms. Canney opposed.

Mr. Jarrett then reviewed his memo of October 9, included in the Board packet, regarding the "Lead Hazard Loan Program." In October 1995 the Board approved participation with VHCB in a lead hazard reduction program. The program used $100,000 of multifamily refunding proceeds to provide interest-free deferred loans, repayable at the time of sale, to homeowners and private landlords to make housing lead safe. Mr. Seelig noted that he would not participate in the discussion of this issue, nor would he vote on the matter due to a potential conflict of interest. Ms. LaTuchie, of VHCB, was introduced to the Board and explained that it has taken quite a while for the program to arrive at the point of accessing funds from the Agency, due to the complexities in developing a program to address lead hazards throughout Vermont. The program has primarily been used to address the needs of proactive investor owners or homeowners with young children residing in the affected units. Mr. Candon noted that legislative efforts and those of the Vermont Lead Paint Hazard Commission, which had been chaired by Mr. Francis, had appeared to indicate that there was a significant need for funds to address the needs of children under six years of age, and asked for clarification of the recommended change in qualifying for funds. However, Ms. LaTuchie explained that the testing of children has been on a voluntary basis; as new referrals are received, they are considered priorities and the more severely lead-poisoned children, or those apparently in danger of such poisoning, are addressed. The program as designed under a grant from HUD, is set to end at a certain date, with a certain number of units to be addressed. Passage of legislation regarding reducing lead hazards in Vermont resulted in applications from landlords seeking abatement funding assistance. Funds are applied to these units as appropriate, with a reassignment of priorities for any units housing poisoned or severely poisoned children. A motion was then made by Ms. Bradley and seconded by Mr. Douglas to adopt the "Resolution Amending Prior Resolution Pertaining to Deferred Loans for Lead Hazard Reduction" attached to these minutes. This motion carried, with Mr. Seelig abstaining.

Turning next to program activity, Mr. Lothrop reviewed his memo of October 9 regarding the "Single Family Program Activity Report for August." Reservations to date are ahead of last year's performance, with purchases to date ahead of those as of September 1995. The 6.95 percent interest rate has been discontinued, with reservations now being made at 7.75 percent. Approximately $1 million in loan reservations are being made each week. Mortgages made at the 7.75 percent rate are being applied to Series 8 funds when they are made available; currently, $2.8 million in reservations have been made at this rate, which is roughly $1.3 million over the proposed allocation, which should help to lower the interest rate for this bond series. The "Servicing Activity for August" was also reviewed by Mr. Lothrop. An aggressive modification program has been initiated for borrowers who have demonstrated an ability to make payments regularly, but who are still not able to bring their loans current. Although delinquencies improved slightly over the prior month's activity, they are still high, but are lower than activity at the same time last year. Turning to real estate owned (REO) by the Agency, Mr. Lothrop explained that five of these properties were sold in August, with five others under deposit. Of REO's offered to nonprofits under the Agency's program, interest has been shown in four such properties, with negotiations underway regarding rehabilitation costs on three other properties. No Board action was necessary on any of these reports.

The "Discussion on the Conversion of Mortgage Revenue Bond (MRB) Authority to Mortgage Credit Certificate (MCC) Authority and Authorizing the 90 Day Public Notice of the Program as Required by the IRS Tax Code" was next reviewed by Mr. Lothrop, who referred the Board to his memo of September 24, included in the Board packet. The last conversion of MRB authority to MCC authority took place in 1994. Unless more recent MRB authority is converted to MCC authority, the Agency will need to discontinue issuing MCC commitments after December 1996, effectively ending the MCC program. After a motion made by Ms. Canney and seconded by Mr. Douglas, the Board voted unanimously to adopt the "Resolution Pertaining to Election to Convert Mortgage Revenue Bond Authority to Mortgage Credit Certificate Authority" as attached to these minutes.

Mr. Lothrop then reviewed the "Quarterly Report of the Results of the Single Family Mortgage Loan Quality Control Process–July 1, 1996, through September 30, 1996" as described in his memo of October 9, included in the Board packet. The loans selected for this VHMGB process are chosen at random by the computer; however, a disproportionate number were conventional loans rather than loans financed by the Agency. Mr. Seelig noted that appraisers are able to justify property values within a five percent tolerance; however, with loan to values as high as 95 percent, that five percent would not leave much room for error. As property losses continue to rise, the original appraisal comes into question more frequently. However, Mr. Lothrop informed the Board that even in a high turnover market with good comparable properties, appraisers will only commit to assigning a property value within five percent of the market value. Appraisers with a history of errors are often placed on a "watch" list; eventually, their appraisals may no longer be accepted by either the Agency or VHMGB. A ten percent variance in either direction appears to be unavoidable. No Board action was necessary.

Next, Mr. Lothrop reviewed the "Mortgage Funds Available as of June 30, 1996," as detailed in his memo of October 11, included in the Board packet. Mr. Schoenbeck explained that approximately $20 million in funds from the Agency's 88B and 89B loan programs were used to call bonds. Again, there was no Board action required.

Mr. Hunt then welcomed Mr. McNamara, the Agency's new Deputy Director, and began his Executive Director's report. The Agency has been instrumental in preserving several hundred units of affordable rental housing throughout the state over the past few years, with most of the units located within the "Gates" projects throughout the state, such as Northgate and Highgate. HUD has now taken functional control of Applegate Apartments in Bennington, with the intention of taking title to the property by January 1997. Under authority specific to HUD regarding the sale of such properties to housing finance agencies, HUD intends to sell Applegate to the Agency. In order to undertake a housing study and physical needs analysis, the renovation needs must be determined, which will require a study to begin immediately, at an anticipated cost of $10,000 to the Agency. The market study completed for Applegate indicates that the project can successfully be renovated, but resources to do so are scarce. There is a strong rental market in Bennington, but a change of the property's name may be advisable. Most of the current residents at Applegate are very low income, which results in the market rate units being viewed as unattractive by the renting population. A risk is that the current owner(s) will simply abandon the property, leaving the present tenants without housing. Mr. Candon noted that similar situations are arising in mobile home parks throughout the state, as an owner can close a park immediately, with no notice, leaving mobile home owners without equity in their home, but still with payments due. Mr. Hunt explained that the Agency is currently working to approve a 300 unit mobile home park, giving residents access to financing and helping to stabilize the park. It's possible that property inspections may be required on older mobile homes as an underwriting requirement.

Turning to other news, Mr. Hunt reported that he will be attending a groundbreaking for Black River Overlook in Ludlow on October 30. A commitment has been received through the State of Vermont Municipal Employees Pension funds to finance the mortgage for this project at an attractive interest rate, with a loan guarantee provided by Rural Development. The search for a Loan Servicing Manager for the Agency continues, with no strong candidates identified in the first round of interviews.

The Board acknowledged receipt of the "1996 LIHTC Compliance Monitoring Update" from Mr. Falzone, in his memo of October 1. As there are no significant problems, no Board action was necessary.

Mr. Schoenbeck then reviewed the "Fiscal Year June 30, 1996, Audit Results" as detailed in his memo of October 10, included in the Board packet. The auditors found no problems with the Agency's procedures, but did note that the Agency should determine if there will a problem with dates resident in the computer at the turn of the millennium. Mr. Seelig observed that audit results received year after year from the same auditing firm with no problems found may not necessarily mean good news, and suggested that the Agency consider hiring another audit firm. However, Mr. Schoenbeck reminded the Board that there were findings in the FY95 audit results, and a bid process was undertaken before hiring the auditors for the FY96 review. Under statute requirements, a national firm must conduct the audit, and there were only three who responded to the request for quotes. Mr. Schoenbeck also noted that although the auditing firm has remained the same for the past several years, their methods are constantly changing and the personnel they send to conduct the audit varies from year to year. The Agency has entered a three year contract with KPMG Peat Marwick to conduct audits for FY96-FY98. Mr. Schoenbeck also assured the Board that staff discusses issues with the auditors throughout the year, which may also contribute to the lack of findings. In reviewing the audit, Mr. Schoenbeck noted that the auditors verified and agreed with the accounting calculations for loan loss adjustments and reserves. The statement of revenues shows a significant increase, but the losses on single family properties are still a concern. The General Fund reflects a decrease, primarily due to loan losses. A motion was made by Mr. Candon and seconded by Mr. Douglas to accept the audit and reports from the auditors as presented. This motion carried unanimously.

The "General Fund Budget Performance" was then reviewed by Mr. Schoenbeck, who referred the Board to his memo of October 10, included in the Board packet. This report agrees with the audited financials after adjusting for net fee income recognized on the audited financials from prior year deferrals, but not collected during the fiscal year. Income for the year reached 102 percent, with expenses kept to 94 percent of budget. There was no Board action required.

Next, Mr. Schoenbeck updated the Board on the "Series 8 Single Family Bond Financing" as described in his memo of October 11, included in the Board packet. A memo from Evensen Dodge, the Agency's financial advisor, was also distributed to the Board for review. The final rate will not be determined until the closing in mid-November, and staff is planning to release the updated income and purchase price limits at the same time. Approximately $300,000 was saved in underwriting costs by placing this issue privately with Fannie Mae. The Board congratulated Mr. Schoenbeck on a job well done. Ms. Canney asked about the status of a request for proposal for bond underwriters, and Mr. Schoenbeck assured her that project would be undertaken prior to the next financing, which should occur in April 1997. Evensen Dodge will assist in the review of bond underwriters, with the likelihood that the process would be completed before the end of 1996 and the team would be in place before activities begin on the Agency's next single family bond financing. Mr. Seelig noted that Chairman White would most likely appoint a Board subcommittee to participate in that process.

Ms. Gent then distributed the fall edition of the "Open House" newsletter, noting that Ms. Parker was responsible for the newly revised format. Issues will probably be published on a quarterly basis.

The "FY96 Business Plan–Year End Results" were reviewed next by Ms. Gent, who referred the Board to her memo of October 11, included in the Board packet. Ms. Gent noted that Mr. McNamara would be leading the planning process for the FY97 Business Plan, incorporating the goals of the Strategic Plan as well. As Ms. Gent pointed out, FY96 was a very busy year, particularly in the area of Development and Multifamily financing. As the planning process for FY97 continues, there will be a more in-depth discussion of goals and achievements. Mr. McNamara will begin the planning process for FY98 early in the third quarter of FY97.

Ms. Gent then reviewed the "FY97 Marketing Plan" outlined in her memo of October 10, included in the Board packet. Efforts in the past year have been successful, with advertisements modified to take an educational approach and highlight the collaborative work with participating lenders. The potential homeowner database is growing, based on calls to the Helpline, and the new software allows for targeted materials to be sent to consumers. The level of advertising to promote consumer education activities around the state has been increased as part of the advertising budget which remains constant at $100,000 for the statewide campaign. A pilot promotional advantage program with real estate companies has begun, with analysis underway to determine how to develop this on a statewide basis. A similar program is also being developed for participating lenders. Recognition events for participating lenders and real estate professionals are also in the planning stages. Interest remains high among renters wanting to become homeowners. There was some discussion among the Board members on the need to educate borrowers about the risks of mobile home purchases in parks with leased land, vs. purchasing a condominium with higher potential for equity growth. No Board action was necessary.

The quarterly "Evaluation of Down Payment Assistance Loans" was reviewed by Ms. Gent, who referred to her memo of October 10, included in the Board packet. This evaluation compares loans in the down payment assistance program operated under IORTA (Interest On Real Estate Transaction Accounts) with other loans in the Agency's portfolio. Delinquency rates for both pools of loans again fell to a more acceptable level. In January 1996 IORTA loans were significantly higher than those loans with a loan-to-value ratio of 95%. As of October 15 VHMGB implemented a requirement that three percent of the down payment funds are to come directly from the borrower, rather than a gift or another source. Loan scoring procedures are also planned, with pre-purchase and post-purchase counseling requirements also under consideration. Mr. Hunt explained that the three percent requirement is based on the results of a delinquency study undertaken by MGIC which determined that the existence of borrower cash in a loan transaction improved the default rate by over 50 percent, within and outside of Vermont. Again, there was no Board action necessary.

In other business, Mr. Candon noted Ms. Costle's continuing concern that loan guarantees are going to other private mortgage insurers rather than VHMGB. Mr. Hunt agreed that this can be a serious problem from the consumer's perspective, as banks often appear to be opting for the easiest and quickest route to a loan guarantee rather than the most cost-effective provider.

Mr. Hunt then reported that the space in the "annex" of the Agency's building had been vacated by Chicago Bicycle and is now occupied on a temporary basis by the Vermont Democratic Party until just after the elections, as their original office location suffered fire and smoke damage in a recent downtown Burlington blaze. A bakery, the Queen of Tarts, is interested in renovating the space and obtaining a five year lease with an option to renew. They have also agreed to cover any increased insurance costs to the Agency that may occur as a result of the type of business that they conduct, with a higher risk of fire damage.

Mr. Schoenbeck then informed the Board that representatives from Moody's would be visiting the Agency in November to review current bond ratings and Agency performance.

The November 21 meeting was confirmed *{and later cancelled}*. There being no further business, following a motion duly made and seconded, the meeting was adjourned at 4:25 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 a vote taken on January 24, 1995, the Emergency Board of the State allocated to the Agency $70,000,000 of the State's 1995 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 Governor of the State of Vermont allocated an additional $20,000,000 of the State's 1995 Volume Cap to the Agency on December 28, 1995; and

WHEREAS, the Agency carried forward the $90,000,000 in Volume Cap from 1995, which Volume Cap may be used for the purposes of mortgage revenue bonds or mortgage credit certificates; and

WHEREAS, the Agency wishes to establish a new Mortgage Credit Certificate Program in 1997;

NOW THEREFORE, in order to establish the Agency's 1997 Mortgage Credit Certificate Program 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 has previously elected to utilize $90,000,000 of its 1995 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 $9,000,000 principal amount of qualified mortgage bonds that it is otherwise authorized to issue during calendar year 1996.

3. The Executive Director, Director of Finance, and the Director of Single Family 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 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.

    D. Preparation and placement of the appropriate public notices, if any, including income and purchase price limits as determined by the Agency.

I hereby certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont, on October 17, 1996.

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

**RESOLUTION OF VERMONT HOUSING FINANCE AGENCY
AMENDING PRIOR RESOLUTION
PERTAINING TO DEFERRED LOANS
FOR LEAD HAZARD REDUCTION**

WHEREAS, the Lead Hazard Reduction Program was established to provide technical and financial assistance to homeowners and investor-owners desiring to make housing units lead safe and has been operational since November, 1994;

WHEREAS, federal funds available through the Vermont Housing and Conservation Board ("VHCB") have income limitations that preclude certain units from being eligible for loans;

WHEREAS, the amount of subsidy available for certain privately owned units is so low that many property owners lack sufficient financial resources to make their housing units lead safe; and

WHEREAS, the Agency has previously addressed this issue in a resolution dated October 12, 1995 (the "Resolution"); and

WHEREAS, the Agency has agreed to make available up to $100,000 of multifamily refunding savings to the Vermont Housing and Conservation Board for the purpose of providing "silent second" mortgage loans to allow the completion of work to make housing units lead safe in accordance with VHCB guidelines when either VHCB or Vermont Community Development funds are not available or sufficient to complete a lead hazard reduction project;

NOW, THEREFORE, it is hereby RESOLVED:

1. The conditions incorporated by reference in the Resolution are amended to amend the requirement that "Funds would be utilized solely for the purpose of undertaking work in units where a severely poisoned child had been identified" to read, "Funds would be utilized solely for the purpose of undertaking work in units where ***a child under six resides.***"

2. The Executive Director is authorized to execute documents in form satisfactory to him and to take other necessary steps to incorporate this change in the Agreement entered into between the Agency and the VHCB.

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 October 17, 1996.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Joseph A. Erdelyi, Multifamily Development Underwriter JE

DATE: December 5, 1996

RE: Essex Town Center- Letter of Commitment for permanent financing

In March VHFA's Board of Commissioners resolved to issue a Letter of Interest for the Essex Town Center development (see attached memo). Since that meeting, the sponsors have received a reservation of Housing Credits, and a tax abatement from the town of Essex (in lieu of proposed CDBG funding). The building design has been slightly altered to provide storage lockers for tenants. The sponsors have hired Mike Richardson and Jeffry Glassberg, both formerly of Housing Vermont, as consultants to assist with securing equity investors and navigating the tax credit process. Because the tax credit carries conditions that are designed to ensure that the development is financially feasible as proposed, the sponsors are seeking a Letter of Commitment at this time. The development and operating budgets have not changed significantly, with the exceptions described above.

The sponsor is considering VHFA as construction lender as well, so the Board may review the Essex Town Center construction proposal at a later meeting. The sponsor's current schedule is to have local approvals in January 1997 and to begin construction in late spring 1997.

The following conditions were in the Letter of Interest:

1) Sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value ratio of no more than 95%.

   Status:

   The sponsor has commissioned Michael Keller, an MAI appraiser with experience in appraising tax credit properties, to perform the appraisal. It is expected to be completed by mid-December. This conditions should remain as a condition of the Letter of Commitment, unless the appraisal is accepted by staff prior to issuance.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

2) Sponsor must provide an independent market study, satisfactory to staff, that indicates a demand for the proposed residential units that is consistent with the proposed unit rents and lease-up schedule.

Status:

With the original application, the sponsor submitted a market survey by Michael Keller, indicating a very low market vacancy rate (generally less than two percent - the development is using a five percent vacancy allowance). The appraisal will also contain a segment on market demand. After reviewing the appraisal, staff will ask the sponsor to provide additional data as needed. Staff's primary concern is the demand for a concentration of one and two bedroom units above commercial space. Even if there is an overall demand, lease-up schedule is a secondary concern. This secondary concern can be addressed in part by providing the sponsor with incentives such as withholding the payment of some of the developer's fees until a target level of occupancy is achieved (this is a standard practice among tax credit syndicators).

Staff recommend that this condition be modified to read: "Sponsor must provide sufficient data to staff, which may include an independent market study, that indicates a demand for the proposed residential units, consistent with the proposed unit rents and lease-up schedule."

3) Sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions.

Status:

The sponsor has not yet commissioned a Level I Environmental Site Assessment. Staff recommend this condition remain as a condition of the Letter of Commitment.

4) Sponsor must demonstrate that requisite financing has been committed by July 1, 1996, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.

Status:

The sponsor has made "requisite financing" a viable possibility by obtaining a commitment from the town selectboard for a tax stabilization agreement (see attached letter). The town has reportedly agreed to defer up to $30,000 per year in taxes from the entire development (commercial and residential) for a ten year period. The town's attorney is reportedly working on the wording of the agreement now. This commitment represents an unusually high level of participation from a town and indicates a strong desire on the town's part to have the development built. The sponsor has elected to pass the total benefit of this tax abatement on to the residential portion of the development.

Without the need to pay taxes for ten years, the property has a greater capacity to carry amortizing debt. The Letter of Interest was issued with a permanent loan amount of $1,969,620. The sponsor is now seeking permanent financing of $2,217,044 in two parts: a loan of $2,015,742 with a 30 year amortization and a 20 year term, and loan of $201,302 with a ten year term and amortization period. In year eleven, the smaller loan will have been repaid (so total debt service payments will be reduced), but taxes will then need to be budgeted.

Staff recommend that this condition be modified to read: "Sponsor must provide an agreement with the town, satisfactory to staff, that provides a tax abatement of $30,000 per year for a ten year period."

OTHER OUTSTANDING ISSUES

The sponsor was to seek participation form either the Town or Housing Vermont as an optionee to purchase the property after the 15 year tax credit compliance period. Both have declined. Staff recommend that the Letter of Commitment include a condition that a local or statewide non-profit be given an option to purchase the development after the 15 year compliance period for a price equal to the outstanding balance of debt plus "exit" taxes, as described in Section 42 (i)(7)(B) of the Internal Revenue Code.

Because of the many identities of interest that exist on this development (the sponsor owns the land and is selling it to the partnership; the sponsor is acting as the architect and the builder, so these items are not being competitively bid) staff want to carefully document cost reasonableness. The land cost must be supported by the appraisal; VHFA will have and independent review of the construction budget performed, and the builder's profit is limited by the tax credit program. Staff recommend that the Letter of Commitment be conditioned upon satisfactory documentation of cost reasonableness of the building hard construction, land acquisition, and architectural costs.

The issue of funding sources has not yet been resolved. The previous memo listed Federal Home Loan Bank (FHLB) and taxable bonds as two potential funding sources. The underwriting rates are achievable based on current FHLB rates; however, those rates change constantly, and VHFA must balance its collateral position with the FHLB against the pipeline of projects. Staff are recommending that the Board give the Executive Director the discretion to select the most appropriate funding source for the loans.

RECOMMENDED BOARD ACTION

Staff recommends Board approval of the attached Resolution to provide a Letter of Commitment to provide permanent financing in two loans in shared first position: one loan with a principal amount of up to $2,015,742, loan amortization of 30 years and term of 20 years, and interest rate at VHFA's cost of funds plus one point (currently 8.0%); and a second loan with a principal amount of up to $201,302, loan amortization of 10 years and term of 10 years, and interest rate at VHFA's cost of funds plus one point (currently 7.65%). Should VHFA's cost of funds rise so that the development is not longer as financially feasible as in the attached budget, the Letter of Commitment can be terminated. The source of funds is to be determined by the Executive Director. The Letter of Commitment shall be conditioned on the sponsor providing the following:

1) Sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value ratio of no more than 95%.

2) Sponsor must provide sufficient data to staff, which may include an independent market study, that indicates a demand for the proposed residential units, consistent with the proposed unit rents and lease-up schedule.

3) Sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions.

4) Sponsor must provide an agreement with the town, satisfactory to staff, that provides a tax abatement of $30,000 per year for a ten year period.

5) Sponsor must provide a local or statewide non-profit be given an option to purchase the development after the 15 year compliance period for a price equal to the outstanding balance of debt plus "exit" taxes, as described in Section 42 (i)(7)(B) of the Internal Revenue Code.

6) Sponsor must provide documentation of cost reasonableness satisfactory to staff for the building hard costs, land acquisition cost by the partnership, and architectural costs.

Partnerships that work.

OCT 1 4 1996

October 10, 1996

Robert Perry, Esq.
PO Box 2323
So. Burlington, VT 05407

Dear Bob:

The Selectboard has authorized the Town staff to negotiate a tax stabilization agreement with Homestead Design Inc. (HDI) for a mixed use building which will provide 44 units of apartments on two floors above 16,000 square feet of retail/commercial space. Twenty-six of these units will be affordable housing. Per Title 24, Chapter 75, Section 2741 and Title 32, Chapter 125, Section 3843, it appears the Selectboard has the authority to execute such an agreement.

We request your assistance in drafting an agreement for the Selectboard's review. Enclosed please find the following:

1) HDI's request and project description
2) Copy of Selectboard meeting minutes.

The Selectboard approved the agreement in concept and limited it to a ten year period. The Board also wanted the ability to review and substantiate the income received by HDI on an annual basis because HDI has agreed that any income beyond projections will be paid back to the Town.

Please call me should you need more information.

Sincerely,

Dawn

Dawn Francis
Assistant Town Manager

cc: Bob Marcellino, HDI

c:\wp51\hditax

81 Main Street, Essex Junction, Vermont 05452
TEL: 802-878-1341 FAX: 802-878-1340

ESSEX CENTER			RUN DATE:	04-Dec-96	
Total Residential Units:	44	Increase LIHTC		2.50%	
Restricted Units:	26	Increase Market		2.50%	
Percent Restricted:	59.09%	Expense increase:		4.00%	
Avg Net Monthly Rent:	578	Vacancy Rate:		5.00%	
Total Dev Costs	3,626,354	Partner's Tax Rate:		34.00%	
TDC/Unit	82,417	Depreciation Schedule:		27.5	
		Sponsor's Estimated Yield:		65.66%	
Max Credit Amount	159,973				
Credit Amount Allocated	160,310				
Net Syndication	1,042,018				
LIHTC - 9%	8.63%	(July '96)			
LIHTC - 4%	3.70%				
FINANCING SOURCES					
	Amount	% of TDC	Interest	Amortization	Term
First Mortgage	2,015,742	55.59%	8.00%	30	20
Second	201,302	5.55%	7.65%	10	10
Deferred Developer's Fees	356,767	9.84%	N/A	N/A	
Other equity		0.00%	N/A	N/A	
Tax Credit Equity	1,052,543	29.02%	N/A	N/A	
	3,626,354	100.00%			
Gap	(0)				

ESSEX CENTER		DEVELOPMENT BUDGET					04-Dec-96
			Budget	Per Unit	Per s.f.	Acquisition Credit	Rehab/Const Credit
ACQUISITION & CONSTRUCTION							
Land			286,000	6,500	9.07		
Demolition			14,220	323	0.45	14,220	
Sitework			298,620	6,787	9.47		298,620
Rehabilitation				0	0.00		0
New Buildings			1,639,566	37,263	51.99		1,639,566
OFF SITE IMPROVEMENTS			7,110	162	0.23		7,110
BOND			7,372	168	0.23		7,372
General Requirements		5.67%	117,571	2,672	3.73		117,571
Contractor Overhead		4.01%	83,083	1,888	2.63		83,083
Contractor Profit	13.9%	4.17%	86,407	1,964	2.74		86,407
Construction Contingency		6.85%	112,329	2,553	3.56		112,329
				0	0.00		0
Subtotal			2,652,278	60,279	84.10	14,220	2,352,058
PROFESSIONAL SERVICES							
Architect Fee			87,421	1,987	2.77		87,421
Architect Fee - Supervision			35,000	795	1.11		35,000
Engineering/Landscape Architecture			55,050	1,251	1.75		55,050
				0	0.00		0
LEGAL/ACCOUNTING			20,000	455	0.63		20,000
Legal - Title & Recording			2,500	57	0.08		2,500
Subtotal			199,971	4,545	6.34	0	199,971
INTERIM COSTS							
Construction Insurance			4,234	96	0.13		4,234
Construction Interest			61,875	1,406	1.96		61,875
Construction Loan Origination Fee			30,000	682	0.95		30,000
Taxes			3,982	91	0.13		3,982
Subtotal			100,091	2,275	3.17	0	100,091
OTHER SOFT COSTS							
Property Appraisal			1,500	34	0.05		1,500
Market Study			1,500	34	0.05		1,500
Environmental Report			853	19	0.03		853
SEWER & WATER FEES				0	0.00		0
PERMITS/FEES			64,022	1,455	2.03		64,022
				0	0.00		0
Tax Credit Fees			5,520	125	0.18		5,520
Marketing (RENT UP)			17,600	400	0.56		
Subtotal			90,995	2,068	2.89	0	73,395
FINANCING FEES & EXPENSES							
Credit Report			150	3	0.00		
Permanent Loan Origination Fee			20,000	455	0.63		
Credit Enhancement				0	0.00		
Cost of Issuance				0	0.00		
Title & Recording				0	0.00		
Counsel's Fee			1,500	34	0.05		
Other				0	0.00		
Subtotal			21,650	492	0.69	0	0
SYNDICATION COSTS							
Organizational (Partnership)				0	0.00		
Bridge Loan Interest				0	0.00		
Tax Opinion			10,000	227	0.32		
Subtotal			10,000	227	0.32	0	0
DEVELOPER'S FEES							
Developer's Overhead & Profit			441,248	10,028	13.99		441,248
Consultant Fees			20,000	455	0.63		20,000
Subtotal		15.00%	461,248	10,483	14.63	0	461,248
PROJECT RESERVES							
Rent-up (Deficit Escrow) Reserve			6,500	148	0.21		
Replacement Reserve				0	0.00		
Working Capital			83,621	1,900	2.65		
Operating Reserve/Sinking Fund				0	0.00		
Subtotal			90,121	2,048	2.86	0	0
TOTAL DEVELOPMENT COSTS			3,626,354	82,417	114.99	14,220	3,186,763

ESSEX CENTER			Rental Income		04-Dec-96	
Restricted Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		644	18	513		110,808
2 Br		844	8	617		59,232
	Totals	18,344	26			170,040
Market Rate Units						Total
Bedrooms	Type	Square Feet	Number	Rent	Utilities	Annual Rent
1 Br		644	10	650		78,000
2 Br		844	8	760		72,960
	Totals	13,192	18			150,960
All Units						
	Grand Totals	31,536	44			321,000
		Less Vacancy	5.00%			(16,050)
					NET RENT	304,950
		OTHER INCOME				
		Interest Income				2,380
		Laundry				5,720
		Storage Lockers				3,960
		Total Other Income				12,060
					TOTAL INCOME	317,010

ESSEX CENTER	EXPENSE BUDGET			04-Dec-96
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	19,000	1,583	36	5.9%
Marketing		0	0	
Audit/Accounting	2,000	167	4	
Legal	1,000	83	2	
Office Expense		0	0	
Telephone		0	0	
Office Payroll		0	0	
Rent		0	0	
Compliance Monitoring	624	52	1	
Other		0	0	
TOTAL ADMINISTRATIVE	22,624	1,885	43	
Utilities				
Water/Sewer	8,270	689	16	
Electric	12,118	1,010	23	
Fuel	21,186	1,766	40	
Other		0	0	
TOTAL UTILITIES	41,574	3,465	79	
Maintenance				
Maintenance Payroll	5,200	433	10	
Supplies	950	79	2	
Trash Removal	4,500	375	9	
Snow/Grounds	4,000	333	8	
Repairs		0	0	
Paint/Decorating	2,500	208	5	
Exterminating		0	0	
Contract Maintenance	500	42	1	
Equipment Debt		0	0	
Service Lease	1,300	108	2	
Other	1,320	110	3	
TOTAL MAINTENANCE	20,270	1,689	38	
Taxes	26,000	2,167	49	
Insurance	7,260	605	14	
Replacement Reserves	15,250	1,271	29	
Tax Abatement	(30,000)	(2,500)	(57)	
Total	102,978	8,582	195	

04-Dec-96		ESSEX CENTER				Cash Flow Projection			
		Year	1	2	3	4	5	6	7
Residential Rent			321,000	329,025	337,251	345,682	354,324	363,182	372,262
Less Res Vacancy			(16,050)	(16,451)	(16,863)	(17,284)	(17,716)	(18,159)	(18,613)
Plus Other Income			12,060	12,362	12,671	12,987	13,312	13,645	13,986
Total Actual Income			317,010	324,935	333,059	341,385	349,920	358,668	367,634
Less Operating Expense (excluding taxes)			87,728	91,237	94,887	98,682	102,629	106,735	111,004
Less Taxes			0	0	0	0	0	0	0
Less Reserves			15,250	15,631	16,022	16,423	16,833	17,254	17,685
Net Operating Income			214,032	218,067	222,150	226,280	230,457	234,679	238,945
Less Primary Debt Service			177,490	177,490	177,490	177,490	177,490	177,490	177,490
Less Secondary Debt Service			28,863	28,863	28,863	28,863	28,863	28,863	28,863
Cash Flow			7,679	11,714	15,797	19,927	24,104	28,326	32,592
Oper Subsidy			0	0	0	0	0	0	0
Net Cash			7,679	11,714	15,797	19,927	24,104	28,326	32,592
DCR			104%	106%	108%	110%	112%	114%	116%
Cumulative Cash Flow									
Beginning Balance			7,679	19,470	35,461	55,744	80,405	109,536	107,546
Interest		2.0%	77	195	355	557	804	1,095	1,075
Withdrawls			0	0	0	0	0	(35,677)	(35,677)
Ending Balance			7,756	19,664	35,816	56,301	81,209	74,954	72,945
Repayment of Deferred Fees			0	0	0	0	0	35,677	35,677

8	9	10	11	12	13	14	15	16	17	18	19	20
381,568	391,107	400,885	410,907	421,180	431,709	442,502	453,565	464,904	476,526	488,439	500,650	513,167
(19,078)	(19,555)	(20,044)	(20,545)	(21,059)	(21,585)	(22,125)	(22,678)	(23,245)	(23,826)	(24,422)	(25,033)	(25,658)
14,336	14,694	15,061	15,438	15,824	16,219	16,625	17,040	17,466	17,903	18,351	18,809	19,280
376,825	386,246	395,902	405,800	415,945	426,343	437,002	447,927	459,125	470,603	482,368	494,427	506,788
115,444	120,062	124,864	129,859	135,053	140,455	146,074	151,917	157,993	164,313	170,885	177,721	184,830
0	0	0	39,078	40,642	42,267	43,958	45,716	47,545	49,447	51,425	53,482	55,621
18,127	18,581	19,045	19,521	20,009	20,510	21,022	21,548	22,087	22,639	23,205	23,785	24,379
243,254	247,603	251,993	217,341	220,240	223,111	225,948	228,746	231,500	234,205	236,854	239,440	241,958
177,490	177,490	177,490	177,490	177,490	177,490	177,490	177,490	177,490	177,490	177,490	177,490	1,396,569
28,863	28,863	28,863	0	0	0	0	0	0	0	0	0	0
36,901	41,250	45,640	39,851	42,751	45,621	48,458	51,257	54,011	56,715	59,364	61,951	(1,154,611)
0	0	0	0	0	0	0	0	0	0	0	0	1,154,611
36,901	41,250	45,640	39,851	42,751	45,621	48,458	51,257	54,011	56,715	59,364	61,951	0
118%	120%	122%	122%	124%	126%	127%	129%	130%	132%	133%	135%	17%
109,846	116,518	127,646	133,098	141,503	152,862	167,173	184,424	204,603	263,364	325,361	390,566	394,471
1,098	1,165	1,276	1,331	1,415	1,529	1,672	1,844	2,046	2,634	3,254	3,906	3,945
(35,677)	(35,677)	(35,677)	(35,677)	(35,677)	(35,677)	(35,677)	(35,677)	0	0	0	0	(1,154,611)
75,268	82,007	93,246	98,752	107,241	118,714	133,168	150,592	206,649	265,998	328,615	394,471	(756,195)
35,677	35,677	35,677	35,677	35,677	35,677	35,677	35,677					

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Paul M. Cummings, Development Officer PMC

DATE: March 1, 1996

RE: The Essex Town Center - Letter of Interest for Permanent Financing

<u>Executive Summary</u>

Homestead Design, Inc., (HDI) has applied to VHFA for $1,969,620 in permanent first mortgage financing. HDI has also requested $2,843,411 in construction financing which includes $873,791 in LIHTC Equity Pay-In Bridge Financing; however, because the amount of bridge financing needed may vary depending on the syndicator HDI uses, this request to the Board for financing will consider the permanent financing only. The proposed project consists of the new construction of 44 units in one "L" shaped building on the corner of an approximately 15 acre site in Essex. The residential units will be built on the top two stories of a three story mixed use building which will include approximately 16,000 square feet of retail space on the ground level. VHFA would not finance the commercial portion of the development. All of the units would be affordable to households earning less than median income. HDI is proposing that 50 percent of the units would be Low Income Housing Tax Credit (LIHTC) units, affordable to low income households earning less than 60 percent of median income. The total development cost would be $81,896 per unit.

The Town of Essex has been working since early 1990 to develop a new comprehensive town plan which would encourage growth to occur in compact centers and create a new mixed use town center. The proposed site is between Route 15, the Lang Farm Center in Essex and the Circumferential Highway (I-289). HDI is working with the Town to not only submit an application for Community Development Block Grant (CDBG) funds, but also to hold an option to purchase the property from HDI after 15 years, thus extending the low income restrictions. HDI would also provide an option to a nonprofit housing organization, such as Housing Vermont.

HDI has submitted an LIHTC application for the first round of tax credits in 1996. VHFA is currently reviewing LIHTC applications and expects to make recommendations by the end of March. The Town of Essex is working with HDI to submit an application for a Community Development Block Grant (CDBG) loan in May with awards to be made on June 27, 1996. The remaining source of funds for this project includes a combination of LIHTC proceeds and developer equity. A summary of sources and uses of funds, rents, operating expenses, and financial projections is attached.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$1,969,620	54.66%
Developer Equity	$364,456	10.11%
CDBG Deferred Loan	$495,957	13.76%
Tax Credit Equity	$773,379	21.46%
Totals	$3,603,412	100.00%

The property has not yet received an "as completed" appraisal and therefore a condition of VHFA financing would be that the "as completed" appraisal value indicates a loan-to-value ratio of no more than 95 percent. The loan-to-cost ratio is approximately 55 percent.

Unit Breakdown and Rents

All of the units in the proposed development would be affordable to households earning less than median income and 22 (50 percent) of the 44 units would be affordable to households earning less than 60 percent of median income. The unit size and rent breakdown is as follows:

LIHTC Rents			Market Rents < Median Income		
Size	#	Rents	Size	#	Rents
1 BR	14	$532	1 BR	14	$610
2 BR	8	$639	2 BR	8	$760

These rents include all utilities: heat, hot water, electricity and trash.

Sponsor, Management & Market

Homestead Design, Inc., is an architectural, building, development, and real estate company which has been operating in Chittenden County since 1976. The principals of the company are John Hausner, a licensed professional architect, and Bob Marcellino, a civil engineer. The firm currently employs nine staff members. During the past 20 years, HDI has been involved in the design and/or building of construction projects with a total value of over $100 million and which cover a broad range of building types such as commercial, institutional, medical, and residential. HDI has developed over 500 units of residential housing, including the 12-unit Wells House on Main Street in Waterbury, a Section 8 rehabilitation financed by VHFA.

HDI is working to reach an agreement with the Town of Essex that would provide the Town with an option to purchase the residential/commercial Essex Town Center building after 15 years (the term of the LIHTC compliance period). HDI is also seeking to provide an option to a nonprofit housing organization, such as Housing Vermont. HDI has proposed to manage the property, in part because they don't want to separate the commercial and residential management contracts and also because they would have substantial equity tied up in the project. HDI has contacted VHFA's LIHTC Multifamily Management Department in order to review the specific LIHTC management requirements and has indicated that they would take every step necessary to develop the capacity to manage the property effectively as an LIHTC project.

HDI has commissioned Michael Keller of Keller, Navin & O'Brien, Inc., to complete a survey of apartment complexes in the greater Burlington area to determine current rents and vacancies. Based on this survey, the current vacancy rates (during 1995) varied with the season, but were generally less than 2%. VHFA is concerned that the creation of residential units over commercial units could make it more difficult to lease the residential units; therefore, VHFA would require that HDI maintain a balance in the working capital/operating cash account that would be in excess of 40 percent of VHFA's annual debt service. HDI would also provide a full market study to prior to receiving a commitment for financing that would demonstrate that sufficient demand exists for residential housing located over commercial/retail development.

Site & Environmental Concerns

The project has not received a Level I Environmental Assessment. HDI is planning to commission the environmental assessment with the intention that it would be completed prior to closing on the construction loan (projected to be September 1, 1996).

DISCUSSION

Because this is an LIHTC project that is trying to maximize the tax credit (utilize the 9% credit), the sponsor is not able to use a tax exempt source of funds such as tax exempt bonds for permanent financing. This is unfortunate because this project would be an excellent candidate for a tax exempt bond sale based on the total financing required (approximately $2 million). Therefore, we have considered the possibility of utilizing Federal Home Loan Bank (FHLB) funds or selling taxable bonds for this loan. Based on our cost of funds from the FHLB at current rates and the 100 basis point spread we typically add to permanent loan rates, we could provide a loan to the Essex Town Center at rate of approximately 8 percent (8%). However, this would utilize most if not all of our available collateral and would make it very difficult to make future FHLB funded loans. The other option would be to sell taxable bonds that would most likely carry a less favorable interest rate (approximately 9%-9.5%) than could be provided through FHLB funds.

Strengths

a) The sponsor has successfully developed both single family and multifamily developments, including a 12-unit affordable housing Section 8 project in Waterbury financed by VHFA.

b) The project would create 44 new residential units and 16,000 square feet of commercial space as part of the Town of Essex's new town center. The Town has worked with HDI in creating the plan this new town center and is in full support of the project. The Town is also planning to submit an application for CDBG funds that will help the financial feasibility of the project.

c) All of the units in the proposed project would be affordable to households earning less than median income with half (22 units) of these units affordable to households earning less than 60 percent of median income.

d) The rental market for affordable housing in the greater Burlington market is strong and this could improve as a result of the increased jobs that would be created in and around the proposed new Essex Town Center.

Weaknesses

a) The project creates residential housing over commercial units which could make it more difficult to lease the residential units. However, HDI is planning to commission a thorough market study that would demonstrate demand for the residential units, is willing to insure that the commercial units would be occupied, and HDI would agree to keep the working capital/net cash account at a balance that is in excess of 40 percent of VHFA's annual debt service.

b) The project has not had an environmental review or an "as completed" appraisal. However, based on staff requests HDI has indicated that these reports would be completed prior to receiving a permanent financing commitment.

RECOMMENDATION

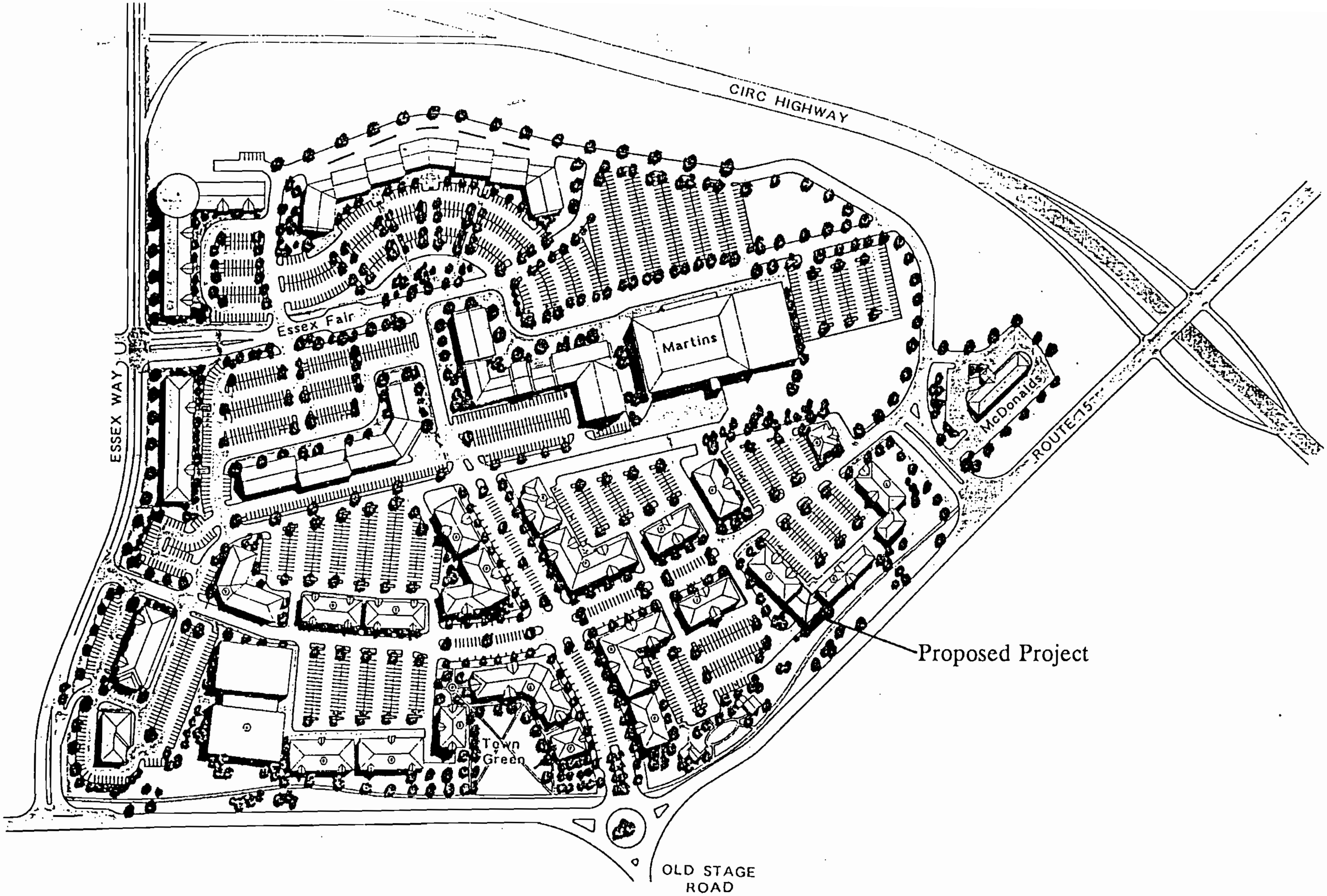
Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide permanent and construction financing in an amount of up to $2,000,000, loan term of 20 years with an amortization schedule of 30 years and an interest rate of based on our source of funds. The proposed source of funds is either Federal Home Loan Bank of Boston funds or a taxable bond sale. The Letter of Interest shall include the following conditions:

1) sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value of no more than 95 percent; and

2) sponsor must provide an independent market study, satisfactory to staff, that indicates a demand for the proposed residential units that is consistent with the proposed unit rents and lease-up schedule; and

3) sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions; and

4) sponsor must demonstrate that requisite financing has been committed by July 1, 1996, including but not limited to the Low Income Housing Tax Credits and loans/grants from the Community Development Block Grant program. "Requisite financing" means the amount and terms of each of the sources of funding represented on the multifamily loan application or their equivalent. If the sponsor is unable to obtain commitments of "requisite financing", the sponsor may have to reduce costs from the development budget so that the total uses of funds matches the total sources of funds.



ESSEX TOWN CENTER

Proposed Master Plan
Essex, Vermont

HDI/Eurowest

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: ESSEX TOWN CENTER

WHEREAS, a proposal has been presented to the Agency by Homestead Design, Inc., a developer located in Williston (the "Sponsor") on behalf of a to-be-formed limited partnership, one of whose general partners would be Homestead Design, Inc., involving the permanent financing of a mixed-use development in Essex containing 44 units in one building located on 15 acres in Essex (the "Development"); and

WHEREAS, the proposal contemplates permanent financing in an amount not to exceed $2,250,000; and

WHEREAS, the Sponsor has received a reservation of Low Income Housing Tax Credits and has received a decision of the Essex Town Selectboard granting it a tax stabilization agreement for ten years; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated December 4, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

5. The amount of the Agency's loan after the rehabilitation will not exceed 95% of the security value of the Development.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Letter of Commitment to provide permanent financing through two loans in shared first lien position: one loan with a principal amount of up to $2,015,742, with a loan amortization of 30 years and term of 20 years, and interest rate at the Agency's cost of funds plus one point (currently 8.0%); and a second loan with a principal amount of up to $201,302, with a loan amortization of 10 years and term of 10 years, and interest rate at the Agency's cost of funds plus one point (currently 7.65%). The Commitment Letter may contain language providing that should the Agency's cost of funds increase so that, in the reasonable judgment of the Executive Director, the project is no longer financially feasible, the commitment of the Agency may be terminated. The source of funds is to be determined by the Executive Director. The Letter of Commitment shall be conditioned on the sponsor providing the following:

a) Sponsor must provide an appraisal, satisfactory to staff, that indicates a loan-to-value ratio of no more than 95%.

b) Sponsor must provide sufficient data to staff, which may include an independent market study, that indicates a demand for the proposed residential units, consistent with the proposed unit rents and lease-up schedule.

c) Sponsor must provide a Level I Environmental Site Assessment, satisfactory to staff, indicating that the site is free from any adverse environmental or topographical conditions.

d) Sponsor must provide an agreement with the town, satisfactory to staff, that provides a tax abatement of not less than $30,000 per year for a ten year period.

e) Sponsor must provide a local or statewide non-profit be given an option to purchase the development after the 15 year compliance period for a price equal to the outstanding balance of debt plus "exit" taxes, as described in Section 42 (i)(7)(B) of the Internal Revenue Code.

f) Sponsor must provide documentation of cost reasonableness satisfactory to staff for the building hard costs, land acquisition cost by the partnership, and architectural costs.

2. The commitment of the Agency shall be subject to receipt, on or before the date of the closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one percent (1.0%) of the maximum principal amount of the permanent loan.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer CR

DATE: December 4, 1996

RE: Holy Cross Senior Housing - Letter of Commitment for Permanent Financing

EXECUTIVE SUMMARY

On June 13, 1996, the Board approved issuance of a Letter of Interest for construction and permanent financing of up to $560,000 for the Holy Cross Senior Housing development in Colchester, a 40 unit new construction project (see attached memo). The sponsor, Lake Champlain Housing Development Corporation, has made progress in securing other financing commitments, and is requesting a Letter of Commitment.

LETTER OF INTEREST - STATUS OF CONDITIONS

The following conditions were included in the Letter of Interest:

Level I Environmental Site Assessment, with satisfactory remediation measures being incorporated into the work specifications:

K-D Associates Inc. completed a Level I Environmental Site Assessment of the property. The 7.7 acre parcel which Holy Cross Senior Housing Corporation (HCSHC) will be leasing from the Church is clean. There is an Underground Storage Tank (UST) owned by the Holy Cross Church, and located on Church owned property (not the portion which will be leased to HCSHC). In addition there are 55 gallon drums located on a neighboring property. K-D Associates reports that they appear to be in good condition, represent a minimal concern, and that a Phase II report (involving testing) is not warranted. Because the development will be on municipal water, there is no concern about adjacent sites contaminating a well. Staff has reviewed this report and is not requiring testing or removal of the UST or 55 gallon drums, since they are located on others' property, and in K-D's assessment, represent minimal concern.

An appraisal acceptable to VHFA staff:

Keller Navin & O'Brien, Inc. completed an appraisal which determined the leasehold value of the property as built to be $1,325,000 as of September 1, 1997. This gives VHFA a 42% Loan to Value.

Secure all other sources of financing as proposed, or its equivalent:

All financing is secured - except that a loan from the Vermont Community Loan Fund has been approved in the amount of $47,500, and the sponsor seeks an additional amount of $2,500. VCLF staff is recommending an increase of their loan amount to $50,000, to be decided by their Board at their next meeting on December 19, 1996. Howard Bank has agreed to provide the equity investment.

Satisfactory review of construction costs by VHFA or its agent:

Staff has reviewed the construction costs, and has found them to be in the range of other new construction developments VHFA has underwritten. Bids are due December 10, 1996.

Data from the sponsor acceptable to VHFA regarding demand for this housing:

LCHDC and Cathedral Square Corporation (CSC) gathered data from Colchester residents through a survey compiled by CSC and distributed in the Colchester newspaper in April 1996. Of 146 responses, 94 respondents had an immediate interest in Holy Cross Housing (at least 84 of the residents appear to be income eligible). An additional 32 respondents had an interest in the next five years.

Resolution of issues related to the reservation of the Low Income Housing Tax Credits, including incurring 10% of "reasonably expected eligible basis" costs by October 31, 1996, evidence of Town zoning approval, evidence that proposed construction costs are reasonable, a detailed operating budget, and a revised development budget showing all committed financing by August 30, 1996:

The project has not yet incurred 10% of the basis costs. Housing Vermont expects this to occur by December 17, 1996. The project is in compliance with Town zoning. VHFA staff has reviewed construction costs and determined them to be reasonable. VHFA staff has reviewed and approved the operating budget, and a revised development budget has been submitted showing committed financing.

Evidence of satisfactory Town Design and Site Plan Review and Archeological Survey

Review by July 1, 1996, Act 250 Permit approval by August 30, 1996, and Subdivision Permit from Agency of Natural Resources by August 30, 1996:

The Preliminary and Final Plat approval is on the agenda of the Planning Commission on December 11, 1996. The project received Sketch Plan approval from the Planning Commission on May 19, 1996. The Archeological Survey Review is completed, and it has been determined that the property has no effect on archeological resources. The project has draft Act 250 approval, and final approval will be issued upon the local Site Plan Review approval. The project received an Endangered and Threatened Species Permit from the Vermont Fish and Wildlife Department which addresses the management of the rare plant species on the parcel (Plains Frostweed and Muhlenberg's Sedge). Lastly, LCHDC has applied for a subdivision permit from the State and expects it to be issued by the first week of December.

A written property tax estimate from the Town of Colchester:

This is expected to be obtained by December 1, 1996.

<u>RECOMMENDED BOARD ACTION</u>

Staff recommends that the Board adopt the attached Resolution to provide a Letter of Commitment for construction and permanent financing of up to $560,000. The construction loan will have a term of one year with rate to be determined by the Executive Director. The permanent loan will be structured as three loans, with the first being up to $75,000 for 10 years, the second being up to $135,000 for 15 years, and the third being up to $350,000 for 20 years. Each loan will be amortized for the same period as its term. The interest rate will be based on the cost of funds to VHFA plus .75% (at this time the underwriting rates are 8.2%, 8.35% and 8.5% respectively). The source of funds is a Federal Home Loan Bank non-member advance. The loans are conditioned upon the following:

1. Sponsor must obtain Town Planning Commission approval and final Act 250 approval;

2. Sponsor must incur 10% of "reasonably expected eligible basis" costs by December 18, 1996;

3. Sponsor must provide written estimate of taxes from the Town of Colchester, and such estimate must be financially feasible for the project;

4. Cost reasonableness must be demonstrated either by evidence of competitive bidding, or by an independent cost estimate.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cindy Reid, Development Officer CR

DATE: June 7, 1996

RE: Holy Cross Senior Housing - Letter of Interest for Permanent Financing

Executive Summary

Lake Champlain Housing Development Corporation (LCHDC) and Holy Cross Senior Housing Corporation have applied to VHFA for $547,000 in construction and permanent financing. The proposed project consists of a new construction 40-unit elderly housing development in Colchester. The Holy Cross Senior Housing Corporation is a group of Colchester residents that has been working for eight years to address the lack of affordable housing for senior citizens. They contacted LCHDC and Cathedral Square Corporation to develop and manage the project, respectively. The Catholic Diocese is providing a 99 year ground lease for vacant land behind the Holy Cross Church in Malletts Bay for the development.

The project consists of 35 one-bedroom units and five two-bedroom units. Six units will serve households at 30% of median income and below; 10 units will serve 50% of median income and below; 17 units will serve households at 60% of median income and below; five units will serve 80% of median and below; and two units will be at market rate. The total proposed development cost is $61,158 per unit. When completed, the development will have on-call services and a community space which will allow the sponsors to bring in other services and activities for the residents.

THE DEVELOPMENT

Projected Funding Sources

VHFA First Mortgage	$547,000	22%
VHCB Grant	$215,000	9%
VCLF Subordinate Loan	$47,500	2%
CDBG Deferred Debt	$250,000	10%
HOME Deferred Debt	$420,000	17%
Tax Credit Equity	$967,571	40%
Totals	$2,447,071	100%

There has been no appraisal yet to determine loan to value ratio for the VHFA financing. The VHFA loan to cost ratio is approximately 22%.

LCHDC has received a tax credit reservation of $151,408, and commitments for VHCB and HOME funds. LCHDC has submitted a grant application to the Vermont Community Development Program. LCHDC has also submitted a loan application to the Vermont Community Loan Fund (VCLF).

Sponsor and Management

The project is being developed by Lake Champlain Housing Development Corporation. LCHDC is a nonprofit organization with experience in developing and rehabilitating low income tax credit projects in Chittenden County. LCHDC has formed a partnership with Cathedral Square Corporation, which will market and manage the completed development. Cathedral Square is a nonprofit organization with experience developing and managing housing for elderly residents and residents with disabilities. A limited partnership that is yet to be formed will own the development and will include Holy Cross Senior Housing Corporation and Housing Vermont (HV95) as general partners.

Site & Environmental Concerns

The site is located one half mile from the Grand Union on Route 127 in Colchester (see attached site map). It consists of 12 acres; five acres will be reserved for the existing Holy Cross Church and cemetery and seven acres for the proposed development. The site is flat, wooded, and is a sand plain habitat. The Agency of Natural Resources has identified rare plant species on the parcel. LCHDC is working on a management plan for the rare plants. A Level I Environmental Site Assessment has not yet been completed.

DISCUSSION

VHFA staff is reviewing two options for financing. Option A, which LCHDC requested, is to provide three loans secured by one first mortgage: $70,000 at a 10 year term at 8.2%; $127,000 at a 15 year term at 8.35%, and $350,000 at a 20 year term at 8.5%. All rates are subject to VHFA review and availability of funds. This will save the project interest and pay down the debt sooner. Option B is one loan secured by a first mortgage at a 20 year term for 8.5%. LCHDC has requested a prepayable mortgage in this second scenario. Both options leave the project debt free after 20 years, which is LCHDC's goal.

Strengths

a) There appears to be a high demand for affordable elderly housing in Colchester. The Holy Cross Senior Housing Corporation was started by citizens who have been working together for 8 years to address the lack of elderly housing in their community.

b) The Catholic Diocese has agreed to lease the land for the development for 99 years, removing a potentially high land cost. This enhances affordability.

Weaknesses

a) All of the funding sources are not yet committed. The Vermont Community Development Program meets June 26 to decide on a $250,000 grant request. It is a very competitive program, but this is a compelling project with much community support. The Vermont Community Loan Fund will also decide June 26 on a $47,500 loan.

RECOMMENDATION

Staff recommends Board approval of the attached Resolution to provide a Letter of Interest to provide construction and permanent financing in an amount of up to $560,000, loan term(s) and interest rate(s) to be determined. The proposed source of funds is either Federal Home Loan Bank funds or taxable bond funds. The Letter of Interest shall include the following conditions:

1) sponsor must provide a Level I Environmental Site Assessment, with satisfactory remediation measures being incorporated into the work specifications;

2) sponsor must provide an appraisal acceptable to VHFA staff;

3) sponsor must secure all other sources of financing as proposed, or its equivalent, by July 1, 1996;

4) review of construction costs by VHFA or its agent;

5) data from the sponsor acceptable to VHFA regarding demand for this housing;

6) resolution of issues related to the reservation of the Low Income Tax Credits, including incurring 10% of "reasonably expected eligible basis" costs by October 31, 1996, evidence of Town zoning approval, evidence that proposed construction costs are reasonable, a detailed operating budget, and a revised development budget showing all committed financing by July 1, 1996;

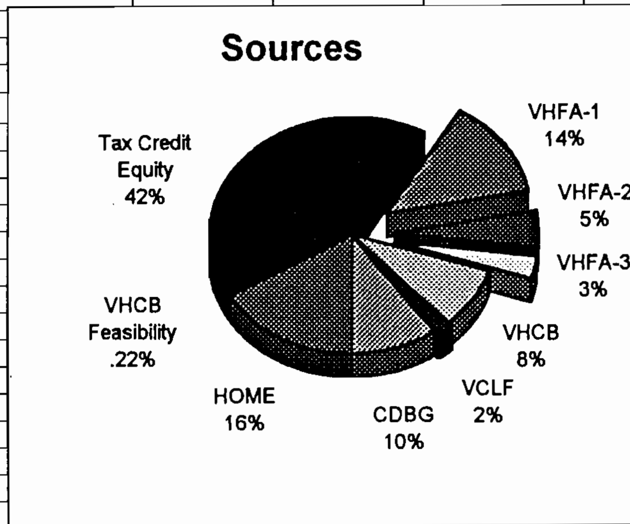
7) evidence of satisfactory Town Design and Site Plan Review and Archaeological Survey Review by July 1 1996, and Act 250 Permit approval by August 30, 1996.

S:\DEVEL\LIHTC\PROJECTS\HOLYCROS\LOAN.WB1

Project:	Holy Cross Housing	RUN DATE:	27-Nov-96
Total Residential Units:	40	Increase LIHTC	1.50%
Restricted Units:	33	Increase Market	1.50%
Percent Restricted:	81.65%	Expense increase:	3.00%
Avg Net Monthly Rent:	450	Vacancy Rate:	5.00%
Total Dev Costs	2,563,808	Partner's Tax Rate:	34.00%
TDC/Unit	64,095	Depreciation Schedule:	27.5
		Sponsor's Estimated Yield:	67.31%
		Total Square Footage:	34,938
Total Credit Amount	158,978	TDC/SF	$73.38
Net Syndication	1,070,108		
LIHTC - 9%	8.55%	(May '96)	
LIHTC - 4%	3.66%		

FINANCING SOURCES

	Amount	% of TDC	Interest	Term	Amort Period
VHFA Senior Debt 1	350,000	13.65%	8.50%	20	20
VHFA Senior Debt 2	130,000	5.07%	8.35%	15	15
VHFA Senior Debt 3	73,000	2.85%	8.20%	10	10
VHCB	215,000	8.39%	N/A	N/A	N/A
VCLF	50,000	1.95%	6.00%	5	5
CDBG Deferred Debt	250,000	9.75%	1.00%	40	40
HOME Deferred Debt	420,000	16.38%	2.18%	30	30
VHCB Feasibility	5,700	0.22%	N/A	N/A	N/A
Tax Credit Equity	1,070,108	41.74%	N/A	N/A	N/A
	2,563,808	100.00%			
Gap:	0				



Holy Cross Housing		DEVELOPMENT BUDGET				4-Dec-96
		11/11/96			Acquisition	Rehab/Const
		Budget	Per Unit	Per s.f.	Credit	Credit
ACQUISITION & CONSTRUCTION						
Land						
New Buildings		1,888,773	47,219	73		1,888,773
Construction Contingency	6.04%	114,000	2,850	4		114,000
Construction Management		4,000	100	0		4,000
APPLIANCES		28,000	700	1		28,000
Subtotal		2,034,773	50,869	79	0	2,034,773
PROFESSIONAL SERVICES						
Architect Fee / Engineering		121,166	3,029	5		121,166
Legal/Accounting		10,000	250	0		7,500
Arch. Survey		5,000	125	0		5,000
Testing		1,000	25	0		1,000
Attorney						0
Legal - Title & Recording		4,000	100	0		0
Subtotal		141,166	3,529	5	0	134,666
INTERIM COSTS						
Construction Insurance/Taxes		4,000	100	0		3,000
Construction Interest & Fee		50,000	1,250	2		37,500
Subtotal		54,000	1,350	2	0	40,500
OTHER SOFT COSTS						
Property Appraisal		2,000	50	0		2,000
Permits/Fees		37,894	947	1		37,894
Other/Contingency		5,000	125	0		3,750
Tax Credit Fees		4,700	118	0		4,700
Marketing		25,000	625	1		
Subtotal		74,594	1,865	3	0	48,344
FINANCING FEES & EXPENSES						
Permanent Loan Origination Fee		5,775	144	0		
Subtotal		5,775	144	0	0	0
Subtotal					0	0
DEVELOPMENT FEES						0
Housing Vermont Fee		120,000	3,000	5		120,000
Local Non-Profit Fee		120,000	3,000	5		120,000
Subtotal	10.39%	240,000	6,000	9	0	240,000
PROJECT RESERVES						
Working Capital		13,500	338	1		
Subtotal		13,500	338	1	0	0
TOTAL DEVELOPMENT COSTS		2,563,808	64,095	99	0	2,498,283

Holy Cross Housing		INCOME & EXPENSE BUDGET			4-Dec-96		
		INCOME					
RENTS							
Restricted Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	Affordability
1 Br		630	13	480	0	74,880	54%
2 Br		800	2	532	0	12,768	50%
1 Br	HOME	630	5	280	0	16,800	32%
1 Br	HOME	630	13	436	0	68,016	49%
	Totals	21,130	33			172,464	
Market Rate Units						Total	
Bedrooms	Type	Sq.Feet	Number	Rent	Utilities	Annual Rent	
1 Br		630	5	625	0	37,500	71%
2 Br		800	2	725	0	17,400	68%
	Totals	4,750	7			54,900	
All Units							
	Grand Totals	25,880	40			227,364	
		Less Vacancy	5.00%			-11,368	
					NET RENT	215,996	
		OTHER INCOME					
					Monthly	Annual	
		Interest Income					
		Laundry			200	2,400	
		Other - Cable TV			292	3,504	
		Total Other Income				5,904	
					TOTAL IN	221,900	

Holy Cross Housing	EXPENSE BUDGET			4-Dec-96
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	19,000	1,583	40	8.15%
Project salary & benefits	9,000	750	19	
Supportive Services	9,000	750	19	
Audit/Accounting	4,000	333	8	
Administrative Expenses	320	27	1	
Telephone	1,500	125	3	
Office Expenses	500	42	1	
VHFA Monitoring fee	960	80	2	
HVT fee	3,000	250	6	
Other				
TOTAL ADMINISTRATIVE	47,280	3,940	99	
Utilities				
Water/Sewer	4,800	400	10	
Electric	18,000	1,500	38	
Fuel	9,800	817	20	
Cable	3,400	283	7	
Fire Alarm/Emergency Call	2,500	208	5	
TOTAL UTILITIES	38,500	3,208	80	
Maintenance				
Trash Removal	2,700	225	6	
Snow Removal	2,800	233	6	
Grounds	2,800	233	6	
Repairs/Materials	1,800	150	4	
Repairs/Contract	4,500	375	9	
Paint/Decorating	800	67	2	
Exterminating	400	33	1	
Elevator Contract	4,000	333	8	
Janitor	10,000	833	21	
Janitorial Supplies	1,700	142	4	
TOTAL MAINTENANCE	31,500	2,625	66	
Taxes	14,000	1,167	29	
Insurance	5,000	417	10	
Replacement Reserves	9,090	758	19	
Other				
Total	145,370	12,114	303	

4-Dec-96	Holy Cross Housing				PRO FORMA						
	Year	1	2	3	4	5	6	7	8	9	10
Residential Rent		227,364	230,774	234,236	237,750	241,316	244,936	248,610	252,339	256,124	259,966
Less Res Vacancy		-11,368	-11,539	-11,712	-11,887	-12,066	-12,247	-12,430	-12,617	-12,806	-12,998
Plus Other Income		5,904	5,993	6,082	6,174	6,266	6,360	6,456	6,553	6,651	6,751
Total Actual Income		221,900	225,228	228,607	232,036	235,516	239,049	242,635	246,274	249,968	253,718
Less Operating Expense		136,280	140,368	144,579	148,917	153,384	157,986	162,725	167,607	172,635	177,814
Less Reserves		9,090	9,226	9,365	9,505	9,648	9,793	9,939	10,088	10,240	10,393
Net Operating Income		76,530	75,634	74,663	73,614	72,484	71,271	69,970	68,579	67,093	65,510
Less Senior Debt Service		62,395	62,395	62,395	62,395	62,395	62,395	62,395	62,395	62,395	62,395
Less Junior Debt Service		11,600	11,600	11,600	11,600	11,600	0	0	0	0	0
Cash Flow		2,535	1,639	668	-381	-1,510	8,876	7,575	6,184	4,698	3,115
Oper Subsidy		0	0	0	381	1,510	0	0	0	0	0
Net Cash		2,535	1,639	668	0	0	8,876	7,575	6,184	4,698	3,115
DCR		103.43%	102.22%	100.90%	99.49%	97.96%	114.23%	112.14%	109.91%	107.53%	104.99%
Cumulative Cash Flow		2,535	4,225	4,978	4,697	3,280	12,222	20,042	26,626	31,857	35,610
Cumulative Replacement Reserves		9,090	18,498	28,233	38,303	48,717	59,483	70,612	82,113	93,995	106,269
Interest Rate on Accts:	2.00%		51	85	100	94	66	244	401	533	637

4-Dec-96	Holy Cross H										
	Year	11	12	13	14	15	16	17	18	19	20
Residential Rent		263,865	267,823	271,841	275,918	280,057	284,258	288,522	292,849	297,242	301,701
Less Res Vacancy		-13,193	-13,391	-13,592	-13,796	-14,003	-14,213	-14,426	-14,642	-14,862	-15,085
Plus Other Income		6,852	6,955	7,059	7,165	7,272	7,381	7,492	7,604	7,719	7,834
Total Actual Income		257,524	261,387	265,307	269,287	273,326	277,426	281,588	285,811	290,099	294,450
Less Operating Expense		183,149	188,643	194,303	200,132	206,136	212,320	218,689	225,250	232,008	238,968
Less Reserves		10,549	10,708	10,868	11,031	11,197	11,365	11,535	11,708	11,884	12,062
Net Operating Income		63,826	62,036	60,137	58,124	55,994	53,742	51,363	48,853	46,207	43,420
Less Senior Debt Service		51,674	51,674	51,674	51,674	51,674	36,449	36,449	36,449	36,449	36,449
Less Junior Debt Service		0	0	0	0	0	0	0	0	0	0
Cash Flow		12,152	10,362	8,463	6,450	4,320	17,293	14,915	12,405	9,759	6,972
Oper Subsidy		0	0	0	0	0	0	0	0	0	0
Net Cash		12,152	10,362	8,463	6,450	4,320	17,293	14,915	12,405	9,759	6,972
DCR		123.52%	120.05%	116.38%	112.48%	108.36%	147.45%	140.92%	134.03%	126.77%	119.13%
Cumulative Cash Flow		48,474	59,805	69,464	77,304	83,171	102,127	119,084	133,871	146,307	156,205
Cumulative Replacement Reserves		118,943	132,030	145,539	159,480	173,867	188,709	204,018	219,806	236,086	252,870
Interest Rate on Accts:	2.00%	712	969	1,196	1,389	1,546	1,663	2,043	2,382	2,677	2,926

RESOLUTION PERTAINING TO COMMITMENT LETTER
RE: HOLY CROSS SENIOR HOUSING

WHEREAS, a proposal has been presented to the Agency by Lake Champlain Housing Development Corporation ("LCHDC") and Holy Cross Senior Housing Corporation ("Holy Cross"), two non-profit corporations based in Chittenden County, (the "Sponsors") on behalf of a to-be-formed limited partnership, whose general partners would include LCHDC, Holy Cross and an Housing Vermont affiliate, involving the construction and permanent financing of a senior housing development containing 40 units in two buildings located on 7 acres in Colchester (the "Development"); and

WHEREAS, the proposal contemplates construction and permanent loans in an amount not to exceed $560,000; and

WHEREAS, the Agency has issued a letter of interest to the Sponsors pursuant to a resolution dated June 13, 1996; and

WHEREAS, the Sponsors have received a reservation of Low Income Housing Tax Credits and have applied for Community Development Block Grant funds; and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cindy Reid dated December 4, 1996 containing information and recommendations about the Development (the "Memorandum");

It is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a Commitment Letter for construction and permanent financing of up to $560,000. The construction loan will have a term of one year with the rate to be determined by the Executive Director. The permanent loan will be structured as three loans, with the first being up to $75,000 for 10 years, the second being up to $135,000 for 15 years, and the third being up to $350,000 for 20 years. Each loan will be amortized for the same period as its term. The interest rate will be based on the cost of funds to the Agency plus .75. The source of funds is a Federal Home Loan Bank non-member advance. The commitment of the Agency is conditioned upon the following:

a) Sponsor must obtain Town Planning Commission approval and final Act 250 approval;

b) Sponsor must incur 10% of "reasonably expected eligible basis" costs by December 18, 1996;

c) Sponsor must provide written estimate of taxes from the Town of Colchester, and such estimate must be financially feasible for the project;

d) Cost reasonableness must be demonstrated either by evidence of competitive bidding, or by an independent cost estimate.

2. The commitment of the Agency shall be subject to receipt, on or before the date of the applicable closing, as set out in the Commitment Letter, of commitment fees in an amount equal to one percent (1.0%) of the maximum principal amount of the construction loan and one percent (1.0%) of the maximum principal amount of the permanent loan.

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

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Development Officer

DATE: December 4, 1996

RE: 600 Dalton Drive

EXECUTIVE SUMMARY

On August 16, 1996, the VHFA Board met via telephone conference and approved a restructuring of the 600 Dalton Drive transaction. The restructuring involved VHFA lending $275,000 in 0% funds to Dalton Drive Neighborhood Inc. (DDNI), who in turn would lease the building at 600 Dalton Drive to a Historic Tax Credit Partnership, which would include the Burlington Community Land Trust. BCLT, through a Partnership, plans to rehabilitate 600 Dalton Drive and create 11 units of assisted housing for families and individuals living with HIV/AIDS. Since that time, it was discovered by Housing Vermont that a lease-purchase transaction would disallow the use of Historic Tax Credits.

Staff once again proposes a restructuring which seeks to: minimize losses incurred by VHFA on this property, lower overall development costs, and work with all other funding sources.

DDNI will sell the building directly to the Partnership for approximately $80,000. The Partnership will assume the loan DDNI has with VHFA, which currently has a balance of approximately $275,000. The terms of the loan will be rewritten. The loan will require no payments, however the outstanding balance of the loan, $195,000 would be payable to VHFA should the building ever cease to be operated as affordable housing for the benefit of low-to-moderate income persons. In addition, if there was a change in use from affordable housing wherein repayment would be required, a nominal interest rate would be charged (estimated at 6%).

RECOMMENDED BOARD ACTION

Approve new "sale" structure and de-commit the $275,000 0% interest loan to DDNI approved by the Board on August 16, 1996.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

RESOLUTION REGARDING 600 DALTON DRIVE

WHEREAS, on August 16, 1996, the Agency approved a $275,000 loan at 0% interest to Dalton Drive Neighborhood, Inc. (the "Loan") to be used for the lease-purchase of 600 Dalton Drive by a historic tax credit partnership including Burlington Community Land Trust, Inc. (the "Partnership"); and

WHEREAS, the structure that was to be used in connection with the Loan has been superseded by a proposed assumption of the current VHFA loan to DDNI by the partnership acquiring the building at 600 Dalton Drive; and

WHEREAS, the Board has been apprised of the outline of the proposed assumption and modification of the VHFA loan in a memorandum dated December 4, 1996 (the "Memorandum"); and

WHEREAS, it is advisable to repeal the resolution approved by the Board on August 16, 1996 and to approve the new structure devised for 600 Dalton Drive;

NOW, THEREFORE, it is hereby RESOLVED:

1. The resolution of the Board dated August 16, 1996 concerning the 600 Dalton Drive property is hereby repealed and declared to be of no further force and effect.

2. The structure described in the Memorandum is hereby approved and the Executive Director, Deputy Director and Director of Finance are authorized to take all steps necessary and to execute all documents required to achieve the sale of the building from Dalton Drive Neighborhood, Inc. to the Partnership.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, Development Coordinator PAC

DATE: December 4, 1996

RE: Lake Champlain Housing Development Corporation -- Bridge Financing Request for Officers' Row Affordable Units

SUMMARY OF REQUEST

At the July 1996 meeting, the Board approved a resolution to provide up to $65,000 in zero percent financing to Lake Champlain Housing Development Corporation (LCHDC) to assist them in the remarketing of a unit at Officers' Row. LCHDC did not accept this commitment because they were successful in marketing the unit to another lower income buyer during their option period. LCHDC currently owns one unit and has exercised their option to purchase an additional two units to keep them affordable. LCHDC has again requested assistance in the form of zero percent (0%) financing in a total amount not to exceed $200,000, which LCHDC could access should they need to take title to an Officers' Row unit. LCHDC cannot pay interest on these funds because the carrying costs cannot be passed on to the new buyer. There are uncommitted funds remaining in the second mortgage pool of approximately $140,000; however, only $72,700 is currently available because LCHDC used second mortgage funds to purchase the unit that they presently own. The source of funding for this request would be VHFA General Funds or Multifamily Refunding Savings. The term of the bridge loan would be for one year.

The Burlington Community Land Trust (BCLT) has indicated an interest in assuming the responsibility of the administration of the second mortgage pool and the remarketing of the affordable units at Officers' Row. VHFA staff is working with LCHDC and BCLT to identify changes prior to submitting a proposal for consideration by VHCB and VHFA. Staff requests approval for the Executive Director to renegotiate the agreement between LCHDC, VHCB, and VHFA, which may include the transfer of responsibility for the affordable units to BCLT, and to make any changes to the Housing Subsidy Covenant and related documents for subsequent buyers.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

MARKETING OF UNITS AT OFFICERS' ROW

LCHDC administers the second mortgage pool and monitors affordability of 29 units at the Officers' Row condominium project developed by VHFA. To ensure affordability of the units, LCHDC has an option to purchase units at their appraised value. Once the owner sends LCHDC the appraisal and a notice that the owner intends to sell, LCHDC has 60 days to determine if it will exercise its right of first refusal. If LCHDC exercises its right, it has another 60 days to sell the unit to another income eligible buyer.

LCHDC has been successful in selling some units before they have to purchase them; however, in other cases the units did not sell and funds available in the second mortgage pool were used to purchase the units. LCHDC has also had to take title to units because they could not be marketed while they were occupied (due to poor housekeeping habits or owners who were not willing to show their unit to prospective buyers).

When this project was first developed, VHFA believed that LCHDC would not have to take title to units to keep them affordable, and would be successful in selling the units to a new buyer during their option period by maintaining a waiting list of potential buyers. This has not been the case because potential buyers are unwilling to wait to purchase a home if other options are available. One such option has been BCLT's very successful Homeland Program that provides grants of $12,500 to assist lower-income buyers to purchase a home of their choice. LCHDC has initiated discussions with BCLT to determine the feasibility of either working collaboratively or having BCLT take over the administration of the second mortgage pool and affordability of units at Officers' Row. LCHDC has limited experience working with potential home buyers and marketing units with limited equity, while the primary focus of BCLT has been assisting lower-income households to purchase a home via the Community Land Trust model. BCLT has also been very successful in marketing resales, and is one of the three pilot Homeownership Centers. Units at Officers' Row could be a valuable resource to the Homeownership Center due to a reduction in funding for the Homeland Program.

The outcome of LCHDC and BCLT's discussions may require changes to the agreements between VHCB, VHFA, and LCHDC, and the agreement with future homeowners. One such change that has been discussed is to the Housing Subsidy Covenant whereby LCHDC's option period would not start until the unit is in a marketable condition to show potential buyers (marketable condition would have to be defined). Another option is to change the agreements that currently allow LCHDC to charge a loan origination fee on the second mortgage of $620. LCHDC has not assessed this fee because the buyers they work with usually have a difficult time coming up with funds for other closing costs, and cannot afford the additional fee. If this fee was eligible for financing with the second mortgage, additional funds would be available to offset any expenses should LCHDC have to purchase a unit to preserve its affordability. Any changes must be approved by the Boards of all organizations.

BOARD ACTION REQUESTED

Staff requests approval of the attached Resolution to advance funds to LCHDC in an amount not exceed $200,000 at zero percent interest (0%) to assist them to acquire units at Officers' Row, and remarket the units to lower-income households. The term of the bridge loan would be one year. Staff also requests approval for the Executive Director to renegotiate the agreement currently in place between LCHDC, VHCB, and VHFA, which may include a transfer of responsibilities to BCLT, and changes to the Housing Subsidy Covenant and related documents for subsequent buyers.

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VERMONT HOUSING FINANCE AGENCY
RESOLUTION AUTHORIZING
BRIDGE FINANCING FOR
LAKE CHAMPLAIN HOUSING DEVELOPMENT CORP.
FOR OPTION PURCHASES OF DALTON DRIVE UNITS

RESOLVED:

Pursuant to § 621(5) of the Vermont Housing Finance Agency Act, the Executive Director is authorized to enter into an agreement for bridge financing, in the maximum amount of $200,000 at zero percent interest, with Lake Champlain Housing Development Corp., substantially in accordance with the provisions and conditions in the attached Memorandum of Patricia A. Crady directed to the "VHFA Board of Commissioners" and dated December 4, 1996. The bridge loan will have a term of twelve months. The Executive Director, the Deputy Director and the Director of Finance are authorized to take all necessary steps and execute all documents necessary to implement the bridge loan authorized herein. In addition, the Executive Director is authorized to renegotiate the existing agreements between Lake Champlain Housing Development Corp., the Vermont Housing and Conservation Board and VHFA, which may include a transfer of responsibilities from Lake Champlain Housing Development Corp. to Burlington Community Land Trust, Inc., and the Housing Subsidy Covenant and related documents for future buyers of units at Dalton Drive.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: December 4, 1996

RE: Servicing Activity for October

SERVICING ACTIVITY

Collections:

Last months 90+ accounts:		57
New 90 day accounts:	18	
Reductions:		
To foreclosure/DIL:	0	
To 60 days or less:	4	
Under payment arrangement:	20	
Modifications:		
90+ accounts:		71

In Foreclosure:

Last months foreclosure accounts:		47
New foreclosures:	8	
To REO:	6	
Successful interventions:	0	
Negotiating workouts:	5	
Modifications:	3	
Foreclosure accounts:		49

Real Estate Owned:

Last months REO's:		40
New REO's:	6	
Properties sold:	2	
Properties under contract:	2	
REO's:	44	

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: December 4, 1996

RE: Single Family Program Activity Report For October

MORTGAGE PURCHASE PROGRAMS

Month Amount	No.	Amount	Previous Year	No.
Reservations	93	$ 6,096,116	84	$ 5,740,326
Purchases	64	$ 4,638,763	83	$ 5,304,648

Period to Date Amount	No.	Amount	Previous Year	No.
Reservations	1135	$75,576,658	825	$50,503,074
Purchases	645	$42,935,796	665	$42,829,365

MORTGAGE PLUS

Month Amount	No.	Amount	Previous Year	No.
Reservations	7	$ 432,355	1	$ 83,600
Issued	6	$ 440,633	14	$ 1,027,740

Period to Date Amount	No.	Amount	Previous Year	No.
Reservations	90	$ 6,654,651	54	$ 4,200,444
Issued	83	$ 6,418,832	93	$ 6,281,973

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VERMONT HOUSING FINANCE AGENCY
DELINQUENCY STATISTICAL REPORT
SINGLE FAMILY PORTFOLIO
EFFECTIVE: OCTOBER, 1996

Lenders	Loans	30	Days	60	Days	90+	Days	Auth	FCL	Delinq		REO	
ALBANK, FSB	440	21	4.77%	8	1.82%	5	1.14%	3	0.68%	37	8.41%	3	0.68%
Banknorth Mortgage Co.	754	35	4.64%	7	0.93%	12	1.59%	7	0.93%	61	8.09%	1	0.13%
Bennington Co-op S&L Assoc.	38	1	2.63%	0	0.00%	0	0.00%	0	0.00%	1	2.63%	0	0.00%
Brattleboro Savings & Loan	21	1	4.76%	0	0.00%	0	0.00%	0	0.00%	1	4.76%	0	0.00%
Chittenden Bank	922	57	6.18%	13	1.41%	4	0.43%	6	0.65%	80	8.68%	4	0.43%
Citizens Savings Bank	103	3	2.91%	0	0.00%	2	1.94%	1	0.97%	6	5.83%	3	2.91%
Community National Bank	288	9	3.13%	3	1.04%	3	1.04%	0	0.00%	15	5.21%	1	0.35%
Factory Point Nat. Bank	35	1	2.86%	0	0.00%	0	0.00%	0	0.00%	1	2.86%	0	0.00%
First Brandon Nat. Bank	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
First Nationwide Mortgage	12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Fleet Mortgage	42	3	7.14%	3	7.14%	2	4.76%	0	0.00%	8	19.05%	0	0.00%
GMAC Mortgage	1	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Granite Bank (NH)	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Graystone Mortgage Company	493	41	8.32%	3	0.61%	11	2.23%	6	1.22%	61	12.37%	10	2.03%
Lyndonville Savings Bank	57	2	3.51%	0	0.00%	2	3.51%	0	0.00%	4	7.02%	0	0.00%
Merchants Bank	309	8	2.59%	2	0.65%	0	0.00%	5	1.62%	15	4.85%	2	0.65%
Mortgage Service Ctr. of NE	89	6	6.74%	4	4.49%	1	1.12%	3	3.37%	14	15.73%	3	3.37%
National Bank of Middlebury	63	4	6.35%	0	0.00%	0	0.00%	0	0.00%	4	6.35%	0	0.00%
New England Federal CU	44	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Northfield Savings Bank	120	3	2.50%	1	0.83%	2	1.67%	1	0.83%	7	5.83%	1	0.83%
Passumpsic Savings Bank	172	8	4.65%	1	0.58%	1	0.58%	1	0.58%	11	6.40%	3	1.74%
Peoples Trust Co.	96	5	5.21%	2	2.08%	0	0.00%	0	0.00%	7	7.29%	0	0.00%
Randolph National Bank	43	1	2.33%	1	2.33%	0	0.00%	0	0.00%	2	4.65%	0	0.00%
Union Bank	167	10	5.99%	3	1.80%	4	2.40%	0	0.00%	17	10.18%	2	1.20%
Vermont Development CU	34	2	5.88%	1	2.94%	1	2.94%	0	0.00%	4	11.76%	0	0.00%
Vermont Federal Bank	1121	57	5.08%	11	0.98%	7	0.62%	8	0.71%	83	7.40%	8	0.71%
Vermont National Bank	618	31	5.02%	8	1.29%	12	1.94%	8	1.29%	59	9.55%	2	0.32%
Vermont State Employees CU	2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Wells River Savings Bank	35	1	2.86%	1	2.86%	2	5.71%	0	0.00%	4	11.43%	1	2.86%
Totals	6122	310	5.06%	72	1.18%	71	1.16%	49	0.80%	502	8.20%	44	0.72%
Totals Previous Month	6094	290	4.76%	82	1.35%	57	0.94%	47	0.77%	476	7.81%	40	0.66%
Totals Same Mo. Last Yr.	5875	257	4.37%	73	1.24%	92	1.57%	22	0.37%	444	7.56%	32	0.54%

VERMONT HOUSING FINANCE AGENCY

Board Property Disposition Report

Month of: October, 1996

Properties Sold

Property	Listing Price	Sale Price	Principal Balance	To Date Interest	Expenses	Claim Payment	Gain/ (Loss)	Valuation Offset	Audit Gain/ (Loss)
Laporte Holland	$42,500	$41,000	$62,569	$ 7,487	$ 6,032	$13,971	($21,117)	N/A	($21,117)
Bowser Barre	$43,000	$35,000	$27,670	$ 3,648	$10,072	$ 6,390	$ 0	N/A	$ 0

Properties Under Contract

Property	Listing Price	Contract Price	Principal Balance	Interest	Estimated Expenses	Claim Payment	Estimated Gain/ (Loss)	Audit Valuation Offset	Gain/ (Loss)
Buzby Lyndon	$45,900	$41,500	$63,125	$ 3,524	$ 9,562	$12,870	($21,841)	N/A	($21,841)
Wilder Middlesex	$58,000	$58,000	$67,181	$ 7,896	$ 7,867	$13,181	($11,763)	N/A	($11,763)

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

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

DATE: December 4, 1996

RE: Discussion on establishing a requirement for a property tax escrow and property inspections on VHFA Single Family mortgage loans

PROPERTY TAX ESCROW

One of the many issues VHFA has had to address over the last few years has been the number of times we have had to pay delinquent property taxes for borrowers. The amount of delinquent taxes, for which VHFA has to pay in order to preserve its first lien on a property, increases the amount VHFA may lose if it takes back a property through a foreclosure action or deed-in-lieu. For the period of July 1, 1995, through June 30, 1996, VHFA paid approximately $100,000 in delinquent property taxes on the 61 REO properties it sold, or $1,639 per property. VHFA has had a couple of cases where the delinquent taxes have reached as high as $20,000.

One way to reduce this expense while at the same time assisting first time home buyers in budgeting and understanding the responsibilities of homeownership is to require that all VHFA loans have a property tax escrow. Through this method, the borrower will pay one twelfth of the annual property tax due at the time the mortgage payment is made. At the loan closing, any tax pro-ration which the seller has to pay the borrower would be placed in this escrow account rather than being used to reduce the borrowers' need for cash to cover closing expenses. The amount collected from the borrower would be adjusted on an annual basis based on the next year's tax bill.

Some of the negatives of initiating a tax escrow requirement, would be that the amount of cash needed at closing would increase. As an example, if half of the tax year has gone by, the borrower would have to put one half years taxes into the escrow at closing to ensure enough funds to pay the taxes when they become due. In addition, there may be some lenders, due to the additional work load or lack of computer capability who may not participate in our program any longer. We anticipate that we would discuss this possible new requirement with the Vermont Bankers Association Committee formed to discuss issues such as this.

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PROPERTY INSPECTIONS

Over the past year, VHFA has taken back many properties which have been in very poor condition. In many cases, the original appraisal did not indicate that the property was less than average. Even considering a lack of maintenance on the part of the borrower, it is difficult to ascertain how a property could deteriorate as rapidly as the current condition indicates. Staff has discussed with the Board on previous occasions the possibility of requiring property inspections on certain properties that we are requested to finance. The property inspection would be a limited one focusing on items that are the most expensive to repair or replace. These items would include the roof, the heating system, the plumbing, the electrical system, and the foundation in all cases. If the dwelling unit has an on-site waste treatment system or a non-public potable water supply system, these items would be added to the inspection list. A property inspection requirement is not a new concept in Vermont. Rural Development requires a property inspection on all its direct loans as well as the loans it guarantees. In addition, VHFA required a property inspection, as a pilot program, on our last downpayment assistance program.

It is anticipated that VHFA would contract with several property inspectors who have demonstrated their ability to do a quality property inspection to perform these property inspections on a bulk basis. By this method, it is anticipated that VHFA may be able to obtain a lower price for these inspections than could be obtained by individual borrowers. Staff further envisions that a portion of the cost of the property inspection would be passed on to the borrower and collected when the lender collects their processing fee or at time of closing.

The properties to be inspected would consist of all mobile homes and single family homes of at least ten years of age. In addition, the need for an inspection would be based on the credit score of the borrower. The range of credit scores that would trigger an inspection will be determined once the analysis, currently being done for us by Credit Bureau Services of Vermont, is received and reviewed.

I will be bringing to the Board meeting some illustrations of properties recently taken back that show abnormal deterioration which was not brought to light at the time the loan was made.

REQUESTED BOARD ACTION

Approval for staff to require a tax escrow on all newly purchased loans, and to commit resources to develop a property inspection requirement on newly purchased loans for further review by the Board at a future meeting.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Michael McNamara, Deputy Director
Mike McNamara

DATE: December 3, 1996

RE: FY97 BUSINESS PLAN

Attached is the proposed FY97 Business Plan for your consideration. We have revised the format this year to better mesh with the Planning Objectives as originally set forth in VHFA's *Strategic Plan for Fiscal Years 1996-2000*. It is our hope that this format will give the reader a clearer picture of progress being made toward each of the ten objectives.

The column to the far right hand side, "FY97 Actuals to Date," shows results through September 30, 1996. We will continue to use this format to report to the Board on our progress on a quarterly basis.

FY97 goals for specific activities were developed in collaboration with staff responsible for those activities in an extremely compressed timeframe. I wish to thank all senior staff, in particular Cathleen Gent and Barbara Parker, for helping me pull this together.

Staff will be available at the Board meeting to answer questions about any aspect of the plan. Thank you for your consideration.

RECOMMENDED BOARD ACTION:

Consideration and approval of the FY97 Business Plan for immediate implementation, incorporating further suggestions or recommendations made by the Board.

ADMINISTERING THE PROGRAMS OF THE VERMONT HOME MORTGAGE GUARANTEE BOARD

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EQUAL HOUSING OPPORTUNITY

RECOMMENDED STRATEGIES

Following the direction of the Board, VHFA staff developed strategies to implement an action plan based upon the mission statement, overall goals, and objectives established by the Board. The following summary shows the strategies as they apply to VHFA's strategic planning objectives. These strategies are not in ranked order.

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

2. *To enhance affordability and habitability that will maintain and increase homeownership*
   a. Expand Down Payment Assistance
   b. Develop Home and Energy Improvement Lending Programs
   c. Expand Financing Options for Mobile Home Purchases
   d. Provide Financing for Co-op Housing
   e. Improve Financing for 3 and 4 Unit Owner-Occupied Properties

3. *To improve flexibility of financing tools as a lender for rental housing*
   a. Expand Energy Lending Activities
   b. Expand (as Consortium) Use of FHLB in Conjunction with LIHTC

4. *To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.*
   a. Address Homelessness
   b. Collaborate to Develop Programs for Support and Special Needs

5. *To increase the efficiency and responsiveness of the multi-family lending process.*
   a. Increase Efficiency of Multi-Family Lending Process
   b. Improve Financing for 3 and 4 Unit Investor-Owned Properties

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

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

8. *To inform policy makers on an ongoing basis regarding affordable housing issues and needs.*
   a. Maintain Data Collection/Analysis/Dissemination of Housing Data

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

10. *To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.*
    a. Expansion of Financing to Non-Housing Activities
    b. Better Utilize VHMGB to Enhance Services/Products of VHFA
    c. Reduce Operating and User Costs
    d. Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities

VHFA MISSION, OVERALL GOALS, AND OBJECTIVES

Utilizing the information gathered through the internal and external assessments and after reviewing the recommendations of the VHFA Strategic Planning Advisory Committee, the VHFA Board approved the following revised mission statement, overall goals, and specific objectives. The subsequent strategies were developed in accordance with the mission, overall goals, and planning objectives. These goals have not been prioritized.

MISSION

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

OVERALL GOALS

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

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

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

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

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

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

PLANNING OBJECTIVES - LINKED TO OVERALL AGENCY GOALS

Objective 1:	To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.
Objective 2:	To enhance affordability and habitability that will maintain and increase homeownership.
Objective 3:	To improve flexibility of financing tools as a lender for rental housing.
Objective 4:	To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.
Objective 5:	To increase the efficiency and responsiveness of the multi-family lending process.
Objective 6:	To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.
Objective 7:	To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.
Objective 8:	To inform policy makers on an on-going basis regarding affordable housing issues and needs.
Objective 9:	To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.
Objective 10:	To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.

VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
1. To encourage and support a work environment that enables staff to realize their full potential as employees of VHFA.					
1a.	**Encourage and support a productive and positive work environment**				
Support	Computer Software/Hardware Convert	Mitas computer conversion completed; HP retired 04/96; Mitas upgrades will be installed as needed	Ongoing installation of all MITAS modules; expand use of Windows/Microsoft Office products and mail list applications; develop computer capital budget	Admin	
2.	*To enhance affordability and habitability that will maintain and increase homeownership*				
Ongoing	MOVE (Includes IORTA)	682 mtges purch; $45,869,023	800 mtges purch; $54,000,000	SF Ops	246 mtges purch; $16,399,293
Ongoing	MCC (Mortgage Plus)	109 MCCs issued; $8,220,487	150 MCCs issued; $11,700,000	SF Ops	34 MCCs issued; $2,661,657
Ongoing	HOUSE (Includes IORTA)	62 loans purch; $3,834,249	60 loans purch; $3,700,000	Development/ SF Ops	
Ongoing	Rural VT Mtge	36 mtges purch; $1,212,932	15 mtges purch; $275,000	SF Ops	2 mtges purch; $37,000
Ongoing	SF Development/Construction	No activity; accepting applications	25 units; $1,000,000	Development	
Ongoing	Condominium Project Inspections	43 inspections have been completed	Conduct inspections using MF form and photograph at each location (50 condo developments) and collect/review financials	MF Mgmt	11 inspections completed through 09/28/96
2a.	**Expand Down Payment Assistance**				
Ongoing	IORTA Down Payment Assist	52 loans purch; $3,607,661	35 loans purch; $2,400,000	SF Ops	17 loans purch; $1,144,330
Ongoing	Targeted Use of IORTA Pool	Total allocation of 100 loans has been reserved; in process of purchasing the loans	Better utilize the RD guarantee program; use IORTA in conjunction with Homeownership Centers and Burlington Enterprise Community	Development	
Ongoing 2A #1 2E FY97	Homeownership Centers: Expand Down Payment Assistance; in FY98, Improve Financing for 3-4 unit owner-occupied	$60,000 in capacity funding, plus $100,000 in IORTA funds approved by Board; Centers are fully operational and have begun to work with potential home buyers	Program implementation in 3 pilot centers; 30 loan closings; begin planning Phase 2 of Homeownership Centers	Development	
#2 FY97	Down Payment Assistance Using Second Mortgage Program	Defer to FY98			
2b.	**Develop Home and Energy Improvement Lending Programs**				
Implement	Home Improvement	Survey completed; preliminary program being developed; target implementation Spring 1997	Complete program development for implementation in Summer 1997	Development	
Implement Summer 97	Qualified Rehabilitation		Complete program development for implementation in Summer 1997	Development	

EXPLANATION OF STRATEGIC PLAN NOTATIONS:
Analyze = Analyze for future implementation   Implement = Programs/Initiatives being developed for FY implementation   Ongoing = Ongoing Program   Support = Activities in support of programs/strategies

VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
2c.	**Expand Financing Options for Mobile Home Purchases**				
Ongoing	Mobile Home Park Financing (MF)	45 units; $385,000	25 units; $200,000	Development	
FY97	Expand Financing Options for Mobile Home Purchases		Begin preliminary development		
2d.	**Provide Financing for Co-op Housing**				
FY96-FY97	Provide Financing for Co-Op Housing		Provide funds for BCLT to provide share loans to tenant stockholders	Development	
2e.	**Improve Financing for 3 and 4 Unit Owner-Occupied Properties**				
FY97	Improve Financing for 3-4 Unit Owner-Occupied Properties (Develop financing option through MOVE-HOUSE)		Defer to FY98	Development	
3.	***To improve flexibility of financing tools as a lender for rental housing***				
Ongoing	LIHTC	100% of avail credit allocated to projects	*CAL 97:* Allocate 100% of available credit ($725,000)	Development	
		$767,099 avail for allocation in CAL 96			
Ongoing	MF Construction	1 loan closed; 58 units; $690,000 1 loan committed, 25 units; $1,500,000	5 loans $5,000,000 Market program and expand lending	Development	2 loans committed; 72 units; $2.7 million 2 loans closed; 58 units; $3 million
Ongoing	Bridge Financing Initiative	LCHDC Commitment $150,000 03/96, $0 outstand bal; RAHC commitment extended to 03/97, outstand bal = $10,500	Develop new program to improve efficiencies; Housing Vermont $1,000,000 available for bridge financing	Development	
Ongoing	MF Permanent Financing	5 loans committed; 175 units $2,477,000 5 loans closed; 91 units $1,086,110 Closed on 1 group home, 6 beds ($90,000)	3 loans, 210 units $6,700,000 Expand in conjunction with refunding; includes financing for Applegate in Bennington	Development	3 loans committed; 83 units; $3 million 1 loan closed; ;33 units; $541,531
3a.	**Expand Energy Lending Activities**				
Ongoing	Expand Energy Lending Activities and Weatherization Assistance	VHFA and lenders were ready to go 05/96; VTOEO delayed implementation until 08/96 pending approval from USDOE	Program development and implementation in conjunction with VT OEO weatherization program; 30 loans; $135,000	Development	
3b.	**Expand (as Consortium) Use of FHLB in Conjunction with LIHTC**				
Analyze FY96	Expand Use of FHLB in conjunction with LIHTC via Loan Consortium	FHLB used with 1 loan $ 690,000 No loan consortium used	Program development	Development	

EXPLANATION OF STRATEGIC PLAN NOTATIONS:
Analyze = Analyze for future implementation   Implement = Programs/Initiatives being developed for FY implementation   Ongoing = Ongoing Program   Support = Activities in support of programs/strategies

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
4.	***To create and enhance affordable housing integrated with services to provide realistic alternatives for people with special needs.***				
Ongoing	Dalton Drive Commercial Buildings	#504 sold $165,000; #600 letter of interest expired 01/15; option agreement in progress	Sell building 600, with VHFA financing	Development	Issued loan commitment $275,000; 11 units
Ongoing	Special Needs Housing	2 loans closed; $173,000 (in HOUSE totals)	MOVE/HOUSE Pilot 5 loans; $425,000; introduce marketing of program	Development	
4a.	**Address Homelessness**				
Support FY96	Address Homelessness	600 Dalton Drive will provide housing with services for people living with HIV/AIDS, many of whom were previously homeless	Assist other agencies in defining and determining the level of homelessness and disseminating results; consider using refunding resources	Development/ Comm	
4b.	**Collaborate to Develop Programs for Support and Special Needs**				
Analyze #2 FY96	Financing for Assisted Living (Developmentally Disabled Adults)	Executive Director serves on assisted living advisory committee; considering assisted living financing options; HVT worked on proposal with THM, Inc.	Develop financing options in conjunction with other state agencies, et al.	Development	
Analyze #1 FY97	Financing for Assisted Living (Combine Affordable Housing for Elderly with Supportive Services)		Develop financing options in conjunction with other state agencies, et al.	Development	
5.	***To increase the efficiency and responsiveness of the multi-family lending process.***				
5a.	**Increase Efficiency of Multifamily Lending Process**				
Support FY96 #1 #2 #3 #4	Increase Efficiency of MF Lending Process	Board approved revised MF underwriting standards; revised application form on hold; MF Mgmt/Dev/Legal discussing ways to make lending process more efficient	1. Review underwriting criteria 2. Develop new informational application and marketing materials 3. Accelerate loan processing 4. Increase efficiency of closing process	Development	
5b.	**Improve Financing for 3 and 4 Unit Investor-Owned Properties**				
Analyze FY97	Improve Financing for 3-4 Unit Investor-Owned Properties (Provide capital for 3-4 unit investor-owned properties)		Collaborate with CEDO and nonprofits regarding Burlington Economic Community rehab loan program	Admin/ Development	
6.	***To develop programs to finance the mitigation or elimination of environmental hazards that may inhibit the production or preservation of safe and decent affordable housing.***				
Ongoing	Lead Paint Response	Committed $1,100,000 loan participation in VHCB lead paint program; HB.778 passed House and Senate	Individual loan commitments up to $1,000,000 for MF/SF lead paint remediation; continue participation in policy issues	Admin/ Development	

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FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
6a.	**Finance Program for Environmental Hazard Mgmt of Multi-Family Properties**				
6b.	**Financing Housing Infrastructure**				
7.	*To work with other housing and regulatory agencies to facilitate the development and preservation of affordable housing.*				
Terminated	Preservation—Section 8	0 Preservation Agreements	Pending Congressional action	MF Mgmt	
Ongoing	LIHPRHA Preservation/Westgate	Submitted application for HUD note sale; not approved by HUD	On hold pending Congressional action on HUD proposals and budget; possibly complete renegotiation of option agreement or alternative course of action	Development	
Ongoing	VT Housing Ventures	8 loans closed; $127,405 2 loans (non-Ventures pre-dev) $49,005	5 loans $100,000 Continue program; evaluate risk; possibly add funding; 2,775 in losses expected	Development	2 loans for $36,200
Ongoing	Section 8 Refunding	Refinanced $401,110 of St. Johnsbury project out of proceeds at 0%; dedicated savings to supplement Winchester deficits; instituting plan for committing 1 year of savings in advance	Implementation of programs with $80,000/month refunding savings; complete allocation and first year program development	Finance	
Ongoing	Burlington Enterprise Community	VHFA was represented by BCLT at Enterprise Community Fair 10/14; VHFA staff partic in 04/27 Home Buyer Fair; 10 down payment assist loans released 04/96	Program development and implementation in conjunction with CEDO and local nonprofits; market and purchase 10 down payment assistance loans	Development/ Admin/Comm	
Support	Housing Vermont	Ongoing evaluation	Continue evaluation and monitoring; maintain oversight role	Finance	
Support	MF Management	103 developments (2,908 units) currently in portfolio	108 developments (3,098 units) Provide effective servicing and monitoring of MF portfolio; administer HUD Section 8 funds, $2.9 million/year	MF Mgmt	102 developments (2,892 units)
Support	LIHTC Compliance Monitoring	52 compliance audits completed	68 projects totaling 2,446 units	MF Mgmt	39 projects completed
7a.	**Collaborate with Other Agencies To Achieve Efficiencies**				
Implement #1 FY96-97 #2 FY96-97	Monitoring: Streamline Statewide Programs (Improve affordable housing program compliance monitoring/ease application process)	Coordination with VHCB has begun with their HOME and grant programs; MOU has been signed with Rural Development	Combine VHFA, HVT, Section 8, Tax Credit, RD, FHLB and VHCB monitoring requirements where practicable; ease application process	MF Mgmt/ Admin	Progress continues in these efforts
Analyze #3 FY97-98	Collaborate with Other Agencies to Achieve Efficiencies (Improve overall quality and create efficiencies in gathering data re: monitoring)		Identify areas where data collection can be consolidated and prepare plan for data management	MF Mgmt/ Comm/ Admin	

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FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
8.	***To inform policy makers on an ongoing basis regarding affordable housing issues and needs.***				
Support	Statewide Affordable Housing Activity/Promotion	Statewide conference planned for 09/16/96	Statewide conference scheduled 09/16/96; participate in planning and conducting other activities with other agencies	Comm	
Support	Housing Policies State/Fed Level	Executive Director serves on assisted living advisory committee; FNMA Special Needs Task Force; Federal cutbacks meetings; participation in efforts to retain LIHTC program; HUD Consolidated Plan; Lead Paint Hazard Commission	Identify and participate on critical issues	Admin	
Support	HUD Consolidated Plan (formerly CHAS) Performance	LIHTC allocation plan developed; consistent with HUD Consolidated Plan	Maintain consistency with HUD Consolidated Plan and implement as applicable	Admin	
8a.	**Maintain Data Collection/Analysis/Dissemination of Housing Data**				
Support	Data Collection, Analysis, Dissemination of Housing Data	Reduced Research Analyst position to 60% time; will continue to maintain level within our capacity	Maintain current level of data collection, analysis and dissemination for internal VHFA use and external projects	Comm	
9.	***To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.***				
Ongoing	Nonprofit Training/Technical Assist	2 VHFA financing basics for nonprofits held 12/95 in Montpelier and Rutland; training on appraising affordable housing held 02/96	Training on new programs, other as needed; specific training in re-sales and home buying counseling planned	Development/ Comm	
Ongoing	Home Buyer Education	2 home buyer fairs; 1,045 attendees 3 home buyer wkshps; 72 attendees 7 homeownership classes; 90 attendees 4 non-VHFA events; 90 attendees	1 home buyer fair; 4 home buy basics wkshps; 2 pilot expanded homeownership classes; non-VHFA events as requested	Comm	2 home buy basics wkshps; 36 attendees
Implement	Homeownership Counseling	Exploration of VHFA's role has begun in conjunction with Homeownership Center pilot project and other program development	Continue to explore and review VHFA's role in developing counseling programs in conjunction with down payment assistance program and homeownership centers	Comm	Homeownership Center evaluation plan developed
Ongoing	Cooperative Advertising	4 mailings for nonprof to 4,000 consumers; 2,000 flyers in RE newsletter; $8,700 awarded for nonprofits; $5,633 disbursed	$8,000 allocated for nonprofits; $4,000 allocated for Homeownership Centers; develop cooperative advertising program for lenders and expand program for real estate firms	Comm	1 mailing for nonprofit to 597 consumers
Support	Lender Training	30 sessions held; 215 participants 2 sessions with nonprofits held; 19 participants	12 sessions; 250 participants Evaluate training format/efficiency	Comm	
Support	Training for RE Professionals	6 course sessions held; 111 attendees 4 Real Estate Board meetings; 76 attendees	3 course sessions; 80 attendees; presentations at 4 RE Board meetings	Comm	

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FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
9.	*To promote VHFA's affordable housing programs and to build upon VHFA's successful public education and information efforts.* (Continued)				
Support	Promote VHFA's Affordable Housing Programs Through Advertising	Spring campaign completed; 4,400 Helpline calls received; 1/3 of all VHFA borrowers also called Helpline; enhanced screening capacity helps callers determine what price home they can afford and provides targeted info; Fall campaign planning underway; focus on assistance to prepare for homeownership	Maintain advertising campaign to generate consumer interest and result in loans at current levels for VHFA homeownership mortgage programs	Comm	Fall 96 general campaign to be launched 10/96. Advertising campaign for consumer events began 09/01.
Support	Communications Plan	List of printed materials for re-design completed; re-design in progress	Develop for program promotion, development of materials and/or outreach to meet VHFA's needs	Comm	Redesign of external newsletter completed, with distribution scheduled 10/96
9a.	**Promote Homeownership Through Expansion of Home Buyer Education**				
10.	*To enhance the long-term financial viability of VHFA by improving efficiency, reducing costs and increasing revenues.*				
Support	Cash Flow: Analyze Alternatives	Decided to switch cash flow program to Evensen Dodge using system compatible with potential in-house program.	Utilize Evensen Dodge to run cash flows	Finance	
Support	Strategic Planning	Year 1 goals integrated into Business Plan; progress to date analyzed 03/96	Integrate Year 2 goals into Bus Plan	Comm/Admin	
Support	Regional Attorneys	Opened 90 cases; handled 125 cases; estimate closed 65 cases	Continue utilization and monitoring of efficiency of regional attorney system	Admin	Opened 28 cases; handled 94 cases; closed 38 cases
Support	Loan Servicing	30 lenders 6,136 loans $321 million	Maintain current levels as needed	Finance	
Analyze	Loan Scoring		Incorporate loan scoring system into VHFA underwriting, similar to secondary market system	SF Ops	Credit scoring analysis of VHFA and VHMGB loan portfolios ordered from credit bureau; delinquency study prelim results completed
10a.	**Expansion of Financing to Non-Housing Activities**				
Analyze #1 FY96	Finance Non-Housing Activities (Integrate existing entity functions)	Evaluate political climate and defer implementation	Evaluate political climate and defer implementation	Admin	
Analyze #2 FY96	Expand Financing to Non-Housing Activities (Integrate auxiliary financing functions)	Evaluate political climate and defer implementation	Evaluate political climate and defer implementation	Admin	
10b.	**Better Utilize VHMGB to Enhance Services/Products of VHFA**				
Ongoing	VHMGB Program Administration	See VHMGB business plan (attached)	Separate business plan for VHMGB programs (attached)	SF Ops	
Implement	Proactive Servicing (SF)	Began work with Merchants Bank on electronic data transfer system; instituted VHMGB annual billing	Accomplish direct billing and/or implement tape to tape services with individual lenders during FY98	Finance	
Analyze #1 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee home improvement loans)		Delay implementation to FY98	SF Ops	

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VERMONT HOUSING FINANCE AGENCY
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)

STRATEGIC PLAN INFO	PROGRAM NAME	FY96 ACTUALS	FY97 GOALS	DEPT	FY97 ACTUALS TO DATE
10b.	**Better Utilize VHMGB to Enhance Services/Products of VHFA *(Continued)***				
Analyze #2 FY97	Utilize VHMGB to Enhance Products/ Services of VHFA (Guarantee 3-4 unit owner-occupied residences)		Delay implementation to FY98	SF Ops	
Support	Quality Control	VHFA quality control procedures conform to secondary market guidelines; are integrated with VHMGB quality control process	Conform VHFA Quality Control procedure with Freddie Mac guidelines for originating lenders and integrate with VHMGB quality control process	SF Ops	Quality Control process in compliance with secondary market guidelines; integrating with VHMGB quality control; initial discussions begun to perform quality control on pre-purchase basis rather than post-purchase
10c.	**Reduce Operating and User Costs**				
10d.	**Increase Revenues Through Loan Servicing Modifications and New Investment Opportunities**				
Analyze #2 FY97	Increase Revenues (Explore VHFA Direct Servicing)		Shift to using subservicing	SF Ops	Subservicing 44 loans
Support#1 FY96	Direct Servicing (Explore reducing servicing fees to servicers)	Enhancing computerized direct servicing capabilities; continuing to purchase service released mortgages. Reviewed first purchase of portfolio mortgages (300) for direct servicing	Pursue service opportunities for VHFA mortgage loans when/where appropriate; subservice 500 loans totaling $34 million at a savings of $60,000 per year	Finance/ SF Ops	

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VERMONT HOME MORTGAGE GUARANTEE BOARD
FY97 BUSINESS PLAN
ACTIVITIES/GOALS/RESULTS

FY96 vs. FY97 (July 1, 1996 through June 30, 1997)			
	FY96 ACTUALS	FY97 GOALS	FY97 ACTUALS TO DATE
ONGOING PROGRAMS			
Guarantees Issued	869 issued; $16,149,148 coverage	1,050 issued; $19,500,000 coverage	332 issued; $6,746,302 coverage
Monthly Premium	Program initiated and being used by lenders	Board approval and program implementation by 12/31/95; 60 guarantees; $1,400,000	7 issued; $169,655 coverage
Lead Hazard Mgmt Loan Guarantee	None to date	2 loans @ $18,000 per loan; $20,000 coverage	
Energy Loan Guarantee		4 loans @ $18,000 per loan; $20,000 coverage	2 loans; $6,471 coverage; $7,190 in loans
PROGRAMS/INITIATIVES BEING DEVELOPED			
Universal Claim Form	To be incorporated into VHMGB claim procedure once a new Master Policy is in use	Include in claim procedure once new Master Policy is implemented	Suggested Rule changes drafted to implement new Master Policy
Claim Payment Policy	Include in claim procedure once new Master Policy is implemented	Include in claim procedure once new Master Policy is implemented	Suggested Rule changes drafted to implement new Master Policy
ANALYZE FOR FUTURE IMPLEMENTATION			
Home Improvement Loans	Participating with VHFA in development of ~~their program to be guaranteed by FHA Title I~~	Participate with VHFA Development in ~~expansion of current VHMGB loan guarantee~~ program to incorporate home improvement loans	Program development underway
Delegated Underwriting	Approval of VHMGB Board obtained; first step is not reviewing conditions; target date for implementation of not reviewing conditions 10/96	Initiate once loan scoring is integrated into underwriting system	In process of signing up lenders to participate in not reviewing conditions
Loan Scoring		Incorporate loan scoring system into VHFA underwriting, similar to secondary market system	Credit scoring analysis of VHFA and VHMGB loan portfolio ordered from credit bureau; delinquency study preliminary results completed
ACTIVITIES IN SUPPORT OF PROGRAMS			
Procedural Guide Consolidation	New master policy under consideration; procedural guide will be updated after final new master policy is accepted and any necessary rule changes made	Rewrite entire Guide once new Master Policy is drafted	Rules drafted to implement new Master Policy
Quality Control	Process is up-to-date and in compliance with secondary market guidelines	Implemented adjustments to Quality Control process as suggested by Freddie Mac audit	Quality Control process is in compliance with secondary market guidelines and with VHFA Quality Control; discussions re: doing Quality Control on pre-purchase basis
Reinsurance	Initial contact made with private mortgage insurer; rates seem high; may have to look elsewhere for more reasonable quote	Establish risk sharing program with FHA	Initial discussions held with FHA; submitted comparison of VHMGB with FHA underwriting guidelines for review
Computer Data Clean-Up	Larger lenders are reporting annual information on disk	Review data methodically to locate incorrect information that may change significantly the data reviewed to make business decisions	Large lenders reporting information on disk for reconciliation process
Lender Training	Provide training for new lender participants and as needed when program changes occur		

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: CG Cathleen Gent, Director of Communications
MBD MaryBeth Deller, Research Analyst

DATE: December 1, 1996

RE: Evaluation of Down Payment Assistance Loans

In an effort to make homeownership opportunities available to eligible borrowers who lack the necessary cash for down payment and closing costs, VHFA has offered two major down payment assistance programs in collaboration with VHMGB. The first was the Down Payment Assistance Program (January 1987 through May 1992); the second, and current, program is IORTA (June 1992 to December 1995). Prior to the introduction of this pilot program in June 1992, VHFA and VHMGB entered into a Risk Share Agreement which required that an annual program review and periodic evaluations be performed. The results of the September 1996 evaluation are described below.

I. Executive Summary

The September 1996 comparison of performances between loans receiving down payment assistance and a comparable group of 95% LTV loans shows the following:

- For loans originated between June 1992 and September 1996:
  - Borrower characteristics for the IORTA down payment assistance loans and 95% LTV comparison group are generally comparable, thus the two groups are similar other than in the amounts of down payment.
  - In keeping with the results of previous evaluations, the "past due" and foreclosure status rates for the loans made through the IORTA Program were not significantly different from those of the 95% LTV group. As of September 1996, the rates of "past due" status loans were the same.
    The total delinquency rates for the IORTA loans <u>and</u> the 95% LTV comparison group were below VHFA's delinquency rate for the total loan portfolio as of September 30, 1996.
  - More than two-thirds of the IORTA loans were made to borrowers earning at or below 90% of the state median income. Therefore, a program goal was met that at least 50% of the loans would be made to households at or below 90% of the state median income.

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- For loans originated between January 1987 and May 1992, the original Down Payment Assistance loans continue to show no significant difference in "past due" and foreclosure status rates when compared with the 95% LTV comparison group loans.

II. Description of Analysis

The original Down Payment Assistance and IORTA loans were compared to 95% LTV loans from the same time periods, with respect to past due status. In addition, the evaluation includes an analysis of the characteristics of the loans and borrowers with respect to the purchase price, geographic distribution of loans, annual income, housing debt, total debt, number of wage earners, and household size. This was done to ensure that the down payment assistance and the 95% LTV comparison groups are similar in all respects other than amounts of down payments.

III. Evaluation Results

A. Borrower Characteristics

The original Down Payment Assistance loans (January 1987 through May 1992) were similar in borrower characteristics to the 95% LTV comparison group. This was documented in previous evaluations.

Statistically, there were small but significant differences between the IORTA and 95% LTV comparison group with respect to the average purchase price, number of dependents, and number of wage earners. The IORTA group had a lower average purchase price, and a greater number of dependents and wage earners. Also, the geographic distribution of the borrowers was somewhat different; in Caledonia, Bennington, and Orlean Counties there were more IORTA than 95% LTV loans, while in Orange and Washington Counties there were more 95% LTV loans made. With these small differences between the two groups, the integrity of the current analysis is not affected.

B. "Past Due" Status

The percent of "past due" loans for both of the down payment assistance programs *and* the most recent 95% LTV comparison group are, over time, *decreasing;* however, the percent of "past due" 95% LTV loans made prior to June 1992 are *increasing*. The relative sizes of the portfolios for the two sets of loans are shifting: the original group is decreasing in size due to loans being paid off and the IORTA group has been increasing due to new purchases. Tables 1 through 4 illustrate these trends.

In keeping with the June 30, 1996 evaluation, the "past due" status rates for the loans made through the IORTA Program were not significantly higher than those of the 95% LTV comparison group, using standard statistical measurements, as seen in Table 1. This is in keeping with all other analysis periods except January 31, 1996. It should be noted that the loans are still relatively "unseasoned" (made since June 1, 1992). The number of "past due" loans was 32 for both the IORTA loans and for the weighted 95% LTV comparison group.

Table 1. IORTA Down Payment Assistance and 95% LTV Loans

Past Due Report Date	# of IORTA Loans	IORTA LOANS Past Due Time Frames				95% LTV Loans (Weighted to Result in Equal Sample Size)			
		30	60	90+	Total	30	60	90+	Total
9/30/96	453	17	10	5	32	24	4	4	32
6/30/96	436	18	10	8	36	26	4	3	33
1/31/96	383	18	10	7	35	17	1	9	27
4/30/95	300	12	2	9	23	11	2	5	18
12/31/94	300	10	3	11	24	13	3	6	22
3/31/94	192	4	0	0	4	5	1	0	6
12/31/93	186	1	1	0	2	2	0	0	2
5/31/93	100	0	0	1	1	1	0	0	1
3/31/93	83	1	0	1	2	1	0	0	1

In addition to the lack of difference in "past due" status, the percentage of all loans in the foreclosure process is also not significantly different between the IORTA and the 95% LTV groups (Table 2).

Table 2. Past Due Status and Foreclosure Status for IORTA and Current 95% LTV Loans (actual unweighted numbers).

	Current IORTA	Current 95% LTV
Total # Loans Made	453	869
# Loans Still Active	413	814
# in Past Due Status	32	63
% in Past Due status	7.7%	7.7%
# of Loans Ever in Foreclosure	15	16
% in Foreclosure	3.3%	1.8%

An evaluation of the original Down Payment Assistance loan program also shows no significant difference in delinquency rates between the Down Payment Assistance and the 95% LTV Comparison Group loans, using standard statistical measurements (Table 3). As of September 30, 1996, the 95% LTV and the original Down Payment Assistance loans have comparable delinquency rates.

Table 3. Original Program Comparison (Loans Purchased from 1/1/87 through 5/31/92)

Past Due Report Date	DOWN PAYMENT LOANS *				95% LTV Loans **			
	30	60	90+	Total	30	60	90+	Total
9/30/96	3	2	2	7	9	2	1	12
6/30/96	5	6	3	14	9	3	1	13
1/31/96	8	1	3	12	9	2	4	15
4/30/95	9	4	0	13	6	2	4	12
12/31/94	13	2	0	15	11	2	4	17
3/31/94	10	3	6	19	8	2	6	16
12/31/93	10	2	5	17	11	3	4	18
5/31/93	8	0	5	13	13	2	3	18
3/31/93	10	0	8	18	8	3	4	15

* 191 Loans ** Weighting Factor = .280

Table 4 shows the comparison of "past due" and foreclosure status loans for the original program comparison. There is no significant difference between the Down Payment Assistance and 95% LTV groups with respect to past due status and percentage of loans in foreclosure.

Table 4. "Past Due" Status and Foreclosure Status for Original Program Comparison

	Original Down Payment Assistance	Original 95% LTV
Total # Loans Made	191	719
# of Loans Still Active	111	397
# in Past Due Status	7	43
% in Past Due status	6.3%	10.8%
# of Loans Ever in Foreclosure	13	40
% in Foreclosure	6.8%	5.6%

As of September 30, 1996, the delinquency rate for this analysis was lower than VHFA's delinquency rate of 7.81% for the total loan portfolio of 6,094 loans.

- The current IORTA loans had slightly lower total delinquency rates (7.7% compared with 7.81%). The current 95% LTV loan group was also slightly lower than the Agency's portfolio level, at 7.7%.
- The delinquency rate for the original Down Payment Assistance loans was slightly lower than the Agency's portfolio level, at 6.3%, while the 95% LTV loans made in this same time period currently have delinquency rates higher than VHFA's total portfolio, at 10.8%.

C. At or Below 90% of Median Income

One of the goals set forth in the Risk Sharing Agreement was that at least 50% of the down payment assistance loans would be made to borrowers earning incomes at or below 90% of the state median income. As seen in Table 5, 68% of the IORTA loans were below the target set in the agreement. The program was successful in meeting this goal; the 95% LTV loan comparison group had an even larger number of loans (72 %) with household incomes at or below 90% of the state median income. The analysis also shows that the "past due" rate is the same for groups above 90% or at or below 90% of median income.

Table 5. DISTRIBUTION OF BORROWER INCOME IN RELATION TO VERMONT MEDIAN INCOME: A COMPARISON OF ACTIVE IORTA & 95% LTV LOANS (9/30/96)

"NO DOWN PAYMENT" LOANS AND 95% LTV LOANS AT OR BELOW 90% OF MEDIAN INCOME						
INCOME	IORTA Loans			95% LTV Loans		
	#	%	% Past Due	#	%	% Past Due
Above 90% of VT Med. Income	134	32.4	9.7	228	28	8.3
At or Below 90% of VT Med. Income	279	67.6	6.8	586	72	7.5
Total # Active Loans	413	100	7.7	814	100	7.7

Although there are no significant differences in delinquency rates between either of the down payment assistance programs and the corresponding 95% LTV loans, the general increase in delinquency rates for all VHFA loans is of concern. This concern is being addressed through an ongoing study that has been undertaken in collaboration with the Single Family Operations Department. These results were reported to the VHFA Board previously.

On October 15th, a change in VHMGB's guidelines which requires 3% contribution of borrowers' own funds went into effect, based on the in-process risk analysis undertaken to address loan delinquency rates. In addition, loan scoring procedures are planned, and pre-purchase and post-purchase counseling requirements are under consideration.

Recommended Board Action:

No Board Action is required

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: **VHFA Board of Commissioners**

FROM: **Samuel J. Falzone, Director, Multifamily Management**

DATE: **November 22, 1996**

RE: **MULTIFAMILY DIRECTORS REPORT**

The attached report for the quarter ending September 30, 1996, is provided for the Board's information and includes the status of various financial aspects of the Multifamily portfolio. The report also contains narratives on Department activities through October 31, 1996, as well as detailed project reports for properties that have outstanding maintenance or other unusual issues or problems.

I expect to be available at the Board meeting to answer any questions or provide additional information if it is desired. You may also reach me at ext. 235 should you like clarification on any point prior to the meeting.

MULTIFAMILY MANAGEMENT
DIRECTOR'S REPORT
For the Period Ending September 30, 1996

1. DELINQUENT MORTGAGE LOAN PAYMENTS

PROJECT NAME	12 MONTH HISTORY	PENALTY/INTEREST	MONTH	NO. OF DAYS
Butler Apts.	Delinquent Jan. & Feb. 1996	$373.25	Jan. & Feb. 1996	79 days total

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY 1997

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
21 Main Street	$46,200	$0	$16,654
Abenaki Family Housing	103,909	0	52,705
Bardwell House	558,504	0	72,597
Bemis Block	83,769	0	48,396
Benson Heights	106,700	0	35,537
Brookside Apts.	33,198	0	2,934
Bobbin Mill	397,273	423,523	78,700
Butler Apts.	53,928	83,428	5,781
Canterbury N & S	217,324	0	35,591
Chester Arthur	56,737	0	4,324
Colonial Apts.	68,784	0	852
Colonial Village	60,360	70,360	23,485
Conant Square Inn	79,896	0	32,403
Darling Inn	136,704	195,300	11,542
Depot II	52,416	67,416	20,609
Duggan Row House	95,904	118,404	24,109
Garden Apts.	72,876	87,876	24,187
Green Hill Apts.	93,814	0	9,224
Hebert Farm	53,448	0	35,998
Hillside Acres	75,216	92,516	28,237
Holy Angels Commons	227,988	0	46,359
Homestead Mews	180,403	0	25,973
Jeri-Hill	182,326	0	3,610
Lamoille View Apts.	101,976	157,176	41,768
Lane Shops	215,040	290,420	53,954
Linden Terrace	78,504	105,804	31,788

2. ACC AND HAP CONTRACT AMENDMENTS REQUIRED IN FY 1997 (Cont.)

PROJECT NAME	ORIGINAL ACC	CURRENT AMENDMENT	RESERVE BALANCE
Mad River Meadows	$190,194	$0	$51,637
Maple St./Hardwick	65,688	98,388	24,963
Maple St./K.S.N.R.C.	57,900	0	24,762
Meadow Lane	88,452	0	46,711
Mellishwood Houses	40,920	0	2,650
Mellishwood Houses II	63,612	0	22,696
Mill Village	102,127	0	11,967
Mountain View/Fairfax	150,785	0	4,205
Pine Grove	101,496	114,996	30,836
Pine Manor	114,285	0	45,432
Proctor Place	80,254	0	33,884
Randall Apts.	60,528	0	22,191
Randolph Circle	127,080	0	53,549
Randolph House	210,744	281,744	55,166
Saxtons River	103,776	123,776	823
School House Apts.	76,449	0	20,143
School Street Apts.	68,028	89,278	25,808
Sunrise Manor	141,960	159,760	28,559
Valley View	156,152	0	91,693
Walden Mountain	99,096	0	19,871
Wells House Apts.	54,744	82,180	7,765
West Burke Housing	115,664	0	4,637
Westminster Family	86,555	0	38,504
Willey Street Apts.	106,186	0	42,500

3. CASH FLOW PROBLEMS

PROJECT	CASH POSITION as of 9/30/96	OPERATING PROFIT/LOSS	
		Budget	Actual
French Hill MHP	$0	($2,990)	($8,587)
Hebert Farms	$3,265	$2,979	($3,500)
Mad River Meadows	$12,867	$22,056	($1,706)
Pine Meadow	$2,104	$1,792	($20,821)
St. Johnsbury HP	$31,336	$24,325	($5,227)
Templeton	$28,198	$21	($22,797)
Winchester	$20,895	$3,379	$10,379

4. SALES, PRESERVATION AGREEMENTS, AND OPTIONS CLOSED OR UNDER NEGOTIATION

CLOSED			ON HOLD PENDING CONGRESSIONAL ACTION	
PROJECT NAME	# YEARS LOCK-IN	OPTION (Y/N)	PROJECT NAME	STATUS
Abenaki Family Housing	60	NP*		
Brownway	20	Y		
Cummings Street**	28	NP*		
Depot II**	40	NP*		
Dogwood Glen	20	NP*		
Duggan Row	20	Y		
Eno Apts.	19	Y		
Garden Apts.	20	Y		
Graystone Village	Perpetuity	NP*		
Harrington Apts.	19	Y		
Hidden Pines	50	Y		
Highgate**	Perpetuity	NP*		
King St. Apts.	20	Y		
Lake Champlain Apts.	20	Y		
Lane Shops**	15	Y		
Linden Terrace	50	NP*		
Lower Weldon St. Apts.	17	Y		
Maple St./Hardwick	18	Y		
Meadow Lane**	15	N		
Mellishwood I & II	25	Y		
Mountain View/Fairfax	18	Y		
Northgate**	Perpetuity	NP*		
Olde Windsor Village	23	NP*		
Prospect/Forest Homes	22	NP*		
Randolph House**	48	NP*		
Rockingham Canal House	71	Y		
School Street Apts.	20	NP*		
Village Apts.**	19	NP*		
Walden Mtn. Apts.	17	Y		

** LIHTC

* Non-Profit

MULTIFAMILY MANAGEMENT MONTHLY ACTIVITY REPORT
Through the Month ending October 31, 1996

A. Multifamily Management Activity - Narrative

1. Condominium Inspections
2. Energy Conversions
3. Tax Credit Compliance Monitoring

B. Project Reports

1. Bobbin Mill & Maple St. Apartments
2. Cummings Street Apartments
3. Duggan Row House
4. French Hill MHP
5. Hebert Farms
6. Highgate
7. Hillside MHP
8. Jeri-Hill
9. Mad River Meadows
10. Pine Meadow
11. Prospect/Forest Homes
12. South St. Paul Townhouses
13. St. Johnsbury HP
14. Templeton
15. Winchester

A. Multifamily Management Activity - Narrative

1. **Condominium Inspections:** As part of our asset management responsibilities, the Department has begun the process of inspecting VHFA-approved condominium properties. These site visits are being conducted as side trips while staff is already out on Multifamily inspections and tax credit audits. In addition to completing a written inspection report and taking photographs, we are attempting to identify a management agent or condominium association contact person. Letters are then sent to these individuals which summarize our findings and indicate any corrective action that may be necessary. We are also using these letters to request copies of current budgets, financial statements and minutes from the association meetings. Ultimately, this financial information will be incorporated into our assessment of a property's financial health and ability to meet future capital improvement needs.

   As a result of these activities, VHFA will be in a better position to make informed decisions regarding the level of our single family loan activity in specific condominium projects. We are also looking to update the Mitas database so that the Condo Master can be used more effectively as a source of current information on the status of condo projects. To date, 65 inspections have been completed and an additional 35 are expected to be finished by the end of June.

2. **Energy Conversions:** Staff has continued to make progress in upgrading the energy efficiency of VHFA's Multifamily portfolio. At a time when the Federal Government's future commitment to affordable housing is being questioned, we have redirected our efforts to maximize the impact of the resources that have already been committed under existing rent subsidy contracts. The conversion of electrically heated units to fuel fired systems not only lowers utility costs and improves comfort for the residents, but also allows for lower utility allowances which translates into preservation of subsidy over the term of the HAP Contracts.

   Working closely with owners, managers, VEIC, and incentives provided by Vermont's utility companies, conversions have been recently completed at 31 units in Burlington, 20 units in Northfield and 9 units in Randolph. Energy Conversions at another 58 units in Winooski and Bellows Falls are expected to be completed by the end of November.

   A U.S. Department of Energy grant was just awarded to Vermont under the "Rebuild America Program." VHFA staff's participation in this grant effort, which in many ways models the success we have demonstrated over the years, has helped shape Vermont's energy policy for multifamily housing units statewide. Under this grant, the State will seek to centralize the collaborative efforts of all players currently involved in the work of improving residential energy efficiency throughout Vermont.

3. **Tax Credit Compliance Monitoring:** Fifty-nine projects were subject to LIHTC compliance monitoring reviews for 1996. Of these, thirty-nine required on-site tenant file reviews and physical inspections. The remaining projects required reviews of submitted annual status reports. The completion of these reviews and final reports are right on schedule and there are only two that need to be completed before the end of 1996. Of the fifty-seven final reports sent to date, we are waiting responses from five owners on possible non-compliance findings. Thus far, we have not observed any serious findings.

   Our tax credit monitoring efforts continue to include the gathering of information for projects where VHCB and HOME money is also involved. We have been successful in collecting all but one tax credit monitoring fee for this year. The total amount collected to date is approximately $26,000.

   The VHFA Compliance Manual has been updated and distributed to all owners and managers participating in the program. VHFA's monitoring program has been mentioned as a model for other states who have just begun to implement a compliance monitoring system.

B. Project Reports

1. **Bobbin Mill & Maple St. Apartments:** We have recently received notice from Pizzagalli indicating their interest in changing their legal ownership entity from a Vermont General Partnership to a Vermont Limited Liability Partnership. We have forwarded the matter to our General Counsel for a response.

2. **Cummings Street:** The owner, Housing Vermont, has been looking into their options in regards to restructuring the debt at Cummings Street. They investigated HUD's recent Section 8 Restructuring Demonstration program but unfortunately Cummings Street's HAP expiration date does not fit within the time-frame required for participation in this program. Housing Vermont is now seeking other solutions. We hope to see the much needed energy conversion included in any future restructuring effort. Maintaining the current heating system has inflated maintenance expenses at this property where overall maintenance expenses far exceed any other property in our portfolio.

3. **Duggan Row House:** On September 6th, Joe Duggan prepaid his loan with VHFA, however as Contract Administrator we will still administer his HAP contract and perform annual management reviews. Joe hopes to get a partial certificate of occupancy from the city following the fire rehab as nine units will be complete by the beginning of December. In addition to restoring the building to a "better-than-before" condition, Joe

has taken this opportunity to convert from electric heat and hot water to all gas using three central boilers installed in series. Burlington Electric Department loaned the necessary funds at 9.25%. We will be working with Joe over the next few weeks to inspect all units before tenants return and make adjustments to the current utility allowances which are still based on all electric utilities.

4. **French Hill Mobile Home Park:** Due to unexpected sewer line repairs and higher than normal legal fees, the operating expenses are significantly above what was projected. LCHD has advanced $4,000 to the property to help with operating deficits.

5. **Hebert Farms:** While Operating Cash is up to $3,265 (from levels as low as $567 on 12/31/94) and Replacement Reserve is up to a healthy $14,120, the Operating Loss of $3,500 YTD is a concern. Administrative, Utilities and Maintenance expenses are all up. Three vacancies and turnovers in September contributed to this situation.

6. **Highgate:** Vacancy problems are beginning to moderate, but YTD figures reflect the impact in lost income which totals $47,000 or about 7.5% of the budgeted amount. The good news is that the total cost of operations YTD is almost $20,000 better than projected. More good news: one year extensions of both HAP Contracts are now anticipated, extending the current income stream until June 30, 1998.

7. **Hillside Mobile Home Park**: Establishing an efficient and suitable water system plan has proven difficult at Hillside. The owner has been struggling to come up with a solution. The drilled well approach failed. The only other option is a ground water infiltration system. This also has been complicated. They first tried the cartridge filtration approach, which failed. Now, they are trying the slow sand filtration approach. The owner will perform a pilot study which will monitor this system over the winter and into the spring (during the wettest months). Phelps Engineering has been hired to do this study. Once the study is complete, the State must give final approval to go forward. After the owner has State approval, they will go out to bid to have this system designed. The preliminary numbers show that the $90,000 rehab escrow (VHFA held) will not cover all the expenses. The owner has been looking into additional financing through the State as well as Rural Development

8. **Jeri-Hill Apartments:** The deteriorating siding at Jeri-Hill is currently in the process of being replaced with backer board and vinyl siding. When the siding work began, it was realized that many windows were in very bad condition and that some were only single paned windows. Therefore, we approved window replacements to be done in conjunction with the vinyl siding installation. They will also finish replacing the sliding glass doors this year with French doors. All of these improvements are being paid for from existing project resources. With these improvements and the recent energy conversion, we should see even greater energy savings in the future and increased comfort for the residents.

9. **Mad River Meadows:** The Operating Loss may be magnified by the $13,521 in Real Estate Taxes that have been paid before they were budgeted. The total 1996 approved budget amount for taxes is $21,600 and according to the Management Agent will actually come in under budget. Third quarter income loss has been slowed.

10. **Pine Meadow**: Vacancies and high maintenance expenses at Pine Meadow continue to be a problem. Housing Vermont and Interfaith Housing Corp. (the local general partner) have been meeting regularly to figure out solutions to these problems. In the short term, Interfaith has raised $7,000 to cover expenses, but long-term solutions are still needed. CDBG funds are being discussed as another possible source of funding to help meet the looming capital costs facing this property.

    As we mentioned in the last Director's Report, the trim boards at Pine Meadow have begun to show the same signs of rotting as were found at Winchester Place. Multifamily staff has been on-site to document the problem using a video camera. Housing Vermont assures us that they are working with the contractor and architect to figure out the extent of the problem and to come up with an estimated cost to repair. We have also been made aware that they are looking to do an energy conversion at this property due to the failure of the originally installed system.

11. **Prospect/Forest Homes:** CVCAC, under the leadership of its new Executive Director, Hal Cohen, chose to begin the energy conversion in cooperation with CVPS. The work has been completed after years of trying to convince the owners to proceed with this much needed energy conversion. No additional debt was required to make these improvements. The estimated $16,000 contribution from CVPS's demand-side incentive program was an important stimulus to the owners to go forward with this project.

12. **South St. Paul Townhouses:** South St. Paul Townhouses just completed an energy conversion from all electric heat to Rinnai gas heaters. No energy loan was needed as they had sufficient funds in their residual receipts account. This change will immediately benefit the project by reducing utility allowances and preserving long term HAP dollars.

13. **St. Johnsbury Housing Partnership**: This property continues to experience an operating loss due to lower than projected income. Phase II of the rehab is now complete but vacancies are a continuing problem. Vacant units are not filling as quickly as projected and the market for these units is still in question. Recent staff turnover in the management office has not helped this situation.

14. **Templeton**: Templeton is not performing as projected in the 1996 budget. Income has been running lower than budget by $15,000 through 9/30/96. Electricity rates have increased 5.5%, taxes have increased, and maintenance expenses are high due to the large number of turnovers.

15. **Winchester Place:** The repair of the deteriorating wood trim and associated problems with the siding is complete. Other work identified during this time has either been corrected (replacement of 100 exterior doors) or is being addressed as part of the continuing rehab. effort out of contingency funds (egress windows and properly venting the gas-fired boilers). E.P. Management has assumed property management responsibilities as of July 1 and the transition has been very positive. The 6/30 financial review, covering the six months under prior management, provided no significant findings. The property continues to perform as anticipated in the pro forma adopted as part of the Forbearance Agreement. Annual operating deficits before application of Accommodation Loan proceeds and limited partner contributions are still approaching $300,000.

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
SEPTEMBER 30, 1996

		SINGLE FAMILY				MULTI-FAMILY				
ASSETS	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
Cash and cash equivalents	7,952,555	1,270,570	366,694	36,677,339	54,987,810	1,602,497	1,990,490	318,437	492,518	105,658,909
Investments	1,449,474	6,882,157	31,117	17,444,511	42,530,000	6,044,741	2,303,465		883,119	77,568,585
Mortgage and const loans receivable	6,633,458	4,683,797	155,597	116,313,783	206,814,378	34,812,716	22,650,294	15,384,936	7,197,991	414,646,951
Accrued int rec - mtg and notes	292,871	27,782	5,507	1,021,287	1,339,172	163,038	157,226	163,320	35,990	3,206,192
Accrued int rec - investments	43,828	63,155	3,302	1,222,690	2,468,434	44,906	30,585	1,440	6,147	3,884,487
Deferred costs of bond issuance		32,545		513,107	1,427,478	231,589	329,383	5,892	51,449	2,591,443
Land	775,000									775,000
Building	1,000,834									1,000,834
Office furniture and fixtures	1,162,862									1,162,862
Accumulated depreciation	917,472									917,472
Other receivables and prepaid expenses	259,352	2,189	3,773	145,199	102,259					512,773
Interfund receivables (payables)	(2,073,944)	7,548	1,003,465	(285,824)	1,558,158	602	(121,792)	(314,928)	226,715	0
Other assets and REO			15,200	1,816,861	1,567,840					3,399,901
TOTAL ASSETS	18,413,762	12,969,744	1,584,655	174,868,953	312,795,531	42,900,089	27,339,651	15,559,097	8,893,929	615,325,411
LIABILITIES AND FUND BALANCES										
Deferred loan origination fees	626,953									626,953
Accounts payable	267,120	51,836	206	41,355	209,206					569,723
Escrowed cash deposits	3,553,100			(229)	(8,218)		559,257		44,121	4,148,031
Notes payable	6,689,461	253,450								6,942,911
Accrued interest payable	38,111			4,130,520	8,193,723	368,469	170,238	72,573	184,218	13,157,851
Bonds payable	629,840	8,225,000		159,300,000	297,745,000	38,685,000	23,900,000	15,344,627	8,230,000	552,059,466
Unamortized discount on bonds		(117,052)		(2,048,569)	(2,358,712)	(625,565)	(1,060,646)	(20,265)	(151,364)	(6,382,173)
TOTAL LIABILITIES	11,804,585	8,413,234	206	161,423,077	303,780,999	38,427,904	23,568,849	15,396,934	8,306,975	571,122,764
Fund balance	6,609,177	4,556,510	1,584,449	13,445,876	9,014,532	4,472,185	3,770,802	162,163	586,955	44,202,647
TOTAL LIABILITIES & FUND BAL	18,413,762	12,969,744	1,584,655	174,868,953	312,795,531	42,900,089	27,339,651	15,559,097	8,893,929	615,325,411

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE QUARTER ENDED SEPTEMBER 30, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans receivable	64,864	87,852	4,901	2,673,873	3,987,564	753,927	507,230	267,530	162,283	8,510,025
Investments	29,532	85,031	5,758	977,634	1,532,984	127,692	60,761	4,685	22,240	2,846,317
Fee Income:										
Multi-Family Mortgage Programs	59,592						18,429			78,021
Single Family Mortgage Programs	17,377									17,377
Grant income										0
VHMGB income	72,307									72,307
Gain on sales of investments										0
Miscellaneous income	16,177									16,177
TOTAL REVENUES	259,849	172,883	10,659	3,651,507	5,520,548	881,619	586,420	272,215	184,523	11,540,224
EXPENSES:										
Financing costs, including interest and amortization of premium, discount and costs of issuance	45,744	132,525		3,134,797	4,824,218	746,192	351,521	256,684	160,475	9,652,156
Mortgage service and contract administration fees	3,109	6,026	157	107,022	183,212					299,527
Salaries and benefits	454,533									454,533
Operating expenses	145,258									145,258
Professional fees	37,773									37,773
Trustee and assignee fees	35,857									35,857
Property disposition and loan loss expenses			(1,738)	23,137	158,576					179,975
Loss on bond redemptions										0
TOTAL EXPENSES	722,275	138,551	(1,581)	3,264,956	5,166,006	746,192	351,521	256,684	160,475	10,805,080
Excess (deficiency) of revenues over expenses	(462,426)	34,332	12,240	386,551	354,542	135,427	234,899	15,531	24,048	735,144
Fund balance at beginning of year	6,243,103	4,522,178	2,322,209	13,059,325	8,659,990	4,406,758	3,535,903	155,132	562,906	43,467,504
Transfers to general fund	828,500		(750,000)			(70,000)		(8,500)		0
Fund balance at end of period	6,609,177	4,556,510	1,584,449	13,445,876	9,014,532	4,472,185	3,770,802	162,163	586,955	44,202,647

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

ASH

From: Allan S. Hunt, Executive Director

Date: December 5, 1996

Re: VHMGB ACTUARIAL STUDY/GUARANTEE AUTHORITY

ACTUARIAL STUDY

As you probably know, VHMGB hires an actuarial firm every two years to conduct an actuarial analysis of the adequacy of the VHMGB's current guarantee fee structure. The report this year was completed by Milliman and Robertson, and was delivered on November 1, indicating some areas of concern. As the guarantor of approximately 90% of VHFA's mortgages, I feel the need to share some of the findings with you.

1. VHMGB's loan losses have increased significantly over the past two years: $939,000 in 1995-96 and $533,000 in 1994-95. This compares to loan losses of $179,000 in 1991-92, $388,000 in 1992-3, and $230,000 in 1993-4.

2. As a result of these losses and a $750,000 transfer to the State in 1994, the Fund equity has decreased from $1,404,000 in 1994 to $328,000 in 1996. The actuaries concluded that VHMGB appears undercapitalized relative to its in-force exposure.

3. Based on this, they are recommending another increase in guarantee fees. For fixed interest rate loans (between 90.1%-95.0 %) they are recommending a fee of 1.59%, compared to the current fee of 1.1%. Since the Legislature capped the fee at 1.3%, we will need to seek an increase this session. While an increase in fees is never good news for our borrowers, the Board has introduced a monthly premium option so the fee can be paid over a three year period.

GUARANTEE AUTHORITY

Due to heavy use , primarily VHFA loans, we are now projecting that the statutory limit of $130 million of outstanding guarantees will be reached sometime this summer. Obviously, an increase in their authority will need to happen this legislative year if we are to keep our single family program going!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

DATE: DECEMBER 4, 1996

RE: FEDERAL HOME LOAN BANK RESOLUTION

Attached to this memo is a document entitled "Certified Resolution of Board of Commissioners". This resolution is required by the Federal Home Loan Bank of Boston to enable VHFA to continue to utilize the Bank's custodial and trading services and designate the officials who can execute documents and provide instructions to the Bank related to custodial and trading transactions. Allan, Mike and I would be the authorized officials designated.

RECOMMENDED ACTION

Approval of the "Certified Resolution of Board of Commissioners" as attached.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

CERTIFIED RESOLUTION OF BOARD OF COMMISSIONERS
REGARDING FEDERAL HOME LOAN BANK OF BOSTON
CUSTODIAL SERVICES AND TRADING PROGRAM

VERMONT HOUSING FINANCE AGENCY

I, Allan S. Hunt, certify that I am Secretary and an official custodian of minutes of the meetings of the Board of Commissioners of the Vermont Housing Finance Agency.

I further certify that the following resolution was duly adopted at a meeting of the Board of Commissioners of said institution held on December 11, 1996, and that such resolution remains in full force and effect:

WHEREAS, this institution wishes to utilize the custodial services of the Federal Home Loan Bank of Boston described in the "Custodial Services and Trading Agreement," it is

RESOLVED, that the Executive Director, Deputy Director and the Director of Finance of the institution be and each of them is hereby authorized and directed to execute and deliver to the Federal Home Loan Bank of Boston, on behalf of this institution, an agreement substantially in the form of the "Custodial Services and Trading Agreement" presented to this meeting and such further agreements, documents, or instruments as may be necessitated by this institution's participation in the Custodial Services and Trading Program.

FURTHER RESOLVED, that the Executive Director of the institution be and is hereby empowered to designate in writing the officers or employees of this institution authorized on its behalf to execute documents and to give written and oral instructions (including the use of facsimile signatures and the electronic transmissions thereof) pertaining to securities from time to time subject to safekeeping or to other transactions executed for this institution by said Bank in connection with its Custodial Services and Trading Program.

FURTHER RESOLVED, that the Federal Home Loan Bank of Boston shall be entitled to rely on any designation provided for herein in accepting and acting upon instructions given or documents executed by persons so designated until written notice of revocation or amendment of such designation shall have been received by said Bank.

IN WITNESS WHEREOF I have hereunto set my hand and seal of this Institution, this _____ day of ______________________, 1996.

(Corporate Seal) ______________________________

Secretary

____

VERMONT HOUSING FINANCE AGENCY
BALANCE SHEET
SEPTEMBER 30, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
ASSETS										
Cash and cash equivalents	7,952,555	1,270,570	366,694	36,677,339	54,987,810	1,602,497	1,990,490	318,437	492,518	105,658,909
Investments	1,449,474	6,882,157	31,117	17,444,511	42,530,000	6,044,741	2,303,465		883,119	77,568,585
Mortgage and const loans receivable	6,633,458	4,683,797	155,597	116,313,783	206,814,378	34,812,716	22,650,294	15,384,936	7,197,991	414,646,951
Accrued int rec - mtg and notes	292,871	27,782	5,507	1,021,287	1,339,172	163,038	157,226	163,320	35,990	3,206,192
Accrued int rec - investments	43,828	63,155	3,302	1,222,690	2,468,434	44,906	30,585	1,440	6,147	3,884,487
Deferred costs of bond issuance		32,545		513,107	1,427,478	231,589	329,383	5,892	51,449	2,591,443
Land	775,000									775,000
Building	1,000,834									1,000,834
Office furniture and fixtures	1,162,862									1,162,862
Accumulated depreciation	917,472									917,472
Other receivables and prepaid expenses	259,352	2,189	3,773	145,199	102,259					512,773
Interfund receivables (payables)	(2,073,944)	7,548	1,003,465	(285,824)	1,558,158	602	(121,792)	(314,928)	226,715	0
Other assets and REO			15,200	1,816,861	1,567,840					3,399,901
TOTAL ASSETS	18,413,762	12,969,744	1,584,655	174,868,953	312,795,531	42,900,089	27,339,651	15,559,097	8,893,929	615,325,411
LIABILITIES AND FUND BALANCES										
Deferred loan origination fees	626,953									626,953
Accounts payable	267,120	51,836	206	41,355	209,206					569,723
Escrowed cash deposits	3,553,100			(229)	(8,218)		559,257		44,121	4,148,031
Notes payable	6,689,461	253,450								6,942,911
Accrued interest payable	38,111			4,130,520	8,193,723	368,469	170,238	72,573	184,218	13,157,851
Bonds payable	629,840	8,225,000		159,300,000	297,745,000	38,685,000	23,900,000	15,344,627	8,230,000	552,059,466
Unamortized discount on bonds		(117,052)		(2,048,569)	(2,358,712)	(625,565)	(1,060,646)	(20,265)	(151,364)	(6,382,173)
TOTAL LIABILITIES	11,804,585	8,413,234	206	161,423,077	303,780,999	38,427,904	23,568,849	15,396,934	8,306,975	571,122,764
Fund balance	6,609,177	4,556,510	1,584,449	13,445,876	9,014,532	4,472,185	3,770,802	162,163	586,955	44,202,647
TOTAL LIABILITIES & FUND BAL	18,413,762	12,969,744	1,584,655	174,868,953	312,795,531	42,900,089	27,339,651	15,559,097	8,893,929	615,325,411

VERMONT HOUSING FINANCE AGENCY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE QUARTER ENDED SEPTEMBER 30, 1996

		SINGLE FAMILY				MULTI-FAMILY				
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MORTGAGE PROGRAM	HOUSING PROGRAM	DIRECT PLACEMENT PROGRAM	HOUSING DEVELOPMENT PROGRAM	COMBINED TOTAL
REVENUES:										
Interest Income:										
Mortgage and construction loans receivable	64,864	87,852	4,901	2,673,873	3,987,564	753,927	507,230	267,530	162,283	8,510,025
Investments	29,532	85,031	5,758	977,634	1,532,984	127,692	60,761	4,685	22,240	2,846,317
Fee Income:										
Multi-Family Mortgage Programs	59,592						18,429			78,021
Single Family Mortgage Programs	17,377									17,377
Grant income										0
VHMGB income	72,307									72,307
Gain on sales of investments										0
Miscellaneous income	16,177									16,177
TOTAL REVENUES	259,849	172,883	10,659	3,651,507	5,520,548	881,619	586,420	272,215	184,523	11,540,224
EXPENSES:										
Financing costs, including interest and amortization of premium, discount and costs of issuance	45,744	132,525		3,134,797	4,824,218	746,192	351,521	256,684	160,475	9,652,156
Mortgage service and contract administration fees	3,109	6,026	157	107,022	183,212					299,527
Salaries and benefits	454,533									454,533
Operating expenses	145,258									145,258
Professional fees	37,773									37,773
Trustee and assignee fees	35,857									35,857
Property disposition and loan loss expenses			(1,738)	23,137	158,576					179,975
Loss on bond redemptions										0
TOTAL EXPENSES	722,275	138,551	(1,581)	3,264,956	5,166,006	746,192	351,521	256,684	160,475	10,805,080
Excess (deficiency) of revenues over expenses	(462,426)	34,332	12,240	386,551	354,542	135,427	234,899	15,531	24,048	735,144
Fund balance at beginning of year	6,243,103	4,522,178	2,322,209	13,059,325	8,659,990	4,406,758	3,535,903	155,132	562,906	43,467,504
Transfers to general fund	828,500		(750,000)			(70,000)		(8,500)		0
Fund balance at end of period	6,609,177	4,556,510	1,584,449	13,445,876	9,014,532	4,472,185	3,770,802	162,163	586,955	44,202,647

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commisioners

FROM: Glenn A. Jarrett, GAJ General Counsel

DATE: November 26, 1996

RE: Private Activity Bond Volume Cap

BACKGROUND:

Each year the Agency is allocated part of the State's $150 million annual volume cap for private activity bonds. So far this year the Agency has not been allocated any volume cap, but we do expect to receive volume cap when the Governor allocates the $66.54 million contingency near the end of the year. We carried forward $105.175 million of volume cap from 1995, but have utilized all but $21.235 million on the Series 7 and 8 bonds and the Mortgage Credit Certificate program.

The Board must take action before the end of the year to carry forward the private activity volume cap the Agency expects to have allocated by the State. In addition, the Board must allocate the volume cap between single family (qualified mortgage bonds and mortgage credit certificates) and multi-family (exempt facility bonds) purposes. Staff recommends that all of the 1996 volume cap received before the end of the year be allocated to single family purposes since it has been several years since the Agency issued tax-exempt multi-family bonds. Currently, the Agency has no volume cap allocated to multifamily bonds, but has no present plans to issue any tax exempt multifamily bonds. We anticipate an allocation of 1997 volume cap in January when the Emergency Board meets and can allocate a portion of that for multifamily purposes.

I would be happy to answer any questions that you may have.

REQUESTED ACTION:

Approval of the attached resolution.

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164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

RESOLUTION RELATING TO
VERMONT HOUSING FINANCE AGENCY
ELECTION TO ALLOCATE AND CARRYFORWARD
1996 PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has not been allocated any 1996 private activity bond volume cap by the State of Vermont, but carried forward from 1995 $105,175,000 in volume cap, which was allocated for qualified mortgage bonds and mortgage credit certificates; and

WHEREAS, the Agency expects to be allocated additional private activity bond volume cap by the State of Vermont before the end of the current year; and

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

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

NOW, THEREFORE, it is hereby RESOLVED:

1. If the Vermont Housing Finance Agency is allocated any additional volume cap by the State of Vermont on or after December 11, 1996, it elects to allocate all of such additional volume cap for the purposes of issuing qualified mortgage bonds or mortgage credit certificates.

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

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

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vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel GAJ

DATE: December 4, 1996

RE: Delegation of Authority

When the Board adopted the annual meeting resolution in July, Jeff Francis had left the Agency, so there was no provisions in the resolution relating to the authority of the deputy director. With the arrival of Mike McNamara as Deputy Director, it is necessary to delegate authority to him so that he can perform his duties. A proposed resolution is attached.

RECOMMENDED ACTION:

Adoption of the attached resolution.

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
802/864-5743 • 1-800/339-5866 • TDD: 1-800/586-5832
Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

VERMONT HOUSING FINANCE AGENCY
RESOLUTION REGARDING DEPUTY DIRECTOR'S AUTHORITY

WHEREAS, Michael McNamara was recently appointed as Deputy Director of the Agency; and

WHEREAS, it is desirable and necessary for the Board of Commissioners to authorize Michael McNamara to perform certain acts,

NOW, THEREFORE, it is hereby:

RESOLVED, the Deputy Director shall have the power to sign any documents and perform any acts the Executive Director may sign or perform in the absence of, or at the direction of the Executive Director.

RESOLVED, in addition to the officers specified as "Authorized Officers" under particular bond resolutions of the Agency, the Deputy Director shall be an "Authorized Officer" within the meaning of any and every bond resolution of the Agency whether now existing or to exist in the future.

RESOLVED, in addition to the persons listed in the Resolution of the Board dated July 25, 1996, the following person shall be authorized to sign checks drawn against the Agency's General Fund:

Deputy Director ______________________ Michael McNamara

Any acts taken or documents signed by Michael McNamara as Deputy Director of the Agency since October 17, 1996 are hereby ratified by the Agency.

vhfa

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

ASH

From: Allan S. Hunt, Executive Director

Date: December 5, 1996

Re: CREDIT CARD USAGE

Enclosed is an article on credit card usage that I think you will find quite interesting. Of particular interest is the table on page 35 showing Vermont ranks third in per capita usage with charges of $5,000 on average! Is it any wonder we are finding credit card usage to be a growing factor in our underwriting analysis?!

164 St. Paul Street, P.O. Box 408, Burlington, Vermont 05402-0408
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Fax: 802/864-5746 • Underwriting Fax: 802/863-5422 • vhfahome@together.net

EQUAL HOUSING OPPORTUNITY

12/5/96
Allan,
This is the article you requested.
MaryBeth

CREDIT-CARD MANIA

The mountains of credit-card offers in Americans' mailboxes won't disappear any time soon. As competition for consumers' attention has grown, credit-card marketing has become more complex and expensive. But the returns are still well worth the effort.

BY TIBBETT L. SPEER

When her pre-approved Visa Card offer arrived in the mail, Molly McDermott of Great Falls, Virginia, betrayed little emotion. In her whole life she'd never owned a credit card. Then again, the shaggy, 140-pound Newfoundland had never needed one.

Molly's owner, Susan Fish, didn't want any more credit cards. Try telling that to the direct mailers who bombarded her with offers. In a gesture of annoyance, Fish subscribed to a magazine in Molly's name, figuring that at least she would learn who sold her name and address to whom. The Visa offer appeared soon after. "I think everybody should sign up their dogs, cats, whatever," says Fish. "We're all inundated with junk mail."

She's right. Nearly three in four U.S. households receive at least one credit-card offer every month. Some receive many more. Card issuers fired off a total of 2.7 billion offers in 1995, more than in 1992 and 1993 combined, according to Behavioral Analysis Inc., a marketing consulting and research firm in Tarrytown, New York.

In 1992, 2.8 percent of the 960 million offers sent out hit their mark, meaning the recipients actually applied for cards. By 1995, the response rate had halved. Just 1.4 percent of jaded, card-saturated targets took the bait. Fortunately for issuers, this lower rate still represented more potential customers than ever because of the enormity of the mailings themselves. Profitable accounts, ones that will charge up balances and revolve them, are still out there; it's just a matter of uncovering them.

In the "old days," banks issuing credit cards merely sought customers who would pay their bills. Now, they are looking for customers who not only pay up, but do so profitably. They are also facing a staggering amount of competition from other card issuers. To succeed in the classic marketing task of locating, enticing, and retaining customers entails an intimate knowledge of credit-using Americans—where they live, what they do, and how they use credit cards.

IN SEARCH OF THE IDEAL CUSTOMER

By the end of 1995, the wild-and-woolly credit-card industry oversaw about 400 million bank credit cards in the U.S., or 1.6 cards in force for every man, woman, and child, according to CardTrak, a bank-card-

CUSTOMER VARIETY

(selected characteristics of bank-credit-card holders, 1995)

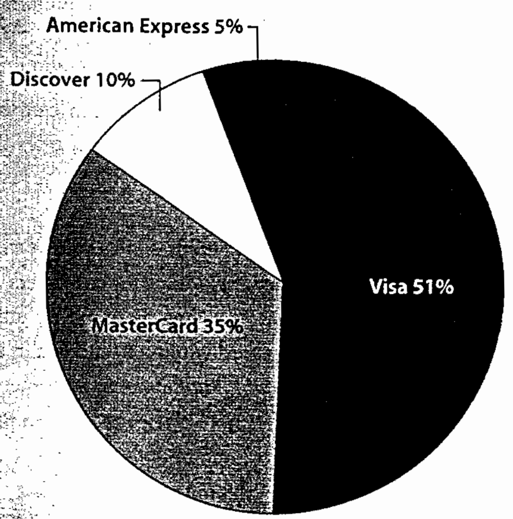
	regular Visa	regular Master Card	Sears Discover	any American Express	Gold Visa	Gold Master Card
Average age	44.4	45.2	45.8	43.8	47.6	48.7
Average household income	$51,900	$52,000	$52,800	$73,400	$60,900	$64,300
Percent of card-owning households with:						
Two or more full-time earners	41.2%	40.1%	40.6%	48.0%	38.7%	39.2%
Householder with college degree	42.8	42.0	37.1	59.3	47.1	53.0
Professional/managerial householder	36.7	36.4	36.8	54.0	40.4	43.1
Retired householder	16.7	17.9	18.7	10.6	21.8	22.8
Homeowners	72.5	74.4	78.7	75.5	82.2	84.3
In home ten or more years	32.8	35.9	38.1	30.3	38.1	40.4
Net worth of $250,000 or more	15.2	15.7	18.4	24.7	24.3	28.7

Source: Claritas Inc., Arlington, VA

American Express cardholders are the youngest and have the highest incomes, while those with Gold MasterCards are the oldest and have the greatest net worth.

THE AMERICAN CREDIT PIE

(percent distribution of major bank credit-card accounts in the U.S., fourth quarter 1995)



Source: Card Management Information Services

VISA cards currently account for half of major bank-card accounts.

tracking publication of RAM Research Group of Frederick, Maryland. The business has come a long way from 1980 when just 120 million Americans owned any major bank card.

The staid bankers of yesteryear would have fallen from their swivel chairs if they could have seen where their ideas would lead. "Today, people who run credit-card products with a bank-credit mentality are getting their lunch eaten," says Bruce Brittain, president of Brittain Associates, Inc., an Atlanta-based marketing research firm that specializes in financial services. "Credit is still part of the deal, but just part of it."

Those early bankers eyeballed their customer lists for people with stainless credit histories and sent them cards. By today's high-tech database standards, that's akin to a surgeon who wields a dull-edged mastodon bone. It's also no longer legal. Now we must ask before we receive.

As the concept of credit gained acceptance, methods of assessing credit risk improved. The pioneer in the field of credit scoring—that is, using mathematics to predict who'll pay the money back—is Fair, Isaac and Co., Inc., of San Rafael, California. The company remains a leader, and its expertise extends far beyond the original parameters. "Risk prediction became revenue prediction, and that evolved into response prediction," says Michael Rapaport, senior project manager.

> *Credit-card issuers soon realized it wasn't good enough simply to have nondelinquent customers. They needed to find the most profitable customers.*

Barely ten years ago, credit-card issuers still targeted customers based mostly on credit-bureau information about whether they'd fallen delinquent in the past. The databases had increased, but the precision hadn't. Fair, Isaac developed a model that featured five major predictors instead of one. Prior credit performance was there, of course, but so was current indebtedness, length of time of established credit, extent of pursuit of new credit, and current available credit. It dramatically improved issuers' abilities to determine who merited which type of offer. For example, those who scored more than 700 points through the model's rating system got pre-approved offers, while some of those with lower scores got offers with less-generous terms.

Issuers soon realized it wasn't good enough simply to have nondelinquent customers. They needed to find the most profitable customers. In credit-card terms, this means people who pay their balances eventually, but not right away, incurring finance charges. To a lesser extent, it also means those who use their cards frequently, generating lots of small "interchange" fees. Using most of the same credit data, Fair, Isaac studied a pool of 12 million cardholders to derive the best revenue-generating predictors. It learned that certain predictors were more crucial to this endeavor than to the task of finding credit-worthy customers. For example, current credit status revealed more, and past performance revealed less.

It wasn't long before card issuers were looking for ways to understand which potential customers were the best bet for particular kinds of offers. At this point, demographic and attitudinal information came into the picture. "Marketers started out with a few credit predictors," Rapaport says. "Now they incorporate hundreds of variables into the models."

"There is nothing permanent except change," writes Visa International leader Edmund Jensen in the firm's 1996 annual report. Visa's president and chief excutive officer is quoting the Greek philosopher Heraclitus to describe his industry's metamorphoses. The move toward micromarketing means that card issuers want to know you personally. As long as consumers are honest about the information they provide, the credit-card offers they receive should fit better than the ones they used to get.

Just as targeting tactics have evolved, so have the hooks used to land customers. Most cards originally came with an annual fee of $20 or more. Then fee-free cards became the trend. Today, most card offers are without fees, according to Lisa Itzkowitz, marketing director at Behavioral Analysis. In contrast, pre-approved offers have tapered off slightly, because, as Itzkowitz says, "They can offer practically anything if it's not pre-approved."

Gold cards, featuring $5,000 minimum credit lines and other benefits, were widely peddled to wealthier people as a status product. That worked for a while, but the concept became so over-promoted that it lost its premium cachet, Itzkowitz says. Teaser rates, those initial low interest rates that jump several points after a few months, remain popular.

> *Targeting a mailing to people who might want a Frank Sinatra affinity card requires top-notch expertise in precision marketing.*

One successful tactic that accounts for one-fifth of offers today is the co-brand concept linking credit cards with other businesses. When users charge purchases, they obtain benefits such as frequent-flyer miles, discounts on long-distance phone calls, and points toward rebates on cars. Affinity cards are a related concept that identifies the user with an organization, place, hobby, or even family surname.

Targeting a mailing to people who might want a Frank Sinatra affinity card requires top-notch expertise in precision marketing. Upstart MBNA Corporation, based in Wilmington, Delaware, has seemingly mastered the method. The company offers thousands of different cards. It nabbed 6 million accounts in 1995 and another 4 million in the first half of 1996. With $25 billion in Visa and MasterCard loans outstanding, MBNA ranked second only to Citicorp in bank-card lending at the end of 1995. Among its more than 4,300 endorsements, parceled out by a sales and marketing force divided into ten business sectors, are the National Football League, the Association of Trial Lawyers of America, and the Sierra Club.

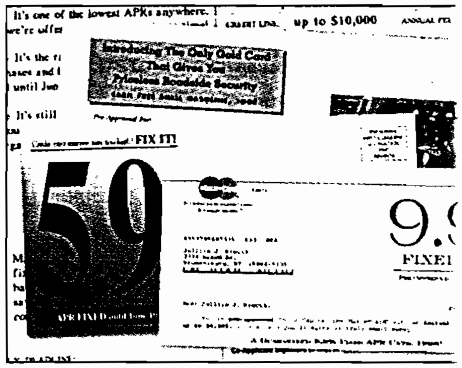
Estimates vary of how much credit-card companies pay to acquire new business. The industry publication *CardTrak* cites figures of $35 to $125 per account. Gary Gordon, a credit-card company analyst at PaineWebber Inc. in New York City, says some companies mention costs of $70 to $80 per account, although he doubts that this includes the impacts of loss-leading teaser interest rates.

B-to-B Opportunities Arise from the Credit Craze

Those looking for a slice of the ongoing surge in credit-card solicitations don't have to be in the risky business of offering credit themselves. The paper manufacturers, graphic designers, and envelope-stuffing operations that support credit-card issuers' marketing efforts are doing great, too.

"Our business has really revved up," says Mitch Hisiger, senior vice president and sales director at FALA Direct Marketing, a production center in Melville, New York. "Credit-card issuers have reduced the numbers they're mailing at once, but they're slicing and dicing their markets finer."

Mass mailings that formerly contained 2 or 3 separate pitches amid 33 million pieces now may be downsized to 3 million pieces with 25 targeted pitches. Precision targeting means issuers will spring for better quality paper and graphics. And even if they don't, their costs per piece would be higher simply because of the pricing nature of volume business. A multi-million-piece mailing might cost $150 to $200 per thousand,



PETER KRAKOW

not including postage, Hisiger says. By contrast, the unit cost of a 50,000-piece mailing might be three times higher.

Research firms and consultants are also benefiting from the growing competition in the credit industry and its increasingly sophisticated marketing. Companies like First Data InfoSource in Omaha, Nebraska, and Donnelley Marketing, Inc. of Maperville, Illinois, are joining forces to offer one-stop "solution-based packages" for credit-card marketers, from strategic planning through mail execution to response analysis. In the process, of course, they are creating their own competitive environment. ***—Tibbett L. Speer***

Asians Go for Credit

Asian Americans are more likely than whites, blacks, or Hispanics to own any credit card, to own three or more different credit cards, and to use credit cards at least 11 times a month. They also run up the highest average monthly charges and are less likely than Hispanics to prefer native-language documentation. But this doesn't mean they are necessarily the best credit customers.

More than two-thirds of Asian-American credit-card holders avoid finance charges by paying off their balance every month; only 4 percent routinely pay as little as possible. Fifty-six percent of whites pay in full, while 8 percent pay the minimum monthly required. Among Hispanics and blacks, 47 and 46 percent, respectively, don't carry over payments. Nine percent of Hispanics and 11 percent of blacks always risk maximum fees for minimum payments.

Asian Americans are still worthwhile credit customers. For one thing, the frequent use they make of their cards racks up transaction fees. And although 84 percent rate "no fee" as a very important factor in choosing a credit card, they are less emphatic about it than the 92 percent of Hispanics who value fee-free cards. And since they are less likely than others to incur finance charges, they are less swayed by interest rates. Only 69 percent of Asian Americans cite low rates as very important in choosing a credit card, compared with 91 percent of Hispanics, 80 percent of blacks, and 75 percent of whites.

Market Segment Research & Consulting of Miami conducted a nationally representative survey of race and ethnic groups in 1996 that covered a variety of social, economic, and consumer topics. Contact president Gary Berman at (305) 669-3900 for more information.

—Marcia Mogelonsky

CHARGING IT UP

(selected characteristics of credit-card holders, by race and ethnicity, 1996)

	all	white	Hispanic	black	Asian
Own/have personal use of no major credit cards	0.9%	0.7%	—	2.9%	0.4%
Own/use 1 or 2 credit cards	70.4	71.6	75.7	61.1	61.7
Own/use 3 or more credit cards	28.7	27.7	24.3	36.0	37.9
Use card(s) less than 5 times per month	70.0%	69.9%	81.8%	74.4%	42.5%
Use card(s) 5 to 10 times per month	20.1	20.4	12.7	17.8	32.3
Use card(s) more than 10 times per month	9.9	9.7	5.5	7.8	25.2
Average monthly credit-card expense	$137	$134	$140	$144	$194

Source: Market Segment Research & Consulting, Miami, FL

Still, it's been a great business so far. The independent issuers Gordon tracks, which are newer firms not affiliated with traditional banks, rake in return-on-equity figures of 25 percent to 30 percent. That's nearly twice that of a traditional bank's overall business, but probably much less than such banks' credit-card sector, Gordon says.

WHAT'S THE LIMIT?

Faced with a blizzard of offers, consumers have rushed to acquire plastic and the potential debt it offers. "We're talking about almost doubling average balances outstanding in six years," marvels Ed Hickey, director of research services at Claritas, Inc. in Arlington, Virginia. The market information firm reports that total outstanding credit-card debt per user household grew from an average of $1,263 in 1990 to $2,287 in 1995. Youngsters piled it on with enthusiasm. The average outstanding balance for households headed by someone under age 25 grew from $885 to $1,721. Householders aged 45 to 54 hit the highest total of all age groups, climbing from $1,479 to $2,791.

Card ownership is now so widespread that about 75 percent of U.S. households own at least one general-purpose bank card. The average cardholder has three to four bank cards and a total of eight to ten credit cards, according to the McLean, Virginia-based consumer group Bankcard Holders of America. The average revolving debt per bank card was $1,900 at the end of 1995, up from $1,750 a year earlier. More than two-thirds of cardholders carry a balance from month to month. Those people's average revolving bank-card debt in 1995 was $3,900. New cardholders are likelier to revolve balances and charge more dollars than are veteran cardholders. In fact, new users are four times likelier than tenured ones to transfer balances.

Faced with a blizzard of offers, consumers have rushed to acquire plastic and the potential debt it offers.

The U.S. consumer debt load has climbed at a rate of about [illegible] percent per year for the past three years. As of May 1996, U.S. credit-card balances stood at $444 billion, reports the Federal Reserve. Meanwhile, credit-card delinquencies are up 40 percent since 1994 and recently hovered around a 15-year high. Some observers worry, along with Congressman Joseph Kennedy of Massachusetts, who has been quoted as saying, "the irresponsible and rabid marketing of credit cards...could result in a crisis for our banking system and the overall economy."

Away from the gloom and doom, some happy cardholders are watching the marketing frenzy and turning it to their own advantage. Customer loyalty has been going, going, gone, shattered by the nonstop barrage of offers. One study showed that cardholders stopped charging purchases on 25 percent of cards in the past year, although that didn't rule out the possibility that they continued to carry a balance on them. Gary Gordon of PaineWebber makes good use of now-prevalent and convenient balance-transfer offers. It took him five minutes to switch his credit-card balance to a new account with a lower interest rate.

There is a pot of gold at the end of the rainbow—the estimated 80 percent of all consumer payments made with something other than a credit card.

Other savvy customers are even more aggressive. "We take all the advantages and pay nothing," boasts psychotherapist Sophia Reinders of Tiburon, California. She and her husband, journalist Paul Peterzell, charge nearly every purchase they make on a Visa Card co-branded with United Airlines. For each dollar they charge, they receive a free frequent-flyer mile. At about $3,000 or more in charges each month, the miles add up and the couple enjoys free trips to China and Europe. "We put on that card every gallon of gas, every shirt I take to the laundry, and every morsel of food we buy, whether at a restaurant or a market," says Peterzell. All this activity doesn't help the card issuer much. The couple pays the bill in full every month.

Customers like these are not ideal. And although millions of other Americans are taking on the debt that Reinders and Peterzell shun—in fact, because of it—some experts see a shakeout ahead. "It becomes a zero-sum game," says Gordon, estimating that more than two dozen aggressive issuers are trying to post annual growth rates of more than 20 percent each. That's four times the annual growth of U.S. consumer income. "To get market share in the U.S., basically you've got to steal it," says Brittain. "It's getting harder to find the right product for the right person," acknowledges Rapaport of Fair, Isaac. "A lot of people have already found it."

In an effort to get more people to try their product and stick with it, credit-card issuers now offer incentives for revolving balances and are developing relationships with a wider range of merchants than ever before. You can charge everything from your groceries to your dental work. The mail remains the industry's marketing mainstay, but some offer online credit-card applications through various banks and Internet sites. This provides consumers—especially young ones—with an alternative to the scary bank and imposing credit officer of yesteryear. Applicants in a few places can key information into an interactive video kiosk and talk to a friendly onscreen banker.

PER-CAPITA CHARGES

(total credit-card charges in billions of dollars and charges per resident, ranked by charges per resident, 1995)

rank	state	total charges	per capita charges
1	D.C.	$3.1	$5,600
2	Alaska	3.2	5,300
3	Vermont	2.9	5,000
4	South Dakota	3.0	4,100
5	New Hampshire	4.5	3,900
6	Maryland	18.1	3,600
7	Hawaii	4.2	3,500
8	New York	63.4	3,500
9	Delaware	2.5	3,500
10	California	109.8	3,500
47	Kentucky	6.2	1,600
48	Iowa	4.5	1,600
49	Alabama	6.3	1,500
50	Mississippi	3.8	1,400
51	North Dakota	0.9	1,400

Source: Card Management Information Services and Census Bureau

People in D.C rack up four times more charges than people in North Dakota and Mississippi.

Without a rainbow beckoning over the horizon, credit-card issuers couldn't summon the energy (or dollars) to maintain their competitive and innovative strategies. There is indeed a pot of gold at the end of the rainbow. It consists of the estimated 80 percent of all consumer payments in the U.S. made with something other than a credit card. Trillions of dollars flow here, and credit-card companies want more of them to pass through their hands. This means that, among other things, our mailboxes will continue to see plenty of action.

Tibbett L. Speer is a contributing writer of American Demographics and freelance writer in Washington, D.C. She owns one major bank credit card and her husband owns another. Her dog and cat have none.

TAKING IT FURTHER

CardTrak is published by RAM Research Group, P.O. Box 1700, Frederick, MD 21702; telephone (301) 695-4660. For more information about credit-card customers and their credit behavior, contact Claritas Inc. at 1525 Wilson Boulevard, Suite 1000, Arlington, VA 22209-2411; telephone (800) 284-4868. Bankcard Holders of America is a nonprofit consumer group that offers statistical and other information. Contact them at 6862 Elm Street, McLean, VA 22101; telephone (703) 917-9805.