Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, VT 05401

Thursday, December 5, 2002 at 1:00 p.m.

BOARD: Chairperson Randall, Commissioners Ms. Beyer (Designee of Patterson), Mr. Candon (Designee of Costle), Ms. Lafayette, Mr. Seelig, Ms. Canney, and Ms. Young (Designee of Douglas)

Staff: Ms. Carpenter, Mr. Schoenbeck, Ms. Loller, Ms. Lane, Ms. Crady, Mr. Adams, Mr. Baker, Mr. Erdelyi, Ms. Reid, Ms. Santerre, Mr. Falzone, Ms. Collins, Mr. Fairbanks

Guests: Mr. Al Hans (Piper Jaffrey), Mr. Andy Gurley and Mr. Milton Brown (UBS PaineWebber), Mr. Andy Broderick (Housing Vermont)

Chairperson Randall called the meeting to order at 1:05 p.m.

MINUTES

The September 19, 2002 Board of Commissioners' minutes were motioned for approval by Mr. Seelig with Mr. Candon seconding this motion. The Board unanimously approved the September 19th minutes.

The October 7, 2002 Board of Commissioners' minutes were motioned for approval by Ms. Beyer with Mr. Seelig seconding this motion. The Board unanimously approved the October 7th minutes.

FINANCE

Bond Issue

Mr. Schoenbeck introduced Mr. Andy Gurley and Mr. Milton Brown of USB PaineWebber and Mr. Al Hans of US Bancorp Piper Jaffray, who where present to present information on financing tools to assist with making VHFA single family mortgages more competitive. They provided an overview of Swaps, which are a form of derivatives that could be used to help lower interest rates for VHFA customers in upcoming bond deals. Mr. Schoenbeck explained that the purpose of the discussion was to provide the Board with information regarding a new bond financing tool (Swaps) and to determine if Swaps would be something the Agency would be interested in implementing going forward.

They reviewed in detail the Derivative Products Overview booklet and Bond Structure Using Variable Rate Demand Bonds with Interest Rate Swap memo, which were included in the Board packet. A lengthy discussion followed, with the Board having several questions and concerns. It was decided that Mr. Schoenbeck and Mr. Hans would complete an overlay of the Series 16 bond issue, had there been a Swap at that time, and will forward it to the Board for their review and further discussion at the next Board meeting. Board members are encouraged to call Mr. Schoenbeck with questions.

There were also a discussion about ensuring a policy was drafted for Swaps that would state limits and other operating procedures. A draft policy will be reviewed for the January Board meeting.

Mr. Schoenbeck asked whether the Board was comfortable considering the Swaps technique in future bond deals where the financials would support a Swap. It was concluded that we should keep our options open and discuss further at the January Board meeting where staff will have options outlined for the Series 17 bond deal allocating no more than 25% of the proceeds to the Swap. To round out the discussions Ms. Carpenter stated that staff would also outline the risks associated with not having a mortgage rate that is competitive in this market. Mr. Seelig mentioned that we may need to reconsider the speed of implementing Swaps depending on the make up of the Board come January due to new members.

<u>September Financials</u>

Mr. Schoenbeck briefly discussed the September financial information. We are on target with year to date budget amounts and no exception items were noted.

<u>Housing Vermont Line of Credit</u>

Mr. Schoenbeck asked the Board for an extension for the line of credit for Housing Vermont. The recommendation is to have the line of credit run concurrently with the Agency's line of credit with Banknorth. Ms. Beyer motioned to approve the resolution to extend Housing Vermont's line of credit and Mr. Candon seconded the motion. The Board unanimously approved Housing Vermont's line of credit extension resolution.

<u>Multi Family Bond Resolution</u>

Mr. Schoenbeck brought before the Board a $15M multi-family series resolution (as drafted by Kutak Rock, Agency's bond counsel). The purpose of the resolution is to provide the authority for bond issuance to finance multi-family projects, as approved by the Board. The original $15M allocation from November 2001 is down to approximately $4.5M.

Mr. Seelig motioned to approve the $15M resolution; Mr. Candon seconded the motion. The Board unanimously approved the $15M multi-family series resolution (Ms. Lafayette abstained from this motion as she had left the room momentarily).

HOMEOWNERSHIP

Ms. Crady stated that the Agency has purchased $5.7M in loans in November and $27.5M year-to-date. She believes we are on track to meet FY2003 goals

There are no surprises regarding foreclosures and REOs, however we seem to be dealing with many of the same borrowers over time. Homeownership staff continues to work with servicers very closely.

Ms. Crady updated the Board on the $150,000 of IORTA funds that the Agency committed to last spring for VHCB's application to the FHLB's affordable housing program. VHCB staff was successful in getting the application funded, so the $150,000 will be used to leverage the FHLB and State funds.

DEVELOPMENT

Ms. Reid discussed a multifamily construction loan application for $2,123,000 for Mountain View Apartments in St. Johnsbury. This property is an existing RD development, which is very dated consisting of 4 buildings, each with 12 units. The property has not been maintained very well; this construction loan application would be to repair the units, to include kitchens, baths, roofs, sprinkler system, etc.

After a brief discussion, Ms. Beyer moved to approve the resolution with Mr. Seelig seconding the motion. The Board unanimously approved the construction loan application for Mountain View Apartments.

VERMONT STATE HOUSING AUTHORITY

Chairperson Randall, Ms. Beyer, Mr. Seelig and Ms. Carpenter met with the VSHA Board to discuss issues regarding VSHA and HFI's recent activities. Ms. Carpenter handed out a draft copy of a letter for the VHSA Board, which summarized the meeting's key points and discussed further some issues requiring further resolution.

The primary issues discussed in the letter are the overlapping responsibilities for Section 8 projects between VHFA and VSHA (HUD is moving in the direction of wanting only one administrator in the state) and the tightening up of the Agency's MOA agreements with VSHA, as well as the possible conflict of interest between VSHA and HFI. Ms. Carpenter mentioned that one item not discussed during the meeting, which is addressed in the letter has to do with the refinancing of a couple of projects owned by VSHA, which will dramatically affect the zero percent yield pool. She would like to recommend restructuring v. refinancing as an option. Mr. Seelig recommended that we follow up separately on this issue and remove this paragraph from the draft letter.

Ms. Randall has a call into Tom Johnson as a follow up to the meeting. She will also suggest some sort of annual gathering of the two boards to assist with keeping the lines of communication open. Mr. Falzone is in the process of gathering MOAs from other states and will be drafting a contract that more clearly states each party's responsibilities.

ADMINISTRATION

Executive Directors Report

Ms Carpenter asked Ms. Drake to update the Board on the two legal items mentioned in the Executive Directors Report. The first case is a Chapter 13 bankruptcy filing case, which is of interest to the Agency. In this particular case, the borrower filed for bankruptcy just before the final redemption date and the Bankruptcy court issued a Relief from Stay in the Agency's favor; the borrower appealed to the federal district court (borrower is represented by Legal Aid). A ruling on December 4, 2002 was not in our favor. Ms. Drake stated that the relationship between federal law and Vermont law is unique due to Vermont's strict foreclosure process. After a brief discussion, the Board decided it did not want to pursue this case without the support of another interested party (VBA, MBA, etc.). Ms. Drake will follow up with other organizations and will convene a Board conference call should she have new information or another supporter.

Ms. Drake discussed the second case, which is a legal case in process in Rutland regarding a deed restriction that prohibits mobile homes. The Agency has been asked to join in this case by the VBA and VMBA. The concern for the Agency in this case is the definitions of mobile and manufactured homes. A discussion followed regarding how to educate the courts to make sure they do not go too far in lumping together manufactured homes with mobile homes. The case brief is due on December 13th. The Board would like to hold off on any decision to participate in this case until Ms. Drake has had an opportunity to read the brief and update management and the Board on the case's position. The sense was that we should pursue this

Allocation of Remaining Volume Cap

Ms. Drake distributed a revised volume cap resolution to the Board, which now includes a provision regarding the $25M currently ear marked for Winooski. Mr. Candon made a motion to approve the Volume Cap Resolution; Mr. Seelig seconded the motion. The Board unanimously approved the motion (Ms. Young abstained as she departed the meeting prior to the vote).

MISCELLANEOUS

Ms. Randall thanked Ms. Young for her periodic participation on the Agency Board and wished her well in her new responsibilities as the Governor's Legal Counsel. Ms. Randall brought before the Board a resolution recognizing Governor Elect Douglas' contributions to the Agency during his tenure on the Board. Ms. Lafayette motioned to approve the resolution; Ms. Canney seconded the motion. The Board unanimously approved the resolution. A framed copy of the resolution will be presented to Mr. Douglas at the Holiday Luncheon on December 6th.

Mr. Erdelyi asked the Board whether three meetings each year for the Tax Credit Committee were warranted or if the Committee should revert back to meeting twice per year. After some discussion, it was decided that we would stay with three meetings per year (the March and September meetings would allocate the current year's funds and the December meeting would forward-allocate 2004 funds).

Ms. Canney made the motion to adjourn the meeting; Ms. Beyer seconded the motion to adjourn. The Board unanimously agreed and the meeting was adjourned at 4:20 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: January 9, 2003

RE: Multifamily Permanent and Construction Loan Requests for Highgate Redevelopment, Barre

Name:	Highgate Redevelopment	**Location:**	Barre
Housing Type:	General Occupancy	**Unit Type:**	Flats, Townhouses
Total Units:	120	**Unit Sizes:**	24 1-BR @ 619 s.f. 63 2-BR @ 1386 s.f. 33 3-BR @ 1749 s.f.
Total Cost:	$5,498,279	**Per S.F. Acquisition & Construction Cost:**	$27.09
Loans Requested:	$165,000 permanent $2,600,000 construction	**Housing Credits (9%):** **State Credit:**	$310,000 $50,000
Other Funding:	VHCB, HOME, VCDP, REEP, Project Reserves, Existing VHFA Debt, 0% VHFA Loan, Developer Loan, Tax Credit Equity (state and federal)		
Sponsors:	Housing Vermont (HVT) & Highgate Housing Inc. (HHI)		

Highgate Apartments, a 120-unit complex in Barre, was constructed in 1970 by a private developer using the HUD Section 236 program. In 1991, it was purchased by a limited partnership whose co-general partners are H.V. Highgate Inc. (a subsidiary of Housing Vermont), and Highgate Housing Inc. (HHI), a resident controlled group. This tax credit partnership rehabilitated the property and preserved its affordability. Now the property is being further redeveloped with two goals: to make significant physical improvements (including drainage, mold remediation, kitchen & bath upgrades, heating system replacement, electrical upgrades, trim replacement) and to create over time a more mixed-income community. HVT is working with HHI to broaden the HHI Board's community representation, as well as to improve the effectiveness of the resident services currently in place. The cost of developing Highgate in 1991 was $8,307,394. With the cost of this re-development, the total cost is $13,805,673, or $115,047 per unit. HVT has obtained all of its other funding commitments for the planned scope of work. One hundred thirteen (113) of the units have project-based Section 8 rental assistance, subject to appropriations, which expire in 2011. Maloney Properties is the manager. VHFA holds the existing debt on the property which will remain in place. HUD has a mortgage on the property for its flexible subsidy of $1,253,223, which is deferred until 2011 at 1% interest; this mortgage has a priority position over a portion of existing VHFA debt. Forgiveness or deferral of this obligation will need to be negotiated for future feasibility of this development as affordable housing. The sponsor is requesting a small additional permanent loan, as well as construction financing. HVT is in process of obtaining a Capital Needs Assessment and an as-completed appraisal. The project involves significant relocation, which has already begun with mold remediation. The bulk of the work is anticipated to begin in April and be completed by June 2004.

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

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364

phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR IMPROVEMENTS TO HIGHGATE APARTMENTS, BARRE

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

WHEREAS, an application has been submitted to the Agency by Highgate Housing Limited Partnership (the "Borrower") involving the financing of improvements to Highgate Apartments in Barre, Vermont (the "Development"); and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated January 9, 2003, containing information and recommendations about the Development (the "Memorandum");

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the improvement financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the improvement financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final sources and amounts of the loans for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Underwriting Guidelines and a completed Capital Needs Assessment.

09-Jan-03 **Highgate Redevelopment Phase II**

Total Residential Units:	120	Increase in Income from Rental Units:	1.00%	
Housing Credit Restricted Units:	71	Increase in Income from Other Sources:	1.00%	
Percent Restricted:	59.17%	Increase in Income from Commercial:	1.00%	
Total Development Cost:	5,498,279	Expense increase:	2.50%	
Total Development Cost per Unit:	45,819	Vacancy Rate:	5%	
Total Development Cost Per SF:	34.39	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5	years
Max Credit Potential:	301,071	Short Depreciation Schedule:	7	years
Credit Amount Allocated:	310,000	Sponsor's Estimated Yield:	90.46%	
State Tax Credit Amt Allocated:	50,000	Set aside election	40/60	
LIHTC - 9%	7.95%	Dec 2002		
LIHTC - 4%	3.41%			

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Loan 1 (New)	165,000	3.00%	8.25%	30	30
VHFA 0% Loan	350,000	6.37%	0.00%	N/A	20
VHCB	900,000	16.37%	0.00%	30	30
REEP/Other	50,000	0.91%	0.00%	30	30
HOME	595,000	10.82%	5.50%	30	30
VCDP	600,000	10.91%	5.50%	30	30
Developer Loan	25,000	0.45%	1.00%	15	15
Replacement Reserves	37,000	0.67%			
Tax Credit Equity	2,776,353	50.49%			
TOTAL SOURCES	5,498,353	100.00%			
Construction Loan	2,600,000		3.00%		16 mos

USES

Acquisition	3,000	0.05%
Construction Hard Costs	4,329,200	78.74%
Soft Costs	1,166,079	21.21%
TOTAL USES	5,498,279	100.00%
Gap	(74)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	24	2,163,360		
2 Br	95,890	63	6,041,070		
3 Br	101,637	33	3,354,021		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		120	11,558,451		
Projected total cost, excluding cash accounts			5,278,279	Cost Overage %	219%
	(over)/under		6,280,172		

General Partner's Capital Contribution	28,044	1.00%
Limited Partner's Capital Contribution	2,776,353	99.00%
Total Equity	2,804,397	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	71
Total Units	120
Unit Fraction	59.17%
Tax Credit Square Footage	94,606
Total Residential Square Footage	159,891
Square Footage Fraction	59.17%
Applicable Fraction	59.17%

Phase I Rehab - 5/8/1991

SOURCES	
VHFA Debt (wraparound)	2,652,364
CDBG	657,500
VHCB	950,000
HUD Flex	1,253,223
GMPHNP/GMP	678,307
Equity	1,616,000
HUD Special Purpose	500,000
	8,307,394

Total Cost Phase 1 & 2	Total Cost/unit
13,805,673	115,047

09-Jan-03 **Highgate Redevelopment Phase II**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	3,000		3,000	3,000		
5	Legal - Title and Recording	0					
	Subtotal - Acquisition	3,000					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	3,883,200		3,883,200	3,883,200		
7	New Building(s)	0					
8	Accessory Buildings	0					
9	Sitework	0					
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	300,000		300,000	300,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Tank Removal/Asbestos Abatement	50,000		50,000	50,000		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	96,000		96,000	96,000		
20	Other (____________)	0					
	Subtotal - Hard Costs	4,329,200					
	SOFT COSTS						
21	Architectural	300,000		300,000	300,000		
22	Engineering	0					
23	Legal/Accounting	20,000		20,000	20,000		
24	Relocation	215,000		215,000	215,000		
25	Environmental Assessment	3,000		3,000	3,000		
26	Energy Assessment	0					
27	Permits/Fees	36,982		36,982	36,982		
28	Independent Market Study	0					
29	Construction Period Insurance	0					
30	Construction Interest	117,995		117,995	117,995		
31	Construction Loan Origination Fee	54,120		51,432	54,120		
32	Taxes During Construction	15,000		15,000	15,000		
33	Clerk of the Works	40,000		40,000	40,000		
34	Marketing	2,000			2,000		
35	Tax Credit Fees	5,200		5,200	5,200		
36	Soft Cost Contingency	11,782		11,782	11,782		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	0					
39	Other (____________)	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees - HVT	125,000		125,000	125,000		
45	Other Partnership Fees	0			0		
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	220,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
	Subtotal - Soft Costs	1,166,079					
	TOTALS	5,498,279	0	5,273,591	5,182,279	0	
LESS:	Amount of Non-qualified Financing			350,000	200,000		
LESS:	Adjustment for per unit cost limits	1		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	4,923,591		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		6,400,668			
TIMES:	Applicable Fraction	59.17%	0	3,787,062			
	Total Qualified Basis		0	3,787,062	4,982,279	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.41%	7.95%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	301,071	181,174	Annual Depreciation	

96,000	Short Term Depreciable Basis
7	Depreciation Schedule
13,714	Annual Depreciation

Total Tax Credits Requested	310,000
Estimated Net Syndication Proceeds (excluding historic credit equity)	2,776,353
Estimated Yield - Housing Credit Syndication	90.46%
Equity Gap	2,776,353
Credits Needed to fill Equity Gap	310,000

2,605,000	5,457,026		
84.88%	5,276,279	670,000	13%
	(180,747)		

form revision date: 2/27/97

09-Jan-03 **Highgate Redevelopment Phase II**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		619	24	572	0	164,736
2 Br		1,386	59	661	0	467,988
3 Br		1,749	30	814	0	293,040
4+ Br		0	0	0	0	0
	Totals	149,100	113			925,764

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		0	0	0	0	0
2 Br		1,386	4	387	0	18,576
3 Br		1,749	3	462	0	16,632
4+ Br		0	0	0	0	0
	Totals	10,791	7			35,208
All Units						
	Grand Totals	159,891	120			960,972
		Less Vacancy	5.00%			(48,049)
					NET RENT	912,923

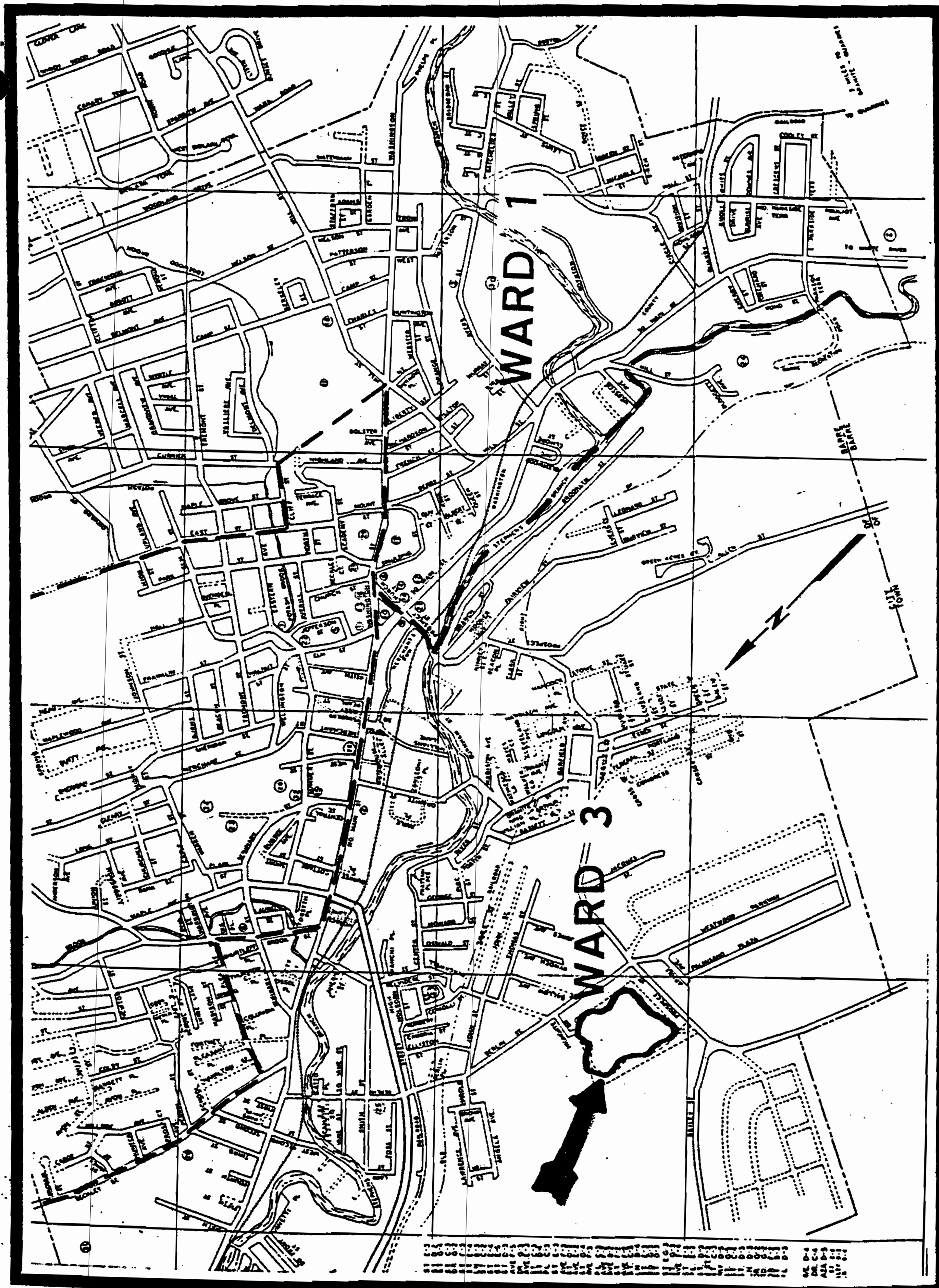
OTHER INCOME

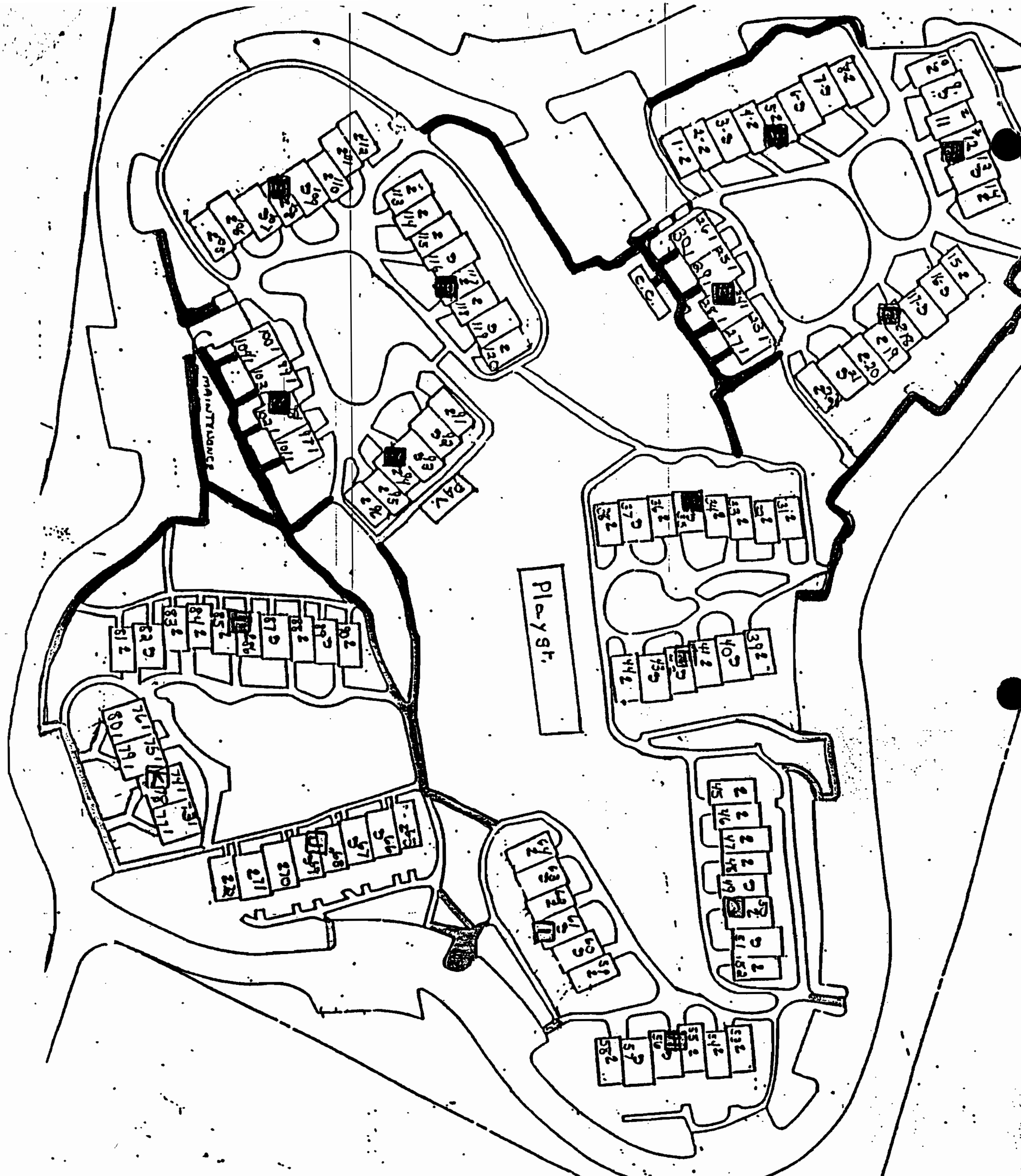
Laundry	2,790
Parking	0
Commercial Space Income	
Other - vacancy loss claims - HUD	9,860
TOTAL INCOME	925,573

09-Jan-03 **Highgate Redevelopment Phase II**

	Annual	Monthly	Per Unit Per Month
Administration			
Management Fee	39,003	3,250	27
Admin Salaries/Benefits	111,849	9,321	78
Social Services	60,000	5,000	42
Audit	7,000	583	5
Legal	5,000	417	3
Compliance Monitoring	5,200	433	4
Marketing		0	0
Other - HVT Asset Mngmt Fee		0	0
TOTAL ADMINISTRATIVE	228,052	19,004	158
Utilities			
Electricity	9,032	753	6
Fuel - Gas	8,500	708	6
Water and Sewer	53,413	4,451	37
Fire Alarm / Emergency		0	0
Other: Rehab vacant util exp	25,000	2,083	17
TOTAL UTILITIES	95,945	7,995	67
Maintenance			
Maintenance / Janitor Payroll	112,627	9,386	78
Janitor Supplies	2,700	225	2
Exterminating	3,200	267	2
Trash Removal	30,000	2,500	21
Snow Removal	8,500	708	6
Grounds	1,750	146	1
Repairs Material	14,450	1,204	10
Repairs Contract	1,000	83	1
HVAC Repairs / Maintenance	10,000	833	7
Elevator Contract / Repairs		0	0
Painting and Decorating	10,000	833	7
Other	18,732	1,561	13
TOTAL MAINTENANCE	212,959	17,747	148
Real Estate Taxes	96,744	8,062	67
Property Insurance	58,020	4,835	40
Replacement Reserves	30,000	2,500	21
Primary Debt Service	140,603	11,717	98
Other "must pay" debt service		0	0
Other - Workman's Comp Ins	3,700	308	3
Total	866,023	72,169	601

09-Jan-03	Highgate Redevelopment Phase II															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating Income																
Gross Rent		960,972	970,582	980,288	990,090	999,991	1,009,991	1,020,091	1,030,292	1,040,595	894,245	903,188	912,220	921,342	930,555	939,861
Other Income		12,650	12,777	12,904	13,033	13,164	13,295	13,428	13,563	13,698	13,835	13,973	14,113	14,254	14,397	14,541
Vacancy and other losses		(48,049)	(48,529)	(49,014)	(49,505)	(50,000)	(50,500)	(51,005)	(51,515)	(52,030)	(44,712)	(45,159)	(45,611)	(46,067)	(46,528)	(46,993)
Total Operating Income		925,573	934,829	944,177	953,619	963,155	972,787	982,515	992,340	1,002,263	863,368	872,002	880,722	889,529	898,424	907,409
Operating Expenses																
Total Expenses (excl. Reserves)		695,420	671,505	688,293	705,500	723,138	741,216	759,746	778,740	798,209	704,578	722,192	740,247	758,753	777,722	797,165
Reserves		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Operating Expense		725,420	701,505	718,293	735,500	753,138	771,216	789,746	808,740	828,209	734,578	752,192	770,247	788,753	807,722	827,165
Net Operating Income		200,154	233,324	225,885	218,119	210,018	201,571	192,768	183,600	174,055	128,791	119,810	110,475	100,776	90,703	80,244
Less Primary Debt Service		75,420	75,420	75,420	75,420	75,420	75,420	75,420	75,420	75,420	0	0	0	0	0	0
Less Secondary Debt Service		65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343	65,343
Less New Debt Service		0	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875	14,875
Annual Cash Flow		59,391	77,687	70,247	62,482	54,380	45,934	37,131	27,962	18,417	48,573	39,592	30,257	20,558	10,485	26
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		59,391	77,687	70,247	62,482	54,380	45,934	37,131	27,962	18,417	48,573	39,592	30,257	20,558	10,485	26
DCR		142.19%	149.92%	145.14%	140.15%	134.94%	129.51%	123.86%	117.97%	111.83%	160.55%	149.36%	137.72%	125.63%	113.07%	100.03%
Cumulative Cash Flow																
Beginning Balance		50,000	109,190	188,042	260,957	327,487	387,166	439,506	484,003	520,130	547,339	605,548	655,852	697,733	730,656	754,064
Deposits		59,391	77,687	70,247	62,482	54,380	45,934	37,131	27,962	18,417	48,573	39,592	30,257	20,558	10,485	26
Less Developer Loan Payment		(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)	(1,795)
Interest	2.0%	1,594	2,961	4,463	5,844	7,094	8,203	9,161	9,960	10,587	11,432	12,507	13,420	14,160	14,718	15,082
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		109,190	188,042	260,957	327,487	387,166	439,506	484,003	520,130	547,339	605,548	655,852	697,733	730,656	754,064	767,376
Cumulative Replacement Reserves																
Beginning Balance		100,000	132,300	135,246	138,251	141,316	144,442	147,631	150,884	154,201	157,585	161,037	164,558	168,149	171,812	175,548
Deposits		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Interest	2.0%	2,300	2,946	3,005	3,065	3,126	3,189	3,253	3,318	3,384	3,452	3,521	3,591	3,663	3,736	3,811
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		132,300	135,246	138,251	141,316	144,442	147,631	150,884	154,201	157,585	161,037	164,558	168,149	171,812	175,548	179,359
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		200,154	233,324	225,885	218,119	210,018	201,571	192,768	183,600	174,055	128,791	119,810	110,475	100,776	90,703	80,244
Plus Reserves		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Less Interest Expense		(164,003)	(166,318)	(168,786)	(171,416)	(174,216)	(177,195)	(180,363)	(183,729)	(187,304)	(191,099)	(195,124)	(199,393)	(203,916)	(208,708)	(213,780)
Less Long Depreciation		(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)	(181,174)
Less Short Depreciation		(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	(13,714)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(128,738)	(97,882)	(107,790)	(118,185)	(129,086)	(140,512)	(152,483)	(151,303)	(164,423)	(213,482)	(226,488)	(240,091)	(254,314)	(269,179)	(284,710)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		45,058	34,259	37,726	41,365	45,180	49,179	53,369	52,956	57,548	74,719	79,271	84,032	89,010	94,213	99,649
Plus Tax Credits		360,000	360,000	360,000	360,000	360,000	310,000	310,000	310,000	310,000	310,000					
After Tax Cash Flow		405,058	394,259	397,726	401,365	405,180	359,179	363,369	362,956	367,548	384,719	79,271	84,032	89,010	94,213	99,649
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		405,058	394,259	397,726	401,365	405,180	359,179	363,369	362,956	367,548	384,719	79,271	84,032	89,010	94,213	99,649
Future Value of Cash Flows at Yr 15:		2,217,113	1,926,787	1,735,477	1,563,708	1,409,440	1,115,556	1,007,651	898,666	812,532	759,366	139,702	132,226	125,052	118,180	111,606
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	30-Jan-03	30-May-03	30-Sep-03	09-Jan-03	09-Jan-03	09-Jan-03	09-Jan-03	09-Jan-03								
Amount of Capital Contribution:	25,790	128,948	2,424,213	0	0	0	0	0								
Present Value of Contributions:	25,790	126,395	2,328,002	0												
Cash Flows	(2,480,187)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	14,073,062
IRR:	12.27%															
Equity Yield:	74.78%															


WARD 1
WARD 3



Highgate Apartments, Barre

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer JE

DATE: January 9, 2003

RE: Construction & Permanent Loans for Whitcomb Woods, Essex Junction

Name:	Whitcomb Woods	**Location:**	Essex Junction
Housing Type:	Senior Housing	**Unit Type:**	Flats
Total Units:	64 plus one resident manager's unit	**Unit Sizes:**	7 One-BR @ 594 s. f.; 52 One-BR @ 621 s. f.; 6 Two-BR @ 756 s. f.
Total Cost:	$4,703,543	**Per S.F. Acquisition & Construction Cost:**	$75.54
Loans Requested: (tax exempt)	$1,160,000 construction $1,698,000 permanent $300,000 0% funds	**Housing Credits (4%):**	$153,132
Other Funding:	FHLBB AHP funds, VHCB, REEP (funding for energy efficiency improvements), tax credit equity		
Sponsors:	Cathedral Square Corporation (CSC) & Housing Vermont (HVT)		

Housing Vermont (on behalf of a to-be-formed limited partnership consisting of HVT and CSC or their subsidiaries) has applied for financing to acquire and rehabilitate this property, currently owned by Dan O'Brien (the original developer). The project was built in 1979 and financed by VHFA (in 1991 the VHFA loan was prepaid). All 64 rental units have project-based rental assistance under a contract that is up for its last 5-year renewal in two years. HUD approval of this sale would be required and is likely to be forthcoming.

The property consists of five buildings and is on a flat wooded site off of West Street in Essex Junction – an attractive site and a good location. There is ample common space and the property has a history of full occupancy. The current owner has obtained site plan approval for the construction of an additional 20 units from the town and his asking price ($3,350,000) for the property reflects this future development potential. (Staff have not yet reviewed the permits). The sponsors had an appraisal done in August 2001 which placed the value of the existing land and buildings at $2,775,000 "as-is". This appraisal, done by Richard Navin, did not include a value for land approved for 20 additional units (the approvals were not initiated at that time, and valuing the land this way was not part of the scope). Subsequently the sponsors had Steve Allen, an MAI appraiser, conduct an appraisal in December 2002 which did value the land with additional development potential, and also valued the existing units at market rents versus "as-is." The market rents are slightly higher than the current Section 8 contract rents. His value was $2.9 million. The sponsors have subsequently obtained a revised appraisal from Richard Navin using the market rents and also valuing the development approvals, and the total value was $3,360,000. Both appraisers put an added value to the land of $240,000 ($12,000 per unit) for the development potential of 20 additional units. This is a cost that could later be ascribed to the 20 additional units when they get built, and doing so would bring the acquisition cost associated with the existing 65-unit project closer to other recent developments. Staff are concerned about the relatively high price (see attached comparison sheet). The

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

seller reported to the sponsors that he had an unconditional cash offer from another buyer, which is how the price in the current P & S was reached. The seller is also seeking a closing date of no later than February 25th.

A capital needs assessment has been done but not yet reviewed by staff. Based on this CNA the sponsors are proposing some immediate improvements including: a heating system conversion, re-roofing, some limited wiring and carpentry, landscaping, boiler room fire-rating, and finishes. This construction (budgeted for approximately $700k) should run from May through November 2003. Over time as units turn over the sponsors intend to give the units facelifts (kitchens/baths/finishes), which will avoid a wholesale tenant relocation issue that they would face if they did the unit improvements all at once. This "turnover" rehab has already been done on some of the units by the current owner, and staff support this plan. Cathedral Square will manage the property. A Level I Environmental Site Assessment has not yet been done - if one exists from the time of the original development, a new one would not be required. VHCB funding has been applied for and is under staff evaluation. AHP funding was committed during the last round.

The tax credit Allocation Plan specifies that acquisition of existing subsidized developments with minor rehab ought to earn the developer a smaller (unspecified) development fee than other types of projects (since they are generally lower risk and are not creating new housing units). The developer's fee in this budget is $350,000 with none shown as deferred (lent back to the project as a funding source). This fee is the highest yet for an acquisition with lesser rehab, and it reflects a trend of rising fees for this type of transaction. Staff believe the fee is too high.

Overall the project has a low loan-to-value ratio (35%) and a low total cost compared to many new developments, and is not likely to be a financially risky loan for the Agency. The sponsors are also seeking a 0% loan of $300,000. The Board policy on the use of 0% funds prioritizes these funds for protecting projects in VHFA's current portfolio, and also prioritizes projects "...which are in line with statewide housing initiatives promoting the creation of additional affordable housing units." This request therefore would require Board approval of a waiver from this policy.

Recommendation: From a financial risk perspective, staff would recommend Board approval of the construction and permanent financing. Staff does however have some concerns regarding: high purchase price/appraisal "shopping", use of 0% funds inconsistent with policy, high developer's fee, and a very short loan approval and closing timeframe. These concerns are more related to policy issues and development practices that staff feel the Board should be aware of. In light of these issues, staff would recommend a "zero percent" loan of up to $150,000.

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

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR WHITCOMB WOODS APARTMENTS, ESSEX JUNCTION

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Cathedral Square Corporation (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the acquisition and rehabilitation of five (5) buildings containing a total of sixty-four (64) units of rental housing in the Village of Essex Junction (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for improvements for the Development with a 0% deferred loan;

WHEREAS, the Development no longer has a loan financed by the Agency and does not create zero percent pool monies and therefore, a loan of the zero percent pool funds to the Development requires Board action;

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrowers; and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated January 9, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

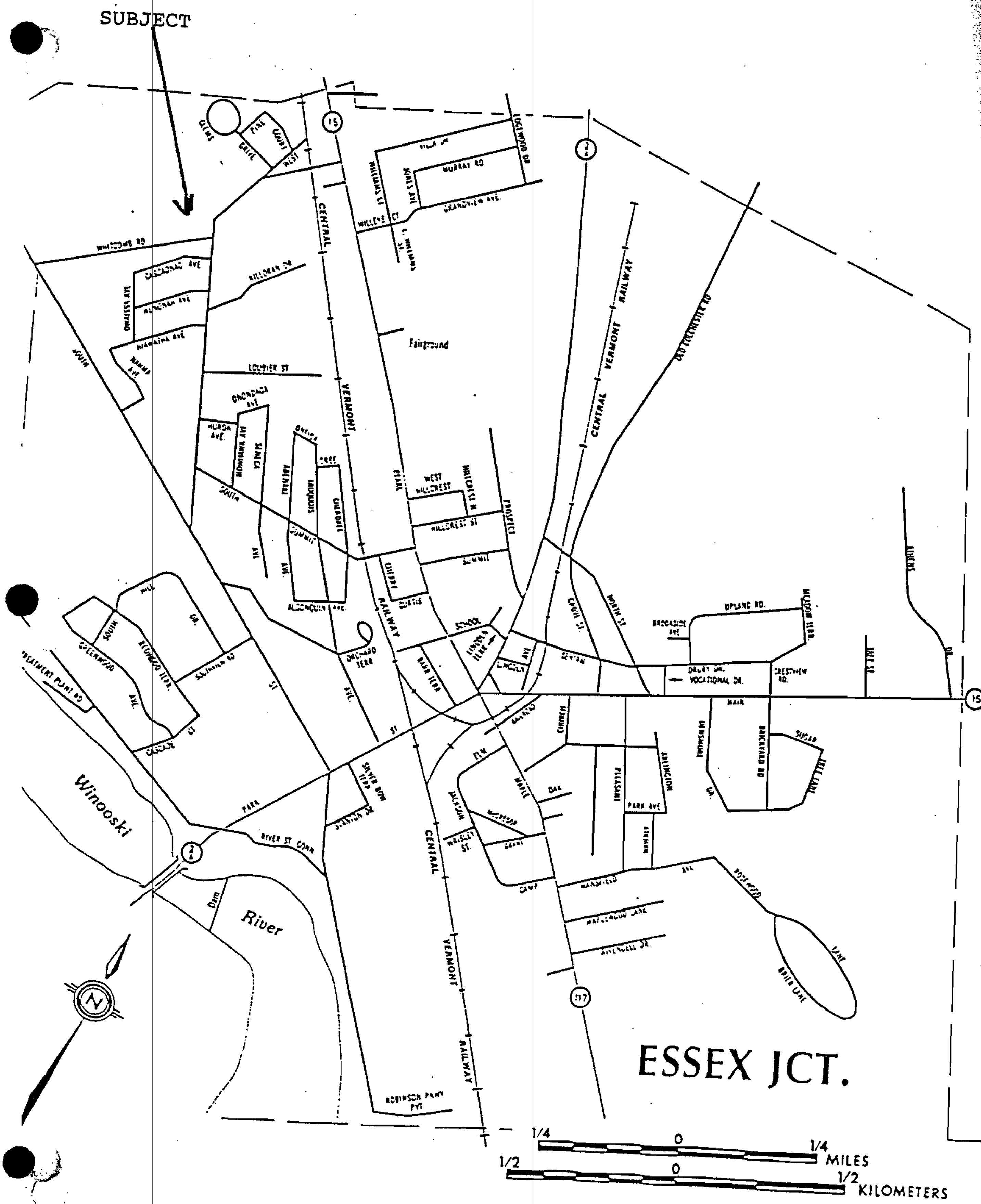
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the limited partnership to be created by the Sponsors for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

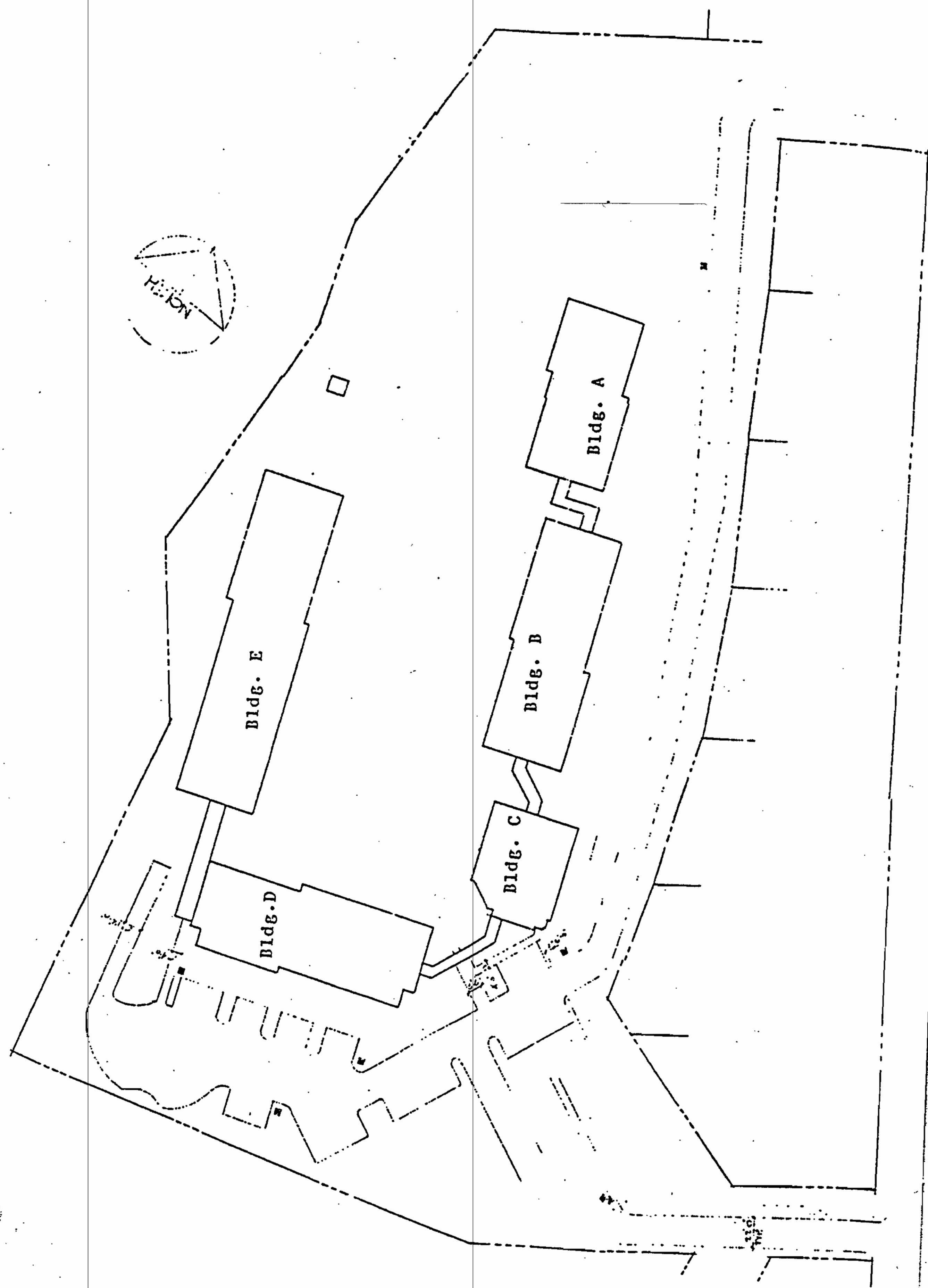
4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsors, the Borrower or any other person for its refusal to do so.

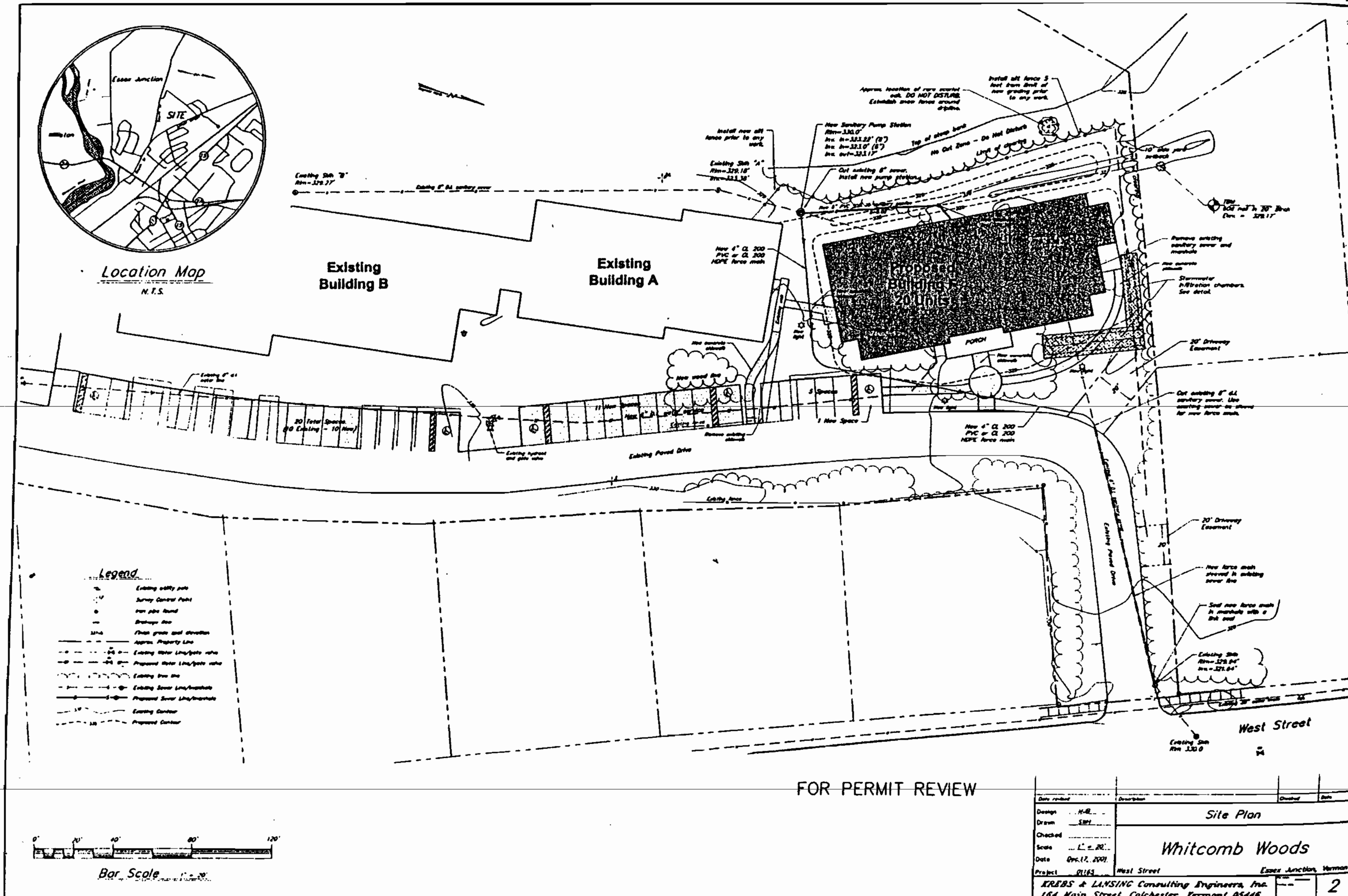
5. A loan in the amount of $150,000 to the Borrower may be funded with excess yield zero percent pool funds.

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


SUBJECT
ESSEX JCT.
Winooski
River
CENTRAL VERMONT RAILWAY
Fairground
WHITCOMB RD
SOUTH
PARK
MAIN
SCHOOL
CURTIS
SUMMIT
HILLCREST ST
WEST HILLCREST
PROSPECT
PEARL
UPLAND RD.
VOCATIONAL DR.
BRICKYARD RD
MANSFIELD AVE
CAMP
GRANT
ELM
MAPLE
CHURCH
PLEASANT
PARK AVE
ARLINGTON
ROSEWOOD
LANE
BRIER LANE
SUGAR
ROBINSON PKWY PVT
RIVER ST CONN
LOUBIER ST
GRANDVIEW AVE
MURRAY RD
WILLEYS CT
SENECA
ONONDAGA AVE
IROQUOIS
CHEROKEE
ALGONQUIN AVE
ORCHARD TERR
15
2A
117
1/4
0
1/4
MILES
1/2
0
1/2
KILOMETERS
N

SITE PLAN




Location Map
N.T.S.
Essex Junction
SITE
Existing Building B
Existing Building A
Proposed Building F 20 Units
PORCH
Existing Paved Drive
West Street
Legend
FOR PERMIT REVIEW
Bar Scale
Site Plan
Whitcomb Woods
West Street
Essex Junction, Vermont
KREBS & LANSING Consulting Engineers, Inc.
164 Main Street, Colchester, Vermont 05446
2

09-Jan-03 **Whitcomb Woods**

			Year 1-7	ear 8 -30
Total Residential Units:	64	Increase in Income from Rental Units:	0.00%	1%
Housing Credit Restricted Units:	62	Increase in Income from Other Sources:	1.00%	
Percent Restricted:	96.88%	Increase in Income from Commercial:	0.00%	
Total Development Cost:	4,703,543	Expense increase:	1.50%	3%
Total Development Cost per Unit:	73,493	Vacancy Rate:	3%	
Total Development Cost Per SF:	87	Partner's Tax Rate:	35%	
		Long Depreciation Schedule:	27.5 years	
Max Credit Potential:	153,132	Short Depreciation Schedule:	7 years	
Credit Amount Allocated:	153,132	Sponsor's Estimated Yield:	78.67%	
LIHTC - 9%	3.41%	Jan '03		
LIHTC - 4%	3.41%			

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	1,698,000	36.10%	6.80%	30	30
AHP loan	500,000	10.63%	3.00%	30	20
AHP Grant	311,000	6.61%	N/A	N/A	
REEP	51,200	1.09%	N/A	N/A	
VHFA 0% funds	300,000	6.38%	N/A	N/A	
VHCB	640,000	13.61%	N/A	N/A	
Tax Credit Equity	1,203,500	25.59%	N/A	N/A	
TOTAL SOURCES	4,703,700	100.00%			

USES

Acquisition	3,355,000		71.33%
Construction Hard Costs	749,000		15.92%
Soft Costs	599,543		12.75%
TOTAL USES	4,703,543	100%	
Gap	(157)		

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	59	5,318,260
2 Br	95,890	6	575,340
3 Br	101,637	0	0
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			5,893,600
Projected total cost, excluding cash accounts			4,627,075
(over)/under			1,266,525

General Partner's Capital Contribution	1,204	0.10%
Limited Partner's Capital Contribution	1,202,297	99.90%
Total Equity	1,203,500	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	62
Total Units	64
Unit Fraction	96.88%
Tax Credit Square Footage	38,988
Total Residential Square Footage	40,230
Square Footage Fraction	96.91%
Applicable Fraction	96.88%

form revision date: 2/27/97

09-Jan-03 **Whitcomb Woods** 75.54

#		Budget	Per Unit	Per s.f.	VHCB	AHP	AHP	Debt	Equity	vhfa 0%	REEP	TOTAL SOURCES
					Allocation of Sources							
	ACQUISITION				640,000	311,000	500,000	1,698,000	1,203,500	300,000	51,200	
1	Land	311,000	4,859	5.76		311,000						311,000
2	Purchase of Building(s)	3,039,000	47,484	56.28			500,000	1,698,000	541,000	300,000		3,039,000
3	Demolition (without replacement)		0	0.00								0
4	Property Appraisal		0	0.00								0
5	Legal - Title and Recording	5,000	78	0.09					5,000			5,000
	Subtotal - Acquisition	3,355,000	52,422	62.13								
	CONSTRUCTION HARD COSTS											
6	Rehabilitation	650,000	10,156	12.04	598,800						51,200	650,000
7	Surveys tests	10,000	156	0.19					10,000			10,000
8	Accessory Buildings		0	0.00								0
9	Sitework		0	0.00								0
10	Commercial Space Costs (if any)		0	0.00								0
11	General Requirements		0	0.00								0
12	Contractor Overhead		0	0.00								0
13	Contractor Profit		0	0.00								0
14	Construction Contingency	64,000	1,000	1.19	41,200				22,800			64,000
15	Construction Management	25,000	391	0.46					25,000			25,000
16	Construction Bond Fee		0	0.00								0
17	Hazardous Materials Abatement		0	0.00								0
18	Off-Site Improvements		0	0.00								0
19	Furnishings, Fixtures, & Equipment		0	0.00								0
20	Other (________________)		0	0.00								0
	Subtotal - Hard Costs	749,000	11,703	13.87								
	SOFT COSTS											
21	Architectural	36,750	574	0.68					36,750			36,750
22	Engineering		0	0.00								0
23	Legal/Accounting	15,000	234	0.28					15,000			15,000
24	Relocation		0	0.00								0
25	Environmental Assessment	1,500	23	0.03					1,500			1,500
26	Energy Assessment		0	0.00								0
27	Permits/Fees	3,088	48	0.06					3,088			3,088
28	Independent Market Study		0	0.00								0
29	Construction Period Insurance		0	0.00								0
30	Construction Interest	38,660	604	0.72					38,660			38,660
31	Construction Loan Origination Fee	39,397	616	0.73					39,397			39,397
32	Taxes During Construction		0	0.00								0
33	Clerk of the Works		0	0.00								0
34	Marketing		0	0.00								0
35	Tax Credit Fees	6,210	97	0.12					6,210			6,210
36	Soft Cost Contingency	7,000	109	0.13					7,000			7,000
37	Permanent Loan Origination Fee		0	0.00								0
38	Lender's Counsel's Fee	25,470	398	0.47					25,470			25,470
39	Other (________________)		0	0.00								0
	SYNDICATION COSTS											
40	Organizational (Partnership)		0	0.00								0
41	Bridge Loan Fees and Expenses		0	0.00								0
42	Syndication Consultant		0	0.00								0
43	Tax Opinion		0	0.00								0
	DEVELOPER'S FEES											
44	Developer's Fees	175,000	2,734	3.24					175,000			175,000
45	Other Partnership Fees	175,000	2,734	3.24					175,000			175,000
46	Consultant Fees		0	0.00								0
	RESERVES											
47	Working Capital	26,468	414	0.49					26,468			26,468
48	Rent-up (Deficit Escrow) Reserve		0	0.00								0
49	Other Operating Reserves		0	0.00								0
50	Sinking Fund		0	0.00								0
51	Replacement Reserves	50,000	781	0.93					50,000			50,000
	Subtotal - Soft Costs	599,543	9,368	11.10								
	TOTAL DEVELOPMENT COSTS	4,703,543	73,493	87.11	640,000	311,000	500,000	1,698,000	1,203,343	300,000	51,200	4,703,543
					0	0	0	0	157	0	0	(4,703,543)

09-Jan-03 **Whitcomb Woods**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	311,000					
2	Purchase of Building(s)	3,039,000	3,039,000		3,039,000		
3	Demolition (without replacement)	0					
4	Property Appraisal	0	0				
5	Legal - Title and Recording	5,000	5,000		5,000		
	Subtotal - Acquisition	3,355,000					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	650,000		650,000	650,000		
7	Surveys tests	10,000		10,000	10,000		
8	Accessory Buildings	0		0	0		
9	Sitework	0		0	0		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead	0		0	0		
13	Contractor Profit	0		0	0		
14	Construction Contingency	64,000		64,000	64,000		
15	Construction Management	25,000		25,000	25,000		
16	Construction Bond Fee	0		0	0		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0		
19	Furnishings, Fixtures, & Equipment	0		0	0		
20	Other (________________)	0		0	0		
	Subtotal - Hard Costs	749,000					
	SOFT COSTS						
21	Architectural	36,750		36,750	36,750		
22	Engineering	0					
23	Legal/Accounting	15,000		15,000	15,000		
24	Relocation	0					
25	Environmental Assessment	1,500		1,500	1,500		
26	Energy Assessment	0					
27	Permits/Fees	3,088		1,000	1,000		
28	Independent Market Study	0					
29	Construction Period Insurance	0					
30	Construction Interest	38,660		35,000	35,000		
31	Construction Loan Origination Fee	39,397		27,000	27,000		
32	Taxes During Construction	0					
33	Clerk of the Works	0					
34	Marketing	0					
35	Tax Credit Fees	6,210		4,000	4,000		
36	Soft Cost Contingency	7,000		5,000	5,000		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	25,470					
39	Other (____________)	0					
	SYNDICATION COSTS						
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	175,000		175,000	175,000		
45	Other Partnership Fees	175,000		175,000	175,000		
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	26,468					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	50,000					
	Subtotal - Soft Costs	599,543					
	TOTALS	4,703,543	3,044,000	1,224,250	4,268,250	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits						
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		3,044,000	1,224,250		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		1,591,525			
TIMES:	Applicable Fraction	96.88%	2,948,875	1,541,790			
	Total Qualified Basis		2,948,875	1,541,790	4,268,250	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.41%	3.41%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		100,557	52,575	155,209	Annual Depreciation	

Total Tax Credits Requested	153,132
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,203,500
Estimated Yield - Housing Credit Syndication	78.67%
Equity Gap	1,203,343
Credits Needed to fill Equity Gap	153,112

0 Short Term Depreciable Basis

7 Depreciation Schedule

0 Annual Depreciation

09-Jan-03 **Whitcomb Woods**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
1 br	walk up	594	7	682		57,288
1 Br	flat	621	50	702		421,200
2 Br	flat	756	5	753		45,180
3 Br			0	0		0
4+ Br			0	0		0
	Totals	38,988	62			523,668

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	flat	621	2	702		16,848
2 Br		756	0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	1,242	2			16,848
common areas		13,768				
	Grand Totals	53,998	64			540,516
	Less Vacancy		3.00%			(16,215)
					NET RENT	524,301
	OTHER INCOME					
	Laundry					1,000
	Parking					0
	Commercial Space Income					0
	Other					0
					TOTAL INCOME	525,301

09-Jan-03

Whitcomb Woods

		Check all Applicable								A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
	1			1	1	1	1			1	594	682	0	682	7						7					
	2			1	1	1				1	594	682	0	682				2			2					
	3			1	1	1				1	594	682	0	682	31	16	3				49					
	4			1	1	1				1	594	682	0	682		2	3	1			7					
	5			1	1	1				1	594	682	0	682												
	6			1	1	1				1	594	682	0	682												
	7			1	1	1				1	594	682	0	682												
	8			1		1				1	621	702	0	702												
	9			1		1				1	621	702	0	702												
	10			1	1	1	1			1	621	702	0	702												
	11			1	1	1	1			1	621	702	0	702												
	12			1	1	1	1			1	621	702	0	702												
	13			1	1	1				1	621	702	0	702												
	14			1	1	1				1	621	702	0	702												
	15			1	1	1				1	621	702	0	702												
	16			1	1	1				1	621	702	0	702												
	17			1	1	1				1	621	702	0	702												
	18			1	1	1				1	621	702	0	702												
	19			1	1	1				1	621	702	0	702												
	20			1	1	1				1	621	702	0	702												
	21			1	1	1				1	621	702	0	702												
	22			1	1	1				1	621	702	0	702												
	23			1	1	1				1	621	702	0	702												
	24			1	1	1				1	621	702	0	702												
	25			1	1	1				1	621	702	0	702												
	26			1	1	1				1	621	702	0	702												
	27			1	1	1				1	621	702	0	702												
	28			1	1	1				1	621	702	0	702												
	29			1	1	1				1	621	702	0	702												
	30			1	1	1				1	621	702	0	702												
	31			1	1	1				1	621	702	0	702												
	32			1	1	1				1	621	702	0	702												
	33			1	1	1				1	621	702	0	702												
	34			1	1	1				1	621	702	0	702												
	35			1	1	1				1	621	702	0	702												
	36			1	1	1				1	621	702	0	702												
	37			1	1	1				1	621	702	0	702												
	38			1	1	1				1	621	702	0	702												
	39			1	1	1				1	621	702	0	702												
	40			1	1	1				1	621	702	0	702												
	41			1	1	1				1	621	702	0	702												
	42			1	1	1				1	621	702	0	702												
	43			1	1	1				1	621	702	0	702												
	44			1	1	1				1	621	702	0	702												
	45			1	1	1				1	621	702	0	702												
	46			1	1	1				1	621	702	0	702												
	47			1	1	1				1	621	702	0	702												
	48			1	1	1				1	621	702	0	702												
	49			1	1	1				1	621	702	0	702												
	50			1	1	1				1	621	702	0	702												
	51			1	1	1				1	621	702	0	702												
	52			1	1	1				1	621	702	0	702												
	53			1	1	1				1	621	702	0	702												
	54			1	1	1				1	621	702	0	702												
	55			1	1	1				1	621	702	0	702												
	56			1	1	1				1	621	702	0	702												
	57			1	1	1				1	621	702	0	702												
	58			1	1	1				1	621	702	0	702												
	59			1	1	1	1			1	621	702	0	702												
	60			1	1	1				2	756	753	0	753												
	61			1	1	1				2	756	753	0	753												
	62			1	1	1				2	756	753	0	753												
	63			1	1	1				2	756	753	0	753												
	64			1	1	1				2	756	753	0	753												
mgrs unit	65			1		1				2	756	0	0	0												
Total # Units	64			65	62	65	5			Totals:	40,986	45,043		Total # Units:	38	18	6	3	0	0	65*	0	0	0	0	0

52

* provided Section 8 contract is renewed

form revision date: 2/27/97

09-Jan-03 **Whitcomb Woods**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	30,760	2,563	40	5.69%
Supportive Services	35,000	2,917	46	
Audit/Accounting	4,600	383	6	
Legal	1,500	125	2	
Compliance Monitoring	9,360	780	12	
Marketing	1,500	125	2	
Other (office and training)	5,000	417	7	
TOTAL ADMINISTRATIVE	87,720	7,310	114	
Utilities				
Electricity	15,111	1,259	20	
Fuel	50,000	4,167	65	
Water and Sewer	15,000	1,250	20	
Fire Alarm / Emergency	10,000	833	13	
Other		0	0	
TOTAL UTILITIES	90,111	7,509	117	
Maintenance				
Maintenance / Janitor Payroll	30,000	2,500	39	
Janitor Supplies	1,000	83	1	
Exterminating	400	33	1	
Trash Removal	6,200	517	8	
Snow Removal	7,000	583	9	
Grounds	7,000	583	9	
Repairs Material	15,000	1,250	20	
Repairs Contract	7,680	640	10	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	5,500	458	7	
Other		0	0	
TOTAL MAINTENANCE	79,780	6,648	104	per unit month
Real Estate Taxes	50,000	4,167	65	excl. ds & res.
Property Insurance	10,000	833	13	414
Replacement Reserves	28,040	2,337	37	
Primary Debt Service	132,836	11,070	173	
Other "must pay" debt service	25,296	2,108	33	
Other		0	0	
Total	503,784	41,982	656	
	345,651			

form revision date: 2/27/97

09-Jan-03 **Whitcomb Woods**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Operating Income																	
Gross Rent		540,516	540,516	540,516	540,516	540,516	540,516	540,244	545,647	551,103	556,614	562,180	567,802	573,480	579,215	585,007	
Other Income		1,000	1,010	1,020	1,030	1,041	1,051	1,062	1,072	1,083	1,094	1,105	1,116	1,127	1,138	1,149	
Vacancy and other losses		(16,215)	(16,215)	(16,215)	(16,215)	(16,215)	(16,215)	(16,207)	(16,369)	(16,533)	(16,698)	(16,865)	(17,034)	(17,204)	(17,376)	(17,550)	
Total Operating Income		525,301	525,311	525,321	525,331	525,341	525,352	525,098	530,349	535,653	541,009	546,419	551,884	557,402	562,976	568,606	
Operating Expenses																	
Total Expenses (excl. Reserves)		317,611	322,375	327,211	332,119	337,101	342,157	347,290	352,499	357,786	363,153	368,601	374,130	379,741	385,438	391,219	
Reserves		28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	
Total Operating Expense		345,651	350,415	355,251	360,159	365,141	370,197	375,330	380,539	385,826	391,193	396,641	402,170	407,781	413,478	419,259	
Net Operating Income		179,650	174,895	170,070	165,172	160,200	155,154	149,769	149,810	149,826	149,816	149,779	149,714	149,621	149,499	149,347	
Less Primary Debt Service		132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	132,836	
Less Secondary Debt Service		25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	25,296	
Annual Cash Flow		21,517	16,763	11,937	7,039	2,068	(2,978)	(8,364)	(8,322)	(8,306)	(8,316)	(8,354)	(8,418)	(8,512)	(8,634)	(8,786)	
Operating Subsidies / Sinking Fund		0	0	0	0	0	2,978	8,364	8,322	8,306	8,316	8,354	8,418	8,512	8,634	8,786	
Net Cash		21,517	16,763	11,937	7,039	2,068	0	0	0	0	0	0	0	0	0	0	
DCR		113.61%	110.60%	107.55%	104.45%	101.31%	98.12%	94.71%	94.74%	94.75%	94.74%	94.72%	94.68%	94.62%	94.54%	94.44%	
Cumulative Cash Flow																	
Beginning Balance		10,000	31,932	49,501	62,548	70,909	74,415	72,925	66,020	59,018	51,892	44,614	37,152	29,477	21,555	13,352	
Interest	2.0%	415	806	1,109	1,321	1,439	1,488	1,459	1,320	1,180	1,038	892	743	590	431	267	
Withdrawals		0	0	0	0	0	(2,978)	(8,364)	(8,322)	(8,306)	(8,316)	(8,354)	(8,418)	(8,512)	(8,634)	(8,786)	
Ending Balance		31,932	49,501	62,548	70,909	74,415	72,925	66,020	59,018	51,892	44,614	37,152	29,477	21,555	13,352	4,834	
Cumulative Replacement Reserves																	
Beginning Balance		50,000	51,280	52,586	53,919	55,277	56,663	58,077	59,519	60,990	62,490	64,020	65,581	67,173	68,797	70,453	
Deposits		28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	
Interest	2.0%	1,280	1,306	1,332	1,359	1,386	1,414	1,442	1,471	1,500	1,530	1,561	1,592	1,624	1,656	1,689	
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Ending Balance		51,280	52,586	53,919	55,277	56,663	58,077	59,519	60,990	62,490	64,020	65,581	67,173	68,797	70,453	72,142	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Net Operating Income		179,650	174,895	170,070	165,172	160,200	155,154	149,769	149,810	149,826	149,816	149,779	149,714	149,621	149,499	149,347	
Plus Reserves		28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	28,040	
Less Interest Expense		(129,769)	(128,194)	(126,521)	(124,744)	(122,855)	(120,848)	(118,714)	(116,445)	(114,032)	(111,465)	(108,735)	(105,829)	(102,736)	(99,444)	(95,938)	
Less Long Depreciation		(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	(155,209)	
Less Short Depreciation		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Taxable Income (Loss)		(77,289)	(80,468)	(83,621)	(86,741)	(89,824)	(92,863)	(96,115)	(93,804)	(91,375)	(88,818)	(86,125)	(83,284)	(80,284)	(77,114)	(73,761)	
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Plus Tax Savings		27,051	28,164	29,267	30,359	31,438	32,502	33,640	32,831	31,981	31,086	30,144	29,149	28,099	26,990	25,816	
Plus Tax Credits		153,132	153,132	153,132	153,132	153,132	153,132	153,132	153,132	153,132	153,132						
After Tax Cash Flow		180,183	181,296	182,399	183,491	184,570	185,634	186,772	185,963	185,113	184,218	30,144	29,149	28,099	26,990	25,816	
Total Years	15																
Reinvestment Rate	7.00%																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Current After Tax Cash Flows		180,183	181,296	182,399	183,491	184,570	185,634	186,772	185,963	185,113	184,218	30,144	29,149	28,099	26,990	25,816	
Future Value of Cash Flows at Yr 15:		495,452	467,478	439,554	413,258	388,494	365,170	343,373	319,520	297,251	276,462	42,278	38,209	34,423	30,901	27,623	
1,203,500	5%	5%	30%	30%	30%												
Discount Rate:	4.00%																
Capital Contribution Number:	1	2	3	4	5												
Date of Capital Contribution:	28-Feb-03	30-Nov-03	31-Dec-03	31-Dec-04	31-Dec-05												
Amount of Capital Contribution:	60,175	60,175	361,050	361,050	361,050												
Present Value of Contributions:	60,175	58,364	348,981	335,075	321,758												
Cash Flows	(1,124,354)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,979,445
IRR:	8.79%																
Equity Yield:	0.7350																

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

RE: Templeton Court Apartments
Request for Approval

Date: October 7th, 2002

Name:	Templeton Court Apts.	**Location:**	Hartford
Housing Type:	Family Housing	**Unit Types :**	Townhouse Style Apartments
Total Units:	18 Bond Project 10 Allocated Project 28 Units Total Project	**Unit Sizes :**	5 @ 1bdrm @ 640 Sq Ft 10 @ 2bdrm @ 1070 Sq Ft 9 @ 3bdrm @ 1160 Sq Ft 4 @ 4bdrm @ 1350 Sq Ft
Total Dev Cost:	\$3,292,692 Bond \$2,084,278 Allocated \$5,377,240 Total Project	**Acq. & Hard Cost PSF:**	\$156.26
Loan Requested:	\$900,000 permanent \$450,000 zero/def **\$1,200,000 Short Term Const. Bond Project** **\$ 650,000 Short Term Const. Allocated Project**		Previously approved 1-17-02 Previously approved 1-17-02 **New Request** **New Request**
Other Funding:	**See Sources and Uses Schedule Attached.**		
Developer/Sponsor:	The Housing Foundation, Inc. (HFI)		

Last January the VHFA Board approved a loan request by Housing Foundation Inc. for Templeton Court Apartments to provide construction/permanent financing in the amount of \$900,000, in addition to a zero percent deferred loan of \$450,000. All funding sources are now committed as shown on the attached schedule of sources and uses and the final project structure has also been settled.

We are requesting approval for an additional $1,850,000 to provide the construction financing to Templeton, which will be prorated between a Bond Project consisting of 18 units, and an Allocated Project consisting of 10 units. The Bond project is using Out-Of-Cap tax credits and therefore requires tax-exempt bond financing for a minimum of 50% of the total construction costs which, total $3,292,962. We will use $1,200,000 of the construction loan and $550,000 of the previously approved construction/permanent for the Bond portion of the project to meet the 50% rule.

The Allocated Project requires taxable bond financing to provide a bridge funding until the tax credit equity is paid in. We are requesting approval of up to $650,000 in taxable short term construction funding, to be combined with the remaining $350,000 of the previously approved construction permanent loan.

Since the original Board approval AHP funding anticipated at $400,000 fell away, VHCB funding has been committed at $332,000 and VCDP funding has been approved at $595,000 and Allocated Credits have been awarded in the amount of $140,500. HFI has been completing plans and specifications along with extensive engineering work. Total construction cost estimates increased from $5,006,000 to $5,377,240. Most of the $370,000 increase was for additional site work at $205,000 which now includes replacement of the existing water and sewer lines. Other increases include higher debt service repayment (acquisition costs), architectural, legal accounting, relocation, lender fees, inspection fees, and consulting fees.

Repayment of the construction loans will come from permanent loans, grants and tax credit equity at completion of the project. Collateral value of the project estimated at $1.6 million at completion is inadequate to cover the total of the construction loans requested. A collateral assignment of rights to other funding sources and an assignment of the general partner's interest will be required to provide the additional security value during the construction period.

Other than requesting the additional loans for construction no changes to the conditions of the Board's original approval are being requested. HFI expects to receive site plan approval from the town of Hartford, on October 7th. The District #3, Environmental Board has determined that an Act 250 permit will not be required. HFI expects to be ready to go out for final construction bids in November and are shooting for a construction closing in December.

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

RE: **Templeton Court Apartments Bond- Amendments to prior approvals**

DT: February 18th, 2003

Name:	Templeton Court Apts.	**Location:**	Hartford
Housing Type:	Family Housing	**Unit Types:**	Townhouse Style Apartments
Total Units:	18 Bond Project	**Unit Sizes:**	5 @ 1bdrm @ 640 Sq Ft 6 @ 2bdrm @ 1070 Sq Ft 5 @ 3bdrm @ 1160 Sq Ft 2 @ 4bdrm @ 1350 Sq Ft
Total Dev Cost:	$3,727,648 Bond	**Acq. & Hard Cost PSF:**	$178.96: Includes $50.00.ft existing debt.
Loan Requested:	$550,000 permanent loan, Bond Project **$590,000 zero/def** **$1,400,000 Short Term Const. Bond Project**		Previously approved at $900,000 for 28 units on 1-24-02 and 10-7-02 **Previously approved 1-24-02 at $450,000, Increase reflects $87,000 in existing zeros advanced to cover operating deficits, and $53,000 to cover increase in construction costs.** **Previously approved at $1,200,00 Oct 7, 2002.**
Other Funding:	**See Sources and Uses Schedule Attached.**		
Developer/Sponsor:	Upper Valley Housing Associates; The Housing Foundation, Inc. (HFI) General Partner.		

This is to request Board approval for an increase in the amount of financing we are making available for the redevelopment of Templeton Court Apartments.

In April of 2001 the Board was made aware of the significant issues surrounding Templeton Court Apartments, including the advanced physical deterioration of the buildings, site drainage, lack of parking or safe open recreational areas, along with the social struggles associated with many families living on this densely populated site.

In June 2001, several scenarios were presented to the Board including outright foreclosure and sale of the property. We also examined the potential of performing only minimum rehab needed to cure life/safety and building code deficiencies. In the end, the Board concurred with the staff recommendation to proceed with design and engineering work necessary to determine financial feasibility of substantial demolition and rehabilitation of the project while reducing the number of units from 36 to 28.

In January 2002, plans and construction cost estimates were provided by HFI. The Board approved the recommendation to provide up to $900,000 in permanent financing and up to $450,000 as a deferred loan for the 28-unit project. Subsequent to that approval, the project was split into a 10-unit project (Allocated) receiving 9% tax credits, and an 18-unit project (Bond) receiving 4% tax credits.

In October 2002, the Board approved construction financing of up to $1,850,000 in addition to the permanent financing approved in January. A copy of the memo given to the Board on October 7th is attached to provide additional historical background.

Changes since October 7th:

Other than construction costs, the most notable change to VHFA's involvement in Templeton is that the 10 unit (Allocated) portion of the project will be financed by Mascoma Savings Bank. Permanent financing provided by VHFA is reduced from $900,000 on 28 units, to $550,000 on the remaining (Bond) 18 units. Construction financing, originally approved at a total of $1,850,000 for 28 units, was reduced to $1.2 million for 18 units.

Construction bids came in significantly higher than expected for the total project. After cost savings from value engineering, final construction costs are $378,821 higher than what was presented to the Board in October. In addition, available replacement reserves have decreased by $17,000. The following funding sources have increased their commitments to the project as follows to cover the increase in the construction costs: (VHFA pending Board approval).

• VHFA zero percent loan increase	$140,000
• Town of Hartford	$ 20,000
• REEP	$ 1,300
• VCDP	$ 50,000
• SEVCA Weatherization	$ 47,000
• Tax Credit Equity	$137,850
Total increase in funding sources	$396,000

We are requesting approval to increase the amount of construction financing approved last October from $1.2 million to $1.4 million on the 18 unit Bond Project being financed by VHFA. This insures the project will continue to be eligible to receive tax credits.

Board Action Requested:

That the VHFA Board of Commissioners pass the attached resolution to increase in the amount of tax exempt construction financing for Templeton Court Apartments Bond from $1.2 million to $1.4 million, and to increase the amount of the zero percent deferred loan from $450,000 to $590,000.

SECOND RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR TEMPLETON COURT APARTMENTS (BOND), HARTFORD

WHEREAS, the Board of Commissioners of Vermont Housing Finance Agency (the "Agency") has passed a Resolution Re: Construction and Permanent Financing for Templeton Court Apartments, Hartford on January 24, 2002 and October 7, 2002; and

WHEREAS, The Housing Foundation Inc. (the "Sponsor") recently submitted a revised financing plan to include additional construction financing for the rehabilitation of Templeton Court Apartments (Bond) which will contain a total of eighteen (18) units of rental housing in the Town of Hartford (the "Development"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated February 18, 2003, containing information and recommendations about the Development (the "Memorandum");

The determinations, findings and resolutions made by the Agency in its January 24, 2002 resolution including the "official action" taken under paragraphs 3 and 4 of the RESOLVED are incorporated herein by reference and remain in full force and effect. The contents of the October 7, 2002 resolution of the Agency related only to the reduced number of units and the amounts of the construction loan and the zero percent loan are superceded by the action taken in this resolution.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue an amendment to a certain Commitment Letter dated December 27, 2002 and made effective December 30, 2002 for mortgage loans to the limited partnership to be created by the Sponsor for the construction and permanent term financing of the Development based on the recommendations in the attached Memorandum.

2. The Executive Director is hereby authorized to make an additional loan to the Borrower for the Development of not more than $590,000 at an interest rate of 0%.

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

i Clem

17-Feb-03 **Templeton Court**

Bond Project & Allocated Project

Total Residential Units:	28	Increase in Income from Rental Units:	1.5%
Housing Credit Restricted Units:	28	Increase in Income from Other Sources:	1.5%
Percent Restricted:	100%	Increase in Income from Commercial:	0%
Total Development Cost:	5,756,061	Expense increase:	3%
Total Development Cost per Unit:	205,574	Vacancy Rate:	5%
Total Development Cost Per SF:		Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5
Max **Allocated** Credit	160,168	Short Depreciation Schedule:	5
Allocated Credits Requested	147,525		
Max **Non-Allocated** Credit	144,569	Sponsor's Estimated Yield:	80.60%
Out-Of Cap Credits Requested	143,300		
Total Amount of Credit	304,737		
LIHTC - 9% (Sept 02)	8.04%	DCR Yr 1 & 15 Bond 123%	104.96%
LIHTC - 4% (Jan 03)	3.41%	DCR Yr 1 & 15 Alloc 110%	101.77%

SOURCES		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA / Bank new loan	900,000	15.64%			
VHFA deferred (0%)	590,000	10.25%			
VHCB existing	222,995	3.87%			
HOME	265,000	4.60%			
VCDP	645,000	11.21%			
VHCB (new)	332,000	5.77%			
REEP Grant (GP Cap Contrib)	16,450	0.29%			
Project Reserves	61,376	1.07%			
Town of Hartford	20,000	0.35%			
SEVCA Weatherization	47,000	0.82%			
GP Loan deferred	230,000	4.00%			
HUD Drug elimination funds	17,240	0.30%			
Tax Credit Equity (LP Cap Contrib)	2,409,000	41.85%			
TOTAL SOURCES	5,756,061	100.00%			

USES		
Acquisition	1,714,961	29.79%
Construction Hard Costs	3,285,161	57.07%
Soft Costs	755,939	13.13%
TOTAL USES	5,756,061	100.00%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	5	450,700		
2 Br	95,890	10	958,900		
3 Br	101,637	9	914,733		
4 Br	107,390	4	429,560		
Maximum cost allowed under the per unit cost limits		28	2,753,893		
Projected total cost, excluding cash accounts			5,709,061	Cost Overage %	48%
	(over)/under		(2,955,168)		

General Partner's Capital Contribution	24,562	1.00%
Limited Partner's Capital Contribution	2,431,617	99.00%
Total Equity	2,456,178	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	28
Total Units	28
Unit Fraction	100.00%
Tax Credit Square Footage	29,740
Total Residential Square Foot	29,740
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

	TEMPLETON COURT	17-Feb-03	BOND	Bond	ALLOCATED	Alloc
	USES OF FUNDS	Budget	18 Units	Cost /Sq Ft	10 Units	Cost /Sq Ft
	ACQUISITION	Total		18,120		11,620
1	Land	167,000	107,357	$ 5.92	59,643	$ 5.13
2	Purchase of Building(s)	1,522,461	1,007,040	$ 54.01	515,421	$ 46.79
3	Demolition (without replacement)	15,000	9,643	$ 0.53	5,357	$ 0.46
4	Property Appraisal	4,000	2,571	$ 0.14	1,429	$ 0.12
5	Legal - Title and Recording	6,500	4,179	$ 0.23	2,321	$ 0.20
6	**Subtotal - Acquisition**	1,714,961	1,130,790	$ 62.41	584,171	$ 50.27
	CONSTRUCTION HARD COSTS					
7	Rehabilitation	2,870,000	1,845,000	$ 101.82	1,025,000	$ 88.21
8	SEVCA Wx	60,200	34,026	$ 2.14	26,174	$ 1.85
9	Accessory Buildings		0	$ -	0	$ -
10	Sitework	0	0	$ -	0	$ -
11	Commercial Space Costs (if any)		0	$ -	0	$ -
12	General Requirements		0	$ -	0	$ -
13	Contractor Overhead		0	$ -	0	$ -
14	Selective Demo for Asbestos	14,200	14,200	$ 0.50	0	$ 0.44
15	Construction Contingency	172,726	111,038	$ 6.13	61,688	$ 5.31
16	Site Lighting	17,240	11,083	$ 0.61	6,157	$ 0.53
17	Asbestos Contingency	18,000	11,571	$ -	6,429	$ -
18	Asbestos Abatement & Testing	107,795	63,831	$ 3.82	43,964	$ 3.31
19	Off-Site Improvements	0	0	$ -	0	$ -
20	Furnishings, Fixtures, & Equipment	25,000	16,071	$ 0.89	8,929	$ 0.77
21	Other (Vacancy Operating Losses)		0	$ -	0	$ -
22	**Subtotal - Hard Costs**	3,285,161	2,106,821	$ 116.55	1,178,340	$ 100.97
	SOFT COSTS					
23	Architectural	158,050	101,604	$ 5.61	56,446	$ 4.86
24	Engineering	23,015	14,795	$ 0.82	8,220	$ 0.71
25	Legal/Accounting	20,000	12,857	$ 0.71	7,143	$ 0.61
26	Relocation	59,000	37,929	$ 2.09	21,071	$ 1.81
27	Environmental Assessment	2,500	1,607	$ 0.09	893	$ 0.08
28	Survey / Topo	13,000	8,357	$ 0.46	4,643	$ 0.40
29	Permits/Fees	16,500	10,607	$ 0.59	5,893	$ 0.51
30	Testing	12,000	7,714	$ 0.43	4,286	$ 0.37
31	Construction Period Insurance	8,500	5,464	$ 0.30	3,036	$ 0.26
32	Construction Interest	50,000	28,000	$ 1.77	22,000	$ 1.54
33	VHFA Loan Origination Fee	24,656	24,656	$ 0.87	0	$ 0.76
34	Taxes During Construction	17,000	10,929	$ 0.60	6,071	$ 0.52
35	Clerk of the Works	23,000	14,786	$ 0.82	8,214	$ 0.71
36	Marketing	500	320	$ 0.02	180	$ 0.02
37	VHFA Tax Credit Fees	11,100	5,480	$ 0.39	5,620	$ 0.34
38	Inspection Fees	8,000	5,000	$ 0.28	3,000	$ 0.25
39	Soft Cost Contingency	5,500	3,536	$ 0.20	1,964	$ 0.17
40	Permanent Loan Origination Fee	700	0	$ 0.02	700	$ 0.02
41	Lenders Counsel's Fee	7,500	4,000	$ 0.27	3,500	$ 0.23
42	Other (_VCDP Admin_)	5,000	5,000	$ 0.18	0	$ 0.15
	SYNDICATION COSTS					$ -
43	Organizational (Partnership)	6,000	3,857	$ 0.21	2,143	$ 0.18
44	Bridge Loan Fees and Expenses	36,418	15,000	$ 1.29	21,418	$ 1.12
45	Syndication Consultant	10,000	8,218	$ 0.35	1,782	$ 0.31
46	Tax Opinion	3,500	2,250	$ 0.12	1,250	$ 0.11
	DEVELOPER'S FEES					
47	Developer's Fees	90,000	60,000	$ 3.19	30,000	$ 2.77
48	Other Partnership Fees for Reserves	20,000	20,000	$ 0.71	0	$ 0.61
49	Consultant Fees	77,500	55,000	$ 2.75	22,500	$ 2.38
	RESERVES					
50	Working Capital		0	$ -	0	$ -
51	Rent-up (Deficit Escrow) Reserve	7,000	4,500	$ 0.25	2,500	$ 0.22
52	Other Operating Reserves	20,000	5,714	$ 0.71	14,286	$ 0.61
53	Sinking Fund		0	$ -	0	$ -
54	Replacement Reserves	20,000	12,857	$ 0.71	7,143	$ 0.61
55	**Subtotal - Soft Costs**	755,939	490,037	$ 26.82	265,902	$ 23.23
	TOTAL DEVELOPMENT COSTS	5,756,061	3,727,648	$ 204.21	2,028,413	$ 174.56

SOURCES OF FUNDS

SOURCES OF FUNDS	Budget	Bond	Allocated	
VHFA / Bank new loan	900,000	550,000	350,000	
VHFA deferred (0%)	590,000	590,000		
Town of Hartford	20,000	0	20,000	
HOME	265,000	265,000	0	
VHCB	554,995	182,701	372,294	
REEP Grant	16,450	10,550	5,900	
Project Reserv (GP Cap Contrib/Loan	61,376	12,778	60,108	
GP Loan deferred	230,000	168,971	49,519	
VCDP	645,000	645,000		
SEVCA weatherization	47,000	26,565	20,435	
HUD Drug elimination funds	17,240	11,083	6,157	
Tax Credit Equity (LP Cap Contrib)	2,409,000	1,265,000	1,144,000	
TOTAL SOURCES	5,756,061	3,727,648	2,028,413	5,756,061

Templeton Court - Bond Proj **17-Feb-03**

Bond Project

USES OF FUNDS

ACQUISITION	BOND 18 UNITS	SEVCA Wx	VHCB New	HOME	VHFA Debt	VHFA Zero %	VCDP	LP Equity	GP Loan/Cap	Reserves & HUD & REEP	TOTAL SOURCES
Land	107,357					107,357					107,357
Purchase of Building(s)	1,007,040					327,040	640,000		40,000		1,007,040
Demolition (without replacement)	9,643					9,643					9,643
Property Appraisal	2,571								2,571		2,571
Legal - Title and Recording	4,179		4,179						0		4,179
Subtotal - Acquisition	1,130,790										
CONSTRUCTION HARD COSTS											0
Rehabilitation	1,845,000	26,565		122,677	420,114	85,061		1,129,120	38,971	22,492	1,845,000
New Building(s)	34,026				34,026						34,026
Accessory Buildings	0										0
Sitework	0										0
Commercial Space Costs (if any)	0										0
General Requirements	0										0
Contractor Overhead	0										0
Selective Demo for Asbestos	14,200					14,200					14,200
Construction Contingency	111,038				55,106			55,097		835	111,038
Site Lighting	11,083									11,083	11,083
Asbestos Contingency	11,571							11,571			11,571
Asbestos Abatement & Testing	63,831		37,928	25,903							63,831
Off-Site Improvements	0										0
Furnishings, Fixtures, & Equipment	16,071							16,071			16,071
Other (Vacancy Operating Losses)	0										0
Subtotal - Hard Costs	2,106,821										
SOFT COSTS											0
Architectural	101,604		53,828	32,291		6,056			9,429		101,604
Engineering	14,795		4,795	10,000							14,795
Legal/Accounting	12,857		7,643			5,214					12,857
Relocation	37,929		12,500	10,000		15,429					37,929
Environmental Assessment	1,607		1,607								1,607
Survey / Topo	8,357		8,357								8,357
Permits/Fees	10,607		10,607								10,607
Testing	7,714							7,714			7,714
Construction Period Insurance	5,464		2,121	3,343							5,464
Construction Interest	28,000				20,000			8,000			28,000
VHFA Loan Origination Fee	24,656		24,656								24,656
Taxes During Construction	10,929			4,500	6,429						10,929
Clerk of the Works	14,786			14,786							14,786
Marketing	320							320			320
VHFA Tax Credit Fees	5,480		5,480								5,480
VHFA Inspection Fee	5,000		5,000								5,000
Soft Cost Contingency	3,536							3,536			3,536
Permanent Loan Origination Fee	0										0
VHFA Counsel's Fee	4,000		4,000								4,000
Other (_VCDP Admin_)	5,000						5,000				5,000
SYNDICATION COSTS											
Organizational (Partnership)	3,857				3,857						3,857
Bridge Loan Fees and Expenses	15,000							15,000			15,000
Syndication Consultant	8,218				8,218						8,218
Tax Opinion	2,250				2,250						2,250
DEVELOPER'S FEES											
Developer's Fees	60,000								60,000		60,000
Other Partnership Fees for Reserves	20,000					20,000					20,000
Consultant Fees	55,000			41,500					13,500		55,000
RESERVES											
Working Capital	0										0
Rent-up (Deficit Escrow) Reserve	4,500								4,500		4,500
Other Operating Reserves	5,714							5,714			5,714
Sinking Fund	0										0
Replacement Reserves	12,857							12,857			12,857
Subtotal - Soft Costs	490,037										
TOTAL DEVELOPMENT COSTS	3,727,648	26,565	182,701	265,000	550,000	590,000	645,000	1,265,000	168,971	34,410	3,727,647
		26,565	182,701	265,000	550,000	590,000	645,000	1,265,000	168,971	34,411	3,727,648
		(0)	0	0	0	0	0	0	0	(1)	

	Templeton Court Apartments - Credit Calcu	17-Feb-03	BOND - 18 units			ALLOCATED - 10 units		
		TOTAL BUDGET	Acquisition Basis	Out of Cap Construction Basis	Residential Depreciation	Acquisition Basis	In Cap Construction Basis	Residential Depreciation
	USES OF FUNDS							
1	Land	167,000						
2	Purchase of Building(s)	1,522,461	1,007,040		1,007,040	515,421		515,421
3	Demolition (without replacement)	15,000						
4	Property Appraisal	4,000	2,571		2,571	1,429		1,429
5	Legal - Title and Recording	6,500	4,179		4,179	2,321		2,321
6	**Subtotal - Acquisition**	1,714,961						
	CONSTRUCTION HARD COSTS							
7	Rehabilitation	2,870,000		1,845,000	1,845,000		888,000	888,000
8	New Building(s)	60,200		34,026	34,026		26,174	26,174
9	Accessory Buildings	0		0	0		0	0
10	Sitework	0		0	0		137,000	137,000
11	Commercial Space Costs (if any)	0		0			0	
12	General Requirements				0			0
13	Contractor Overhead				0			0
14	Selective Demo for Asbetos	14,200		14,200	14,200		0	0
15	Construction Contingency	172,726		111,038	111,038		61,688	61,688
16	Site Lighting	17,240		11,083	11,083		6,157	6,157
17	Asbestos Contingency	18,000		11,571	11,571		6,429	6,429
18	Asbestos Abatement & Testing	107,795		63,831	63,831		43,964	43,964
19	Off-Site Improvements	0		0	0		0	0
20	Furnishings, Fixtures, & Equipment	25,000		16,071	16,071		8,929	8,929
21	Other (Vacancy Operating Losses)	0		0	0		0	0
22	**Subtotal - Hard Costs**	3,285,161						
	SOFT COSTS						0	
23	Architectural	158,050		101,604	101,604		56,446	56,446
24	Engineering	23,015		14,795	14,795		8,220	8,220
25	Legal/Accounting	20,000		12,857	12,857		7,143	7,143
26	Relocation	59,000		37,929	37,929		21,071	21,071
27	Environmental Assessment	2,500		1,607	1,607		893	893
28	Survey / Topo	13,000		8,357	8,357		4,643	4,643
29	Permits/Fees	16,500		10,607	10,607		5,893	5,893
30	Testing	12,000		7,714	7,714		4,286	4,286
31	Construction Period Insurance	8,500		5,464	5,464		3,036	3,036
32	Construction Interest	50,000		28,000	28,000		22,000	22,000
33	VHFA Loan Origination Fee	24,656		24,656	24,656		0	0
34	Taxes During Construction	17,000		10,929	10,929		6,071	6,071
35	Clerk of the Works	23,000		14,786	14,786		8,214	8,214
36	Marketing	500						
37	VHFA Tax Credit Fees	11,100		5,480	5,480		5,620	5,620
38	VHFA Inspection Fee	8,000		5,000	5,000		3,000	3,000
39	Soft Cost Contingency	5,500		3,536	3,536		1,964	1,964
40	Permanent Loan Origination Fee	700			0		700	700
41	Lenders Counsel's Fee	7,500		4,000	4,000		3,500	3,500
42	Other (_VCDP Admin_)	5,000						
	SYNDICATION COSTS							
43	Organizational (Partnership)	6,000						
44	Bridge Loan Fees and Expenses	36,418						
45	Syndication Consultant	10,000						
46	Tax Opinion	3,500						
	DEVELOPER'S FEES							0
47	Developer's Fees	90,000		60,000	60,000		30,000	30,000
48	Other Partnership Fees for Reserves	20,000		20,000	20,000		0	0
49	Consultant Fees	77,500		55,000	55,000		22,500	22,500
	RESERVES							
50	Working Capital	0						
51	Rent-up (Deficit Escrow) Reserve	7,000						
52	Other Operating Reserves	20,000						
53	Sinking Fund	0						
54	Replacement Reserves	20,000						
55	**Subtotal - Soft Costs**	755,939						
	TOTAL DEVELOPMENT COSTS	**5,756,061**	1,013,790	2,539,142	3,552,932	519,171	1,393,541	1,912,712
SS:	Amount of Non-qualified Financing			48,198			32,492	
SS:	Adjustment for per unit cost limits	0%		0			0	
SS:	Historic tax Credit (Residential Portion)			0			0%	
	Total Eligible Basis		1,013,790	2,490,943		519,171	1,361,049	
ES:	Adjusted for QCT/DDA	130.0%		3,238,226			1,769,363	
ES:	Applicable Fraction	100.00%	1,013,790	3,238,226		519,171	1,769,363	
	Total Qualified Basis		1,013,790	3,238,226		519,171	1,769,363	
ES:	Applicable Percentage		3.40%	3.40%		3.45%	8.04%	
	Total Annual Credit Qualified		34,469	110,100		17,911	142,257	
	Total Allocated (9%) Tax Credits	147,525	TOTAL 4% HC'S	144,569			160,168	

Estimated Net Syndication Proceeds (excluding historic credit equity)	1,144,000
Estimated Yield - Housing Credit Syndication	78.33%
Equity Gap	1,612,405
Credits Needed to fill Equity Gap	207,928

Total Bond (4%) Tax Credits Requested	144,569
Estimated Net Syndication Proceeds (excluding historic credit equity)	1,265,000
Estimated Yield - Housing Credit Syndication	88.39%
Equity Gap	1,265,000
Credits Needed to fill Equity Gap	216,425

3,536,860	Long Term Depreciable Basis	1,766,783	Long Term Deprecia
27.5	Depreciation Schedule	27.5	Depreciation Schedu
128,613	Annual Depreciation	64,247	Annual Depreciation
0	Mid Ter m Deprecitation	137,000	Mid Ter m Deprecita
15	Depreciation Schedule	15	Depreciation Schedu
0	Annual Depreciation	9,133	Annual Depreciation
16,071	Short Term Depreciable Basis	8,929	Short Term Deprecia
5	Depreciation Schedule	5	Depreciation Schedu
3,214	Annual Depreciation	1,786	Annual Depreciation

17-Feb-03 **Templeton Court PHASE I : Upper Valley Housing Associates**

Bond Project

Total Residential Units:	18	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	18	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	3,727,648	Expense increase:	3.00%
Total Development Cost per Unit:	207,092	Vacancy Rate:	5.0%
Total Development Cost Per SF:	0	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
		Short Depreciation Schedule:	7 years
Max Non-Allocated Credit	144,569	Sponsor's Estimated Yield:	88.39%
Total Amount of Credit	**143,300**		
LIHTC - 9%			DCR Yr 1 & 15 123% 105%
LIHTC - 4%	3.40%	February 03	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Loan	550,000	14.75%	6.64%	40	40
HOME	265,000	7.11%	3.50%	25	deferred
Town of Hartford	0	0.00%	0.00%	30	deferred
VHFA deferred (0%)	590,000	15.83%	0.00%	20	deferred
VHCB	182,701	4.90%	0.00%	30	deferred
REEP Grant	10,550	0.28%	0.00%		Grant
Project Reserv (GP Cap Contrib/Loan)	12,778	0.34%	0.00%		Cap Acct
GP Loan deferred	168,971	4.53%	0	30	deferred
VCDP ($640,000 Loaned)	645,000	17.30%	0	30	deferred
SEVCA Weatherization Grant	26,565	0.71%			Grant
HUD Drug elimination funds	11,083	0.30%			Grant
Tax Credit Equity (LP Cap Contrib)	1,265,000	33.94%	N/A	N/A	
TOTAL SOURCES	3,727,648	100.00%			

USES

Acquisition	1,130,790	30.34%
Construction Hard Costs	2,106,821	56.52%
Soft Costs	490,037	13.15%
TOTAL USES	3,727,648	100.00%
Gap	**(0)**	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	5	450,700		
2 Br	95,890	6	575,340		
3 Br	101,637	5	508,185		
4 Br	107,390	2	214,780		
Maximum cost allowed under the per unit cost limits			1,749,005		
Projected total cost, excluding cash accounts			3,666,648	Cost Overage %	48%
	(over)/under		(1,917,643)		

General Partner's Capital Contribution		**12,778**	1.00%
Limited Partner's Capital Contribution	**Northfield Savings Bank**	**420,000**	32.87%
Limited Partner's Capital Contribution	**Chittenden Bank**	**845,000**	66.13%
Total Equity		1,277,778	1

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	10
Total Units	10
Unit Fraction	100.00%
Tax Credit Square Footage	11,620
Total Residential Square Footage	11,620
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

17-Feb-03 **Templeton Court PHASE I : Upper Valley Housing Associates**

Bond Project

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br	Sect 8	640	4	530		25,440
1 Br	Voucher	640	1	606		7,272
2 Br	Sect 8	1,070	4	705		33,840
2 BR	Voucher	1,070	2	757		18,168
3 Br	Sect 8	1,160	4	875		42,000
3 Br	Voucher	1,160	1	971		11,652
4+ Br	Sect 8	1,350	1	952		11,424
4 Br	Voucher	1,350	1	1,152		13,824
	Totals	18,120	18			163,620

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br			0	0		0
2 Br			0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	0	0			0

All Units	**Grand Total**	**18,120**	**18**	**163,620**
	Less Vacancy	5.00%		(8,181)
			NET REN	155,439

OTHER INCOME

Laundry	1,607
Parking	0
Commercial Space Income	0
Other	0
TOTAL I	157,046

17-Feb-03 **Templeton Court PHASE I : Upper Valley Housing Associates**

Bond Project

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	12,528	1,044	58	5.8%
Supportive Services	6,480	540	30	3.0%
Audit/Accounting	3,500	292	16	1.6%
Legal	2,250	188	10	1.0%
Compliance Monitoring	864	72	4	0.4%
Marketing	500	42	2	0.2%
Other	650	54	3	0.3%
TOTAL ADMINISTRATIVE	26,772	2,231	124	12%
Utilities				
Electricity	14,100	1,175	65	6.5%
Fuel	9,000	750	42	4.1%
Water and Sewer	6,200	517	29	2.9%
Fire Alarm / Emergency	950	79	4	0.4%
Other		0	0	0.0%
TOTAL UTILITIES	30,250	2,521	140	14%
Maintenance				
Maintenance / Janitor Payroll	5,400	450	25	2.5%
Janitor Supplies	0	0	0	0.0%
Exterminating	200	17	1	0.1%
Trash Removal	3,900	325	18	1.8%
Snow Removal	2,250	188	10	1.0%
Grounds	2,000	167	9	0.9%
Repairs Material	2,250	188	10	1.0%
Repairs Contract	2,700	225	13	1.2%
HVAC Repairs / Maintenance	0	0	0	0.0%
Elevator Contract / Repairs	0	0	0	0.0%
Painting and Decorating	1,500	125	7	0.7%
Other	0	0	0	0.0%
TOTAL MAINTENANCE	20,200	1,683	94	9%
Real Estate Taxes	16,500	1,375	76	per unit month excl. ds & res. 456
Property Insurance	4,800	400	22	
Replacement Reserves	7,200	600	33	
Primary Debt Service	39,300	3,275	182	
Other "must pay" debt service	0	0	0	
Other	0	0	0	
Total	145,022	12,085	671	

17-Feb-03

Templeton Court PHASE I : Upper Valley Housing Associates

Bond Project	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		163,620	166,074	168,565	171,094	173,660	176,265	178,909	181,593	184,317	187,081	189,888	192,736	195,627	198,561	201,540
Other Income		1,607	1,631	1,656	1,681	1,706	1,731	1,757	1,784	1,810	1,838	1,865	1,893	1,922	1,950	1,980
Vacancy and other losses		(8,181)	(4,982)	(5,057)	(5,133)	(5,210)	(5,288)	(5,367)	(5,448)	(5,530)	(5,612)	(5,697)	(5,782)	(5,869)	(5,957)	(6,046)
Total Operating Income		157,046	162,723	165,164	167,642	170,156	172,709	175,299	177,929	180,598	183,307	186,056	188,847	191,680	194,555	197,473
Operating Expenses																
Total Expenses (excl. Reserves)		98,522	101,478	104,522	107,658	110,887	114,214	117,640	121,170	124,805	128,549	132,405	136,377	140,469	144,683	149,023
Reserves		10,200	10,200	10,200	10,200	10,200	10,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Total Operating Expense		108,722	111,678	114,722	117,858	121,087	124,414	124,840	128,370	132,005	135,749	139,605	143,577	147,669	151,883	156,223
Net Operating Income		48,324	51,046	50,442	49,784	49,069	48,295	50,459	49,559	48,593	47,558	46,451	45,270	44,011	42,672	41,250
Less Primary Debt Service		39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		9,024	11,745	11,142	10,484	9,769	8,994	11,159	10,259	9,293	8,257	7,151	5,969	4,711	3,372	1,950
perating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		9,024	11,745	11,142	10,484	9,769	8,994	11,159	10,259	9,293	8,257	7,151	5,969	4,711	3,372	1,950
DCR		122.96%	129.89%	128.35%	126.68%	124.86%	122.89%	128.39%	126.10%	123.65%	121.01%	118.19%	115.19%	111.99%	108.58%	104.96%
Cumulative Cash Flow																
Beginning Balance		10,214	19,430	31,487	43,056	54,075	64,482	74,211	86,223	97,447	107,807	117,225	125,619	132,904	138,991	143,787
Deposits		9,024	11,745	11,142	10,484	9,769	8,994	11,159	10,259	9,293	8,257	7,151	5,969	4,711	3,372	1,950
Interest	2.0%	192	312	426	535	638	735	854	965	1,067	1,161	1,244	1,316	1,376	1,424	1,457
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		19,430	31,487	43,056	54,075	64,482	74,211	86,223	97,447	107,807	117,225	125,619	132,904	138,991	143,787	147,194
Cumulative Replacement Reserves																
Beginning Balance		32,857	43,816	54,556	65,404	76,360	87,426	98,602	106,860	115,201	123,625	132,133	140,726	149,405	158,171	167,025
Deposits		10,200	10,200	10,200	10,200	10,200	10,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Interest	2.0%	759	540	648	756	866	976	1,058	1,141	1,224	1,308	1,393	1,479	1,566	1,654	1,742
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		43,816	54,556	65,404	76,360	87,426	98,602	106,860	115,201	123,625	132,133	140,726	149,405	158,171	167,025	175,967
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		48,324	51,046	50,442	49,784	49,069	48,295	50,459	49,559	48,593	47,558	46,451	45,270	44,011	42,672	41,250
Plus Reserves		10,200	10,200	10,200	10,200	10,200	10,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Less Interest Expense		(45,709)	(45,837)	(45,964)	(46,087)	(46,208)	(46,325)	(46,437)	(46,544)	(46,645)	(46,739)	(46,826)	(46,903)	(46,970)	(47,026)	(47,070)
Less Bridge Loan interes		0	(15,000)													
Less Long Depreciation		(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)	(128,613)
Less Mid Depreciation		0	0	0	0	0	0	0	0	0	0					
Less Short Depreciation		(3,214)	(3,214)	(3,214)	(3,214)	(3,214)	(3,214)	(3,214)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(119,012)	(131,419)	(117,149)	(117,931)	(118,766)	(119,657)	(120,605)	(118,398)	(119,465)	(120,595)	(121,788)	(123,046)	(124,372)	(125,767)	(127,233)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		41,654	45,997	41,002	41,276	41,568	41,880	42,212	41,439	41,813	42,208	42,626	43,066	43,530	44,019	44,532
Plus Tax Credits		143,300	143,300	143,300	143,300	143,300	143,300	143,300	143,300	143,300	143,300					
After Tax Cash Flow		184,954	189,297	184,302	184,576	184,868	185,180	185,512	184,739	185,113	185,508	42,626	43,066	43,530	44,019	44,532
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		184,954	189,297	184,302	184,576	184,868	185,180	185,512	184,739	185,113	185,508	42,626	43,066	43,530	44,019	44,532
ture Value of Cash Flows at Yr 15:		1,012,359	925,114	804,201	719,103	643,073	575,141	514,439	457,408	409,225	366,160	75,121	67,766	61,157	55,217	49,875
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	27-Feb-03	27-Feb-03	15-Jan-04	15-Apr-04												
Amount of Capital Contribution:	5,000	20,000	520,000	720,000		0	0	0								
Present Value of Contributions:	5,000	20,000	492,831	672,111	0	0	0	0								
Cash Flows	(1,189,942)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,735,359
IRR:	12.25%			1,265,000												
Equity Yield.	83.88%			1,265,000	0											

PRO FORM########

16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
204,563	207,631	210,746	213,907	217,116	220,372	223,678	227,033	230,439	233,895	237,404	240,965	244,579	248,248	251,972
2,009	2,039	2,070	2,101	2,133	2,165	2,197	2,230	2,263	2,297	2,332	2,367	2,402	2,438	2,475
(6,137)	(6,229)	(6,322)	(6,417)	(6,513)	(6,611)	(6,710)	(6,811)	(6,913)	(7,017)	(7,122)	(7,229)	(7,337)	(7,447)	(7,559)
200,435	203,442	206,494	209,591	212,735	215,926	219,165	222,452	225,789	229,176	232,613	236,103	239,644	243,239	246,887
153,494	158,099	162,842	167,727	172,759	177,942	183,280	188,778	194,442	200,275	206,283	212,472	218,846	225,411	232,174
7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
160,694	165,299	170,042	174,927	179,959	185,142	190,480	195,978	201,642	207,475	213,483	219,672	226,046	232,611	239,374
39,741	38,143	36,452	34,664	32,776	30,784	28,685	26,474	24,147	21,701	19,130	16,431	13,598	10,628	7,514
39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300	39,300
0	0	0	0	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500	29,500
441	(1,157)	(2,849)	(4,636)	(36,024)	(38,016)	(40,116)	(42,326)	(44,653)	(47,099)	(49,670)	(52,369)	(55,202)	(58,173)	(61,286)
0	1,157	2,849	4,636	36,024	38,016	40,116	42,326	44,653	47,099	49,670	52,369	55,202	58,173	61,286
441	0	0	0	0	0	0	0	0	0	0	0	0	0	0
101.12%	97.06%	92.75%	88.20%	47.64%	44.74%	41.69%	38.48%	35.10%	31.54%	27.81%	23.88%	19.76%	15.45%	10.92%
147,194	149,111	149,445	148,091	144,935	110,360	73,447	34,066	(7,919)	(52,652)	(100,277)	(150,950)	(204,829)	(262,079)	(322,873)
441	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1,476	1,491	1,494	1,481	1,449	1,104	734	341	(79)	(527)	(1,003)	(1,510)	(2,048)	(2,621)	(3,229)
0	(1,157)	(2,849)	(4,636)	(36,024)	(38,016)	(40,116)	(42,326)	(44,653)	(47,099)	(49,670)	(52,369)	(55,202)	(58,173)	(61,286)
149,111	149,445	148,091	144,935	110,360	73,447	34,066	(7,919)	(52,652)	(100,277)	(150,950)	(204,829)	(262,079)	(322,873)	(387,388)
175,967	184,999	194,121	203,334	212,640	222,038	231,530	241,118	250,801	260,581	270,459	280,435	290,512	300,689	310,968
7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200
1,832	1,922	2,013	2,105	2,198	2,292	2,387	2,483	2,580	2,678	2,777	2,876	2,977	3,079	3,182
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
184,999	194,121	203,334	212,640	222,038	231,530	241,118	250,801	260,581	270,459	280,435	290,512	300,689	310,968	321,349

16
39,741
7,200
(47,100)

(128,613)	Original Basis	#REF!
0	Less Depreciation	########
(128,771)	Basis at Sale	#REF!
	Sales Price	########
0	Gain	#REF!
45,070	Exit Tax	#REF!
45,070		

	total loses	########
	Total Cont	########
16	Gain	560,204
45,070	Exit Tax	196,072
45,070		

Templeton Court - Allocated **17-Feb-03**

USES OF FUNDS

ACQUISITION	Allocated 10 Units	Town	VHCB	HOME	Bank debt	VCDP Loan	SEVCA Wx	LP Equity	GP Loan/Cap	Reserves & HUD & REEP	TOTAL SOURCES	
Land	59,643		59,643								59,643	0
Purchase of Building(s)	515,421		312,651					128,500	19,519	54,751	515,421	0
Demolition (without replacement)	5,357									5,357	5,357	(0)
Property Appraisal	1,429							1,429			1,429	0
Legal - Title and Recording	2,321				2,321						2,321	(0)
Subtotal - Acquisition	584,171											
CONSTRUCTION HARD COSTS											0	0
Rehabilitation	1,025,000	20,000			298,726			700,374		5,900	1,025,000	0
	26,174				5,739		20,435				26,174	0
Accessory Buildings	0										0	0
Sitework	0										0	0
Commercial Space Costs (if any)	0										0	0
General Requirements	0										0	0
Contractor Overhead	0										0	0
Contractor Profit	0										0	0
Construction Contingency	61,688				0			61,688			61,688	0
	6,157									6,157	6,157	(0)
Asbestos Contingency	6,429							6,429			6,429	0
Asbestos Abatement & Testing	43,964				30,357			13,607			43,964	0
Off-Site Improvements	0										0	0
Furnishings, Fixtures, & Equipment	8,929							8,929			8,929	0
Other (Vacancy Operating Losses)	0										0	0
Subtotal - Hard Costs	1,178,340											
SOFT COSTS											0	0
Architectural	56,446							56,446			56,446	(0)
Engineering	8,220							8,220			8,220	0
Legal/Accounting	7,143							7,143			7,143	0
Relocation	21,071				8,571			12,500			21,071	(0)
Environmental Assessment	893							893			893	0
Survey / Topo	4,643							4,643			4,643	0
Permits/Fees	5,893							5,893			5,893	0
Testing	4,286				4,286						4,286	0
Construction Period Insurance	3,036							3,036			3,036	0
Construction Interest	22,000							22,000			22,000	0
VHFA Loan Origination Fee	0							0			0	0
Taxes During Construction	6,071							6,071			6,071	(0)
Clerk of the Works	8,214							8,214			8,214	(0)
Marketing	180							180			180	0
VHFA Tax Credit Fees	5,620							5,620			5,620	0
VHFA Inspection Fee	3,000							3,000			3,000	0
Soft Cost Contingency	1,964							1,964			1,964	(0)
Permanent Loan Origination Fee	700							700			700	0
VHFA Counsel's Fee	3,500							3,500			3,500	0
Other (_VCDP Admin_)	0										0	0
SYNDICATION COSTS												
Organizational (Partnership)	2,143							2,143			2,143	0
Bridge Loan Fees and Expenses	21,418							21,418			21,418	0
Syndication Consultant	1,782							1,782			1,782	0
Tax Opinion	1,250							1,250			1,250	0
DEVELOPER'S FEES												
Developer's Fees	30,000								30,000		30,000	0
Other Partnership Fees for Reserves	0										0	0
Consultant Fees	22,500							22,500			22,500	0
RESERVES												
Working Capital	0										0	0
Rent-up (Deficit Escrow) Reserve	2,500							2,500			2,500	0
Other Operating Reserves	14,286							14,286			14,286	0
Sinking Fund	0										0	0
Replacement Reserves	7,143							7,143			7,143	0
Subtotal - Soft Costs	265,902											
TOTAL DEVELOPMENT COSTS	2,028,413	20,000	372,294	0	350,000	0	20,435	1,144,001	49,519	72,165	2,028,414	1
		20,000	372,294		350,000		20,435	1,144,000	49,519	72,165	2,028,413	
		0	0	0	0	0	0	1	0	0		

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller PML

DATE: February 19, 2003

RE: Pension Plan Amendment

The IRS is mandating that all employers who sponsor retirement plans amend their written plan documents in order to comply with the Economic Growth & Tax Relief Reconciliation Act of 2001 (EGTRRA). Enclosed are the required amendments as provided by our Plan Administrator, Pensionworks, Inc. After reviewing the attached amendments if you have questions, feel free to give me a call at 652-3425..

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and that the Executive Director and the officers of the Plan are hereby authorized to take such actions as are necessary to adopt and implement the EGTRRA Amendment.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: AMENDMENT TO VHFA MONEY PURCHASE PLAN

WHEREAS, the Agency wishes to amend its Money Purchase Plan (the "Plan") pursuant to Plan Section 3.8.1; and

RESOLVED, that the attached Amendment to meet the requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA Amendment") marked as Exhibit A and presented to this meeting is hereby approved for adoption effective December 31, 2002;

RESOLVED, that the Executive Director and the officers of the Plan are hereby authorized to take such actions as are necessary to adopt and implement the EGTRRA Amendment.

EXHIBIT A

Vermont Housing Finance Agency Money Purchase Plan

EGTRRA AMENDMENT FOR MONEY PURCHASE AND PROFIT SHARING PLANS

This amendment of the Plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.

This amendment shall supersede the provisions of the plan to the extent those provisions are inconsistent with the provisions of this amendment. Where appropriate, the term "Plan" shall mean plan, trust, adoption agreement and GUST Appendix or snap-off attachment.

SECTION 1. PLAN LOANS FOR OWNER-EMPLOYEES AND SHAREHOLDER EMPLOYEES

☐ Not Applicable

☒ Effective for plan loans made after December 31, 2001, Plan provisions prohibiting loans to any owner-employee or shareholder-employee shall cease to apply.

SECTION 2. LIMITATIONS ON CONTRIBUTIONS

This section shall be effective for Limitation Years beginning after December 31, 2001.

Maximum Annual Additions

Except to the extent permitted under section 414(v) of the Code, if applicable, the Annual Addition that may be contributed or allocated to a Participant's account under the plan for any Limitation Year shall not exceed the lesser of:

(a) $40,000, as adjusted for increases in the cost-of-living under section 415(d) of the Code, or

(b) One hundred (100%) percent of the Participant's compensation, within the meaning of section 415(c)(3) of the Code, for the Limitation Year.

SECTION 3. INCREASE IN COMPENSATION LIMIT

The "annual compensation" of each Participant taken into account in determining allocations for any Plan Year shall not exceed $200,000, as adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. "Annual compensation" means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

☒ Effective for Plan Years beginning after December 31, 2001

☐ Effective for Plan Years beginning after December 31, 2002

SECTION 4. MODIFICATION OF TOP-HEAVY RULES

This section shall apply for Plan Years beginning after December 31, 2001.

Definition of Key Employee.

"Key Employee" shall mean any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Employer having "annual compensation" greater than $130,000 (as adjusted under section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual compensation of more than $150,000. For this purpose, "annual compensation" means compensation within the meaning of section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

Determination of Top-Heavy Status.

The present values of accrued benefits and the amounts of account balances of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under section 416(g)(2) of the Code during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, severance from employment, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the Determination Date shall not be taken into account.

Contributions under Other Plans.

The Employer may provide that the minimum benefit requirement shall be met in another plan (including another plan that consists solely of a cash or deferred arrangement which meets the requirements of section 401(k)(12) of the Code and matching contributions with respect to which the requirements of section 401(m)(11) of the Code are met).

☒ Not Applicable - no other plan or Top-Heavy minimum provided in this Plan.

☐ ____
Name of other plan to which Top-Heavy minimum shall be made

☐ Other: ____
(Must preclude Employer discretion.)

SECTION 5. DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

This section shall apply to distributions made after December 31, 2001.

Modification of Definition of Eligible Retirement Plan.

For purposes of the direct rollover provisions of the plan, an Eligible Retirement Plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the Alternate Payee under a qualified domestic relation order, as defined in section 414(p) of the Code.

Modification of Definition of Eligible Rollover Distribution.

☒ Not Applicable - Plan does not permit after-tax employee contributions.

☐ For purposes of the direct rollover provisions of the Plan, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in section 408(a) or (b) or the Code, or to a qualified defined contribution plan account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

For purposes of the direct rollover provisions of the plan, any amount that is distributed on account of hardship shall not be an Eligible Rollover Distribution and the Distributee may not elect to have any portion of such a distribution paid directly to an Eligible Retirement Plan.

SECTION 6. ROLLOVERS FROM OTHER PLANS

☐ Not Applicable

☒ In addition to the Participant rollover contributions and/or direct rollovers already accepted by the Plan, effective 01/01/2003 (Enter a date no earlier than January 1, 2002), the Plan will accept:

The Plan will accept a direct rollover of an Eligible Rollover Distribution from: (Check each that applies or none.)

☒ a qualified plan described in section 401(a) or 403(a) of the Code, excluding after-tax employee contributions.

☐ a qualified plan described in section 401(a) or 403(a) of the Code, including after-tax employee contributions.

☐ an annuity contract described in section 403(b) of the Code, excluding after-tax employee contributions.

☒ an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

<u>Participant Rollover Contributions from Other Plans:</u>

The plan will accept a Participant contribution of an Eligible Rollover Distribution from: (Check each that applies or none.)

☒ a qualified plan described in section 401(a) or 403(a) of the Code.

☐ an annuity contract described in section 403(b) of the Code.

☒ an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

<u>Participant Rollover Contributions from IRAs:</u>

The Plan: (Choose one.)

☒ will
☐ will not

accept a Participant rollover contribution of the portion of a distribution from an individual retirement account or annuity describe in section 408(a) or 408(b) of the code that is eligible to be rolled over and would otherwise be includible in gross income.

SECTION 7. ROLLOVERS DISREGARDED IN INVOLUNTARY CASH OUTS

☐ Not Applicable. No involuntary cash out

☐ The Employer elects to maintain the Plan provision including the Participant's rollover contributions in determining the value of the Participant's non-forfeitable account balance for purposes of the Plan's involuntary cash-out rules.

☒ The Employer elects to exclude a Participant's rollover contributions in determining the value of the Participant's non-forfeitable account balance for purposes of the Plan's involuntary cash-out rules. The value of a Participant's non-forfeitable account balance shall be determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Code. If the value of the Participant's non-forfeitable account balance as so determined is less than the Involuntary Cash Out threshold specified in the Plan, the Trustee shall immediately distribute the Participant's entire non-forfeitable account balance. This election shall apply with respect to distributions made after:

12/31/2001 (Enter a date no earlier than December 31, 2001.)

with respect to Participants who separated from service after:

12/31/2001 (Enter date. The date may be earlier than December 31, 2001.)

The Employer hereby adopts this as evidenced by the foregoing this 31st day of December, 2002.

Employer:
Vermont Housing Finance Agency

____
Sarah E. Carpenter
Executive Director

RESOLUTION OF
THE BOARD OF DIRECTORS
OF
VERMONT HOUSING FINANCE AGENCY

Whereas, the Employer has the power to amend the Plan pursuant to Plan section 3.8.1; and

On December 31, 2002 the following resolutions to amend Vermont Housing Finance Agency Money Purchase Plan were duly adopted by a majority of the board of directors of the Vermont Housing Finance Agency, and that such resolutions have not been modified or rescinded as of the date hereof:

RESOLVED, that the attached amendment to meet the requirements of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) presented to this meeting is hereby approved for adoption;

RESOLVED, that the proper officers of the Employer shall take such actions as are necessary to adopt the EGTRRA amendment.

The undersigned further certifies that attached hereto as Exhibit A is a true copy of the EGTRRA Amendment to the Vermont Housing Finance Agency Money Purchase Plan

____

Secretary

____

Date

Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Association of Realtors Building
148 State Street
Montpelier, Vermont
Thursday, January 16, 2003 at 9:00 a.m.

BOARD: Chairperson Randall, Commissioners Mr. Candon (Designee of Crowley), Ms. Lafayette, Mr. Seelig, Ms. Canney, Mr. Hall and Mr. Spaulding

Staff: Ms. Carpenter, Mr. Schoenbeck, Ms. Loller, Ms. Lane, Ms. Crady, Mr. Adams, Mr. Erdelyi, Ms. Reid, Ms. Collins, Ms. Drake, Mr. Fairbanks

Guests: Ms. Nancy Owens (Housing Vermont), Mr. Bob Cole (A.G. Edwards & Sons), and Ms. Amy Wright (Cathedral Square Corporation)

Chairperson Randall called the meeting to order at 9:20 a.m.

MINUTES

The December 5, 2002 Board of Commissioners' minutes were motioned for approval by Mr. Seelig with Ms. Canney seconding this motion. The Board unanimously approved the December 5th minutes.

The November 7, 2002 Tax Credit Committee minutes were motioned for approval by Mr. Seelig with Mr. Candon seconding this motion. Mr. Seelig mentioned that there was a discussion regarding the desire to try to get the Essex project to become a mixed income project; he also noted that there was interest in the Archibald Street project being mixed income as well. The Board unanimously approved the November 7th minutes; Ms. Canney abstained, as she did not attend this meeting.

DEVELOPMENT

Proposed Legislative Changes to the State Affordable Housing Tax Credit Program

Ms. Carpenter discussed the proposed legislative changes to the State Affordable Housing Tax Credit Program as outlined in Ms. Drake's memorandum in the Board packet. The current statutory structure is not desirable because of its limitations on use by some owner partnerships of housing projects receiving federal housing credits. Based on research of state tax credit programs in other states, staff found that some changes could improve the program's effectiveness and simplify the administration of the program. The recommended changes will not change eligibility for state tax credits, but would positively impact availability of funds. The Agency would need to secure a sponsor to support this change in order to move ahead with the legislature. Discussion followed.

Mr. Candon motioned to accept the changes indicated for the current statute. Ms. Canney seconded the motion. The Board unanimously approved the proposed changes to the current statute.

<u>Highgate Redevelopment</u>

Highgate Redevelopment is a current project in Barre looking for rehab due, in part, to a significant mold problem. This loan would also allow significant rehab improvements to the units; there has been a mold assessment completed of units and they have been prioritized with the most affected households to be serviced first. The Agency will talk with HUD about having a shared first position for the construction loan and permanent loan, with HUD to be approached about deferral of its Flexible Subsidy loan. All the parties involved in this development would like to see more of an income mix in order to achieve a healthier resident profile.

Discussion was held regarding the rehab, specifically the mold issue and how it is being handled currently and how it was handled in the past. There are currently no Federal standards regarding how to deal with mold. Nancy Owens mentioned that a national mold expert was consulted and staff continues to gain insight on the causes and remedies for mold. Ms. Reid stated that the intent of this rehab is to correct site drainage problems, improve energy efficiency, complete some deferred maintenance, strengthen the marketability of the units and address the mold issue once and for all. The physical improvements completed in 1991 did not go far enough to provide a complete rehab
Mr. Candon questioned the gross rent going up only $10,000 per year. Ms. Carpenter explained that the majority of renters are Section 8 and HUD restricts the rents. Ms. Reid stated that the rent increase is trending at 1% per year.

Ms. Reid noted a change to the memo regarding the loan amounts as follows:

Construction Loan	=	$2,335,000
Permanent Loan	=	$165,000
Total	=	$2,500,000

Ms. Lafayette motioned to approve the permanent and construction loan requests for Highgate redevelopment. Mr. Candon seconded the motion. The Board unanimously approved the permanent and construction loan requests for the Highgate redevelopment project.

Whitcomb Woods
This is a request for $1,160,000 in construction financing, $1,698,000 permanent financing and $300,000 0% funds. The Agency has a good history with this project and has a strong desire to see this type of development maintained and affordability preserved. Cathedral Square Corp. has negotiated a purchase and sales agreement with Dan O'Brien, the current owner. Mr. Erdelyi stated that AHP funds are committed and due to the steady stream of income, the financial risk is low. Comparatively, market rates are very close to the current Section 8 rents on this project. Mr. Erdelyi did express some concerns based on his analysis of the developer's fee as compared to other similar transactions of this type that VHFA has financed (see handout distributed at Board meeting). Agency staff recommends a zero percent loan of up to $150,000.

An in-depth discussion followed with the Board and Amy Wright & Nancy Owens. The developer fee was discussed thoroughly. Some of the Board members thought that this project does not merit the $300,000 0% loan being requested by the developer. Ms. Wright stated that the project needs a minimum 0% loan of $210,000.

Ms. Canney made the motion to support VHFA staff's recommendation for stated permanent and construction loan amounts, but increase the recommendation for 0% funds to $210,000. Mr. Candon seconded this motion. Mr. Adams will bring a 0% Loan Activity Report to the next Board meeting. Ms. Carpenter stated she felt comfortable with the $210,000 0% loan. The Board unanimously approved the motion.

VHFA Housing Demonstration Project - Update
Mr. Adams briefly recapped the housing demonstration project memorandum included in the Board packet. Currently, he is focusing on the next steps outlined in the memo. Discussion followed. Mr. Seelig mentioned that we should consider some Southern Vermont options if at all possible. He also asked if there were opportunities to help with design of smaller lot sizes.

Chairperson Randall asked Mr. Adams to forward the demonstration project parameters to the Board members. Mr. Adams stated that he sought no action from the Board; that he intended the memorandum as an update and asked the Board that if they had any questions after reading the update to please contact him. There were no immediate concerns from the Board.

HOMEOWNERSHIP

Ms. Crady stated that she believes the Agency is on track to meet FY2003 production goals of $58.0 million. She stated that conventional interest rates are still low, which is making it a little tough for the Agency to compete. Currently, Homeownership is experiencing $1M per week in reservations. Ms Crady noted a correction to the summary of Homeownership Activities memo - under Program Operations; the last sentence of the 1st paragraph should read "pre holiday levels" not "post holiday levels".

Ms. Crady stated that she is looking forward to the next bond issue and hopes to get an interest rate that is a more attractive and affordable. Ms. Crady updated the Board on various automation projects the Agency is pursuing, including the VHFA Business Partner Extranet site, which should be up and running by the end of February.

Collections

Ms. Crady stated that she is seeing an increase in delinquency levels; as of December 31, 2002 there was an increase in 60 and 90-day delinquencies although she is still not anticipating an alarming increase in foreclosures. Homeownership continues to work aggressively with its servicing lenders to explore all options before a foreclosure is necessary. Chapter 13 Bankruptcies appear to be at the same level for the past two to three years. Approximately 65% to 75% of consumers doing well at getting back on track. Discussion followed regarding foreclosure rates.

As of February 1st, the Agency (via Graystone) will take on the servicing for Charter One and Passumpsic Bank.

Lender Agreement Proposed Changes

Ms. Crady stated that the Agency is finding that a greater number of its participating lenders also participate of programs offered by other New England HFAs. Both New Hampshire and Maine pay higher loan origination fees than currently paid by VHFA. . Staff recommends that we increase the fee paid to lenders from a flat 1% of the loan amount to a fee equal to the greater of 125 basis points of the loan amount or $500.

Ms. Carpenter stated it was important for the Agency to be competitive. Ms. Crady noted that Homeownership staff is beginning to see an increase in "junk fees". She would like to limit fees that cannot be attributed to services provided by someone other than the lender to $250. VHFA staff also recommends that another criteria be added to require a lender to originate and sell to the Agency a minimum of 5 mortgage loans within a calendar year.

Ms. Canney expressed some concerns regarding the additional fee proposal and third party closing agreement fees. Ms Canney requested that we have a discussion at a future Board meeting regarding third party closing agreement fees. Ms. Crady would like to get new lender contracts out for the next Bond issue and that future contracts can be amended if the Board requests. Ms Carpenter stated that it was important for us to implement a policy that does not dictate how a lender runs their business, but does provide some protection for the borrower.

Mr. Candon made the motion to approve staff recommendations; Ms. Canney seconded the motion. The Board unanimously approved the motion, with Mr. Hall abstaining.

Condominium Conversion Project in Essex

Ms. Crady updated the Board on a project at Essex Town Center that is looking to convert its leased condominiums to homeownership condominiums. There are 5 units, with approximately 1,200 sq. ft. each and would sell in the $130,000 to $135,000 range. Some of the current tenants are interested in purchasing their units, and there would be no displacement of current tenants in this conversion. VHFA would be interested in 2 or 3 of the units. Ms. Crady was looking for any opinions from the Board against moving forward. Provided we do not finance them all and there would be no displacement of tenants, the Board had no other concerns.

FINANCE

Bond Financing Schedules

Mr. Schoenbeck briefly presented overviews of the Multifamily and Single Family bond financing schedules currently in the works. The Agency is expecting to issue approximately $12 million of Multifamily bonds, with the bond pricing to be scheduled for February 5th followed by the closing 2 weeks later. Board members interested in participating in the working group conference calls for the MF deal should contact Mr. Schoenbeck prior to the pricing and sale.

Based upon a preliminary schedule, the pricing for the Single Family bond issuance of $30 million will be in mid-March.

Single Family Swap Feature Analysis

Mr. Schoenbeck then discussed the Board's interest in continuing discussions about utilizing swaps in the SF bond issuance. He is interested in knowing if there is enough interest to include swaps in the Series 17 structure. Mr. Seelig stated that he was having difficulty understanding the level of risk and what changes in the market would affect these risks. Ms. Randall suggested that the Series 17 structures be prepared with and without the swap feature, which would show how swaps affect 'real' numbers. Mr. Schoenbeck said he would have both options available at the time of the bond issue recommendation. He will also schedule Mr. Gurley and Mr. Hans for a return visit to the February Board meeting to provide Board members with answers to their questions, as well as further explanation of the swap process so Board members are able to understand and explain to others how a swap works.

Mr. Candon made a motion to approve the authorization to incorporate the swap feature for no more than 25% of the bond issue into the Series 17 financing structure if the market conditions continue to indicate a savings on a bond rate. Ms. Canney seconded this motion. The Board unanimously approved the authorization.

Swap Policy Recommendation

Mr. Schoenbeck outlined key swap policy components that Iowa Housing used in their swap policy and recommended that the Agency consider similar components. Board members should let Mr. Schoenbeck know if they would like to see other items added to the policy. A draft policy is expected for the February meeting.

MULTIFAMILY

The Agency has been notified that the owners of the housing in Westminster are looking to turn it over to VHFA (basically walk away from the project). Paul Stewart is managing the 9-unit project currently and it is running fine, but badly in need of financial restructuring. More information will be available at the February Board meeting.

ADMINISTRATION

The Agency is reviewing its current pension plan program. The trustees have been working with Steve Magowan from Gravel and Shea to identify options and develop new program requirements. Ms. Carpenter asked if any Board members would like to be involved with our ongoing discussions. Mr. Candon and Chairperson Randall would like to participate in discussions going forward, with Mr. Candon participating in the upcoming demonstration with Pensionworks, Inc.

MISCELLANEOUS

Ms. Carpenter brought before the Board a resolution recognizing Ms. Beyer's contributions to the Agency during her tenure with the Board. Mr. Candon motioned to approve the resolution; Mr. Seelig seconded the motion. The Board unanimously approved the resolution. A framed copy of the resolution will be presented to Ms. Beyer.

Ms. Lafayette stated that she will be resigning from the Board, as she understands her appointment is expiring and she has time conflicts with her other commitments. She did indicate that if the Board needs a quorum at the February meeting she could be available, if she is not replaced by that time.

Mr. Candon made the motion to adjourn the meeting; Mr. Seelig seconded the motion to adjourn. The Board unanimously agreed and the meeting was adjourned at 12:35 p.m.

VHFA Board Minutes
Friday, February 21, 2003 at 2:00 p.m.
Conference Call

BOARD: Chairperson Randall, Commissioners Mr. Candon (Designee of Crowley), Mr. Seelig, Ms. Canney, Mr. Hall and Mr. Spaulding

Staff: Ms. Carpenter, Mr. Schoenbeck, Ms. Loller, Ms. Lane, Mr. Adams, Mr. Falzone and Ms. Plank

Chairperson Randall called the meeting to order at 2:07 p.m.

TEMPLETON COURT APARTMENTS BOND AMENDMENTS

Mr. Adams began the conference call with a summary of the Templeton project activities, which have been ongoing for approximately two and a half years. Permanent financing was approved in January 2002 for $900,000 and 0% deferred loans were approved for $450,000. At the Board meeting on October 7th, the Board also approved construction financing of $1,850,000, based on a 28-unit project.

The project was split into an 18 unit Bond Project using 4% tax credits, and a 10 unit Allocated Project using 9% tax credits. Mascoma Savings Bank has agreed to be the equity investor for the 10-unit allocated project and has also agreed to provide the construction and permanent financing as well for that portion of the project. Permanent financing being provided by VHFA on the 18-unit project has been reduced to $550,000, and construction financing was reduced to $1,200,000 to reflect the reduction in units. The amount of the zero percent loans remained the same at $450,000.

Final construction bids came in significantly over budget. Value Engineering conducted by the development team was able to propose construction cost savings for all but $400,000 of the overage. HFI received commitment for increased funding from a number of sources to help cover this gap. VHFA has been asked to increase the construction loan amount from $1.2 million (to continue to meet the 50% test) to $1.4 million, and to increase the amount of zero percent deferred loan from $450,000 to $590,000.

The Board expressed concern that we were still getting a quality project after the proposed construction cost cuts. The Board also questioned how the estimates were so far off from the final bids. Dave Adams indicated that a meeting was held with HFI, Vermont Architects Collaborative, our Construction Consultant, along with Rick D'Angelis from VHCB. The large cost cutting items noted were: metal roofing replaced by asphalt shingles, change to vinyl siding, eliminated rear deck and storage sheds, delete exterior trim, changes to roof lines, delete 50% of windows on rear of buildings, replace building porches in front of building with individual entryway porches. According to the Architect, the project will look very similar to Lime Kiln and Maple Tree Place with these changes. The size of the variance from the original construction budget to final cost estimates were due in part to changes in site improvements and building changes that were not communicated to the estimator.

Extensive discussion followed. Mr. Adams stated that he feels this will be a far better project than it is currently. Ms. Carpenter also expressed that the VHFA construction inspector had confidence in the engineering portion of the project. The Board inquired about a change in management to which Ms. Carpenter explained that there were issues in the past but for the past few years' management in the project has dramatically improved with the current on-site manager. The closing documents also include provisions that would allow VHFA to change management companies in the event project management becomes deficient again. We would be particularly concerned if there was a change of the on-site manager.

Mr. Candon asked what affect the increase in the amount of the zero percent loans made to Templeton had on the Excess Yield Pool. Mr. Adams indicated that we were well within policy limits and cash flow projections. Staff will provide a full analysis of the zero percent-deferred loan balance at the next Board meeting.

Mr. Hall made the motion to approve an increase in the amount of tax-exempt construction financing for the project from $1.2M to $1.4M as well as an increase in the amount of the 0% deferred loan from $450,000 to $590,000. Mr. Candon seconded the motion. The Board unanimously approved the increase in the amount of tax-exempt construction financing for the project from $1.2M to $1.4M as well as an increase in the amount of the 0% deferred loan from $450,000 to $590,000.

VSHA UPDATE

Ms. Carpenter briefly discussed the follow up letter she received from Richard Williams, VSHA (which was included in the Board packet). Ms. Carpenter recapped activities with VSHA for the new Board members. Ms. Carpenter noted that the Agency staff works well with VSHA; in particular Mr. Falzone is working with Ms. Kathleen Burke on the MOUs with the goal of clarifying our roles relative to contract administration responsibilities. VHFA would like to take the lead on properties where we hold the mortgage. After some discussion it was reaffirmed that the VHFA Board will maintain regular contact with VSHA and its Board though out the year.

Mr. Candon asked what HUD's timing was on appointing a single state administrator. Ms. Carpenter and Mr. Falzone replied that HUD is clearly working in that direction and at the present time it appears that when a contract expires a single administrator will be appointed. Ms. Carpenter stated staff would come back to the Board at a future meeting to present their recommendations regarding contract administration.

PENSION PLAN AMENDMENT

VHFA is required by the Economic Growth & Tax Relief Reconciliation Act of 2001 (EGTRRA) to amend provisions of the Agency's 401(a) Pension Plan, as outlined in the Pension Plan Amendment memo.

Mr. Candon made the motion to approve the Resolution re: Amendment to VHFA Money Purchase Plan. Ms. Canney seconded the motion. The Board unanimously approved

MISC

There was a brief discussion regarding the Winooski Redevelopment project. This will be discussed further at the March 7th Board meeting.

Mr. Hall motioned to adjourn the Board conference call; Ms. Canney seconded the motion to adjourn. The Board unanimously agreed and the Board conference call was adjourned at 2:45 p.m.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

RE: **Mobile Acres Mobile Home Park - Braintree**
Application- Housing Foundation, Inc.

DT: February 24th, 2003

The Housing Foundation, Inc. has applied to VHFA for permanent financing in the amount of $1,362,300 to finance the acquisition and improvement of Mobile Acres Mobile Home Park, located in Braintree, Vermont. Financing will involve the issuance of a 501(c) 3 bond, with a term and amortization period of 30 years.

The park is currently owned and operated by Dan Mendl and consists of 96 lots on 25 acres on Route 12A. The purchase price is $1,660,000. A summary of project sources and uses is outlined below. Planned improvements to the park are estimated at $410,000 and include: bringing the electrical system up to code; relocating several mobile homes located in a flood plain onto new sites elsewhere in the park; replacing and/or repairing on-site septic systems with connections to new shared leach fields; upgrades to the water system to meet permit requirements; and repairing and repaving roads in the park as needed.

FINANCING SOURCES

	Amount	Percent of Total Development Costs	Interest	Term	Amortization Period
VHFA	$ 1,362,300	59%	7.0%	30	30
VHCB-Grant	$ 408,000	18%	N/A	N/A	0
VHCB Feasibility Grant	$ 5,500	0%	N/A	N/A	0
DHCA-VCDP	$ 500,000	22%	N/A	N/A	0
VSHA In-kind services	$ 25,000	1%	N/A	N/A	0
Total Funding Sources	**$ 2,300,800**	**100%**			

PROJECT USES

		Per Units Cost
Park Acquisition	$ 1,693,400	$ 17,825
Planned Improvements	$ 410,000	$ 4,316
Soft Costs	$ 72,400	$ 762
Developers Fees	$ 100,000	$ 1,053
Cash-in-kind services	$ 25,000	$ 263
Other Costs		$ -
Total Uses	**2,300,800**	$ 24,219

Negotiations to purchase the park from the current owner have been on and off again for the past year. The agreed upon purchase price is supported by an appraisal provided by Martin Appraisals, for Randolph National Bank, dated May 2002. As requested, our loan will be at 82% of the appraised value. Acquisition cost at $17,825 per lot is on the high side of other parks noted in the appraisal report. Lack of recent comparables and variables of size, age, condition, density, soils and location make this a difficult comparison. Total development cost at $24,219 is in line with other parks financed by VHFA in recent years. The value of securing this park from a private investor is a highly desirable goal of the Town of Braintree, noting that 15% to 20% of the residents are living in Mobile Acres.

Lot rents in the park are currently $265.00/month. The Housing Foundation Inc. plans to reduce lot rents to $250.00/month, which will still be on the high side of the statewide average of $229.00. Other cost savings to the residents will be the elimination of trash removal, which will be included in the lot rent to HFI. Vacancies in the park have been historically high. Staff believes this is attributable in part to the high rent, but also poor service and maintenance by the current owner.

Two engineering studies were conducted regarding the park infrastructure with specific focus on water, septic and electrical systems. Green Mountain Engineering of Williston was hired by the current owner in January 2001 to respond to a "Notice of Non-Compliance" by the Agency of Natural Resources, which required upgrades to the water treatment (chlorination) system, and the establishment of a "Source Protection Plan". HFI hired Trudell Consulting Engineers to conduct a more in-depth review of the park's overall infrastructure. The end result is that staff feels sufficient due diligence has been completed by HFI and concur with the proposed scope of work

Management fees have been proposed at $29.00 per lot/month and are quite high relative to any other mobile home park in our portfolio. Management fees for Brookside, Kilbourne and Hillside mobile home parks are $25, $22, and $21, respectively. Replacement reserves during the first 10 years are budgeted at $40,000 per year to provide for replacement of the water distribution system in year eleven. Debt service coverage ratios and cash flows are sufficient and healthy once funds for the water system have achieved targeted levels. Staff is recommending a reduction in management fees to $25.00/lot/month, with an incentive fee to be paid after replacement reserves are funded at budgeted levels.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Commitment to finance this acquisition and planned improvement to Mobile Acres Mobile Home Park upon satisfactory completion of staff underwriting and due diligence along with conditions as staff deem appropriate.

RESOLUTION RE: PERMANENT FINANCING FOR MOBILE ACRES MOBILE HOME PARK, BRAINTREE

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

WHEREAS, an application has been submitted to the Agency by The Housing Foundation Inc. (the "Borrower") involving the acquisition and rehabilitation of Mobile Acres Mobile Home Park which contains a total of ninety-six (96) mobile home lots in the Town of Braintree (the "Development"); and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated February 24, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the permanent term financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the

satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the permanent term financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

To: VHFA Board of Commissioners

From: Cindy Reid

Date: February 28, 2003

Re: 2003-2004 Allocation Plan draft, redline strike-out version

Enclosed please find the draft 2003-2004 Allocation Plan for Housing Credits. The Joint Committee on Tax Credits has reviewed this draft, and their comments have been incorporated. Once the Board of Commissioners has approved the Plan, it can be sent on to the Governor for his signature.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

200<u>3</u>~~1~~-200~~2~~<u>4</u>ALLOCATION PLAN

FEDERAL HOUSING CREDIT PROGRAM

<u>VERMONT AFFORDABLE HOUSING TAX CREDIT</u>

STATE OF VERMONT

Joint Committee on Tax Credits
John Hall
~~Greg Brown~~
Commissioner
Department of Housing and Community Affairs

Sarah Carpenter
Executive Director
Vermont Housing Finance Agency

Gustave Seelig
Executive Director
Vermont Housing and Conservation Trust Fund

~~John Taylor~~
~~Policy Analyst~~
Office of the Governor

Richard M. Williams
Executive Director
Vermont State Housing Authority

For Further Information Contact:

Allocation Plan and Policies:

~~Greg Brown~~John Hall
Agency of Commerce and Community Development
(802) 828-3211 or (800) 622-4553

Applications and Program Administration:

Joe Erdelyi/Cindy Reid
Vermont Housing Finance Agency
(802) 652-3432 or (802) 652-3462 or (800)-339-5866

TABLE OF CONTENTS

FEDERAL HOUSING CREDIT PROGRAM

INTRODUCTION

The purpose of this Allocation Plan is to set forth the process and criteria under which specific housing developments will be selected to receive both the State Affordable Housing Tax Credit and federal tax credits that have been returned from allocations made in ~~1999~~ 2001or ~~2000~~2002 or that otherwise may become available in 200~~1~~3 and 200~~2~~4. In accordance with the requirements of the Omnibus Budget Reconciliation Act of 1989, this Allocation Plan describes the application and allocation decision-making process. Priorities are set by the requirements of the law and by the rental housing needs of Vermont, as determined by the Agency of Commerce and Community Development (ACCD) and the Joint Committee on Tax Credits (Joint Committee).

ACCD was designated as the ~~State~~ Housing Credit Agency by then Governor Kunin in March 1987. ACCD has sole responsibility and authority for the Housing Credit Program's policies including the development of the State's Allocation Plan, which is approved and signed by the Governor. In furtherance of this responsibility, ACCD has promulgated rules entitled "Federal Tax Credits for Low Income Housing; State Allocation System, Joint Committee on Tax Credits."[1]

ACCD works in partnership with Vermont Housing Finance Agency (VHFA or the Agency) and the Joint Committee to administer this program. VHFA is under contract with ACCD to allocate federal credits to specific projects in accordance with this Allocation Plan.[2] Under the rules cited above, the advisory Joint Committee on Tax Credits was established to review and adopt allocation policies and review VHFA's performance.

The Joint Committee is comprised of the Commissioner of Housing and Community Affairs or his or her designee, the Executive Director of VHFA or his or her designee, the Executive Director of the State Housing Authority or his or her designee, the Director of Planning, Office of Policy Research and Coordination, and one additional member representing housing interests appointed by the Secretary of ACCD.

---

[1] The original rules were adopted in May 1987 and substantially amended in June 1990.

[2] A Memorandum of Understanding between ACCD and VHFA was signed on April 17, 1987.

BACKGROUND

The federal Housing Credit program was established by Congress as part of the Tax Reform Act of 1986. It offers a ten-year federal income tax credit to owners of rental housing who make certain percentages of their rental housing available for occupancy by low-income residents for at least 15 years. This incentive for the development, acquisition and rehabilitation of low-income housing allows owners, developers, and/or investors to reduce their federal tax liability in exchange for the provision of eligible low-income rental housing.

SUMMARY OF ALLOCATION PLAN REQUIREMENTS

The 1989 and 1990 laws made numerous changes to the HC program, including the requirement to create a "qualified allocation plan." The State's Allocation Plan must set forth selection criteria that include:

1. Project location
2. Housing needs characteristics
3. Project characteristics, including whether the project includes the use of housing as part of a community revitalization plan in a Qualified Census Tract
4. Sponsor characteristics
5. Tenant populations with special housing needs~~, and~~
6. Public housing waiting lists
7. Tenant populations of individuals with children, and
8. Projects intended for eventual tenant ownership.

In addition, the states must give preference among selected projects to those serving the lowest income tenants and to those serving qualified tenants (those persons at or below the maximum income limits set by law) for the longest period, as well as projects in Qualified Census Tracts that contribute to a concerted community revitalization plan.

States may include such other criteria as they deem appropriate and there are no requirements as to the relative weight of the various factors. As part of the review for each selected project, the chief executive officer of the particular local jurisdiction within which the project is located is to be provided "a reasonable opportunity" to comment on the proposed allocation.

Additional HC responsibilities mandated by Congress include:

1. Assurance that the amount of tax credits allocated does not exceed the amount "necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period."

2. Evaluation of all projects for consistency with the Allocation Plan and for credit need, including situations when the project is financed using tax exempt bonds.

~~4.~~3. Agreement to "an extended low-income housing commitment" for every project. This agreement must be recorded as a restrictive covenant binding all successor owners and must allow low-income individuals the right to enforce the commitment in state court (see Section 8~~Eight~~, “Compliance”). The commitment must require continued low-income occupancy for all tax credit units in perpetuity. The “opt-out” provision of the Code [Section 42(h)(6)(E) thru (I)] is expressly waived by each applicant for the allocated ceiling credit. The owner agrees that they will make no such notification to the Allocating Agency to terminate the extended use provisions. Nonprofit organizations, government agencies, and tenant groups can arrange in advance, through a right of first refusal, to purchase the project at the end of the initial 15-year compliance period, also at a pre-determined price. Even after such a purchase, the property is subject to the perpetual housing subsidy covenant.

4. Monitoring of compliance with the provisions of Section 42 and notifying the Internal Revenue Service of any non-compliance of which the Agency becomes aware.

SUMMARY OF DIFFERENT TYPES OF HOUSING CREDITS

1. “Ceiling” Credits – are federal Housing Credits that are allocated to each State based on its population. Federal legislation passed at the end of 2000 granted the State of Vermont a “small state set-aside” of $2,000,000 indexed to the cost-of-living beginning in 2003. Despite the increase, ceiling credits are a limited and therefore competitive resource. The Application Process described ~~below~~in this Plan pertains to the ceiling credits.

2. “Out-of-Cap” or “Automatic” Housing Credits (also referred to as “4% credits”) – are made available to a project when half or more of a project’s total cost is financed with tax–exempt financing. These credits are not from the State’s credit ceiling. Applications for “out-of-cap” credits can be submitted at any time (unlike ceiling credits which have specific application rounds). Applications for out-of-cap credits require a minimum of two months from receipt of application to VHFA board approval. Projects seeking to utilize out-of-cap credits, while not subject to the same application process as ceiling credits ~~described below~~, are subject to other requirements and priorities of the Allocation Plan.

3. State Credit – the Vermont Affordable Housing Tax Credit was created in 2000. In 2003 the annual amount of State Credit available is $150,000. Projects utilizing ceiling or out--of--cap credits may also apply for State Credits. State Credits are competitively allocated similar to ceiling credits. The application process described ~~below~~in the Plan also pertains to the State Credit.

APPLICATION PROCESS

Parties interested in applying for Housing Credits must first submit a Letter of Intent to apply to VHFA. The form of this letter and the timing for its submission will be published by VHFA to initiate the reservation round. This will be a brief, one-page letter identifying the project by name, location, proposed occupancy, and the proposed sources of funding. Applicants will attach to it evidence of site control. The purpose of this "pre-application" phase will be for VHFA to identify the amount of credits being sought and to identify any apparent issues early on in the process. Applications will be taken only from parties who have submitted this Letter of Intent. Depending on the number of Letters of Intent submitted, VHFA will conclude its review as quickly as possible and notify the applicants of the timing of the full application round.

There is an overall per project limit of 30% of the annual "per capita" tax credits. The Joint Committee on Tax Credits can waive this limit for projects of "statewide significance". A project of statewide significance is defined as: one which, if it does not go forward: 1) will result in a loss of considerable federal funding for Vermonters; or 2) will result in the displacement of a large number of low income households; or 3) will result in the continued presence of significant health hazards (e.g. extraordinary environmental cleanup is a component of the project and the cost of that cleanup is high).

The allocations may be made in three~~two~~ rounds, with up to two-thirds of the state's ceiling available for the first round. However, if there are compelling proposals that meet the application requirements and the evaluation criteria, staff may reserve more than two-thirds of the credits in the first round. By law, a minimum of 10% of Vermont's annual credit ceiling must be reserved for developments sponsored by nonprofit organizations that own an interest in the project (directly or through a partnership) and materially participate in the development and operation of the project throughout the compliance period.

The State's Consolidated Plan demonstrates a much -greater unmet demand for affordable housing for families than for seniors in Vermont. For calendar years 200~~1~~3 and 2004,~~,~~ Housing Credit applications for developments that are intended for exclusive occupancy by seniors (except for those with special needs – see Section 2(I)(f)) will not be considered unless no other eligible applications for family housing are made.

200~~1~~3-200~~2~~4 ALLOCATION PLAN

1. APPLICATION REQUIREMENTS

VHFA is required by the law to assure that each project that receives a tax credit allocation substantiates its viability and need for tax credits. An applicant must meet the following basic qualifications:

I. Submission of a complete VHFA Housing Credit Application form, including all required attachments and payment of required fees.

The developer of a scattered site development (in which not all of the units are tax credit restricted) can submit either a separate application for each building or group of buildings on contiguous sites or one application for the entire scattered site project. If just one application is submitted, in the event any one building in the project drops out, the entire reservation/allocation will be returned. For scattered site proposals under common ownership, management, and financing, there will be only one application fee charged for the entire development regardless of whether one application or multiple applications are used.

Any significant change in a proposal, once it has been ranked and awarded credits, will jeopardize the reservation/allocation and staff, in consultation with the Committee, can, at that point, require the credits to be returned. A significant change will mean any reduction in the number of bedrooms per unit or square footage of units, decrease in number of total units, increase in rents (other than because of the annual increase in the published tax credit rents), increase in overall density, or any change that, had it been in the original proposal, might have resulted in the project receiving a different ranking.

The application should include recent cost estimates prepared by a member of the development team.

II. Proposal must meet the basic occupancy and rent restrictions.

— The Application form has tables with the minimum rent and tenant income restrictions. According to the tax code, at least 20% of the units must be restricted to tenants at or below 50% of Area Median Gross Income (AMGI) or 40% of the units must be restricted to tenants at 60% of AMGI. The restrictions are enforced with the Housing Subsidy Covenant (see Section 8. "Compliance").

III. Applicant has established the need and demand (i.e. market feasibility) for the type and cost of housing that is being proposed.

A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project must be conducted at the developer's expense by a disinterested party who is approved by the Allocating Agency. An independently-prepared project-specific market study must be submitted by the developer at time of application. Staff may grant project-specific waivers on the timing of this submission for projects in high-demand areas, but developers need to seek and obtain this waiver well in advance of the application deadline. The Allocating Agency will also consider the State of Vermont Housing Needs Assessment and the quantity of publicly supported housing already present in the area when evaluating the need for the proposed development. The allocating agency will also consider the negative impact that the proposed development will have on the existing stock of rental housing in the area, whether subsidized or unsubsidized, and may, at its sole discretion, reject an application that might have a negative impact on the existing housing stock. For example, if a development for newly constructed housing is proposed in a community with relatively high vacancy rates in rental units, has an older housing stock of rental units (in need of rehabilitation), or both, the allocating agency may, at its sole discretion, determine that constructing new housing may have a negative impact on the existing housing stock (i.e. vacancy rates may rise, physical conditions may deteriorate further) and, therefore, may not reserve credits for the proposed development on this basis.

IV. Reservations will be based upon the experience and capacity of the project team.

The developer must demonstrate the capacity to undertake the development as proposed, either through its own experience and capacity or through the use of experienced consultants. In the event the developer is proposing multiple projects in any given year, the organization must have the capacity to oversee all of the developments proposed.

V. Developer's Fee / Consultant Fee in the budget does not exceed the program limits.

Developer's Fee: The amount of the fee shall be agreed upon by the developer and the allocating agency prior to the issuance of the initial tax credit Reservation Certificate. Once this fee has been agreed upon, the allocating agency will not recognize any increases in the fee, whether total development costs increase or decrease, in any Carryover Allocation or final allocation of credits, except as described below. In the event of a substantial change in the project, such as an increase or decrease in the total number of units in the project, the allocating agency may permit an increase or require a decrease in the fee.

The total developer's fee shall not exceed 15% of the total development cost (excluding the fee itself and cash accounts) when the total development cost is less than or equal to $1.5 million. For projects in which the total development cost exceeds $1.5 million, the total developer's fee shall not exceed 12% of the total development cost (excluding the fee itself and cash accounts), payable by full occupancy. If at least one-third of the fee (but not less than $100,000) is deferred, then the developer can take up to a 15% fee. ~~The deferred portion of the fee must be paid over a period of not less than five years.~~ The term of repayment of the deferred fee will be based upon the financial strength of the development. Interest on the deferred development fee will not exceed the long term Applicable Federal Rate (AFR) as published monthly by the IRS, in the month the deferred fee note is executed.

In addition to these not-to-exceed limits, the fee shall be calculated according to the following schedule:

Projects of under 60 units: the "not-to-exceed" limits (above) apply

Projects of 60 units and over: the maximum fee shall be 10% of total development cost as defined above, and the maximum cash portion of the fee (i.e., the total fee less any lent back to the project) shall not exceed $1,000,000.

For all projects in which acquisition and rehabilitation activities are occurring and the rehabilitation cost is less than 25% of the "land and buildings" acquisition cost, the maximum fee shall be the greater of: 65% of total development cost as defined above, or $3,500 per residential unit.

When any developer-related party is doing any work at all on the development (except for ~~the~~ 1) construction, which has separate limits, and 2) architectural, which will be reviewed for cost reasonableness), then that work will be considered part of the overall ~~12% or 15%~~ limit.

~~For developments in which the acquisition comprises a substantial portion of the total development cost, a much lower fee would be expected to be taken than the limits allow, as acquiring a property should involve less risk and take less time of a developer than either new construction or substantial rehabilitation. Proposals of this nature are infrequent and, at this time, the fees will continue to be negotiated~~.

VHFA may consider exceptions to the ~~15%~~ developer's fee limit on a case-by-case basis for extraordinary circumstances.

Consultant Fees: The Developer's Fee limit also includes any consultant fees ("Consultant Fee(s)") associated with the project. "Consultant Fee(s)" are defined as any fee(s) paid by the developer to a third party for services that a developer generally would be expected to perform, such as preparing applications for financing, obtaining local permits and approvals, and overseeing project functions.

Consultant Fees do not include the fees paid to independent third party professionals for specific development-related services, such as architectural, engineering, appraisal, construction supervision, and environmental testing or assessment.

VHFA shall make the final determination of which fees in a specific project shall be considered Consultant Fees.

VI. Builder's Profit / Overhead / General Requirements in the budget comply with Allocation Plan limits.

The following limits shall apply when there is an identity of interest between the developer and the contractor: builder's profit - 6%; builder's overhead - 2%; general requirements - 6%. These limits will also apply for projects where the builder is selected by the developer without competitive bidding. These limits will not apply to projects that are competitively bid, whether through open public bidding or selective bidding; the bid process will determine the amount of builder's profit, builder's overhead, and general requirements. The developer must make best efforts to obtain at least three competitive bids; documentation of the bid process must be provided. For Rural Development (RD) 515 projects, the limits will be the amounts approved for each project under the RD cost containment guidelines.

VII. Applicant may, at their option, agree to provide a Right of First Refusal to purchase the property to a nonprofit at the end of the 15 year compliance period; all projects receiving allocated ceiling credits must agree to a perpetual Housing Subsidy Covenant.

The Right of First Refusal price must be the higher of: 1) the same terms and considerations contained in an offer of a third party; 2) the minimum purchase price as described in Section 42(i)(7)(B) of the Internal Revenue Code; or 3) the target return provided in the Borrower's Operating Agreement or other document provided to the allocating agency in a satisfactory form. The Right of First Refusal must allow the holder of the Right to make the offer on the property that triggers the Right of First Refusal.

In projects receiving credits "automatically" from the use of tax-exempt bond financing, a 30 year Housing Subsidy Covenant will be required. Both types of Covenants will require that the income and rent restrictions imposed by the Housing Credit Program will remain in effect for the entire term of the Covenant.

VIII. Evidence of at least one public hearing or meeting if required for local approval of the proposed development.

The development must meet this "readiness to proceed" threshold in order to ensure that the proposal is likely to move forward through the approval process and receive a Carryover Allocation by year end (see also Section 4. "Carryover and VHFA Revision or Revocation of Reservation Certificates").

Cost Certification Requirements

Detailed project financial documentation must be submitted at various stages of the Housing Credit approval process, in support of VHFA's responsibilities under the law. Certifications regarding projected or actual costs and sources of funds are required at the time the ~~Carryover Allocation is approved~~10% test is met and at the time the final Housing Credit allocation (IRS Form 8609) is requested.

Internal Rate of Return

The method the allocating agency will use to demonstrate the internal rate of return that the tax credit as an investment will generate involves discounting all equity "pay-ins" to the same date - the construction closing. The discount rate will be the "long term" Applicable Federal Rate (AFR) as published monthly by the IRS (annual compounding rate). The tax benefits will be "future valued" to the end of the 15 year compliance period using the same long term AFR. The internal rate of return will then be calculated by discounting the "future valued" benefits back to the date of the discounted equity contributions. This method is described in A Developer's Guide to the Low Income Housing Tax Credits, 3rd Edition, by Herb Stevens and Tom Tracy, Chapter 5, Section 5.03(B)(3), p. 124. To equalize comparison of developments with and without Historic Rehabilitation Tax Credits, the benefits stream will be reduced by the amount of the historic credit in the first year and the first equity contribution(s) will be reduced by .85 times the historic credit amount (an approximation of the equity raised from syndication of the historic credit).

Purchase Price Parameters

Under certain situations, if the purchase price exceeds the outstanding balance of debt on the property plus capital improvements and appropriate closing costs, the project will be ineligible for Housing Credits. (Debt may include amortizing debt, deferred debt, seller financing, and seller contributions. All debt, capital improvements, and closing costs must be normal, well-documented, and in a format acceptable to VHFA.) Those situations are: 1) when an owner forms a partnership or corporation to purchase a property it currently owns; or 2) when a nonprofit, governmental entity, or quasi-governmental entity sells a property it owns to another party that is applying for credits; or 3) when any owner who used state or federal subsidies or subsidized financing to acquire, build, or rehabilitate the property originally is the seller of a property that is applying for credits. An exception to this third instance is specifically made for applications that would preserve existing "deep subsidy" affordable housing, such as Section 8 New Construction / Substantial Rehabilitation projects. In some instances, these projects are located in competitive markets or provide current owners with other incentives to opt out of the assisted/affordable housing stock at the end of the rent assistance contract. Acquisition cost in these cases would be determined by appraised value.

Optional Services

Sponsors of developments offering optional services shall describe the services to be offered and the cost(s). Optional services must be competitively priced, reasonable, and affordable. Assumptions regarding income from optional services shall be reasonable and result in a financially feasible project. The Allocating Agency may reject applications based on services being offered if those services are not reasonable and/or competitively priced. Projects which either add or remove services after an application has already been submitted will need to be reviewed anew.

2. EVALUATION CRITERIA (in order of priority from I through V)

I. State Consolidated Plan Priorities / Other Priorities (**Note: Within tiers, the factors are not in order of priority. However, the top tier factors have twice the weight of lower tier factors**):

Top Tier Priorities:

a. Project provides rehabilitation, including lead-based paint abatement, accessibility modifications, and energy efficiency upgrades; or infill new construction in housing markets with a vacancy rate of 2% or less; or in housing markets where there is insufficient rehabilitatable housing stock or a lack of affordable housing stock.

b. Project provides family housing, unless local or regional need for another type of housing is proven to be greater. Family housing is defined as: the majority of the units in the development are two-bedroom or larger.

c. Project is planned to maintain the historic settlement pattern of compact village and urban centers separated by rural countryside. Characteristics of compact urban, town, and village centers include: higher density than surrounding areas; mixed uses; developments with pedestrian, bike, transit, and auto access; public facilities, services, and spaces; diversity in the types and scale of housing, businesses, and industries; center for community activity; open space, including productive farm and forestland, surrounding the town center; and exemplifying a unique cultural heritage.

d. Project is a structure in a downtown, as defined in the Consolidated Plan and Downtown Bill, H.278:

> "Downtown" means the traditional central business district of the community that has served as the center for socioeconomic interaction in the community characterized by a cohesive core of commercial and mixed use buildings, often interspersed with civic, religious, and residential buildings and public spaces, arranged along a main street and intersecting side streets and served by public infrastructure. Projects that support downtowns by virtue of their location (i.e. that are within a reasonable walking distance from the downtown core) will also qualify for this criterion. **A map outlining the downtown and the location of the project must be included with the application.**

e. Project proposes the removal of blight. "Blight" means a condition that exists when a significant portion of a building is uninhabitable or unusable due to neglect, condemnation, or damage from fire or other natural disaster.

f. ~~f.~~ Any~~Any p~~project that incorporates a majority of special needs populations ~~(as defined in the State's Consolidated Plan)~~ and provides service-enriched housing.

The definition of Special Needs Housing (from the State's Consolidated Plan, Updated Action Plan for Program Year 2002-2003) is as follows: Special Needs Housing includes any project that incorporates a majority of special needs populations and provides service-enriched housing. Special needs populations include households or individuals who cannot live independently without supportive services. Such populations include, but are not limited to:

- persons in need of transitional housing to avoid or alleviate homelessness;
- youth at-risk;
- frail elders or persons with physical and/or mental disabilities;
- or other populations where a combination of housing and supportive services will enhance the quality of life for both residents and the community at large. (Elderly housing with optional services does not in and of itself constitute special needs housing.)

Criteria for Defining Special Needs Housing for Seniors and Adults with Physical Disabilities:

Projects that serve persons who are low-income and frail or physically disabled will be considered Special Needs Housing only if the project meets one or more of the following criteria:

1. Licensed Residential Care Homes; or
2. When licensure becomes available, licensed assisted living residences; or
3. Unlicensed combinations of affordable housing and affordable services that the Vermont Department of Aging and Disabilities find will help residents to accomplish independent living and/or aging in place and where services and housing are "affordable". Projects will have a plan to utilize applicable Medicaid State Plan and Medicaid Waiver Program to the extent possible and in a manner that such waivers enhance overall project financial status; or
4. Projects selected as a demonstration site in Vermonters Coming Home, an initiative sponsored by the Robert Wood Johnson Foundation, the Vermont Department of Aging and Disabilities, the Vermont Housing Finance Agency, and the Office of Vermont Health Access.

   Projects seeking to meet this criteria need to submit a service plan at time of application which will be reviewed by both the Allocating Agency and by the Department of Aging and Disabilities.

   Competitive Criteria for Evaluating Special Needs Housing Projects

The Vermont Agency of Human Services (AHS) will develop and maintain a system for the evaluation and ranking of housing projects that are seeking public financing. This ranking system will include a project-specific review and analysis conducted by the AHS Department that deals most directly with the special needs population being targeted by the project. The AHS analysis will aim to assist funding sources in making funding choices by requiring proposed projects to receive an official evaluation by AHS which can be used by housing finance and development agencies in their ranking processes.

In addition, awards to special needs housing projects may be further prioritized according to competitive factors including, but not limited to:

1. demonstrated relative need as differentiated from market demand with the region;
2. commitment from a department of the AHS, of other funding source, to maintain high quality and affordable social services in conjunction with the proposed housing;
3. whether the project provides opportunities for resident involvement in project or sponsor management; and
4. affordability of services to low-income Vermonters.

Second Tier Priorities:

a. Mixed income developments. A "m~~M~~ixed-income developments" is~~are~~ defined as a development in which ~~where~~ 15% or more of the units are targeted to households whose income is greater than 60% of the Area Median Gross Income. This priority applies to developments that consist of 20 or more units on a single site or contiguous sites. This priority does not apply to developments in economically depressed areas (areas where the market rent [as determined by the market study] is equal to or lower than the tax credit rent for an equivalent unit);
b. Project that is located in a growth center (as defined in that State's Consolidated Plan) designated in regional plans or in local plans that have been approved by a regional planning commission or that uses housing as part of a community revitalization plan in a Qualified Census Tract (QCT);
c. Housing affordable to households earning less than or equal to 30% the area median gross income (AMGI);
d. Project that serves families currently on public housing (State or local) waiting lists.
e. Projects intended for eventual tenant ownership.

~~II~~III. Preference must be given among selected projects to proposals serving:

a. The lowest income tenants, and
b. Qualified tenants for the longest period.

~~III~~IV. Preference must be given for the acquisition and rehabilitation of existing federally subsidized projects, where the preservation of a project's existing affordability is at risk. The definition of a "Federally Subsidized and At Risk" proposal is: Any development currently occupied by low-income households that faces, within the next five years: 1) a loss of deep rental assistance or other operating subsidy; and 2) faces prepayment of its mortgage or other action by its owner that would terminate federal low income use restrictions. In addition, any project(s) that is slated to receive federal funding specifically for the preservation of the units as affordable housing. Examples include but are not limited to RD 515, Section 8, Section 23, Section 236, and Section 221(d)3.

~~IV~~II. Project can demonstrate "readiness to proceed" with either site plan, preliminary plat, or conditional use approval in hand and can proceed to all final approvals and begin construction within one year of application date. Developer shall indicate in the application whether there are permitting issues at time of application which could cause a delay. –Projects will be evaluated on both permitting readiness and funding readiness.

V. Geographic targeting: Project is in a market area that has been underserved historically in having its affordable housing needs met. "Market area" is defined as a city or town and all of the surrounding towns. The stock of affordable, assisted housing in the market area will be considered to see if housing of the type proposed is already present in the market area.

In addition to these five evaluation criteria, the application requirements will also be factors in project evaluation. For example, projects that seem to meet the evaluation criteria equally might have the relative need and demand for the proposed housing evaluated to determine which project serves a greater need.

3. COST GUIDELINES

VHFA encourages development at the lowest reasonable cost and will review development costs for reasonableness. ~~Generally, per unit costs in excess of the following guidelines will be considered excessive:~~

~~Unit Cost Limits~~	
~~0 Bedroom~~	~~$84,390~~
~~1 Bedroom~~	~~$90,140~~
~~2 Bedroom~~	~~$95,890~~
~~3 Bedroom~~	~~$101,637~~
~~4 or more Bedroom~~	~~$107,390~~

~~Certain costs will be excluded in applying these cost limits. Such exclusions will include: 1) costs of tenant relocation; and 2) capitalization of cash accounts that will remain an asset of the project, such as deficit escrow and operating subsidy accounts.~~

~~Project-specific exceptions may be made on a case-by-case basis for projects that do not meet these per unit cost guidelines as a result of extraordinary situations, e.g. community spaces and extraordinary environmental site-cleanup costs. When projects exceeding these per unit limits do receive credits, the allocation will be based upon the limits rather than the actual project cost.~~

4. CARRYOVER AND VHFA REVISION OR REVOCATION OF RESERVATION CERTIFICATES

VHFA is authorized to issue Carryover Allocations to certain projects that will not be placed in service by the later of: 1) the end of year in which a reservation is issued, or 2) six months from the date in which the Reservation Certificate was issued, so long as a minimum of 10% of the reasonably expected basis (depreciable basis plus land) has been expended by that time. The owner must certify, in a form acceptable to VHFA, that 10% of costs were incurred prior to the issuance of Carryover Allocation. This certification must include back-up documentation of costs.

If a development that has received a reservation appears to be going forward but is encountering severe environmental obstacles or local opposition, at its sole discretion, VHFA could issue a binding commitment of credits from the following year's credit ceiling instead of a Carryover Allocation. A binding commitment of the following year's credits will be issued only for this type of development if: 1) substantial environmental problems exist that will take a long time to resolve; or 2) the development has otherwise received approvals but its approval has been locally appealed. An overall limit of 20% of the following year's credit ceiling could be reserved using an advance binding commitment (unless a higher amount is approved by the Joint Committee). In the event that multiple developments are seeking an advance binding commitment of credits, priority will go to developments facing environmental site clean-up delays.

VHFA reserves the right, as permitted by Section 42 of the Internal Revenue Code, to issue less than the maximum credit allocation otherwise supportable by the project's eligible basis. An allocation of credits to a project in an amount less than requested may be permitted, with conditions that the gap created by financing be filled by another source by a specified date. This reduction will be used only on a very limited basis, with the agreement of the applicant and not be applied across the board to every applicant on a pro rata basis. **In all cases,** any funding gap must be filled in time to meet the absolute Carryover Allocation deadline or such earlier Carryover Allocation deadline as staff imposes in the Reservation Certificate.

With regard to Reservation Certificates, VHFA shall retain authority to revise or retract the Certificate at any time if it is judged infeasible for the developer to meet any of the conditions set forth in the Certificate or if financial information provided by the applicant indicates, in the opinion of VHFA, that a lesser or greater amount of tax credit allocation is needed for project feasibility.

5. FINAL TAX CREDIT ALLOCATION COST CERTIFICATION

VHFA requires final cost certifications for all projects prior to issuance of IRS form 8609 based on the following guidelines:

I. For projects of 10 or fewer units, final cost certifications prepared by the owner (which include back-up documentation of costs) will be accepted.

II. For projects of more than 10 units, the final cost certification must be prepared by an independent CPA. If the CPA certification is not possible prior to the end of the calendar year in which the last building is placed in service, VHFA will issue the IRS form 8609 on the basis of an owner's final cost certification and supporting documentation, but requires the CPA cost certification to be submitted as soon thereafter as possible.

CPA prepared cost certifications are recommended for all projects.

6. RETURN OF PREVIOUSLY ALLOCATED TAX CREDITS

VHFA may re-issue Housing Credits allocated to projects that have not utilized the Housing Credit. Returned Housing Credits will be re-used in accordance with this Allocation Plan.

In the event that the following four conditions are met, the Issuing Authority may accept a return of Housing Credits from a Project and re-allocate an amount of Credits less than or equal to the amount of returned Credits to the same Project without the necessity of holding a competitive round for the Credits:

I. The Project's viability is threatened by extraordinary circumstances (which generally will not include delays in securing state or local approvals) that become apparent so late in a year that it is not feasible to hold a competitive round;

II. With the return and re-allocation, the Project can be placed in service within the maximum time limits allowed by the Internal Revenue Code under the original allocation;

III. The amount of Housing Credits available to the State is not reduced; and

IV. The VHFA Board of Commissioners approves the return and re-allocation.

7. CONTINUANCE OF OWNERSHIP ENTITY

The applicant for Housing Credits must be the entity that will own the development. Historically, in most cases, this has been a limited partnership. The limited partnership need not be legally created when the application is filed, but the identity of all general partners must be disclosed in the application and the application must be submitted by at least one legally existing general partner on behalf of the partnership. VHFA reserves the right throughout the allocation process, up to the issuance of the IRS Form(s) 8609, to approve any changes in the identity of the general partners of the Partnership or such changes to the partnership agreement as VHFA, at its sole discretion, considers material.

8. COMPLIANCE

The Budget Reconciliation Act of 1990 adopted by Congress amended Section 42 of the IRS Code to require that state tax credit agencies provide a procedure for monitoring developments for compliance with the requirements of the law and for notifying the IRS of any non-compliance discovered.

In order to implement this responsibility, all HC recipients will be required to execute and record a HC Housing Subsidy Covenant (the Covenant). The Covenant must be approved by VHFA. The Covenant must be signed by the Owner and returned to VHFA for recording prior to VHFA issuing a Carryover Allocation or IRS Form 8609. The Covenant will, at a minimum, require conditions wherein the developer and the development must continuously comply with Section 42 and other applicable sections of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder and will bind any successors' interest for the specified time period. In the event that a project's funding source requires its own Housing Subsidy Covenant, the provisions of the HC Housing Subsidy Covenant may be incorporated into such Covenant and the requirement of a separate HC Housing Subsidy Covenant may be waived by VHFA. In addition, owners are required to provide VHFA with a copy of the IRS Form 8609, with Part II completed by the Owner, for the first year of the credit period.

I. VHFA is required to monitor compliance with the provisions of Section 42 and to notify the Internal Revenue Service of non-compliance and will charge fees to cover costs related to this monitoring. The fee structure for 2001 is four dollars per housing credit unit per month.

Housing Credit developments are very management intensive and require a thorough understanding of the Section 42 regulations. The owner and/or management agent is required to attend compliance training or document that they have received training prior to lease up.

II. Record Keeping and Record Retention

The owner of a Housing Credit eligible development must keep records for each qualified tax credit eligible building in the project showing:

a. The total number of residential rental units in the building, including square footage;

b. The percentage of residential rental units in the building that are Housing Credit eligible units (square footage fraction or unit fraction);

c. The rent charged on each residential rental unit in the building, including utility allowance;

d. The Housing Credit eligible unit vacancies in the building and the occupancy of the next available units;

e. The income certification of each Housing Credit eligible tenant;

f. Documentation to support each Housing Credit eligible tenant's income certification (for example, a copy of the tenant's federal income tax return, W-2 Forms, or verifications of income from third parties such as employers or state agencies paying unemployment compensation; owners should retain the right in their leases to obtain this documentation at any time, even after tenants have moved into the unit); and

g. The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (*e.g.* tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities or facilities reasonably required by the project).

The owner of a Housing Credit eligible development must retain the records specified in this Section II. for each building in the project for a period of at least 6 years beyond the end of the compliance period for each building.

Annually, the owner must provide a project status report that summarizes the activity of the development. The format of this report is included in the VHFA compliance manual.

III. Certification and Review Procedures

The Agency will utilize a certification procedure as set forth by the IRS under their final monitoring regulations.

a. Certification Procedure

Under the certification procedures, the owner of a Housing Credit eligible development is required to certify to the Agency, under penalty of perjury, at least annually, that:

i. The project meets the requirements of the 20-50 test under Section 42(g)(1)(A) or the 40-60 test under Section 42(g)(1)(B), according to the election made by the sponsor at the time of the allocation;

ii. There has been no change in the applicable fraction of any building in the project or, when there has been a change, a description of the change; and

iii. The owner has received an annual income certification from each Housing Credit eligible tenant and documentation to support that certification or, in the case of a tenant receiving Section 8 housing assistance payments, a statement from the appropriate public housing authority declaring that the tenant's income does not exceed the applicable income limit under section 42(g);

iv. Each Housing Credit eligible unit in the project is rent-restricted under Section 42(g)(2);

v. All units in the project are for use by the general public and are used on a non-transient basis;

vi. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CRF 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgement from a federal court;

vii. Each building in the project is suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;

viii. There has been no change in the eligible basis (as defined in Section 42(d)) of any building in the project or, when there has been a change, a description regarding the nature of the change;

ix. All tenant facilities included in the eligible basis under Section 42(d) of any building in the project (such as swimming pools, other recreational facilities, and parking areas) are provided on a comparable basis without charge to all tenants in the building;

x. If a Housing Credit eligible unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or another available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income.

xi. If the income of tenants of a Housing Credit eligible unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income.

xxi An extended Low Income Housing Tax Credit commitment (Subsidy Covenant) was in effect , including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).

xxii The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

xxiii There has been no change in the ownership of management of the project.

b. Review Procedure

Under the review procedure, the Agency will review at least twenty percent (20%) of tax credit files at least once every three years, starting the first year the credits are claimed.

c. Exception for Certain Buildings

The review procedure outlined above <u>may</u> not apply to the following types of Housing Credit eligible buildings, which are subject to other monitoring programs:

i. Buildings financed by the Rural Development (RD) under its section 515 program; and

ii. Buildings in which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed with the proceeds of obligations the interest on which is exempt from tax under section 103 of the Internal Revenue Code.

d. The certifications required under paragraph a. of this Section III. (Certifications and Review Procedures) must be made at least annually through the end of the 15-year compliance period under Section 42(i)(1) and be under penalty of perjury.

IV. Auditing Procedure

The Agency has the right to perform an audit of any eligible Housing Credit development at least through the end of the compliance period of the buildings in the project. An audit includes a physical inspection of any building or buildings in the project, as well as a review of the records described in Section II. The audit may be performed in addition to any inspection of income certifications and documentation under the review procedure. The regulations requires the Agency to conduct an initial physical inspection by the end of the second calendar year following the year the last building in the project is placed in service. The physical inspection is performed every three years.

V. Notification of Non-compliance

a. If the Agency does not receive the certification described in paragraph a. of Section III. or discovers upon audit, inspection, review, or in some other manner that the project is not in compliance with the provisions of Section 42, the Agency will provide prompt written notice to the owner of the project.

b. The Agency will file Form 8823, Low-Income Housing Credit Agencies Report of Non-compliance, with the Internal Revenue Service no later than 45 days after the end of the correction period described in paragraph c. of this section, whether or not the non-compliance or failure to certify is corrected. The Agency must explain on Form 8823 the nature of the non-compliance or failure to certify and indicate whether the owner has corrected the non-compliance or failure to certify.

c. The correction period shall be a period of up to 90 days from the date of the notice to the owner under paragraph a. of this section and, during that period, the owner must supply any missing certifications and bring the project into compliance with the requirements of Section 42. For good cause shown, the Agency may extend the correction period for up to six months.

VI. Delegation of Authority

The Agency may retain an agent or other private contractor to perform compliance monitoring. VHFA will retain the responsibility to notify the Internal Revenue Service under paragraph b. of Section V. (above).

VII. Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allocated. The Agency's obligation to monitor for compliance does not make the Agency liable for an owner's non-compliance.

9. DISCLAIMERS

VHFA is charged with issuing no more Housing Credits to any given development than are required to make that development economically feasible. This decision shall be made solely at the discretion of VHFA, but VHFA in no way represents or warrants to any sponsor, investor, lender or others that the project is in fact feasible or viable, either before or after the final allocation decision.

VHFA's review of documents submitted in connection with this allocation is for its own purposes. ACCD and VHFA make no representations to the owner or anyone else as to compliance with the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing the HC program.

No member, officer, agent or employee of ACCD, VHFA, or the Joint Committee on Tax Credits shall be personally liable concerning any matters arising out of, or in relation to, the allocation, issuance, or compliance monitoring of the HC.

VHFA may enter into binding commitments to allocate credits from a future year's Housing Credit ceiling. In addition, VHFA is under no obligation to necessarily reserve or allocate any part of Vermont's Housing Credit ceiling.

The Joint Tax Credit Committee (JCTC) may, at its sole discretion, recommend to reserve or allocate credits to a project regardless of its rank or score, provided the JCTC finds that the project serves a positive community development need or the public good. The reasons for such findings will be forwarded to the VHFA Board of Commissioners. A written explanation will be made available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.

The final decision regarding reservations and allocations of credits lies with the VHFA Board of Commissioners. The VHFA Board will consider recommendations of staff, the recommendations of the JCTC, and its own experience and interpretation of the Plan in making the final reservation or allocation decision.

VHFA Board Minutes

Vermont Association of Realtors Building
148 State Street
Montpelier, Vermont
Friday, March 7, 2003 at 9:00 a.m.

Present: Chairperson Randall, Commissioners Mr. Candon (Designee of Crowley), Mr. Seelig, Mr. Hall, Mr. Spaulding, and Ms. Canney (via telephone)

Staff: Ms. Carpenter, Mr. Schoenbeck, Mr. Adams, Ms. Mullikin-Drake, Mr. Falzone, Ms. Crady, Mr. Baker, Mr. Erdelyi, Ms. Lane, Ms. Couture, Ms. Collins

Guests: Mr. Andy Gurley, Mr. Jeff Sula, Mr. Milton Brown (UBS Paine Webber), Mr. Al Hans (Piper Jaffray), Mr. Will Giblin (Vermont State Housing Authority)

Chairperson Randall called the meeting to order at 9:07 a.m.

Mr. Schoenbeck introduced the out of state guests to the Board and provided some background to new Board members on the presentation the representatives from Paine Webber and Piper Jaffray provided at the December Board meeting.

MINUTES

Mr. Seelig made a motion to approve the January 16, 2003 Board of Commissioners' meeting minutes and Mr. Candon seconded the motion. The Board unanimously approved the January 16th minutes.

Mr. Hall made a motion to approve the February 21, 2003 Board of Commissioners' conference call minutes and Mr. Seelig seconded the motion. The Board unanimously approved the February 21st minutes.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

DEVELOPMENT

Mr. Adams presented a request by the Housing Foundation, Inc. for permanent financing to acquire and perform upgrades to Mobile Acres Mobile Home Park, in Braintree. The park is being acquired from Dan Mendl after more than a year of negotiations. Planned improvements to the park include:

- Moving four lots out of the flood plain to a higher area of the park
- Bringing the water system into compliance with the conditions of the State "Permit to Operate, along with the Wellhead Source Protection Plan.
- Upgrades to existing on-site waste water treatment by making repairs to any leach fields that need repair, including consolidating 16 lots into a shared leach field.

Mr. Adams reported that based on discussions with Trudell Engineering and the field engineers who did soil testing from ANR, he feels HFI should have no difficulties obtaining permits from the State for the planned park improvements. He also felt that HFI had done adequate engineering due diligence on the site and that there should not be any major unexpected surprises.

Mr. Adams introduced Mr. Giblin to the Board. Mr. Giblin discussed an upcoming meeting regarding the project with the State on Monday, March 10th. He believes that the park is a critical piece of affordable housing for the area, and HFI is willing to do whatever possible to make sure the permits are approved and the deal happens.

Mr. Candon wants to make sure that the residential mobile home park stands on its own, separate from the RV park, with no commitment to the present owner or any future owners. Discussion followed.

Mr. Hall requested a breakdown of the proposed lot rent and the reduction from $265 per lot per month to $250 per lot per month. Mr. Giblin will email Mr. Hall that information.

Mr. Seelig questioned if financing will involve a 501c3 bond. Mr. Adams clarified that the park median income does not appear to meet the criteria for a 501c3 bond. Mr. Giblin stated that only 57% of the park occupants make less than 80% of median income. Mr. Giblin will confirm that, using newly released HUD income guidelines. Mr. Giblin explained that they are currently negotiating with BankNorth and Chittenden to address other options. If the banks' rates are more competitive, they will opt to finance with the bank versus VHFA but they would like the VHFA commitment as an option. Mr. Giblin explained that there currently is a vacancy rate of almost 14%, however, there is a strong tenant organization that is looking forward to moving forward with this new partnership.

After discussion, Mr. Candon made a motion, which was seconded by Mr. Seelig, to approve the recommendation of staff and the proposed resolution and findings. The motion was passed unanimously.

Tax Credit Allocation Plan

Mr. Erdelyi addressed all of the changes made to the 2003-2004 Allocation Plan that were discussed and approved at the January 27, 2003 Tax Credit Committee public hearing. Once the VHFA Board has reviewed and approved the plan, it will be sent on to Governor Douglas for his review and signature.

Mr. Erdelyi discussed development fees issues, which he feels are designed to compensate developer's for various project risks and acts as a contingency fee to cover unexpected costs. He believes that the relationship between the size of the project and the size of the developer's fee (level of risk) is not linear. The proposed changes to the plan therefore impose a ceiling on the amount of developers fees.

Mr. Candon noted the sizeable additional provisions to the Plan for defining "assisted living" requirements and asked for clarification. It was noted by Mr. Erdelyi that these provisions have been included by reference only in the past - referring to the guidelines issued by the Agency of Human Services. The proposed changes incorporate those guidelines directly into the current plan to eliminate the need for project sponsors to have to refer elsewhere to meet the requirements for assisted living.

Mr. Hall made the motion to approve the redlined Allocation Plan and Mr. Seelig seconded the motion. The Board unanimously approved the redlined Allocation Plan. (Mr. Spaulding was not present for the vote).

Mr. Erdelyi provided a handout to the Board outlining the 2003 Round One letters of intent received. There are ten applicants for Round One with half of these projects requesting a waiver of the market study.

<u>FINANCE</u>

Multifamily Bond Transaction

Mr. Schoenbeck explained that the Multifamily transaction was more challenging than expected due to Fannie Mae backing out of purchasing short-term bonds at the last minute. Fortunately the Agency was able to replace part of the needed financing with Banknorth at the negotiated Fannie Mae price. Ms. Carpenter communicated with Fannie Mae that VHFA was not pleased with this turn of events. She will also be meeting with Fannie Mae next week to further discuss our concerns. VHFA had also planned to sell a $2.5M taxable bond to finance the Highgate rehab project, but was unable to do so. Since Highgate does not need the funds until May or June other financing options will be pursued.

Single Family Bond Transaction – Series 17
Mr. Schoenbeck discussed the current Series 16 financing and stated that there is less than $1M in funds available. At the present time the Agency rate of 5.95%, which is above the conventional mortgage rates; staff is recommending that the rate be lowered to match the conventional rate (5.75%). This would be an interim step using the remaining funds in Series 16 and would continue to pre-reserve mortgage funds until the Series 17 transaction is finalized and a new rate calculated.

Mr. Baker distributed a revision to the series resolution prepared by Kutak Rock.

Mr. Schoenbeck asked Mr. Hans to discuss the Piper Jaffray memorandum included in the Board packet. Discussion followed, focused on the financial risk portion of the Piper Jaffray memorandum.

Mr. Brown was asked to address the two publications from rating agencies included in the Board packet. Mr. Brown explained the swap criteria and clarified for new Board members how variable rate swaps work. Extensive discussion followed with Mr. Hans and Paine Webber representatives answering questions from the Board.

During a discussion of rates Mr. Seelig questioned at what point do we say that the Agency is serving our target audience when conventional rates may be meeting the needs? He also noted that it's important for the Agency to not lose focus of its mission. Ms. Carpenter stated that it's a question of how long are the lower rates going to last and it is important for VHFA to remain in the marketplace and maintain our infrastructure to meet needs in the future. Ms. Carpenter reminded the Board that VHFA offers financing that conventional lenders do not such as cash assistance, flexibility of sources of funds for downpayment/closing costs for customers of the Homeownership Centers, 100% financing, VHFA's HOUSE Program for limited appreciation properties, mobile homes, etc. Also, income generated from the homeownership programs allow VHFA to support the Homeownership Centers and assist the Centers and other nonprofits with marketing funds. To have a viable program VHFA needs to serve a broad audience to balance the risky and non-risky loans.

Mr. Schoenbeck is asking the Board to approve the Twenty-First Supplemental Single-Family Housing Bond Resolution. This resolution contains provisions that allows for the issuance of either fixed or variable rate debt and allows for hedge agreement provisions.

Mr. Seelig made the motion to approve the Twenty-First Supplemental Single-Family Housing Bond Resolution. Mr. Hall seconded the motion with the Board unanimously approving the resolution.

Mr. Schoenbeck explained that a final swap bond policy was not yet ready. The Board would like to see a swap bond policy from Mr. Schoenbeck in the near future. Mr. Schoenbeck committed to provide a policy before the Agency entered into any future swap transactions.

UBS Paine Webber would like to have the hedge agreement language included in Section 501 (page 34) that the Board has authorized staff to enter into the hedge agreements on behalf of the Agency. Mr. Spaulding made the motion to approve adding the hedge agreement language to Section 501 and Mr. Candon seconded the motion. The Board unanimously approved clarification of hedge agreement language in Section 501.

The bonds are planning to price on April 7th starting with retail investors in Vermont and institutional investors on April 8th. We will be hoping to be able to calculate and publish our new rate for the April 5th Homebuyer Fair in Rutland. Discussion followed, with Ms. Carpenter commented that having VHFA's interest rate as the lowest in the fixed rate market, is an important reason why VHFA loans are so attractive.

Mr. Candon made the motion to reduce the Single-Family Program rates with the understanding that it may extend beyond the $1M currently available. Mr. Seelig seconded the motion with the Board unanimously approving the reduction in rates for the Single-Family Program from the current 5.9%, no points rate to 5.75% with no points.

Financial Statements

Mr. Schoenbeck discussed the financial statements (Agency-wide financials through December and the separate General Fund budget report reflecting operating expenses). He explained various benchmark numbers and how they were consistent with expectations.

Mr. Schoenbeck also reported that the capital budget was at 40% of budget through the first half of the year. Ms. Carpenter added that the lack of insulation and water damage experienced in the Agency's tenant office space may result in the Agency exceeding its capital budget for the year. Mr. Schoenbeck stated that if necessary he may come back to the Board in the next month or two with a capital budget amendment.

0% Excess Yield Program Update

Mr. Baker distributed an update on the 0% Excess Yield Program. This update consists of a loan summary sheet, which includes all loans granted out of this pool since its inception, and Dave's report which reflects the commitments made to future loans (earnings are committed up to a year in advance). Mr. Schoenbeck wanted to make sure the Board has a better perspective on the 0% Excess Yield Program.

Discussion followed with Mr. Schoenbeck explaining excess yield history and background. There is a slight variance from the historical report to the commitment report, which will be reconciled prior to the next distribution.

MULTIFAMILY

Mr. Falzone referred to his Multifamily Director's Report that was included in the Board packet. The report is intended to provide the Board with brief overview and update of all major issues (if any) for each project in the VHFA Multifamily portfolio. Various projects of special interest were discussed with no definitive action or approvals requested.

HOMEOWNERSHIP

Ms. Crady summarized Homeownership activities through January 31, 2003. Ms. Crady stated that she believes the Agency is still on track to meet FY2003 production goals of $58.0 million. As discussed previously, Ms. Crady stated that conventional interest rates remain at, or in some cases, below VHFA's zero point interest rate of 5.95%. Reservation activity has been slow over the past several weeks. VHFA's pipeline (loans reserved but not purchased) is approximately $7 million below where we were last year at this time.

Ms. Crady discussed the April 5th Homebuyer Fair in Rutland. She explained that there will be an extensive marketing campaign within the next two weeks to make sure consumers are aware of the event. She also discussed an event sponsored by the Home Builders and Remodelers Association of Northern Vermont being held on April 25th and 26th at the Essex Fairgrounds. VHFA is coordinating seminars for the public throughout that weekend.

Collections

Ms. Crady stated that although the number of delinquent loans is lower than last year at this time, the percent of delinquent loans is higher due to a reduction in the overall size of the portfolio. Seven borrowers were reinstated from foreclosure during the month of February and Homeownership continues to work aggressively with its servicing lenders to explore all options before a foreclosure is necessary.

The REO inventory report was discussed. Ms. Crady clarified that none of the mobile homes listed are in parks and two of properties listed as mobile homes are actually modular homes (Waterville & Williamstown). Ms. Crady reported that she will be working with Maura Collins, the Agency's Research Analyst, to update and review performance of mobile home loans in the Agency's portfolio. We anticipate work on this to begin in April or May.

ADMINISTRATION

Ms. Carpenter discussed her Executive Director's report and a few legislative updates. A written legislative report but will be available at the March 26th Board meeting. Ms. Carpenter will also provide an update on the March 10 – 12 NCSHA meeting at the March 26th meeting as well.

Winooski

Ms. Carpenter and Mr. Hall provided a brief update on the Winooski project. She explained that the project leaders are in the process of interviewing, with assistance from Pizzagalli Construction, for a development partner. Discussion followed with some of the focus on VSAC and what their timeline is to build a new building.

Mr. Candon made the motion to adjourn the Board of Commissioners meeting. Mr. Seelig seconded the motion with the Board unanimously approving. The Board meeting was adjourned at 12:21 p.m.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Annual Meeting

DATE: March 19, 2003

As required by the Agency's bylaws, this meeting will be considered the Agency's annual meeting. Each year the Board adopts a resolution in the form attached to accomplish the following:

1. Elect a Vice Chairperson;
2. Confirm Roger as the Treasurer;
3. Ratify the actions of the Agency's officers over the prior year;
4. Make any necessary changes to the Agency's organizational documents;
5. Confirm that authorizations done at prior years' annual meetings remain in full force and effect; and
6. Make any new authorizations.

The attached resolution outlines the necessary actions to be taken at this year's annual meeting. Because the Agency's board meeting schedule has not followed the "third Thursday" requirement of the Bylaws over the last two years. It is recommended that the Bylaws be amended to reflect the minimum requirements of the Agency's statutory mandate at 10 V.S.A. §611(c).

I have also attached a copy of the current Bylaws for your information.

Recommended Board Action: To adopt the attached resolution

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

RESOLUTIONS ADOPTED AT THE ANNUAL MEETING OF VERMONT HOUSING FINANCE AGENCY, MARCH 26, 2003

RESOLVED, _________ ________ is hereby elected to serve as Vice Chairman of the Agency until ___ successor is elected and qualified.

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

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

RESOLVED, that the Bylaws of the Agency are hereby amended in the first sentence of Article III Section 3.2 to read as follows:

> Section 3.2. Regular and Special Meetings. Regular Meetings of the Agency shall be held at the call of the Chairman or when two commissioners so request.

RESOLVED, all actions taken in the resolution entitled "Resolutions Adopted at the Annual Meeting of the Vermont Housing Finance Agency, March 28, 2002" not inconsistent with the resolutions contained herein are deemed to be ratified and will continue in force until changed by affirmative action of the Board of Commissioners.

VERMONT HOUSING FINANCE AGENCY

BYLAWS

ARTICLE I - THE AGENCY

Section 1.1. Description. The Vermont Housing Finance Agency (the "Agency") is a public instrumentality of the State of Vermont, created as a body politic and corporate with such duties and powers as are set forth in the Vermont Housing Finance Agency Act, as amended from time to time (the "Act").

Section 1.2. Membership. The powers of the Agency shall be vested in seven Commissioners (hereinafter referred to as the "Commissioners"), who shall be selected and shall hold office as provided in the Act.

Section 1.3. Offices. The principal office and corporate office of the Agency shall be located in a community at the discretion of the Commissioners within the State of Vermont. The Agency may also have such other offices at such places within the State of Vermont as the Commissioners may from time to time designate by Resolution.

Section 1.4. Seal. The official seal of the Agency shall be in the form of two concentric circles between which shall be inscribed the words "Vermont Housing Finance Agency." Such seal may also include such other insignia as may be approved or ratified by Resolution of the Commissioners; and it is further resolved that the form of the official seal as it has heretofore appeared on authorized instruments evidencing obligations of the Agency, or any other authorized documents of the Agency, is hereby ratified and approved, and the Secretary is directed to cause an impression of said seal to be made upon the official minutes of the meeting at which this Resolution is adopted.

Section.1.5. Fiscal Year. The fiscal year of the Agency shall begin on the first day of July in each calendar year and shall end at the close of business on the thirtieth day of June in the following calendar year.

ARTICLE II OFFICERS

Section 2.1. Officers. The Officers of the Agency shall be a Chairman, a Vice Chairman, an Executive Director employed by the Commissioners who also shall serve as Secretary and who may serve as Treasurer, a Deputy Director employed by the Executive Director with the consent of the Commissioners, and such other officers as may be determined annually by the Commissioners.

Section 2.2. Chairman. The Chairman shall preside at all Meetings of the Agency and shall have such other powers and duties pertaining to the office of Chairman as are prescribed by law or in these Bylaws.

Section 2.3. Vice-Chairman. The Vice-Chairman shall perform the duties of the Chairman in the absence or incapacity of the Chairman; and in case of the resignation or death of the Chairman, the Vice-Chairman shall perform the duties of the Chairman until such time as a new Chairman shall be designated in accordance with the Act.

Section 2.4. Treasurer. The Treasurer of the Agency shall have the responsibility for the receipt, collection and deposit of all funds of the Agency, the investment of same as authorized by the Act or by Resolution of the Commissioners, the maintenance of bank accounts of the Agency in such depository banks as may be designated from time to time by Resolution of the Commissioners and the maintenance of books of account of the Agency. Checks, drafts and other withdrawals and expenditures of funds of the Agency shall be executed on behalf of the Agency in such manner as shall be designated from time to time by Resolution of the Commissioners.

Section 2.5. Executive Director and Secretary.

2.5.1. The Executive Director shall be the chief executive officer of the Agency and, subject to the policies, control and direction of the Commissioners, the Executive Director shall have general responsibility for the administration, management and direction of the affairs and business of the Agency, including the initiation, planning and carrying out of the projects, programs and other activities of the Agency pursuant to the Act. The Executive Director shall have such other powers and duties pertaining to his office as are prescribed by law or in these Bylaws or as may be assigned to him from time to time by the Commissioners. Except as otherwise provided by law or by Resolution of the Agency, the Executive Director shall be empowered to execute all authorized documents on behalf of the Agency.

2.5.2. As is provided in the Act, the Executive Director also shall serve as Secretary of the Agency and, as such, shall act as Secretary at the Meetings of the Agency and record all votes, shall maintain the Minute Books of proceedings of the Agency and all other books, documents, records and papers of the Agency, shall maintain custody of the official seal of the Agency and shall have such other powers and duties pertaining to the office of Secretary as are prescribed by law or in these Bylaws.

Section 2.6. Deputy Director. The Deputy Director shall perform the duties of the Executive Director in the absence or incapacity of the Executive Director; and, in the case of the resignation or death of the Executive Director, the Deputy Director shall perform the duties of the Executive Director until such time as a new Executive Director shall be employed by the Commissioners; and, the Deputy Director shall perform such other duties as from time to time may be assigned to him by the Executive Director or by the Commissioners.

Section 2.7. Additional Duties.

2.7.1. The Executive Director in his capacity as Secretary, and such other officers of the Agency designated by the Commissioners, shall have the authority to cause to be made copies of all minutes and other records and documents of the Agency and to give certificates under the seal of the Agency to the effect that the copies are true copies and all persons dealing with the Agency may rely upon those certificates.

2.7.2. The officers of the Agency shall perform such other duties and functions as may from time to time be required or delegated by Resolution of the Commissioners or these Bylaws or the Rules and Regulations of the Agency.

Section 2.8. Election or Appointment. The Governor of the State of Vermont, in accordance with the Act, shall designate annually a chairman of the Agency from among the Commissioners. The Vice-Chairman and the Treasurer shall be elected at the Annual Meeting, and shall hold office until the next Annual Meeting or until their successors are duly elected and qualified.

The Executive Director and other officers employed by the Commissioners shall hold office at their pleasure.

Section 2.9. Vacancies. Any vacancies in the membership of the Agency shall be filled in accordance with the provisions of the Act.

Section 2.10. Additional Personnel. The Agency from time to time may employ such other officers, employees and agents as the Commissioners deem necessary for the Agency's exercise of its powers, duties and functions as prescribed by law. The selection and compensation of the Executive Director shall be determined by the Commissioners. The selection and compensation of other personnel of the Agency shall be as determined by the Executive Director with the approval of the Commissioners.

Section 2.11. Absence of Chairman and Vice-Chairman. Whenever the Chairman and Vice-Chairman are unable to attend a Meeting of the Agency, the Commissioners present at such Meeting shall designate a temporary Chairman from among the Commissioners present, who shall preside at such meeting.

ARTICLE III - MEETINGS

Section 3.1. Annual Meeting. The Annual Meeting of the Commissioners shall be held during the month of March of each year, or on such earlier or later date in each calendar year as the Chairman shall designate. The Annual Meeting shall be held at the principal office of the Agency or at such other place within Vermont as shall be designated in Notice of Meeting.

Section 3.2. Regular and Special Meetings. Regular Meetings of the Agency shall be held on the last Thursday of each month. In the event the date of any such Meeting shall fall on a legal holiday, the Meeting shall be held on the next succeeding business day. The Chairman when he deems it expedient, may, upon the request of two Commissioners of the Agency, shall, call a Special Meeting of the Commissioners. All Regular and Special Meetings of the Commissioners shall be held at the principal office of the Agency or at such other place within Vermont as shall be designated in the Notice of Meeting. However, the Commissioners may participate in a Meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the Meeting can hear each other, and participation in a Meeting in such manner shall constitute presence in person at such Meetings.

Section 3.3. Notice of Meetings. Notice of the time and place of each Meeting of the Commissioners shall be given by the Executive Director to each Commissioner by Mail at least five calendar days before such Meeting or personally, or by telegram or cable, at least forty-eight hours before such Meeting. Except as otherwise provided in Article IV, relating to the amendment of these Bylaws, such Notice need not specify the matters to be considered at the Meeting. Notices by mail shall be deemed to have been given when mailed to each Commissioner at his address appearing on the records of the Agency, and Notices by telegram or cable shall be deemed to have been given when presented for transmission to an office of the telegraph or cable company, addressed as in the case of Notice by mail.

Section 3.4. Waiver of Notice. A waiver of notice of any Agency Meeting in writing signed by a Commissioner, whether before or after a Meeting, shall be equivalent to the giving of Notice of such Meeting. A Commissioner who attends a Meeting shall be deemed to have had timely and proper Notice of the Meeting, unless he attends for the express purpose of objecting to the transaction of any business because the Meeting is not lawfully called or convened. Notice of an adjourned Meeting need not be given to any Commissioner present at the time of adjournment.

Section 3.5. Quorum and Voting. Four Commissioners shall constitute a quorum for the transaction of any business or the exercise of any power or function of the Agency. Any act taken by vote of a majority but not less than three of the Commissioners present at any Meeting at which a quorum is present shall be the act of the Agency. No vacancy in the membership of the Agency shall impair the right of a quorum to exercise all the rights and perform all the duties of the Agency. A majority of the Commissioners present at any Meeting, whether or not constituting a quorum, may adjourn the Meeting to another time and place.

Section 3.6. Manner of Voting. The yeas and nays of every vote by the Commissioners shall be entered upon the Minutes of such Meeting. Voting on all questions shall be by voice vote, unless a Commissioner requests a written ballot.

Section 3.7. Resolutions and Effective Date. All Resolutions shall be in writing and shall be contained in the Minute Book of the Agency, which shall be maintained by the Executive Director. Resolutions shall become effective on the day of passage, upon adjournment of the Meeting, unless otherwise stated in the Resolution. Resolutions of the Agency shall be made available to the public by the Executive Director.

ARTICLE IV - BYLAWS

Section 4.1. Amendments. These Bylaws may be amended, supplemented or repealed by majority vote of the Commissioners then in office at any Meeting of the Agency, provided that notice of the proposed amendment, supplement or repeal (a) shall have been included in the Notice of such Meeting, or (b) shall have been waived by all of the Commissioners.

ARTICLE V - INDEMNIFICATION OF COMMISSIONERS AND OFFICERS

Section 5.1. In addition to any other indemnity authorized or required by law, the Agency shall indemnify any commissioner or officer or former commissioner or officer of the Agency against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such commissioner or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of duty to the Agency.

Section: 5.2. The Agency shall indemnify any person who may have served at its request as a director or officer of a corporation in which the Agency owns shares of capital stock or of which it is a creditor against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or havinq been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of duty to such corporation.

As amended by the Board of Commissioners on November 7, 1974, June 23, 1976, December 22, 1977, January 23, 1986 and March 22, 2001.

vhfa
Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Association of Realtors Building
148 State Street
Montpelier, Vermont
Wednesday, March 26, 2003 at 9:00 a.m.

Present: Chairperson Randall, Mr. Beaulieu, Mr. Hall, Mr. Candon (Designee for Crowley), Mr. Spaulding, Mr. Seelig, Ms. Canney

Staff: Ms. Carpenter, Mr. Adams, Ms. Crady, Ms. Loller, Mr. Fairbanks, Ms. Mullikin Drake, Ms. Reid, Mr. Baker, Ms. Greenough, Ms. Collins

Chairperson Randall called the meeting to order at 9:10 a.m.

Chairperson Randall noted new Board member, Paul Beaulieu, and asked the group to introduce themselves.

MINUTES:

Mr. Candon made a motion to approve the March 7, 2003 Board of Commissioners' meeting minutes with Mr. Hall seconding the motion. The Board unanimously approved the March 7th minutes (Mr. Beaulieu abstained).

ANNUAL MEETING:

Chairperson Randall asked Mr. Seelig if he was interested in retaining the position of Vice Chair for the Board and Mr. Seelig stated that he would be honored to stay on as Vice Chair. Mr. Schoenbeck would continue as the Treasurer for the Board. The Board approved this unanimously.

Ms. Mullikin Drake reviewed the memorandum, Resolution and Bylaws, which were included in the Board packet. As required by the Agency's Bylaws, the Annual Meeting occurs in the month of March and today's meeting is being considered the Annual Meeting. Ms. Mullikin Drake recommends that the language be amended to allow for more flexibility in planning future Annual Meetings.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

There have been no changes to check signing authorization and safe deposit vault access. The Board is being asked to ratify these current delegations.

Mr. Candon asked for clarification on the position of Deputy Director. In the mid-1990s Mr. Hunt, former Executive Director, created this position. At Ms. Carpenter's discretion, and in her absence or if she is incapacitated for any reason, she can appoint a Deputy Director.

Mr. Spaulding asked Ms. Mullikin Drake if he was being asked to ratify the actions of the Agency's officers over the prior year, even though he has only recently been appointed to the Board. Ms. Mullikin Drake stated it was common practice to have this type of language in Bylaws.

Mr. Hall made the motion to accept the resolution of the Annual Meeting with Mr. Beaulieu seconding the motion. The Board unanimously approved the Annual Meeting resolution.

FINANCE

Single Family Financing - Series 17 Update

In Mr. Schoenbeck's absence, Mr. Baker reviewed the memorandum provided in the Board packet. As discussed at the March 7th Board Meeting, the Agency was looking to have Dexia Bank provide the financing for the swap feature of the upcoming bond transaction. Unfortunately, Dexia Bank came in higher than expected, so we are currently working with the Federal Home Loan Bank of Boston to provide financing at a lower cost. There was consensus to proceed with the bond issue as outlined in Mr. Schoenbeck's memo.

DEVELOPMENT

Ventures Pre-Development Loan Program:

Ms. Reid explained that the Ventures Pre-Development Loan Program is mainly for multi-family development projects and has a high success rate as the default rate is less than 2% (8 discharges occurred in 15 years).

We are proposing a policy exception to this program – the ability to lend up to $75,000 to a project regardless of its size on a case-by-case basis – upon the approval of the Loan Review Committee. Existing loan limits are based on the size of a project and occasionally projects need more funding due to various factors. Ms. Reid clarified that generally repayments to the Ventures fund have allowed us to keep up with requests. Mr. Candon asked what the terms of these loans were to which Ms. Reid replied that the project has up to 3 years to repay the loan at an interest rate of 3%. Mr. Adams said that the loans generally are paid off once construction has begun. Discussion followed.

Mr. Candon made the motion to approve the resolution to amend the loan limit exception provisions of the Ventures Loan Program. Ms. Canney seconded the motion with the Board unanimously approving the resolution.

Mr. Adams informed the Board that Development is likely to come back to the Board with a "Ventures-type" request for developers of single-family homes. There is a draft of this program being worked on with the Loan Committee that will hopefully be presented at the next Board meeting.

HOMEOWNERSHIP

Summary of Activities

Ms. Crady reviewed loan activities through February 28, 2003. Ms. Crady stated that activity has picked up, with reservations last week at $1M. On the collections side, more borrowers are getting back on track with tax refunds. Ms. Crady stated that the number of delinquent loans is comparable to last year at this time; the percent of delinquent loans is higher due to a reduction in the overall size of the portfolio. She stated that foreclosures are likely to stay steady but not increase over last year's levels. There were two loans referred in February that were referred back to the lender to continue to explore options before a foreclosure becomes necessary.

Ms. Crady does not see the need to propose a rate reduction at this time, although staff will continue to monitor conventional rates and will let the Board know if we feel there is a need to change before the next bond issue.

Recommendations for New Income and Purchase Price Limits

Ms. Crady and Ms. Collins distributed information detailing HUD's Family Median Income information. MRB regulations require the Agency to use this information to establish income limits for the homeownership programs. The median incomes represent substantial increases over estimates released in 2002. HUD stated that 2002 estimates were based on 1990 census information and 2003 estimates were based on 2000 census information. Information released by HUD is based on a family of 4, with adjustments for varying family size. The Agency has raised income limits on an annual basis to reflect increases in median income.

Ms. Carpenter stated that the goals for the Agency are to increase market share particularly in under served areas, broaden our portfolio, maximize consistency across the state, as well as make sure that median incomes are balanced with approved purchase prices. Discussion followed.

Mr. Candon asked if we are still servicing the same level of individuals today as we were 5 to 10 years ago. Ms. Crady replied that we have not seen a dramatic increase in average loan amounts and average purchase price amounts versus incomes. Our average borrower is still at about 80% of median income. Mr. Seelig stated that he feels uncomfortable with raising the maximum purchase price limits to $220,000 on a new home. Ms. Carpenter said that she is not seeing a lot of new homes being built under $200,000. Ms. Canney believes that VHFA is the only program that offers new construction for less than 20% down. Mr. Adams indicated that loans on newly constructed dwellings represent a small portion of the Agency's current business. Run-off in our portfolio from pre-payments is a concern, both in terms of volume and credit quality of the remaining loans. Staff believe that adding new production at current low rates which will have a longer duration and adding loans secured by newly constructed houses is important and would help to insure we maintain the overall quality of the portfolio.

Mr. Candon motioned to approve Tables 1, 2, and 3 which outlines Current & Proposed Income Limits (Table 1), Maximum Purchase Price Limits for Existing and New Homes (Table 2), and Maximum Purchase Price Limits on Two Family Homes (Table 3). Ms. Canney seconded the motion with the Board unanimously approving the proposed new income limits and purchase price limits.

Mr. Seelig requested a regular review of where our loans are going. Ms. Crady stated that market share information, reviewing dollar volume and loan volume, would be provided at the next meeting. In addition, Ms. Crady and Ms. Collins will work together to provide a summary of whom VHFA has served over the past several years. Ms. Crady also indicated that she would work with Ms. Collins to determine the overall percentage of VHFA's portfolio that is secured by mobile homes and the delinquency and loss rates on mobile homes.

Ms. Carpenter advised the Board that staff is likely to bring an additional modified mobile home program forward. This is a higher risk loan for us so we need to decide how much we want to put out on that kind of program.

Ms. Collins announced that the new "housingdata.org" website is being premiered next Tuesday. This allows for a search by town and county as well as statewide. This site is being combined with an updated version of the Directory of Affordable Housing. VHFA is looking to become the housing data resource leader. Ms. Canney suggested that staff plan a presentation of the new Housing Data website for the Vermont Realtors Board. Ms. Carpenter congratulated the staff on all of their work on this effort.

EXECUTIVE DIRECTOR'S REPORT

Ms. Carpenter briefly reviewed the Highgate project. The Agency and the other funders are looking to have the Highgate Board consider restructuring – adding community members to the Board – in order to achieve a more equal split of residents to community members. A consultant has been obtained to assist them and staff of the state housing agencies will be continuing to work with them on governance and management issues.

The March 13th affordable housing meeting in Stowe, sponsored by the Chittenden Bank, was well attended and very interesting. Mr. Jack Lewis, Director of Employee Housing Development at Vail Resorts, discussed ski area expansion and housing issues.

The Designing for the Ages conference is being held March 27th and 28th at the Sheraton. Ms. Carpenter will provide the Board with a report at the April 17th meeting.

Legislative Reports

Ms. Carpenter reviewed the legislative memorandums included in the Board packets and provided the Board with updates.

Regarding the federal housing issues, we are very concerned about the affect of the proposed dividend tax cut provisions on the low income housing tax credit. According to NCHSA and a study by Ernst and Young this could have a devastating affect on the pricing of the credit. It appears that the Senate has limited President Bush's tax package from $726B to $350B. This cut back to $350B would not have any room for dividend tax relief; however, this is a moving number and something we need to watch. We are also concerned about how these tax proposals will affect the value of tax-exempt bonds.

Regarding the state housing legislation, most of the focus has been on Act 60. Ms. Carpenter stated that we hope our bill for a technical change to the State Tax Credit Program, H.331, will be in the miscellaneous tax bill. Chapter 117 revisions relating to local planning and zoning have gone to the House. This bill has had a tremendous amount of study and we are hoping it can pass as proposed. As stated in the memorandum, there are three pending bills for Act 250 reform. H.175 is the Governor's bill and seems to have the most support.

Ms. Carpenter and others are unclear why Senator Bloomer has re-introduced his predatory lending bill. This will most likely not make it out of Committee; however, VHFA is interested in working with others to provide preventative predatory lending education.

Ms. Carpenter discussed the lack of a strong consistent credit-counseling program in Vermont. Ms. Carpenter and Ms. Crady stated that homeownership centers are great, but they do not have the capacity and their focus is primarily on homeownership purchase counseling. Mr. Candon mentioned that there are a number of counseling services that are not truly non-profit or true consumer focused services.

Ms. Crady and Ms. Carpenter discussed that several legislators are still very interested in recommendations to make mobile home lending equivalent to real estate lending as opposed to personal property. Mr. Candon stated that his staff as well as legal counsel from DHCA would be discussing this. Ms. Drake will also be included.

Tax Credits

Mr. Adams provided a handout of the tax credit applications submitted.

Staff reviewed the request presented by Winooski. The Winooski CDC is working with Hall Keen, a developer out of Boston, to become the lead developer at least on the rental properties portion of this project. There appears to be a gap in financing. The immediate issue is that our Tax Credit Allocation Plan states that no more than 30% of available ceiling credits will be allocated to a project; we have not had a project come in over that amount until this request by Winooski. Our intent would be to tell Winooski that they exceed the 30% criteria and encourage them to come back at a later round after we have had discussion on how to consider such a large request. Discussion followed. It was the consensus of the Board that at this time they would stick to the 30% limit in the Allocation Plan.

It was suggested that a meeting of the Tax Credit Committee and the VHFA Board might be in order between the May and September tax credit rounds to discuss how to work with large projects – a number of these are getting into the $400,000 and $500,000 rounds of credits. As requests increase there are a number of issues related to forward committing.

The Allocation Plan speaks to splitting the rounds with 2003 having 3 rounds. Because of our plan to forward allocate, we get into a mathematical problem. Mr. Adams states that the issue is $2,030,000 to be allocated this year since we forward allocated $792,000 last year. There is $1,237,000 remaining. If we allocate two-thirds of what is available now, that equals $825,000 available this round. Mr. Adams recommends staying with two-thirds of remaining credit ($825,000) to which Mr. Seelig agreed. This would leave $412,000 for the second round of tax credits.

Miscellaneous

Chairperson Randall discussed the HR Committee and Finance Committee. Mr. Candon will continue to head the HR Committee, along with Ms. Canney and Mr.

Beaulieu. Mr. Seelig will continue to Chair the Finance Committee joined by Mr. Hall and Mr. Spaulding. Chairperson Randall stated that the Finance Committee should be meeting with Mr. Schoenbeck to preview the budget prior to bringing it to the Board for approval. Any Board member is welcome to sit in on the committee meetings.

Ms. Carpenter mentioned that Claira Monier, Executive Director of the New Hampshire Housing Finance Agency, asked if there was any interest by the Board for a joint VT/NH board meeting. Interest was expressed and staff will work with NH to identify a date and agenda items.

Ms. Carpenter discussed scheduling a Board orientation to coincide with the June 12th Board meeting. Bond counsel and the Agency's financial advisor would explain how an HFA is structured. She inquired if the Board would be available to meet from 9:00 a.m. to 3:00 p.m.

Mr. Adams discussed a property that the Burlington Community Land Trust is looking to purchase from Dan O'Brien for VHFA's Homeownership Demonstration Project. This is a fully permitted site with infrastructure. It appears to be a good property and Mr. Adams believes it could move quickly. The loan request might be to purchase the land now at a price between $1.7 and $1.9M. We expect BCLT to ask the Agency to finance pre-development and acquisition cost, and that BCLT will need a low rate with flexible repayment terms. This will most likely be a general fund loan, which may be in participation with another lending institution. This site is a fully permitted three-lot subdivision. HDI wants to purchase the other developable portion of the site for higher end homeownership. The third lot is a small wetland, which will remain undeveloped. BCLT is looking to build flat style condos (60 units) and will probably also look to us for Ventures financing.

Mr. Seelig informed the Board that the Home Loan Bank is preparing a symposium in June to discuss the high cost of construction and he will ensure that everyone receives an invitation.

Ms. Canney made the motion to adjourn the Board of Commissioners meeting. Mr. Beaulieu seconded the motion with the Board unanimously approving. The Board meeting was adjourned at 12:12 p.m.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER RAS

DATE: APRIL 11, 2003

RE: SINGLE FAMILY SERIES 17 POST-SALE SUMMARY

Please find enclosed the summary prepared by U.S. Bancorp Piper Jaffray for the bond financing that was sold on April 10, 2003. The closing is scheduled for April 22nd and 23rd. As you will read, this is the first transaction incorporating the swap structure we have been discussing for the last several months. This structure feature did reduce our cost of bonds by 35 basis points compared to a "standard transaction". Although, this financing was a lot of additional work (especially on Elizabeth's part), we think that the outcome justifies the effort.

We will be planning on recommending Series 17 program mortgage rates at the Board meeting.

If you have any questions regarding the summary enclosed, feel free to contact me at your earliest convenience.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**
EQUAL HOUSING OPPORTUNITY

usbancorp
Piper Jaffray®

800 Nicollet Mall, Suite 800
Minneapolis, MN 55402-7020

612 303-6000

MEMORANDUM

DATE: April 10, 2003

TO: Vermont Housing Finance Agency

FROM: U.S. Bancorp Piper Jaffray

RE: Post-Sale Report
$27,715,000 Single Family Housing Bonds, Series 17A (AMT)
$4,285,000 Single Family Housing Notes, Series 17B (Non-AMT)

Introduction

On March 7, 2003 the Agency adopted a Resolution for the sale of its Single Family Housing Bonds Series 17A and Series 17B. The results of sale are described below. Proceeds from the Series 17A and Series 17B Bonds will be disbursed to fund qualified mortgage loans, the debt service reserve fund, the loan loss claim fund, and to pay for the cost of issuance. The sources and uses of funds for this issue are shown below.

Principal Amount of Bonds	$32,000,000
Premium on Bonds for Downpayment Assistance	270,000
Agency Contribution	640,000
Total Sources of Funds	$32,910,000
Program Account for Mortgage Loans	$30,000,000
Program Account for Downpayment Assistance	270,000
Debt Service Reserve Fund	984,887
Loan Loss Claim Fund	555,828
Revenue Account	679,225
Cost of Issuance	175,000
Underwriter's Discount	245,060
Total Uses of Funds	$32,910,000

Structure

Series 17 is substantially different than recent Agency issues. Agency staff, UBS PaineWebber Inc., and U.S. Bancorp Piper Jaffray evaluated several structures for this issue. The structures considered included a fixed rate bond issue and several structures incorporating variable rate bonds with an interest rate swap.

In order to familiarize the Board with interest rate swaps, the financing team presented and compared fixed rate and swap structures at both the December and March Board meetings. The Agency's objectives with Series 17 were to increase the amount of spread between the Agency's loan rate and market rates, and to decrease the amount of negative arbitrage from investments in the program account. The final structure incorporates variable rate bonds and an interest rate swap. Several important features of the structure are as follows:

- The final structure included $8,000,000 in variable rate demand bonds ("VRD"); this constitutes 25% of the issue. The Agency will pay a variable interest rate on these bonds which will be determined on a weekly basis. In order to reduce variable interest rate exposure created by the VRDs, the Agency hedged its VRD payments by entering into an interest rate swap agreement with UBS AG. The swap works in the following manner. In addition to the rate the Agency will pay on its variable rate bonds, it will also make a fixed rate payment of 3.182% to UBS AG. In exchange for this fixed payment, UBS AG will pay the Agency a variable rate payment that is expected to be equivalent to the average variable rate the Agency will pay to VRD bond holders. The payments from UBS AG will be based on the Bond Market Association (BMA) rate plus 10bps for the first year and will be based on 70% of LIBOR (London Inter-Bank Offered Rate) thereafter. All swap payments will be base on the notional amount of the swap which will be equal to the outstanding amount of variable rate bonds provided the Agency receives prepayments between 30% to 300% PSA. As a result of the use of VRDs and the swap, the Agency's cost of funds is expected to be 35 basis points less than a fixed rate bond issue.

- Because the Agency was issuing VRDs it was necessary to enter into an agreement with a liquidity provider . The initial bid provided by Dexia was 47bps for a ten year commitment, a rate which was not very attractive. In response to the Dexia bid, UBS PaineWebber provided Roger Schoenbeck a contact at the Federal Home Loan Bank of Boston to see if the Bank would be willing to act as a liquidity provider. Roger was able to negotiate a fee of 10bps for a five year commitment which resulted in significant savings.

- As with other recent Agency issues, Series 17 incorporates a premium Planned Amortization Class (PAC) bond. Based on the $6,000,000 par amount, the 4.5% premium paid by the PAC bond purchaser will generate $270,000. This is the amount the Agency needed to provide down payment assistance money for $9,000,000 of assisted loans.

- The issue incorporates $4,285,000 of Non-AMT bonds.

Underwriter's Discount

By selling VRDs as opposed to fixed rate bonds, the Agency was able to take advantage of lower marketing/takedown costs for the VRD bonds. The savings of $41,600 resulted in an underwriter's discount of $245,060 ($7.66/bond) that is lower than previous Agency bond issues of similar size.

Investments

The proceeds of the Series 17 Bonds will be invested in a guaranteed investment contract provided by AEGON and in a U.S. Treasury security. AEGON, rated Aaa/AAA with an Ambac guarantee, is providing a 1.20% rate on the loan acquisition fund and a 3.70% rate on the float fund. The Agency will transfer $1,550,000 to Series 17 from its Series 1989B bond issue so that a 7.5% November 2016 U.S.

Treasury Bond yielding 7.80% can be transferred from that issue to fund the Series 17 debt service reserve and loan loss claim funds. The additional yield will benefit the Agency by reducing the negative arbitrage in the loan acquisition fund.

Mortgages

Funds available for mortgage loans totals $30,000,000. This consists of $17,00,000 available for the regular program, $9,000,000 available for the downpayment assistance program, and $4,000,000 available for the step rate program at the rates shown in the table below. These rates <u>do not</u> include the usual 25 basis points the Agency incorporates for projected loan losses which is permitted to be included in the loan rate. At the rates indicated below, the Agency will be taking a spread of 1.109% which is only 0.016% below the maximum allowable spread of 1.125%. Taking full spread produces desirable financial results, however the Agency does has the flexibility to use lower loan rates if necessary.

Loan Type	Origination Fee and Discount Points	Mortgage Loan Rate
Fixed Rate	0	5.75%
DPA Rate	0 (3 pts. to buyer for downpayment)	6.20%
Step Rate (4rd year)	0	5.00%/6.00%
Step Rate (annually)	0	4.50%/5.00%/5.50%/6.00%

Comparable Sales

The pricing of the Agency's issue included a one-day retail order period on April 7th and an institutional order period on April 8th. Due to a large amount of recent municipal bonds sales in the State of Vermont, the retail order period resulted in a lower than normal amount of orders of $4.0 million. For comparison, there were $16.7 million in orders for Series 16, $11.0 million for Series 15, and $9.5 million for Series 14. On the institutional side, Fannie Mae was the major buyer of the term bonds.

The Agency's serial bonds (2005 to 2015) and PAC Bonds (2033) were generally priced at lower rates than other state housing agencies. The Agency's other fixed rate term bonds were generally priced at higher rates than other state housing agencies. This is a result of a weaker municipal bond market on Monday and Tuesday and Fannie Mae being the only interested buyer. The Agency received an excellent fixed rate of 3.182% on its swap for the VRDs; the initial pricing of the VRDs will occur on April 21. The VRDs and the swap reduces the Agency's reliance on Fannie Mae.

Conclusions

The Agency's interest rates and underwriter's discount are at appropriate levels compared to other housing issues in the market this week and last week. Overall the Agency achieved a good rate for this issue. Please see the attached sheet for a comparison of the rates received by other issuers over the last two weeks as well as a comparison of the 30 Year Treasury and the 10 and 30 year municipal bond rates (as provided by Municipal Market Data "MMD") on the day of each sale.

The Agency achieved its objective of reducing negative arbitrage on the acquisition funds by issuing variable rate bonds, entering into an interest rate swap, and by transferring a U.S. Treasury bond for its reserve and loan loss claim funds. The Agency was able to obtain a historical low cost of funds of 4.51% by using a VRD/swap financing structure.

Vermont Housing Finance Agency, Single Family Housing Bonds, Series 17 A and B
Tax-Exempt Comarable Sales - Week of March 31, 2003

Size	$32,000,000		$25,370,000		$24,730,000	$78,795,000	$50,000,000	
Issuer Bond Type Ratings Underwriter Pricing Date	**Vermont** **Single Family** **AAA/Aaa (FSA)** **UBS PaineWebber** **4/8/03**		Maine Single Family Aa1/AA+ Bear Sterns 4/3/03		Maryland Multi-Family Aa2 Ferris Baker Watts 4/3/03	Missouri Single Family AAA (GN/FN) George K Baum 4/3/03	South Dakota Single Family Aa1/AAA Merrill Lynch 4/1/03	
Year	**AMT Yield**	**Non-AMT Yield**	AMT Yield	Non-AMT Yield	AMT Yield	AMT Yield	AMT Yield	Non-AMT Yield
2004						1.30		1.25
2005	1.85%		1.90			1.70		1.60
2006	2.20%		2.30			2.05		2.00
2007	2.70%		2.75			2.50		2.40
2008	2.95%		3.15		3.00	2.90		2.80
2009	3.25%		3.45		3.35	3.30		3.15
2010	3.55%		3.75		3.60	3.70		3.45
2011	3.90%		4.00		3.85	4.00		3.70
2012	4.00%		4.15		4.00	4.15		3.85
2013	4.15%			3.90	4.10	4.30		4.00
2014	4.25%			4.05	4.20	4.40		4.15
2015	4.40%				4.30	4.50		4.25
2016						4.60		4.35
2017						4.70		
2018								
2019								
2020			3.65 PAC					
2021			4.9 Yr					
2022	5.00%		85-500%		4.95			
2023		4.90%					4.95	4.75
2024								
2025				4.85		4.90		
2026			5.00					
2027	5.05%							
2028	5.05%				5.05			
2029								
2030							3.45 PPAC	
2031							5 Yr	
2032			5.05					
2033	3.56% PAC				5.10		5.05	
	4.9yr							
	5.10%							
2034	5.10%					4.95		
2034						3.89 PPAC		
						5.8 yr		
2035								

	Vermont	Maine	Maryland	Missouri	South Dakota
30 Year UST	4.96%	4.93	4.93	4.93	4.82
% of 30 YR UST	102.8%	102.4%	103.4%	100.4%	104.8%
MMD "AAA"					
2013	3.71%	3.70%	3.70%	3.70%	3.63%
2033	4.80%	4.77%	4.77%	4.77%	4.73%

usbancorp Piper Jaffray.

Vermont Housing Finance Agency, Single Family Housing Bonds, Series 17 A and B
Tax-Exempt Comarable Sales - Week of April 7, 2003

Size	$32,000,000		$20,000,000		$15,000,000	$25,000,000		$13,640,000	$5,290,000
Issuer	**Vermont**		Washington		Idaho	New Mexico		Nevada	Washington
Bond Type	**Single Family**		Single Family		Single Family	Single Family		Multi-Family	Multi-Family
Ratings	**AAA/Aaa (FSA)**		AAA		Aaa/AAA (Unless noted)	AAA		AAA (GNMA)	AAA (GNMA)
Underwriter	**UBS PaineWebber**		UBS PaineWebber		Lehman Brothers	George K Baum		DA Davidson	RBC Dain Rauscher
Pricing Date	**4/8/03**		4/10/03 (PRELIMINARY)		4/10/03	4/9/03		4/9/03	4/8/03
Year	**AMT Yield**	**Non-AMT Yield**	AMT Yield	Non-AMT Yield	AMT Yield	AMT Yield	Non-AMT Yield	AMT Yield	AMT Yield
2004							1.20%/1.25%		
2005	**1.85%**		2.00		1.85%		1.65%/1.70%		
2006	**2.20%**		2.35		2.20%		2.00%		
2007	**2.70%**		2.80		2.65%		2.50%		
2008	**2.95%**		3.20		3.00%		2.80%	3.10%	
2009	**3.25%**		3.50	3.25%	3.40%		3.15%		4.10% (Taxable)
2010	**3.55%**			3.60%	3.70%		3.45%		
2011	**3.90%**			3.85%	3.95%		3.70%		
2012	**4.00%**			3.95%	4.10%		3.85%		
2013	**4.15%**			4.10%	4.20%		4.00%	4.30%	
2014	**4.25%**			4.20%			4.10%		
2015	**4.40%**			4.30%			4.25%		
2016				4.40%					
2017									
2018									
2019									
2020			4.85						
2021									
2022	**5.00%**							5.00%	
2023		**4.90%**	4.80		4.95%				
					5.10% (A1/A+)				
2024									
2025									
2026			3.65% PAC			4.90%			
2027	**5.05%**		4.9 yr						
2028	**5.05%**								
2029									
2030									
2031					5.05% (Aa3/AA)				
2032									
2033	**3.56% PAC**					4.95%			
	4.9yr								
2033	**5.10%**								
2034	**5.10%**				5.00%	4.16% PAC			
						6.8 yr			
2038								5.10%	
2045									5.10%

30 Year UST	**4.96%**	4.90%	4.92%	4.90%	4.90%	4.96%
% of 30 YR UST	**102.8%**	n/a	101.6%	101.0%	104.1%	102.8%
MMD "AAA"						
2013	**3.71%**	3.69%	3.69%	3.73%	3.73%	3.71%
2033	**4.80%**	4.74%	4.74%	4.77%	4.77%	4.80%

usbancorp Piper Jaffray.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operation

DATE: April 9th, 2003

RE: **Review and approval of Homeownership Predevelopment Loan Program and approval of amendments to current Vermont Housing Ventures Program**

SUMMARY OF REQUEST

Attached you will find two loan program proposals for your review and which are recommended for your approval. The "Homeownership Predevelopment Loan Program" is a new $1 million dollar revolving loan fund to finance predevelopment expenses associated with the construction and sale of new single family homes. This is intended to serve as a pilot program and is proposed as a result of the work completed on the Housing Demonstration Project. Feedback received from public meetings held around the state indicates that providing predevelopment financing with low cost and flexible repayment terms is a critical need and a desirable role for VHFA to play.

Key elements of this program are as follows:

- Revolving Loan Fund at $1 million – to be funded from Agency general funds.
- Loans will be made available to nonprofit and for-profit developers proposing to construct new single family homes, 51% of which are to be sold at or below VHFA's purchase price limits.
- Loan amounts will be negotiated based on the total number of units in the project. On loans secured by real estate, our maximum loan amount will be the lesser of $200,000 or 90% cumulative loan to value. On loans not secured by real estate, we will lend up to 50% of the eligible costs up to $100,000 whichever is less.

We are also requesting your approval of amendments to our existing Vermont Housing Ventures Loan Program. We felt that the proposed Homeownership Predevelopment Program did not offer the flexibility needed by nonprofit housing developers regarding maximum loan amounts that the current Ventures program makes available so we are expanding Ventures to address this need. Other minor edits have also been made which address multifamily projects.

The major differences between these two programs are:

- Vermont Housing Ventures Program continues to be restricted to non-profit housing sponsors.
- The Vermont Housing Ventures Program will allow us to lend 100% of the eligible predevelopment expenses up to a maximum $75,000 regardless of project size.

The most significant changes to the current Vermont Housing Ventures program include:

- We proposed to set aside an additional $350,000 to be used specifically for the construction of new single family homes available for sale. The current Ventures Program is a $650,000 revolving loan fund limited to multifamily rental housing.
- Maximum loan amounts for the homeownership applications will not be based on the number of units proposed, up to a maximum loan of $75,000.
- We have reduced the Affordability Restrictions from 100% below area median income to our statutory limits of 51% below area median income for both rental and homeownership projects.
- We have added the requirement that in order to be recognized as a nonprofit organization, the housing sponsor must be recognized as such by the IRS.

Board Action Requested:
To approve the resolutions attached to each of these loan program descriptions.

HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM

A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project

Fact Sheet & Application

Program Summary

The Vermont Housing Finance Agency (VHFA) Homeownership Predevelopment Loan program is a $1,000,000 revolving loan fund. This is a pilot program intended to foster the construction of single family affordable housing units that are available for sale, by providing working capital at a low cost to eligible housing developers quickly and flexibly.

The Agency anticipates that it may be involved with the development construction financing; either in whole or in participation with another lender, and that VHFA may also provide end loan financing to many homebuyers in the development.

It is the intent of the Agency that projects considered under this program will have at least 51% of the units priced at or below VHFA's maximum purchase price limits in affect at the time of the application.

Loan Terms

Interest rate:	3%
Repayment term:	3 years maximum, with payment deferred until construction closing
Fees:	None

Maximum Loan Amounts: All loans are subject to funding availability.

On loans secured by real estate, the Agency will lend up to a maximum cumulative loan to value of 90%. "Cumulative Loan to Value" means all interest bearing loans that are repayable. Grants and other subsidized deferred loans are not included in this calculation. The maximum loan secured by real estate shall not exceed $200,000.

On loans <u>**not**</u> secured by real estate, the Agency will lend up to 50% of the cost of eligible expenses. The maximum loan, not secured by real estate, shall not exceed $100,000.

Subject to the maximums noted above, loan amounts shall be negotiated and must be in proportion to the number of units in the proposed development.

Note: VHFA Board approval may be required on each project for consistency with the Agency's intent.

Affordability Restrictions:

VHFA will give priority to projects providing the greatest number of units priced at or below VHFA maximum purchase price limits. At least 51% of the units must be priced at or below VHFA's maximum purchase price limits and sold to homebuyers within VHFA's maximum income limits. The Developer must demonstrate how this will be accomplished and agree to provide sales documentation as sales occur as evidence that the eligibility restrictions have been met. In the event the developer does not achieve the 51% requirement, for reasons within its control, they agree to pay VHFA a fee equal to 5% of the loan amount.

Revised: April 2003

Eligible Uses of Loan Funds

All expenses underlying the request for financing must be specific to the proposed development and may include, but are not necessarily limited to, the examples listed below. Eligible services provided directly by the developer, its employees, or by an individual or company with an "identity of interest" may be disallowed. Only expenses incurred after the date of application that are directly related to the development will be considered.

- Market study acceptable to VHFA
- Architectural and engineering services
- Financial packaging
- Development consultants
- Legal Services
- Appraisals
- Environmental assessments
- Permit fees
- Option fees or payments (must be refundable)

Eligible Borrowers

The Agency will consider applications from developers who have demonstrated financial strength and experience in single family housing development consistent with the nature and scope of the proposed development.

Eligible Projects

- The Project must be predominately single family homes that are available for sale. See Also: *Affordability Restrictions* above.
- The applicant must demonstrate site control, which may include a current ownership interest, an in-force option agreement, or a legally binding purchase and sale agreement.
- The project must satisfy the *Evaluation Criteria.*

Evaluation Criteria

Once the VHFA Development Officer has received and reviewed the application, the Loan Review Committee (composed of VHFA staff) will evaluate the application on the basis of these criteria:

- The Project must be developed in an area (or areas) that has demonstrable need and market demand for affordable single family homes, or where affordably priced single family homes available for sale constitute a small portion of the overall housing inventory in the community. Projects located in towns that are supportive and aggressively working toward providing workforce housing in their community shall also be considered.
- Proven experience and financial strength of the developer.
- Project should be consistent with local and regional plans.
- Project should use and be consistent with smart growth principles, with particular attention to proximity and utilization of existing public water, sewer and transportation.
- Quality of construction including building techniques and materials that meet acceptable quality standards and Vermont's residential energy code.
- Design of the project and individual units must be attractive to potential home buyers as well as to the community in which it is sited. Creativity is encouraged.

- The applicant must demonstrate a high likelihood that the project will successfully complete the permit process and will ultimately deliver the proposed number of homeownership units, at the targeted price levels, on time and within budget.

Security

In all cases a promissory note and a Predevelopment Loan Agreement (and in some cases, a mortgage) will be signed by the borrower. The Predevelopment Loan Agreement generally requires the following: 1) monthly written progress reports; 2) a proposed disbursement schedule 3) documented disbursement requests; 4) VHFA's right, at its option, to assume and/or assign professional service contracts, permits and any interest in the land, including the purchase option if the project is terminated or abandoned.

PREDEVELOPMENT LOAN APPLICATION

Please answer as many of these questions as possible, given the current status of your proposed project. If you have submitted an application to the Vermont Housing and Conservation Board, or the Vermont Community Development Program, for the same project, you may send us a copy instead of completing the following questions.

1. Development Team: Please provide the following information for each member of the development team: name of organization or company, complete address name(s) of contact person(s), telephone numbers and e-mail addresses. Development team members could include development partners, architects, engineers, consultants, attorneys, and general contractors etc. The developer must submit a current financial statement with the loan application package.

2. Project Information: Provide name and location of project. Describe the scope of the project, and why a Predevelopment Loan is being requested of VHFA. Specifically describe how the project will benefit from this loan program. Please provide a listing of the unit types and design with price ranges for each unit type.

3. Site: Please provide a narrative description of the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.) Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the expected timetable for those approvals. Describe support or resistance from neighborhood or abutters, and document that the project as proposed meets the applicable zoning requirements.

4. Site Control: State the current status of ownership and provide a copy of documents that give site control to the applicant. These may include but are not limited to: an in-force option agreement, a legally binding purchase and sale agreement, or a copy of current deed of record.

5. Justification of Purchase Price: Provide documentation that provides preliminary support for the proposed land acquisition price. This may include an appraisal (if available) or a recent sales history of the site, or other comparable property sales that have occurred within the last 12 months in the same market area.

6. Project Plans and Specs: Provide preliminary (or final if available) project plans and specifications if available for infrastructure and housing units.

7. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

8. Proposed Development Schedule: Please provide target dates for the following events: submission of financing applications; regulatory and zoning reviews and approvals; building permits; receipt of financing commitments; construction start and completion dates.

9. Market Demand: Provide market study or the name of the firm who will be providing the study if not completed, along with a copy of the scope of work.

10. Preliminary Budget and Pro Forma: Please detail the proposed project construction budget, including: sources and uses of funds (including rates and terms), construction schedule and proposed plan of repayment. Please include the name of the intended construction lender and the anticipated terms and conditions of financing if known.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM
A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project

WHEREAS, the Agency has considered ways to expand the availability of single family homes for sale within the Agency's maximum purchase price limits;

WHEREAS, based on research and outreach, the Agency has determined that the availability of working capital to pay for predevelopment expenses is lacking;

WHEREAS, the Agency wishes to implement a pilot program to provide predevelopment loans to private sector developers who agree to provide no less than 51% of the units in the Project that will be priced for sale at or below VHFA's maximum purchase price limits, including a commitment of $1,000,000 available for this purpose; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated April 9, 2003, containing information and recommendations (the "Memorandum") and a program description entitled HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM: A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project, including the application requirements dated April 2003 (the "Program Description");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations with respect to the HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM contained in the Memorandum which is attached and incorporated by this reference be adopted, including a commitment of $1,000,000 in general funds of the Agency to be used to make predevelopment loans to private sector developers for purposes of single family developments; and

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to implement the HOMEOWNERSHIP PREDEVELOPMENT LOAN PROGRAM based on the Program Description attached and incorporated by this reference.

VERMONT HOUSING VENTURES
NONPROFIT PREDEVELOPMENT AND BRIDGE LOAN PROGRAM
Fact Sheet and Application

Program Summary
Vermont Housing Ventures is a $650,000 revolving loan fund created by VHFA to promote and assist nonprofit rental housing development. Vermont Housing Ventures provides predevelopment working capital and bridge financing at a low cost to eligible nonprofit housing developers quickly and flexibly.

The Agency has set aside an additional $350,000 as part of a pilot homeownership program, for predevelopment expenses associated with the construction of single family housing projects in which at least 51% of the units are sold at or below VHFA's purchase price limits.

Loan Terms

Interest Rate:	3%
Repayment Terms:	3 years maximum, with payment deferred until construction closing
Fees:	None

Maximum Loan Amounts: **All loans are subject to funding availability.**

Up to 10 units:	$25,000 or $3,000/unit (whichever is less)
11-35 units:	$50,000 or $2,500/unit (whichever is less)
35 units or more:	$60,000 or $1,500/unit (whichever is less)

For the purposes of the single family housing development pilot program, the maximum loan amount will be $75,000 regardless of the number of units.

Affordability Restrictions (Project Requirements for Predevelopment Funds)
VHFA will require for rental projects, that at least 51% of the units should be targeted for occupancy by persons or families whose incomes are at or below 100% of area median income (as defined by HUD).

For Single Family Housing Developments, 51% of the units should be priced at or below VHFA's maximum purchase price limits in affect at the time the application is submitted.

Eligible Uses of Predevelopment Funds
All project specific pre-development costs are eligible including: architectural and engineering services; financial packaging; development consultants; legal services; appraisals; environmental and/or historical certifications; financing and permit fees; option fees or payments (must be refundable). Operating costs of staff, general administrative, and office expenses are typically not eligible.

Eligible Borrowers
The Agency will consider applications for Ventures financing from organizations who meet the qualifications below, and will give priority to applicants who do not have other resources available to pay for the proposed predevelopment expenses.

- Incorporated under Title 11B of the Vermont Statutes Annotated ("V.S.A.") and qualified as a 501c3 organization by the Internal Revenue Service..

- Cooperative housing corporations organized under Title 11, V.S.A. Section 1598, as limited equity cooperatives;
- Municipalities.

Eligible Projects

Properties eligible for Vermont Housing Ventures can include the following:

Conventional living units	Transitional housing
Congregate homes for the elderly	Mobile home parks
Single Room Occupancy (SRO) units	Special needs housing
Emergency Shelters	Residential care facilities
Cooperative housing	Nursing homes
Single family homes	

Evaluation Criteria

Applications for Vermont Housing Ventures program are evaluated on the basis of these criteria:

- Project's overall likelihood of successful completion;
- Public benefits and numbers served;
- Project's provisions for persons or families with special needs;
- Extent and leverage of project funding from other sources;
- Evidence of broad community support, especially from community and government leaders;
- Use of mechanisms for long-term or perpetual affordability;
- Ability of prospective residents to participate in the planning and implementation of the project, when appropriate.

Security

A Ventures Loan Agreement is signed by VHFA and the sponsor. The Agreement generally requires the following: 1) monthly written progress reports; 2) a proposed disbursement schedule 3) documented disbursement requests; 4) VHFA's right, at its option, to assume and/or assign professional service contracts, permits and any interest in the land, including the purchase option if the project is terminated or abandoned.

BRIDGE LOAN FEATURES

Vermont Housing Ventures bridge loans may be used to assist nonprofit housing developers in creating homeownership opportunities for individuals and families below 100% of median income. Borrowers may use the program to acquire and rehabilitate existing housing for purchase or lease/purchase by income eligible households.

Loan Terms

Interest Rate:	From 6% to 8% depending on terms
Repayment Term:	Interest payments are payable monthly up to 36 months
Fees:1	1% loan origination fee

Maximum Loan Amounts: All loans are subject to funding availability.

Determined based on affordability. The loan may not exceed 100% of the " as completed" value of the home.

Loan Security

First Mortgage on subject property.

VENTURES PREDEVELOPMENT LOAN APPLICATION

Please answer as many of these questions as possible, given the current status of your proposed project. However, if you have submitted an application to the Vermont Housing and Conservation Board or to the Vermont Community Development Program, you may send us a copy instead of completing the following questions.

1. Sponsor Identification: provide name, address, contact person and phone number of sponsor and the organization's status (i.e. nonprofit organization VSA Title 11, Chapter 19)

2. Project Information: provide name and location of project. Describe scope of project, and why a VHV loan is being requested. State the project mission statement. What is the primary purpose of this endeavor? Break out the proposed number of housing units by various types: new construction vs. rehabilitation and/or acquisition below market vs. market rate rental vs. homeownership or cooperative.

3. Site: Please describe the site with narration and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.) Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the proposed timetable for those approvals. Describe support or resistance from neighborhood or abutters, and document evidence of municipal willingness to grant regulatory approvals required (if any).

4. Site Control: State the current status of ownership and describe plans to acquire site control. If site control has been established, provide evidence of option, purchase and sale, or developer designation.

5. Justification of Purchase Price: Provide documentation for the proposed purchase price, including an appraisal (if available) or a recent sales history of the site.

6. Affordability Profile: Provide a detailed breakdown of the number of units which will be affordable to households within the very low (50% of median income), low (>50% and <80%), moderate (>80% and <100%) and above median family income categories.

7. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

8. Proposed Development Schedule: Please cite the date expected for the following events: submission of financing applications; regulatory and zoning reviews and approvals; building permit; receipt of financing commitments; construction start; construction completion; full occupancy.

9. Market Demand: Document your market analysis and/or tenant commitments.

10. Development Team: Provide the following information for each member of the development team: name of organization or company, complete address name(s) of contact person(s) and telephone numbers. Development team members could include development partners, architect, consultants, attorney, general contractor, management agent, syndicator, etc.

Revised: April 2003

11. Corporate Relationship of Applicant to Developer: Describe your relationship to or with the developer entity. Attach joint venture or partnership agreements, if applicable, or indicate the status of such agreements.

12. Consultant: What is the process you propose to use (or have used) in selecting consultant(s) to provide the services for which development assistance is requested?

13. Organizational Background: Provide, as attachments or appendices, the following basic information about the applicant organization: copy of the by-laws; list of board of directors, including addresses, telephone numbers and occupations or organizational affiliations; copy of Articles of Association; current year's operating budget, and most recent audited financial statements; organizational history and development strategy.

14. Detailed Budget and Pro Forma: Detail the proposed project budget, sources and uses of funds (including rates and terms), revenue by unit, operating expenses, at least a 15 year pro forma, and a month-by-month construction cash flow (if applicable). *If you wish to receive a sample financial template, please ask the VHFA Development Officer.* If a condominium, co-op or other homeownership project is being proposed, please prepare an affordability analysis for the relevant income classifications (i.e. low, moderate, etc.) that will be served.

15. Detailed Proposed Budget for and Use of VHV Loan Proceeds: Provide a budget indicating all sources of capital, including the request VHV loan, and all respective uses for pre-development expenses. Describe how the assistance requested from VHV will further the progress of the proposed project.

For more information, please call Cindy Reid (802-652-3462) or Joe Erdelyi (802-652-3432) or toll-free in Vermont at (800) 339-5866 ext. 462 or ext. 432.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: EXPANSION AND CHANGES TO VERMONT HOUSING VENTURES NONPROFIT PREDEVELOPMENT & BRIDGE LOAN PROGRAM

WHEREAS, the Agency has administered the Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program ("Ventures") since May of 1988;

WHEREAS, the Agency wishes to update the current program to reflect its current practice and to expand Ventures to be available for predevelopment loans to nonprofit organizations for purposes of single family developments that include no less than 51% of the units in the Project that will be priced for sale at or below VHFA's maximum purchase price limits, including an additional $350,000 available for this purpose; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated April 9, 2003, containing information and recommendations (the "Memorandum") and a program description entitled VERMONT HOUSING VENTURES NONPROFIT PREDEVELOPMENT & BRIDGE LOAN PROGRAM, including the application requirements dated April 2003, (the "Program Description");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations with respect to Ventures contained in the Memorandum which is attached and incorporated by this reference be adopted, including a new commitment of $350,000 in general funds of the Agency to be used as a set-aside for predevelopment loans to nonprofit organizations for purposes of single family developments;

RESOLVED, that the amendment allowing a maximum loan amount of $75,000 for rental projects based on certain circumstances as described and approved by resolution of the Board of Commissioners dated March 26, 2003 is hereby ratified and confirmed to continue to be part of Ventures; and

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to implement Ventures based on the Program Description attached and incorporated by this reference.

vhfa
Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer JE

DATE: April 9, 2003

RE: Permanent Financing for South St. Paul Street Apartments, Burlington

Name:	South St. Paul Street Apts.	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Townhouse, Flats
Total Units:	15	**Unit Sizes:**	14 Two-BR @ 770 sf; 1 Four-BR @ 1,280 sf
Total Cost:	$1,071,610	**Per S.F. Acquisition & Construction Cost:**	$80.67
Loan Requested: (tax-exempt)	$900,000 permanent	**Housing Credits:**	N/A
Other Funding:	Owner's equity, cash reserves, VHFA 0% loan ($100,000)		
Sponsor:	Burlington Housing Authority		

Burlington Housing Authority (BHA) has applied for financing to acquire and rehabilitate this property, currently owned by Dan O'Brien (the original developer). The project was developed under the Section 8 New Construction / Substantial Rehabilitation program in 1983 and was originally financed by VHFA. All 15 rental units have project-based rental assistance under a contract that has approximately ten years remaining. The balance outstanding on VHFA's loan is approximately $462,000. Staff would like to preserve the existing loan if possible, because this loan was part of the refunding pool of loans that generates the 0% excess yield funds. The property consists of two buildings. The back building consists of 12 townhouse units constructed in 1983 and the front building (an older, renovated house) has three units. The property needs some renovation including exterior siding (paint and patching), roofing, some cabinet and window replacement, flooring, and paving. BHA plans to do all this work after acquiring the property except for the roofing, which it intends to do when needed and pay for with the project's replacement reserve account . The total budget for the immediate work is +/- $70,000.

The project applied for $1,018,000 in financing from VHFA, and from a financing perspective staff feel the development could service that level of debt. However, the maximum amortizing loan we can provide to a borrower under our statute is limited to 100% of the development's appraised value. The sponsor has submitted an appraisal that staff have reviewed and accepted, and the value therein is $900,000. Staff propose giving the development $100,000 in "0%" funds in addition to the $900,000 permanent financing. (The Board has adopted rules allowing staff to make individual "0%" loans of up to $100,000 without necessitating Board action.) The sponsor will work with staff to find other sources or trim the budget to close any remaining funding gap. Staff propose re-amortizing the existing loan and providing a new loan of approximately $438,000 ($900,000 minus $462,000). Both loans will have a 20-year term and amortization period. Because the Section 8 contract rents are approximately at market rent levels, staff believe the project will remain financially able to repay this loan should the Section 8 contract expire. One condition of our financing will be that the owner enter into a "Preservation Agreement" that will ensure the development operate as affordable housing for its remaining useful life.

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

RESOLUTION RE: PERMANENT FINANCING
FOR SOUTH ST. PAUL STREET APARTMENTS, BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Borrower") involving the permanent financing of two (2) buildings containing a total of fifteen (15) units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower; and

WHEREAS, the application contemplates an amendment to the existing Agency loan to lower the interest rate as agreed to between the Borrower and the Agency and a new mortgage loan for acquisition financing for the Development with the new mortgage interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds; and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated April 9, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition and construction costs to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in modifying the existing mortgage loan and making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a modification of the existing mortgage loan and a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

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

Vermont Housing Finance Agency

VHFA Board Minutes

Vermont Association of Realtors Building
148 State Street
Montpelier, Vermont
Thursday, April 17, 2003 at 9:00 a.m.

Present: Chairperson Randall, Commissioners Mr. Candon (Designee for Crowley), Ms. Canney, Mr. Hall, Mr. Seelig, Mr. Spaulding

Absent: Commissioner Mr. Beaulieu

Staff: Ms. Carpenter, Mr. Adams, Ms. Loller, Mr. Schoenbeck, Mr. Fairbanks, Mr. Erdelyi, Ms. Collins, Ms. Greenough, Ms. Couture

Guests: Mr. Jeffry Glassberg (Capital Ideas), Mr. Geoff Proulx (Citigroup)

Chairperson Randall called the meeting to order at 9:12 a.m.

MINUTES

Mr. Seelig made a motion to approve the March 26, 2003 Board of Commissioners' meeting minutes with Mr. Candon seconding the motion. The Board unanimously approved the March 26th minutes.

FINANCE

Mr. Schoenbeck updated the Board as to the status of the bond financing that was sold on April 10, 2003. This will be the first transaction incorporating a swap structure. The closing is scheduled for Wednesday, April 23, 2003. The only surprise has been the great number of documents involved. Mr. Schoenbeck commended Ms. Mullikin Drake for her hard work. Staff will update the Board periodically on the swap transactions.

Mr. Schoenbeck reminded the Board that in the memo distributed at the last Board meeting we stated that we hoped to stay at least 50 basis points (bps) below conventional market rates and keep around a 100 bps spread. Staff is looking to the Board to authorize the release of a

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

mortgage rate of 5.55%, 20 bps lower than the maximum spread we're allowed. At the moment this should keep us 50 bps below conventional rates and provide a 90 bps spread. The new suggested down payment assistance (DPA) loan rate will be 6%. Note that the Mortgage Loan Rates in the table on page 3 of the U.S. Bancorp Piper Jaffray memo will be adjusted downward by 20 bps.

Retail sales were slower than expected due to a $50 million bond offering from the Vermont Bond Bank two weeks earlier.

Mr. Candon questioned what would happen if rates go up. Mr. Schoenbeck's response was that we could raise rates to match conventional increases, maintaining a minimum of a 50 bps spread. We will re-evaluate as rates rise while taking into consideration our volume. In this environment, because of negative arbitrage, it is important to keep our funds moving. Discussion ensued regarding the benefits of volume vs. spread.

Mr. Candon asked for clarification regarding the Planned Amortization Class (PAC) Bonds. Mr. Schoenbeck explained that, with PAC Bonds, mortgage prepayments are dedicated to that Bond so that the Bond is paid ahead of schedule, producing a lower rate. The 4.5% premium was paid on the $6,000,000 Bond in order to produce $270,000 for the down payment assistance loan pool.

DEVELOPMENT

Mr. Adams reviewed details of 1) the existing Ventures Program and the proposed amendment and 2) the proposed Predevelopment Loan Program.

Ventures Nonprofit Predevelopment and Bridge Loan Program

The proposed amendment to the existing Ventures Nonprofit Predevelopment and Bridge Loan Program is to increase the revolving loan pool by $350,000 from $650,000 to $1 million. The additional $350,000 will be used to fund predevelopment loans to nonprofit organizations for purposes of homeownership developments. VHFA will require that 51% of the units be priced at or below VHFA's maximum purchase price limits in effect at the time the application is submitted, although we may need some flexibility on how a project is defined.

Mr. Adams pointed out that project eligibility provisions were changed to require project sponsors to be 501(c)3 organizations rather than just a non-profit under state law. He noted that item #1 on the Application will be modified to reflect this change.

Mr. Adams also explained that a provision requiring approval of all professional service contracts for amounts over $3,000 was removed from the Security section of the Fact Sheet. This provision has not been practical or enforced in the past.

Ms. Randall questioned the inclusion of *specific* interest rates as it lacks flexibility. She suggested that the Fact Sheet be changed to read "Interest Rate: At the discretion of the loan committee." It was decided that, for now, specific rates will remain in the Fact Sheet and that the Board will approve any future changes.

Ms. Canney asked what could/would be done to ensure that cost overruns didn't result in less than 51% of the units being priced at or below VHFA's maximum purchase price limits. Mr. Adams explained that a proposed project would be analyzed to determine whether the projected purchase prices are too close to the limit such that cost overruns might jeopardize the goal. Phasing a project is also a possibility for meeting the 51% statutory rule and would be considered in order to meet the goal of increasing the total number of affordable housing units on the market. Mr. Adams also said that, because the Ventures Loans are paid off by the time construction begins, we will not have much of a hook to enforce this provision. Therefore, the Agency will do business with developers who are committed to this goal and staff will follow up to see if the objective was accomplished. A 5% penalty on the amount loaned will be assessed for flagrant violations.

Homeownership Predevelopment Loan Program

Mr. Adams then reviewed the proposed Homeownership Predevelopment Loan Program, an outcome of the Housing Demonstration Project. The Program, as proposed, will establish a $1,000,000 revolving loan fund intended to foster the construction of single-family affordable housing by making predevelopment loans available to both nonprofit and for-profit developers. The maximum secured loan amount will be $200,000 and the maximum loan amount not secured by real estate will be $100,000. The primary eligibility restriction will be that at least 51% of the units be priced at or below VHFA's maximum purchase price limits and sold to home buyers within VHFA's maximum income limits. A provision encouraging the use of materials and labor provided by Vermont companies will be added to "Evaluation Criteria." And, an emphasis will be placed on responses to item # 2 of the Application in which the developer is asked to explain how the project will benefit from *this* loan program.

Mr. Seelig asked what type of project would request these funds, and, if these funds were not available, where else would the developer go. Mr. Glassberg explained that there are three broad categories of interest: 1) Well established developers with a social interest; 2) Next generation developers with no access to risk capital; and 3) The reluctant landowner who has the ideal piece of property but doesn't have the motivation to enter into the development process. Mr. Adams added that these programs will fill a fairly large void as banks are reluctant to finance until permits are in place. The enticement for this product will be availability vs. rate.

Mr. Hall asked what this money is costing us. Ms. Carpenter explained that this money is from a single-family bond issue which would be transferred to our general fund. Mr. Schoenbeck added that we make a little over a percent by investing it.

Discussion ensued about the correlation between dollars spent on predevelopment costs and the number of units in the project. There is not a strong relationship due to certain amounts of fixed cost in all projects. However, Mr. Glassberg did convey that $100,000 should provide enough for a 50- unit project.

Mr. Spaulding asked about the meaning of the "Note: VHFA Board approval may be required..." on the Fact Sheet. Mr. Adams explained that it gives staff the ability to say we'll bring a proposal to the board if we're not comfortable with it. The issue is not one of underwriting but one of politics. (Is the project consistent with what we want to do?) Mr. Seelig asked that the staff bring to the board the first three proposals greater than $100,000 so that the board could gain a better understanding of the issues.

Mr. Seelig requested that discussions on the topics of location criteria and best development practices be brought to a future board meeting

Mr. Seelig made the motion to accept the resolution regarding the Homeownership Predevelopment Pilot Loan Program with Ms. Canney seconding the motion with the addition of the provision to encourage the use of materials and labor provided by Vermont companies. The Board unanimously approved the resolution with said addition.

Mr. Candon made the motion to accept the resolution regarding the Expansion and Changes to the Vermont Housing Ventures Nonprofit Predevelopment and Bridge Loan Program motion with the addition of the provision to encourage the use of materials and labor provided by Vermont companies. Mr. Hall seconded the motion. The Board unanimously approved the resolution.

<u>South St. Paul Street – Permanent Financing</u>

Mr. Erdelyi highlighted points from his memo regarding South St. Paul Street Apartments in Burlington. Burlington Housing Authority (BHA) has applied for financing to acquire and rehabilitate this 15 unit rental property. The "per square foot acquisition and construction cost" of $80.67 is low in comparison to new construction. From Mr. Erdelyi's experience working with BHA, he believes them to be a very responsible nonprofit owner/developer. He is also impressed by their willingness to put their own cash equity into the deal.

Mr. Candon made a motion to accept the resolution regarding Permanent Financing for South St. Paul Street Apartments in Burlington with Mr. Seelig seconding the motion. The Board unanimously approved the resolution.

(Mr. Erdelyi left the meeting.)

HOMEOWNERSHIP

<u>Monthly Activity</u>

Mr. Adams highlighted points from Ms. Crady's memo in Ms. Crady's absence. He noted that production will fall short of the $58 million FY2003 goal. The current projection is that we'll end the fiscal year at between $54 and $56 million which is a respectable number given the spread between VHFA rates and conventional rates.

Mr. Adams distributed the Homeownership Delinquency Report and noted that total delinquencies are down from last month. This is especially good news considering the amount of runoff VHFA has experienced which is averaging YTD about 25%. $72.4 million in loans have been prepaid this year.

Since the REO Inventory Report was run, two more properties have gone under contract for a total of 8 out of 12. Loan losses should be well under the budgeted $600,000 this year.

There was a brief discussion regarding the decision to postpone the Home Buyer Fair in Rutland. Ms. Canney suggested that staff attempt to secure some family entertainment in order to draw people out on a weeknight.

<u>Market Share Analysis</u>
Ms. Collins reviewed her memo regarding VHFA's market share. Surprisingly, because of a shrinking interest rate spread, VHFA maintained its market share in 2002, mortgaging 20% of affordable (purchase price at or below VHFA limits) home sales in Vermont. VHFA mortgaged 10% of all Vermont home sales in 2002, up 1% from 2001. Ms. Randall asked who is mortgaging the other 80% of affordable homes. Discussion followed. More analysis is needed to answer this question and the data is not readily accessible because mortgage data is not included in Property Transfer Tax documents. Ms. Canney also stated that the Agency would benefit from continued advertising of property transfer tax savings for consumers.

Ms. Collins reported that in 2002, VHFA financed over 30% of all new affordable housing in Vermont, remaining competitive and increasing its market share from the past two years. The collection of these statistics is again made more difficult by the fact that the Property Transfer Tax documents do not differentiate between new construction and existing homes.

Ms. Carpenter asked for Mr. Spaulding's and Mr. Hall's assistance in working with the Department of Taxes to track whether a home is new or existing. Mr. Hall agreed to set something up with Commissioner Richard Mallary.

Ms. Collins reviewed the profile of VHFA's Average Borrower. The income and purchase price of the average borrower is increasing. The percentage of funds borrowers put towards a home, or the loan-to-value ratio, has remained stable. 65% of borrowers earn less than 80% of the Area Median Income. However, with increasing income limits, these figures will look very different next year. Discussion followed. Ms. Collins announced that she will present similar analysis of mobile home sales at a future meeting. Mr. Candon requested that Ms. Collins also research and present who are the other mobile home lenders.

<u>Housing Data Web Site</u>
Ms. Collins explained that the meeting with the State Legislature Housing Members to present the new Housing Data web site (<u>www.housingdata.org</u>) was cancelled due to technical difficulties beyond our control. The meeting may be rescheduled. The web site has been getting good press and good response – which is being tracked. Ms. Collins distributed the

press release about the web site launch and then highlighted features of the web site including its robust search options, home affordability calculator and hyperlinks.

Ms. Canney requested that the board members' e-mail addresses be added so that they will receive automatic updates.

ADMINISTRATION

Ms. Carpenter informed attendees that Elizabeth Mullikin Drake will be out for three weeks recovering from knee surgery.

Ms. Carpenter attended a productive meeting with Hall Keen, the proposed Winooski project developer, who is still finishing negotiations with the City of Winooski to gain control over the site. The developer is looking into New Market Tax Credits, some Agency of Transportation enhancements, and other possibilities. At this point it is unclear whether they want to withdraw the Tax Credit Application.

Ms. Carpenter stated that the release of the Housing and Wages study was very successful (highlighting the affordability crisis). The Designing for the Ages conference was also a great success.

Mr. Fairbanks informed the board about a small public awareness campaign on the issue of predatory lending for which VHFA is the primary driver. The second initiative of this campaign is much needed training for human service caseworkers and people who answer the phone to help them appropriately direct consumers calling to complain about possible predatory lending and to educate them on resources to assist consumers from getting into debt they can't afford.

October 8th/9th were the dates put forth by the New Hampshire's housing agency as a possibility for a collaborative meeting with VHFA. The location of the meeting would likely be the Upper Connecticut River Valley.

The general consensus was that Thursdays remain the best weekday for VHFA Board Meetings. A request was made that the meetings be coordinated with school vacation weeks and other relevant board meetings.

Mr. Candon made the motion to adjourn the Board of Commissioners' meeting. Mr. Seelig seconded the motion with the Board unanimously approving. The Board meeting was adjourned at 11:16 a.m.

vhfa

Vermont Housing Finance Agency

VHFA Board of Commissioners
Meeting Minutes
Christ Episcopal Church
State Street, Montpelier, Vermont

May 15, 2003

Board:
Chairperson Randall, Commissioners Mr. Beaulieu, Mr. Candon (Designee for Crowley), Ms. Canney, Mr. Hall (Designee for Dorn), Mr. Seelig, Mr. Spaulding

VHFA Staff:
Ms. Carpenter, Mr. Adams, Mr. Erdelyi, Ms. Reid, Ms. Collins, Ms. Greenough, Ms. Couture

Chairperson Randall called the VHFA Board of Commissioners meeting to order at 1:10 p.m.

Tax Credit Recommendations

Mr. Seelig reviewed the Tax Credit Committee recommendations with the Board:

1. Shelburne Interfaith Housing, 203 Pearl Street, and Tuttle Block be approved for allocated tax credits,

2. Whetstone receive State Tax Credits of $100,000,

3. The Committee authorizes staff to review the Highgate redevelopment project and utilize 2004 state credits of $150,000.

Mr. Seelig also reviewed the issue of the credits allocated to the Stowe project.

Ms. Canney motioned to approve the Tax Credit Committee recommendations with Mr. Beaulieu seconding the motion.

A discussion was held regarding the projects that remain to be funded.

Mr. Seelig stated that he would like to discuss Roosevelt Apartments, Grand Isle and Arbor Gardens II at the September Tax Credit Committee meeting. Mr. Candon stated that there would be $500,000 in credits and possibly another $500,000 in credits reallocated from Stowe.

Ms. Carpenter mentioned that the Committee and Board would likely be seeing Winooski in September and Essex family housing should also be considered a viable candidate.

Ms. Canney believes that Roosevelt should ultimately be funded and she expressed concern about having Arbor Gardens II wait. Ms. Carpenter had the sense that people are less enthusiastic about the Arbor Gardens II project and that they have not made plans to put any market units in the first two phases.

Discussion followed regarding allocated tax credits and project readiness with Mr. Seelig suggesting that a conversation be held with Lamoille Housing and Housing Vermont regarding Stowe's progress prior to the June 12th Board meeting. Ms. Carpenter clarified for the Board that the agenda for the June 12th meeting is quite busy and Commissioners should plan to stay for the day.

Mr. Hall motioned to amend the original motion by adding Arbor Gardens II and Island Housing. Ms. Canney seconded this motion, but Mr. Candon was not in favor of this amendment stating that this would utilize all of the 2003 allocations and Roosevelt would be left out. Mr. Seelig would like a list of anticipated applicants for the September round of credits at the June 12th meeting. Staff will do a survey of what the Board might be seeing in September, as well as determine the status of Stowe, and provide this information for the June meeting. Mr. Hall also requested that information about the actual cash value of City contributions to Roosevelt be determined. (Please make sure to bring the May Board packet with you to the June meeting).

Mr. Hall amended his motion, limiting it to adding Island Housing today with further discussion in June on Arbor Gardens II and Roosevelt. Mr. Seelig seconded this motion, allocating $175,000 to Island Housing. The Board unanimously approved this amendment and the Tax Credit Committee's recommendations:

1. Shelburne Interfaith Housing (credit request of $272,000), 203 Pearl Street (credit request of $350,143), and Tuttle Block (credit request of $160,000) be approved for allocated tax credits,

2. Whetstone to receive State Tax Credits ($100,000),

3. The Highgate redevelopment project to receive $150,000 in 2004 state affordable housing tax credits subject to staff review.

In addition, the Board agreed to continue this discussion on June 12 based on the requested staff updates.

MINUTES

Mr. Seelig motioned to approve the April 17, 2003 VHFA Board of Commissioners meeting minutes with Mr. Hall seconding the motion. The Board of Commissioners unanimously approved the April 17th meeting minutes.

HOMEOWNERSHIP

Limited Refinance Program

Mr. Adams provided the Homeownership summary for the Board. The Agency is working with MGIC to have them insure up to $1M in loans for mobile home units regardless of how the homes are secured to the lot. This agreement will be reviewed once the $1M mark has been reached. The refinance rate is 7.55% (or two points above our regular rate). Mr. Adams felt that this is high risk lending and was glad MGIC is limiting to $1M; heavy participation in this product is not expected.

Summary of Homeownership Activities

Mr. Adams reviewed the reports for the Board. He stated that activity for April is low and hopes that conventional rates do not get much lower. The delinquency reports will be provided at the June Board meeting

MULTIFAMILY

In Mr. Falzone's absence, Mr. Adams provided an update on the Templeton project. Construction is going along very well and is under budget. The back decks and storage sheds are now included in the project with an increase in HOME funds, and to his knowledge, 10 families are residing in the project.

Mr. Adams then discussed Victoria Place, the fairly new multifamily project in downtown Burlington. Mr. Rick Bove is the general partner and is the manager of the units. The project is close to formal default, as the construction loan has expired and no permanent closing is scheduled until the issues with Mr. Bove can be resolved. Ms. Gail Westgate has been working with staff to resolve these issues. Due to poor management, uncompleted tenant and financial record keeping there are a series of significant problems and the basic fundamental project management does not meet our regulatory and mortgage agreements; Compliance work has not been done and commercial lease fees associated with the project have not been made. Burlington Housing Authority has agreed to be the new property manager, but as of this date nothing has been done with the Bove's to formalize that change. Discussion followed.

Mr. Adams hopes to present a proposal on Winchester Place at the June Board meeting.

EXECUTIVE DIRECTOR'S REPORT

Ms. Carpenter reviewed her Executive Directors report and stated she had nothing new to add, although she will keep the Board apprised on the status of the State Housing Tax Credit Bill.

Ms. Carpenter distributed the 2004 meeting schedule and acknowledged that Mr. Seelig may have a conflict with the November 2004 meeting date.

Ms. Greenough will send an email to the Board with information on the October 9th joint meeting of the VHFA and New Hampshire Housing Finance Authority Board of Commissioners. This will be held at the Hanover Inn. She will also repoll the Board on the August 7th site visit. Ms. Greenough will also distribute the meeting schedule for the remainder of 2003.

Ms. Canney suggested that if any further changes were made to the 2003 meeting schedule that we highlight what those changes are. She also suggested that the meeting schedule be placed on the Agency's website.

Mr. Hall motioned to adjourn the meeting with Mr. Beaulieu seconding the motion. The Board unanimously approves adjournment of the Board of Commissioners meeting at 2:30 p.m.

VHFA Board Conference Call Minutes

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont
Wednesday, May 28, 2003 at 12:00 p.m.

Present: Vice Chairperson Seelig, Commissioners Mr. Hall, Mr. Spaulding, Ms. Canney, Mr. Beaulieu

Absent: Commissioner Mr. Candon, Chairperson Ms. Randall

Staff: Ms. Carpenter, Mr. Adams, Ms. Loller, Mr. Schoenbeck, Ms. Crady, Mr. Gutchell

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

Single Family Series 17 Update

Mr. Schoenbeck briefly discussed the Single Family Series 17 Update memo sent to the Board on May 27, 2003. Interest rates dropped almost immediately after the bond financing deal closed for Series 17. The Agency's rate is currently 5 – 10 basis points above conventional rates. Piper Jaffray, the Agency's financial advisors, prepared some analysis for various scenarios for reducing VHFA rates. Their analysis shows a "zero surplus" time frame of 6 months for the 20bp reduction; 4 months on a 30bp reduction and 3 months on a 40bp reduction. Staff's recommendation is for a 20bp reduction on June 1st with the ability to make further adjustments on July1st and August 1st within the zero surplus parameters defined by Piper Jaffray. A report of activity will be presented at the August Board meeting.

Mr. Beaulieu asked how this decision would affect the current fiscal year financials. Mr. Seelig noted that by not decreasing the rate at this time, the money would not move out the door, which would increase the cost of funds. Mr. Schoenbeck added that for each $10 million of mortgage funds we have to hold our cost if $300,000 annually.

There was a brief discussion regarding the timing of increasing rates once the market starts to move upward. Mr. Seelig recommended that staff take into account the speed at which we move funds relative to increasing rates.

Ms. Canney made a motion to approve the recommendation that authorizes staff to reduce rates immediately by 20 basis points to 5.35% for no points and to continue to monitor the mortgage market and make further monthly adjustments in July and August if necessary, to not exceed the zero surplus as projected by Piper Jaffray. Mr. Hall seconded the motion, and the Board unanimously approved the motion.

Ms. Canney made the motion to adjourn the Board of Commissioners' meeting. Mr. Hall seconded the motion with the Board unanimously approving. The Board meeting was adjourned at 12:15 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: June 5, 2003

RE: Multifamily Construction Loan Request for Wall Street, Springfield

Name:	Wall Street	**Location:**	Springfield
Housing Type:	General Occupancy	**Unit Type:**	Flats - elevator
Total Units:	13	**Unit Sizes:**	5 1-BR @ 546 s.f. 5 2-BR @ 810 s.f. 3 3-BR @ 1293 s.f.
Total Cost:	$2,190,663	**Per S.F. Acquisition & Construction Cost:**	$117.19
Loans Requested:	$1,650,000 construction	**Housing Credits (4%):**	$73,968
Other Funding:	Rural Development, VHCB, HOME, VCIL, Town of Springfield Revolving Loan Fund, Downtown Funds, Tax Credit Equity (Historic and Housing Credit)		
Sponsors:	Housing Vermont (HVT) & Rockingham Area Community Land Trust (RACLT)		

This historic building is located on Wall Street in Springfield. Originally constructed in 1907, the building was rehabilitated in 1984 following a fire and has been under the same ownership since. The property has suffered from deferred maintenance and has life safety code deficiencies. It is a large structure, with six stories on the downtown side of the building, and three stories fronting Wall Street. RACLT purchased the property this past March, is managing it now and will continue to manage it post-rehab. RACLT will form a limited partnership with HVT that will acquire and rehabilitate the property. The residents who currently live in the building will be relocated during rehab. Rural Development (RD) has issued a commitment for permanent financing and rental assistance. The sponsors are seeking a tax-exempt construction loan from VHFA and 4% tax credits. Sources of take out financing for the construction loan include RD, VHCB and tax credit equity. The sponsors have obtained commitments for all funding except for Downtown funds, a Town of Springfield loan and a Vermont Center for Independent Living grant. The sponsors anticipate commitments for those sources within the next few months. All commitments will be in hand prior to closing. The project needs one local permit involving a historic review, as the property is on the National Register. Approval is anticipated by mid-June. A level one environmental site assessment was completed which reported no findings. The sponsors plan to begin construction in August with completion by June 2004.

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

RESOLUTION RE: CONSTRUCTION FINANCING FOR WALL STREET (BROOKLINE APARTMENTS), SPRINGFIELD

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Rockingham Area Community Land Trust (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of one (1) building containing a total of thirteen (13) units of rental housing in the Town of Springfield (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated June 5, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

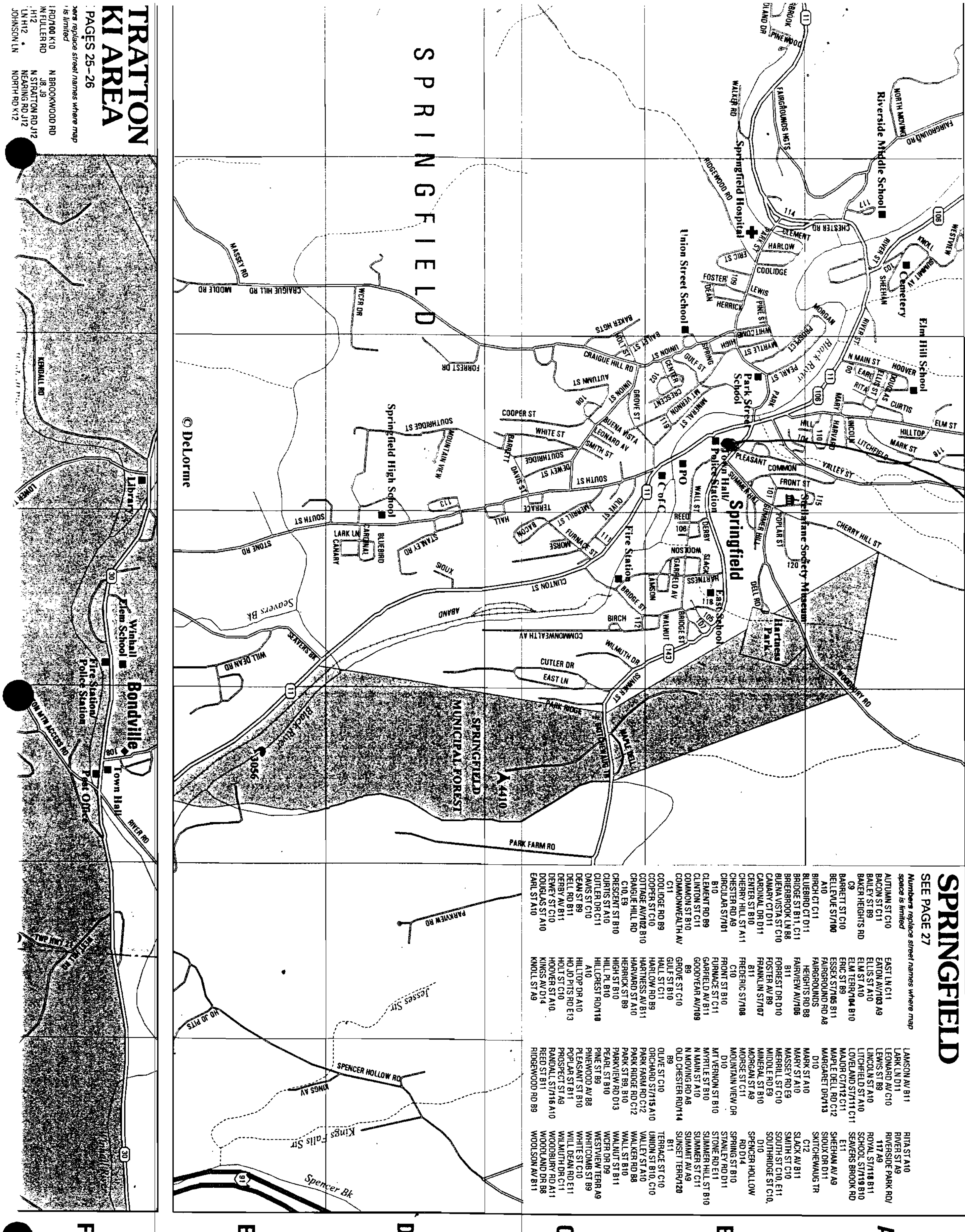
6. The Sponsors are financially responsible and are qualified housing sponsors within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

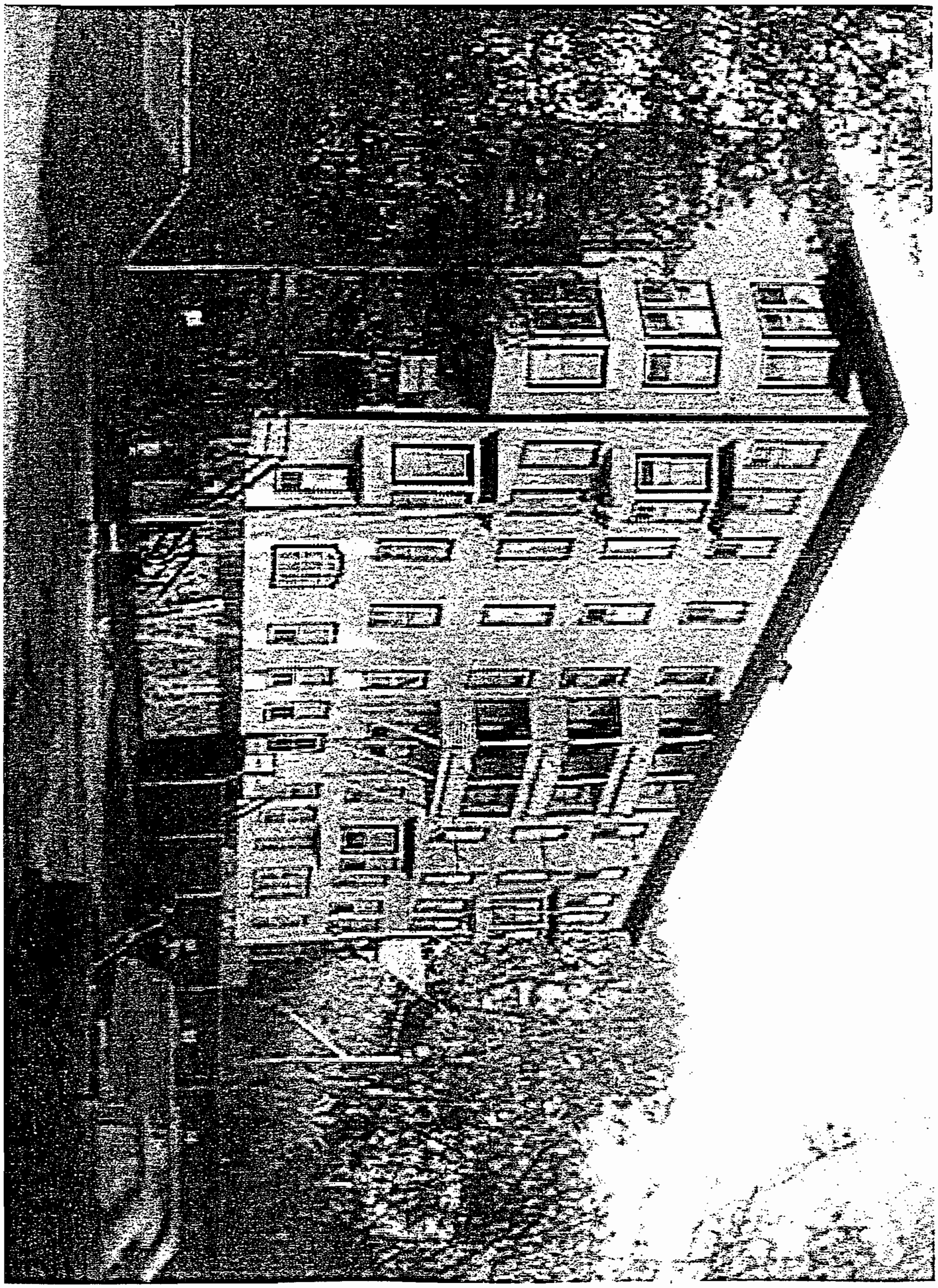
1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

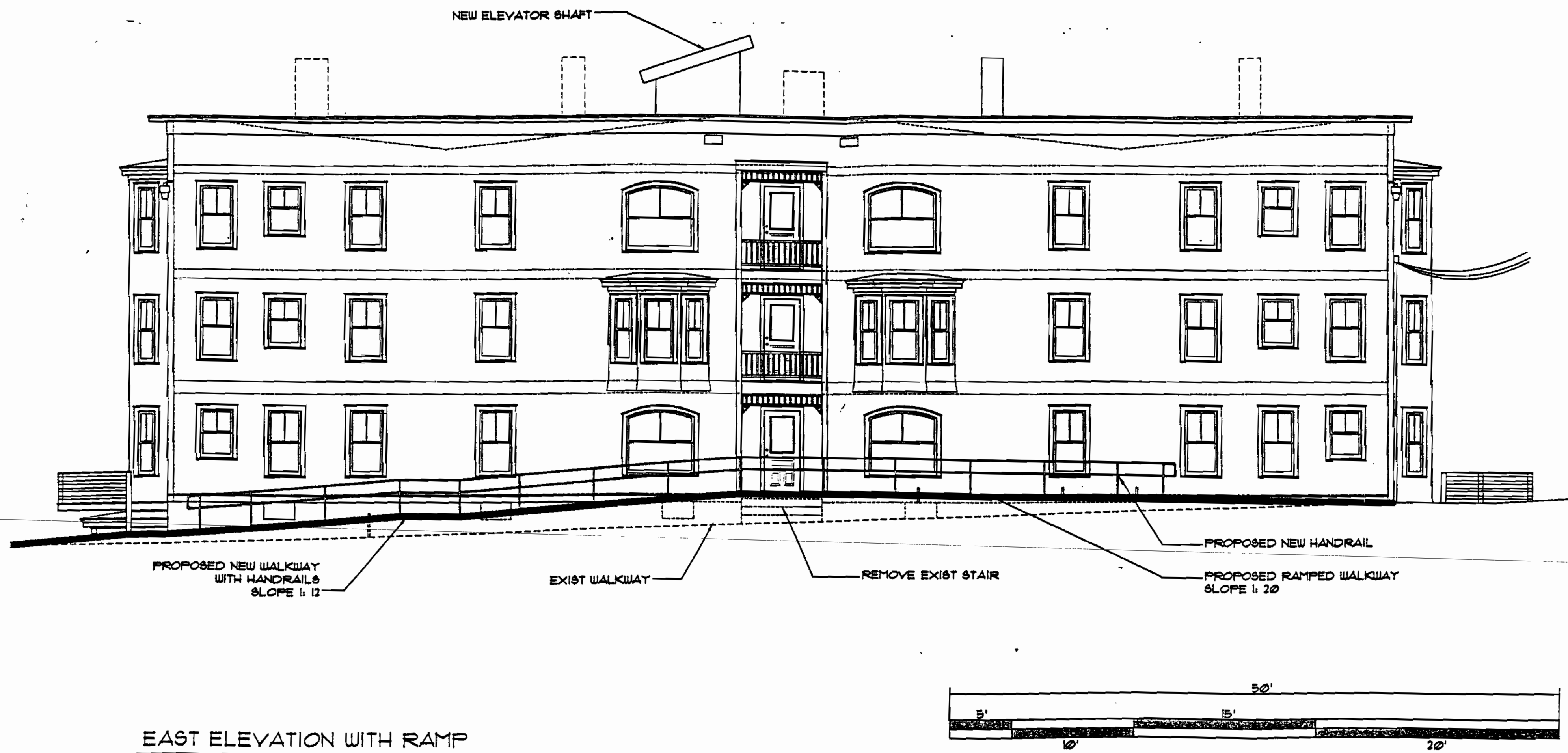
3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the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



Site Map, Wall Street, Springfield



Wall Street,
Springfield



EAST ELEVATION WITH RAMP

SCALE: 1/8" = 1'-0"

PROJECT #: 10217 DD 6 SHEET #: 1 OF 6	R.A.C.L.T. DESIGN DEVELOPMENT WALL STREET SPRINGFIELD, VT	DATE: 12.13.02 DRAWN BY: SO CHECKED BY: REVISIONS:	**Williams & Frehsee, Inc.** 167 Main Street, Suite 309 Brattleboro, Vermont 05301 Phone: 802-257-3111 Fax: 802-257-9429 E-mail: info@wfvt.com

Wall Street, Springfield

03-Jun-03 **Wall Street, Springfield**

Total Residential Units:	13	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	13	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Resid. Development Cost:	2,190,663	Expense increase:	2.50%
Total Development Cost per Unit:	168,513	Vacancy Rate:	5%
Total Development Cost Per SF:	35	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	73,968	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	73,968	Sponsor's Estimated Yield:	83.38%
		Commercial depreciation schedule	39 years
LIHTC - 9%	7.89%	June-03	
LIHTC - 4%	3.38%		

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
long term debt - Rural Development	650,000	29.67%	1.00%	50	50
HOME	174,693	7.97%	0.00%	30	30
VHCB	260,307	11.88%	0.00%	30	30
VHCB Lead	26,000	1.19%	0.00%	30	20
VCIL	5,000	0.23%	0%	30	30
Downtown Funds	50,000	2.28%	0.00%	0	30
Town of Springfield - RLF	45,000	2.05%	2.00%	15	30
Tax Credit Equity	980,000	44.73%	N/A	N/A	
TOTAL SOURCES	2,191,000	100.00%			

VHFA Construction Loan
1,650,000

USES

Acquisition	271,700	12.40%
Construction Hard Costs	1,434,050	65.46%
Soft Costs	484,913	22.14%
TOTAL USES	2,190,663	100.00%
Gap	(337)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	5	450,700
2 Br	95,890	5	479,450
3 Br	101,637	3	304,911
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			1,235,061
Projected total cost, excluding cash accounts			2,175,843
		(over)/under	(940,782)

General Partner's Capital Contribution	9,790	1.00%
Limited Partner's Capital Contribution	969,230	99.00%
Total Equity	979,020	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	13
Total Units	13
Unit Fraction	100.00%
Tax Credit Square Footage	10,659
Total Residential Square Footage	10,659
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

03-Jun-03 **Wall Street, Springfield** Housing 117.19

#		Budget	Per Unit	Per s.f.	VHCB	Downtown Funds	HOME	Allocation of Sources VHCB Lead	VCIL	debt	Town of Spr Equity		TOTAL SOURCES
	ACQUISITION				$260,307	$50,000	174,693	26,000	5,000	650,000	45,000	980,000	
1	Land	47,880	3,683	3.33	27,880		20,000						47,880
2	Purchase of Building(s)	218,120	16,778	15.17	140,000		78,120						218,120
3	DEVELOPER'S FEES	0	0	0.00									0
4	Property Appraisal	2,500	192	0.17	2,500								2,500
5	Legal - Title and Recording	3,200	246	0.22	3,200								3,200
	Subtotal - Acquisition	271,700	20,900	18.90									
	CONSTRUCTION HARD COSTS												
6	Rehabilitation	1,260,000	96,923	87.63		50,000		26,000	5,000	650,000	45,000	484,000	1,260,000
7	New Building(s)	0	0	0.00									0
8	Landscaping	0	0	0.00									0
9	Sitework	20,000	1,538	1.39								20,000	20,000
10	Commercial Space Costs (if any)		0	0.00									0
11	General Requirements		0	0.00									0
12	Contractor Overhead		0	0.00									0
13	Contractor Profit		0	0.00									0
14	Construction Contingency	128,000	9,846	8.90								128,000	128,000
15	Construction Management		0	0.00									0
16	Construction Bond Fee		0	0.00									0
17	Hazardous Materials Abatement		0	0.00									0
18	Off-Site Improvements	0	0	0.00									0
19	Furnishings, Fixtures, & Equipment	11,050	850	0.77								11,050	11,050
20	Other (_rent loss during contract)	15,000	1,154	1.04								15,000	15,000
	Subtotal - Hard Costs	1,434,050	110,312	99.73									
	SOFT COSTS												
21	Architectural	128,000	9,846	8.90	28,000		76,573					23,427	128,000
22	Engineering		0	0.00									0
23	Legal/Accounting	16,000	1,231	1.11	7,364							8,636	16,000
24	Relocation	50,000	3,846	3.48	35,000							15,000	50,000
25	Environmental Assessment	3,000	231	0.21	3,000								3,000
26	Historic Preservation		0	0.00									0
27	Permits/Fees	9,363	720	0.65	9,363								9,363
28	Independent Market Study	4,000	308	0.28	4,000								4,000
29	Construction Period Insurance		0	0.00									0
30	Construction Interest	35,000	2,692	2.43								35,000	35,000
31	Construction Loan Origination Fee		0	0.00									0
32	Taxes During Construction	14,000	1,077	0.97								14,000	14,000
33	Project Consultant		0	0.00									0
34	Marketing		0	0.00									0
35	Tax Credit Fees	3,610	278	0.25								3,610	3,610
36	Soft Cost Contingency	7,500	577	0.52								7,500	7,500
37	Permanent Loan Origination Fee		0	0.00									0
38	Lender's Counsel's Fee	19,500	1,500	1.36								19,500	19,500
39	Other (__syndication fee__________)		0	0.00									0
	SYNDICATION COSTS												
40	Organizational (Partnership)		0	0.00									0
41	Bridge Loan Fees and Expenses		0	0.00									0
42	Syndication Consultant		0	0.00									0
43	Tax Opinion		0	0.00									0
	DEVELOPER'S FEES												
44	Developer's Fees - HVT	90,060	6,928	6.26								90,060	90,060
45	Other Partnership Fees - RACLT	90,060	6,928	6.26								90,060	90,060
46	Consultant Fees		0	0.00									0
	RESERVES												
47	Working Capital	14,820	1,140	1.03								14,820	14,820
48	Rent-up (Deficit Escrow) Reserve		0	0.00									0
49	Other Operating Reserves		0	0.00									0
50	Sinking Fund		0	0.00									0
51	Replacement Reserves		0	0.00									0
	Subtotal - Soft Costs	484,913	37,301	33.72									
	TOTAL DEVELOPMENT COSTS	2,190,663	168,513	152.35	260,307	50,000	174,693	26,000	5,000	650,000	45,000	979,663	2,190,663

180,120
9.03%
1,650,000 76%
2,175,843

1,650,000	Loan Amount
2,175,843	Total Cost - Cash Acct
75.83%	% TE Bond Financed

03-Jun-03 **Wall Street, Springfield**

	Residential	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial depreciation
1	Land	47,880					
2	Purchase of Building(s)	218,120	218,120		218,120		
3	DEVELOPER'S FEES	0	0				
4	Property Appraisal	2,500	2,500		2,500	2,500	
5	Legal - Title and Recording	3,200	3,200		3,200		
0	Subtotal - Acquisition	271,700					
0	CONSTRUCTION HARD COSTS						
6	Rehabilitation	1,260,000		1,260,000	1,260,000	1,260,000	
7	New Building(s)	0		0	0		
8	Landscaping	0		0	0		
9	Sitework	20,000		20,000	20,000	10,000	
10	Commercial Space Costs (if any)	0				0	0
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	128,000		128,000	128,000	128,000	
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	11,050		11,050	11,050		
20	Other (_rent loss during contract)	15,000		15,000	15,000		
0	Subtotal - Hard Costs	1,434,050					
0	SOFT COSTS						
21	Architectural	128,000		128,000	128,000	128,000	
22	Engineering	0					
23	Legal/Accounting	16,000		16,000	16,000	16,000	
24	Relocation	50,000		50,000	50,000	50,000	
25	Environmental Assessment	3,000		3,000	3,000	3,000	
26	Historic Preservation	0					
27	Permits/Fees	9,363		9,363	9,363	9,363	
28	Independent Market Study	4,000					
29	Construction Period Insurance	0		0	0	0	
30	Construction Interest	35,000		35,000	35,000	35,000	
31	Construction Loan Origination Fee	0		0	0	0	
32	Taxes During Construction	14,000		14,000	14,000	14,000	
33	Project Consultant	0		0	0	0	
34	Marketing	0			0		
35	Tax Credit Fees	3,610		3,610	3,610	3,610	
36	Soft Cost Contingency	7,500		7,500	7,500	7,500	
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	19,500					
39	Other (__syndication fee______________)	0		0	0	0	
0	SYNDICATION COSTS	0					
40	Organizational (Partnership)	0					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	0					
43	Tax Opinion	0					
0	DEVELOPER'S FEES	0					
44	Developer's Fees - HVT	90,060		90,060	90,060	90,060	
45	Other Partnership Fees - RACLT	90,060		90,060	90,060	90,060	
46	Consultant Fees	0		0	0	0	
0	RESERVES	0					
47	Working Capital	14,820					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	0					
50	Sinking Fund	0					
51	Replacement Reserves	0					
0	Subtotal - Soft Costs	484,913					

	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial depreciation	
TOTALS	2,190,663	223,820	1,880,643	2,093,413	1,847,093	0	0
LESS: Amount of Non-qualified Financing				0		0	0
LESS: Adjustment for per unit cost limits	100.00%						
LESS: Historic tax Credit (Residential Portion)			369,419	369,419	20% Historic Credit Rate		0
Total Eligible Basis		223,820	1,511,224		369,419 Annual Historic Credit		
TIMES: Adjusted for QCT/DDA	130.00%		1,964,592				
TIMES: Applicable Fraction	100.00%	223,820	1,964,592				
Total Qualified Basis		223,820	1,964,592	1,723,994	Long Term Depreciable Basis		0
TIMES: Applicable Percentage		3.38%	3.38%	27.5	Depreciation Schedule		39
Total Annual Credit Qualified		7,565	66,403	62,691	Annual Depreciation		0

Total Tax Credits Requested	73,968	73,968	11,050 Short Term Depreciable Basis
Estimated Net Syndication Proceeds (excluding historic credit equity)	610,581		7 Depreciation Schedule
Estimated Yield - Housing Credit Syndication	83.38%		1,579 Annual Depreciation
Equity Gap	610,581		
Credits Needed to fill Equity Gap	73,968		

03-Jun-03 **Wall Street, Springfield**

HC Restricted Units

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br						0
1 Br		546	5	520		31,200
2 Br		810	5	685		41,100
3 Br		1,293	3	850		30,600
4+ Br			0	0		0
	Totals	10,659	13			102,900

Non-HC Restricted Units

Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		0	0	0		0
2 Br		0	0	0		0
3 Br			0	0		0
4+ Br			0	0		0
	Totals	0	0			0

All Units

Grand Totals	10,659	13	102,900
common	3,720		
total sq. footage	14,379		
Less Vacancy		5.00%	(5,145)

NET RENT 97,755

OTHER INCOME

Laundry		900
Parking		0
Commercial Space Income		0
Other	Section 8	0

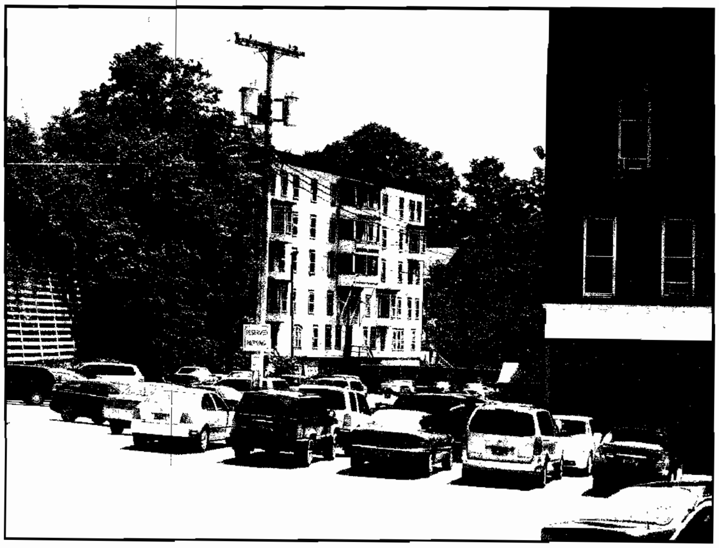
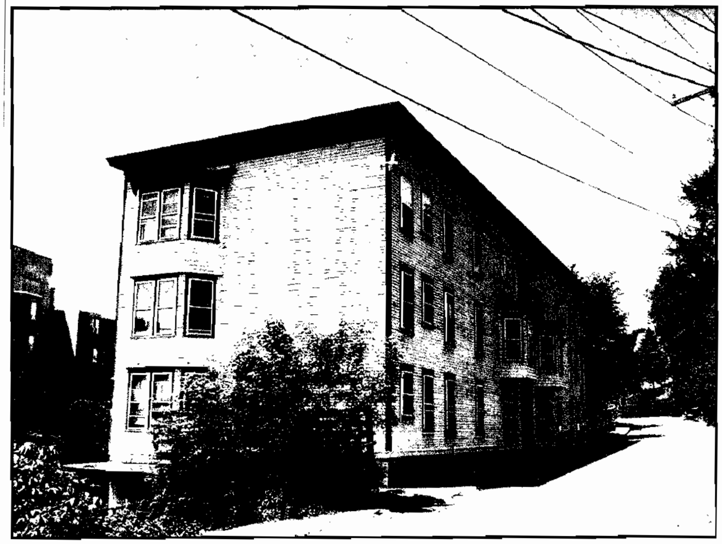
TOTAL INCOME 98,655

03-Jun-03 **Wall Street, Springfield**

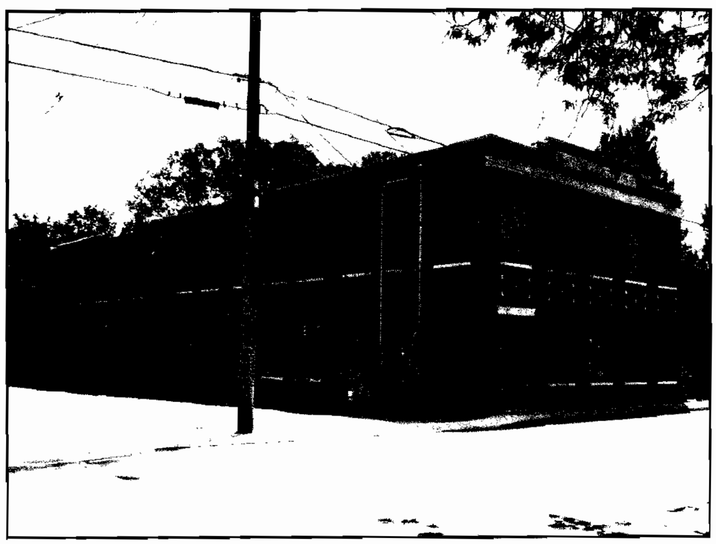
	Housing	Monthly	Per Unit Per Month	
Administration				
Management Fee	8,500	708	54	8.6%
Office Expense	868	72	6	
Audit/Accounting	3,500	292	22	
Legal	200	17	1	
Compliance Monitoring		0	0	
Marketing	500	42	3	
Investor Fee		0	0	
		0	0	
TOTAL ADMINISTRATIVE	13,568	1,131	87	
Utilities				
Electricity	2,000	167	13	
Fuel	10,000	833	64	
Water and Sewer	6,000	500	38	
Fire Alarm / Emergency	1,000	83	6	
Other		0	0	
TOTAL UTILITIES	19,000	1,583	122	
Maintenance				
Maintenance / Janitor Payroll	5,000	417	32	
Janitor Supplies	1,500	125	10	
Exterminating	300	25	2	
Trash Removal	3,500	292	22	
Snow Removal	1,500	125	10	
Grounds	500	42	3	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	3,000	250	19	
Painting and Decorating	1,200	100	8	
Other/stormwater maint.	1,000	83	6	
TOTAL MAINTENANCE	17,500	1,458	112	per unit month
Real Estate Taxes	9,000	750	58	excl. ds & res.
Property Insurance	8,000	667	51	430
Replacement Reserves	7,500	625	48	
Primary Debt Service	16,525	1,377	106	
Other "must pay" debt service		0	0	
Other		0	0	
Total	91,093	7,591	584	

form revision date: 2/27/97

03-Jun-03	Wall Street, Springfield															
Combined Cashflow	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		102,900	103,929	104,968	106,018	107,078	108,149	109,230	110,323	111,426	112,540	113,666	114,802	115,950	117,110	118,281
Other Income		900	909	918	927	937	946	955	965	975	984	994	1,004	1,014	1,024	1,035
Residential Vacancy and other losses		(5,145)	(5,196)	(5,248)	(5,301)	(5,354)	(5,407)	(5,462)	(5,516)	(5,571)	(5,627)	(5,683)	(5,740)	(5,798)	(5,855)	(5,914)
RD Booked interest Subsidy		38,023	38,013	37,997	37,974	37,943	37,903	37,854	37,795	37,726	37,645	37,551	37,444	37,323	37,187	37,034
Total Operating Income		136,678	137,655	138,635	139,618	140,604	141,590	142,578	143,567	144,555	145,542	146,528	147,511	148,490	149,465	150,435
Operating Expenses																
Total Expenses (excl. Reserves)		67,068	68,745	70,463	72,225	74,031	75,881	77,778	79,723	81,716	83,759	85,853	87,999	90,199	92,454	94,765
Reserves		7,500	7,688	7,880	8,077	8,279	8,486	8,698	8,915	9,138	9,366	9,601	9,841	10,087	10,339	10,597
Total Operating Expense		74,568	76,432	78,343	80,302	82,309	84,367	86,476	88,638	90,854	93,125	95,453	97,840	100,286	102,793	105,363
Net Operating Income		62,110	61,223	60,292	59,317	58,295	57,224	56,102	54,929	53,701	52,417	51,074	49,671	48,205	46,673	45,072
Less Primary Debt Service		16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525	16,525
Less Booked RD interest		38,023	38,013	37,997	37,974	37,943	37,903	37,854	37,795	37,726	37,645	37,551	37,444	37,323	37,187	37,034
Annual Cash Flow		7,562	6,684	5,770	4,818	3,827	2,796	1,723	609	(550)	(1,753)	(3,002)	(4,298)	(5,644)	(7,039)	(8,486)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	550	1,753	3,002	4,298	5,644	7,039	8,486
Net Cash		7,562	6,684	5,770	4,818	3,827	2,796	1,723	609	0	0	0	0	0	0	0
DCR		113.86%	112.26%	110.58%	108.84%	107.03%	105.14%	103.17%	101.12%	98.99%	96.76%	94.45%	92.04%	89.52%	86.89%	84.16%
Cumulative Cash Flow																
Beginning Balance		0	7,562	14,398	20,455	25,682	30,023	33,419	35,810	37,135	37,328	36,322	34,046	30,429	25,394	18,862
Deposits		7,562	6,684	5,770	4,818	3,827	2,796	1,723	609	0	0	0	0	0	0	0
Interest	2.0%	0	151	288	409	514	600	668	716	743	747	726	681	609	508	377
Withdrawals		0	0	0	0	0	0	0	0	(550)	(1,753)	(3,002)	(4,298)	(5,644)	(7,039)	(8,486)
Ending Balance		7,562	14,398	20,455	25,682	30,023	33,419	35,810	37,135	37,328	36,322	34,046	30,429	25,394	18,862	10,753
Cumulative Replacement Reserves																
Beginning Balance		0	7,575	15,414	23,602	32,151	15,072	23,859	33,034	42,610	52,600	33,019	43,280	53,986	65,152	76,794
Deposits		7,500	7,688	7,880	8,077	8,279	8,486	8,698	8,915	9,138	9,366	9,601	9,841	10,087	10,339	10,597
Interest	2.0%	75	152	308	472	643	301	477	661	852	1,052	660	866	1,080	1,303	1,536
Withdrawals						(26,000)					(30,000)					(36,000)
Ending Balance		7,575	15,414	23,602	32,151	15,072	23,859	33,034	42,610	52,600	33,019	43,280	53,986	65,152	76,794	52,927
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		62,110	61,223	60,292	59,317	58,295	57,224	56,102	54,929	53,701	52,417	51,074	49,671	48,205	46,673	45,072
Plus Reserves		7,500	7,688	7,880	8,077	8,279	8,486	8,698	8,915	9,138	9,366	9,601	9,841	10,087	10,339	10,597
Less Interest Expense		(7,400)	(7,230)	(7,059)	(6,886)	(6,713)	(6,539)	(6,363)	(6,187)	(6,009)	(5,831)	(5,651)	(5,470)	(5,288)	(5,105)	(4,921)
Less Long Depreciation		(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)	(62,691)
Less Short Depreciation		(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	(1,579)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(2,060)	(2,589)	(3,156)	(3,762)	(4,409)	(5,099)	(5,833)	(5,034)	(5,861)	(6,738)	(7,667)	(8,649)	(9,688)	(10,785)	(11,942)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		721	906	1,105	1,317	1,543	1,785	2,041	1,762	2,051	2,358	2,683	3,027	3,391	3,775	4,180
Plus Tax Credits		443,387	73,968	73,968	73,968	73,968	73,968	73,968	73,968	73,968	73,968					
After Tax Cash Flow		444,108	74,874	75,073	75,285	75,512	75,753	76,010	75,730	76,020	76,327	2,683	3,027	3,391	3,775	4,180
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		444,108	74,874	75,073	75,285	75,512	75,753	76,010	75,730	76,020	76,327	2,683	3,027	3,391	3,775	4,180
Future Value of Cash Flows at Yr 15:		2,430,853	365,920	327,580	293,309	262,671	235,277	210,781	187,505	168,055	150,655	4,729	4,764	4,764	4,735	4,681
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	01-Sep-03	30-May-04	01-Sep-04	01-Sep-02	01-Sep-03											
Amount of Capital Contribution:	48,951	783,216	146,853			0	0	0								
Present Value of Contributions:	48,951	748,506	138,163	0	0	0	0									
Cash Flows	(935,620)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IRR:	10.55%															
Equity Yield:	85.21%															

Wall Street, Springfield (13 units)

Kazon Building, West Rutland (6 units)

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: June 5, 2003

RE: Multifamily Construction Loan Request for Kazon Building, West Rutland

Name:	Kazon Building	**Location:**	West Rutland
Housing Type:	General Occupancy	**Unit Type:**	Flats
Total Units:	6	**Unit Sizes:**	4 1-BR @ 745 s.f. 2 2-BR @ 918 s.f.
Total Cost:	$857,777 (residential only)	**Per S.F. Acquisition & Construction Cost:**	$100.81
Loans Requested:	$475,000 construction	**Housing Credits (4%):**	$23,205
Other Funding:	VHCB, HOME, Neighborworks, VCDP, Tax Credit Equity (Historic and Housing Credit), Debt		
Sponsors:	Rutland West Neighborhood Housing Services (RWNHS)		

The historic "Kazon Building" was built as a shirt factory for quarry workers in the 1920s and is located at 110 Marble Street in West Rutland, across from the Town Hall. It is in an area that the Town is seeking to revitalize. It currently contains three apartments in poor condition and two artist studios. The 10,000 square foot building will be rehabilitated to create six residential units and a new office space for RWNHS. The construction loan for which RWNHS is seeking approval is on the residential portion of the building only (as are the above costs). The residential and commercial uses will be condominiumized and financed separately. There will be four one-bedroom units, two two-bedroom units, and a community room. One of the one-bedroom units will be located on the first floor and be handicapped accessible. The sponsor is pursuing Rural Development (RD) for the possibility of financing and rental assistance as well as the State Housing Authority (VSHA) regarding project-based rental assistance. The project is feasible without either RD or VSHA as all other funding, except for Neighborworks, is committed. However the level of affordability would be increased if RD and/or VSHA financial assistance was obtained. Sources of take-out financing for the construction loan include soft money and tax credit equity. Rutland County Community Land Trust will manage the property once construction is completed. Jeffry Glassberg is working as the sponsor's development consultant. He is in the process of getting an equity commitment. The sponsor plans to begin construction in September with completion by June 2004.

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

RESOLUTION RE: CONSTRUCTION FINANCING
FOR KAZON BUILDING, WEST RUTLAND

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

WHEREAS, an application has been submitted to the Agency by Rutland West Neighborhood Housing Services (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the rehabilitation of one (1) building containing a total of six (6) units of rental housing in the Town of West Rutland (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated June 5, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

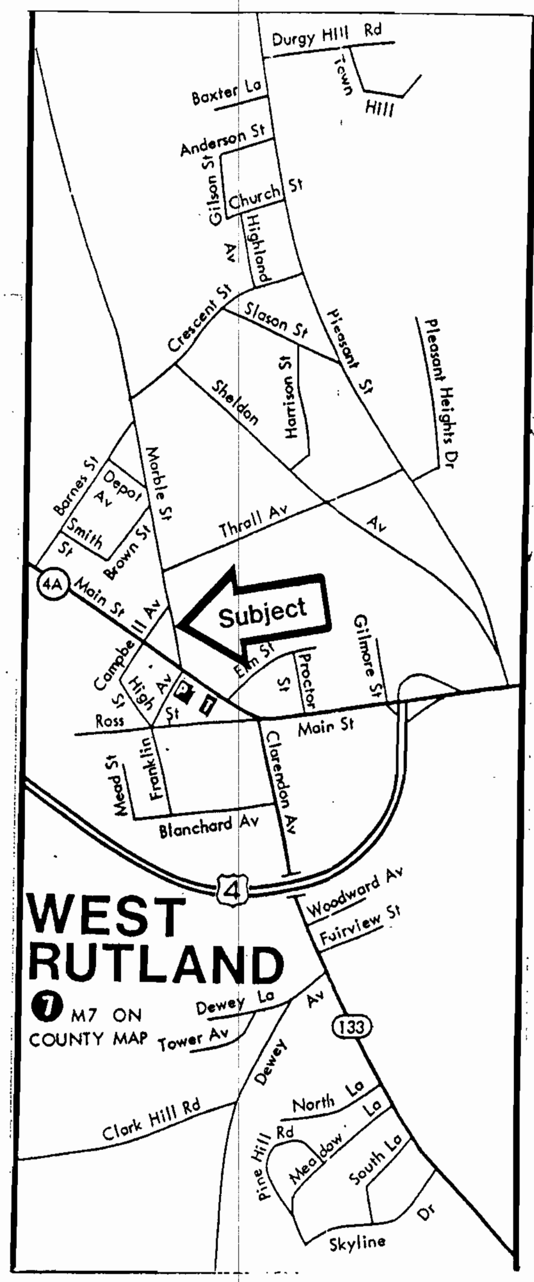
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

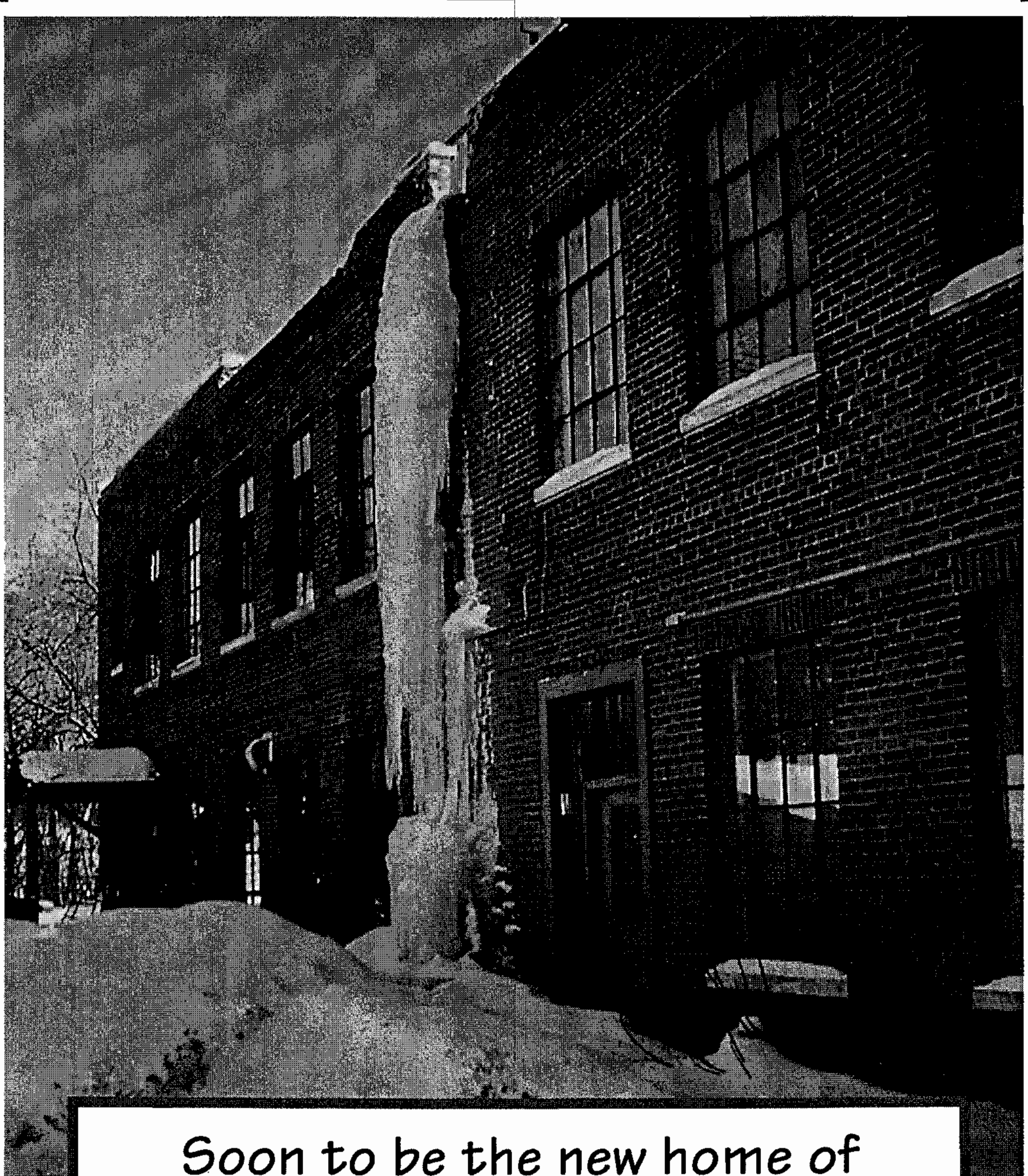
3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the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

Locational Data



Kazon Building, West Rutland

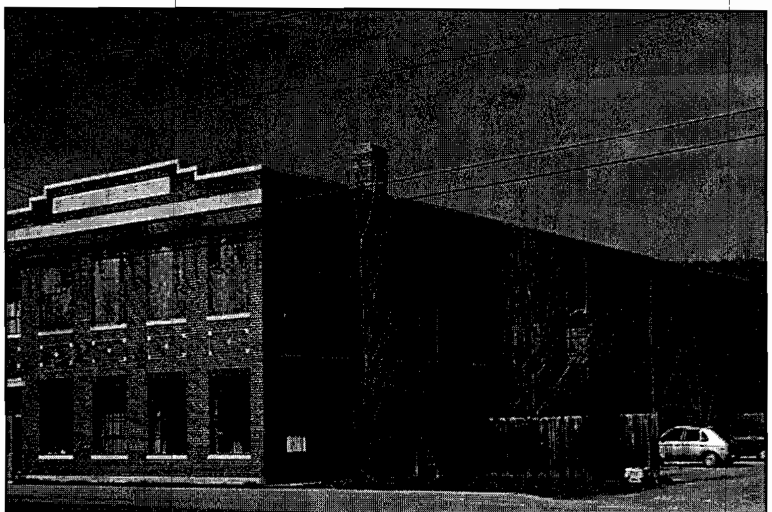
Join us in the renovation of THE KAZON BUILDING



Soon to be the new home of
The HomeOwnership Center
at Rutland West

THE HISTORY

Built in 1925, the Kazon Building was the at the top of West Rutland's thriving Marble Street business district, anchored to the north by the marble quarry that was the heart of the town.



An example of classic industrial architecture (simple rectangular design, rows of large steel-casing windows, wood flooring and high pressed tin ceilings) the Kazon Building originally housed a shirt factory which employed the wives of quarry workers as well as producing the shirts on their backs.

Shortly after the marble quarry closed, the factory began producing dresses and for many years remained the primary source of employment for women in West Rutland. When Philip Kazon moved his operation to Rutland City in 1939, he decided to sell his Marble Street building. Fearing competition, Kazon stipulated in the deed that no more than 25 percent of the employees of any business located in the building could be women!

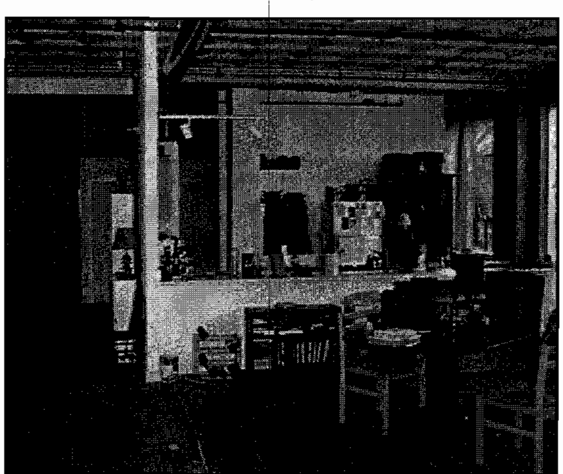
The building eventually sold as a storage facility for plumbing supplies and was vacant when it was purchased by Whit and Carol Humphreys in 1993. The Humphreys' moved into the building converting the space into apartments and studios for local artists attracted to the rejuvenation of the old quarry area by the Carving Studio.

Over the past decade the building has provided not only living quarters and workspace for artists, but office space for some start-up businesses, most notably a local office for EBay's on-line auctions.

In 2002 Rutland West Neighborhood Housing Services purchased the building with an eye toward consolidating their office space and continuing their decade-long effort to restore West Rutland's historic downtown business district.

THE PROJECT

Working with noted architectural firm of Robert Carl Williams and Associates Rutland West has designed a renovation project that will transform the Kazon Building into a vibrant combination of commercial, housing, and community space while preserving and celebrating the building's classic features.



The building's new design will include 3,000 square feet of office space, a 1,000 square foot community room, and six one and two bedroom apartments—affordable housing for local artists and others. A community part area is planned toward the back of the building.

Historic stair systems will be preserved and the pressed metal ceilings, hardwood flooring, and plaster wall finishes will be highlighted by the new design, which stresses the historically open character of the interior. Custom-made interior storm-screen inserts will preserve the look and quality of the old industrial windows while providing energy efficiency.

THE FUTURE

Some of Rutland West's earliest community development projects included working with the Town of West Rutland to have Marble Street declared an historic district and renovation of one of the distinctive "flat iron" buildings at the north end of the street.

In the decade or so since the completion of those projects, Rutland West has expanded its services county-wide, providing education and lending for all aspects of homeownership—from housing rehabilitation to financial literacy to first time home purchase and foreclosure prevention.

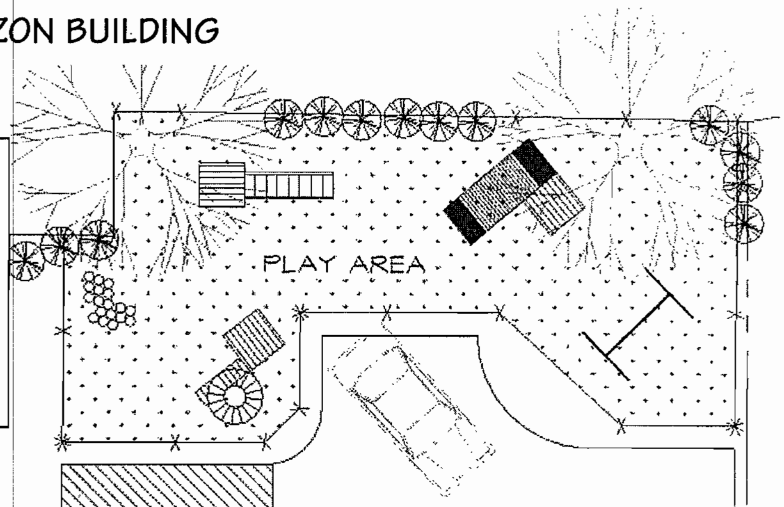
Working with the national NeighborWorks® network and other community development organizations throughout the state Rutland West opened the first of four NeighborWorks® HomeOwnership Centers of Vermont in 1998.

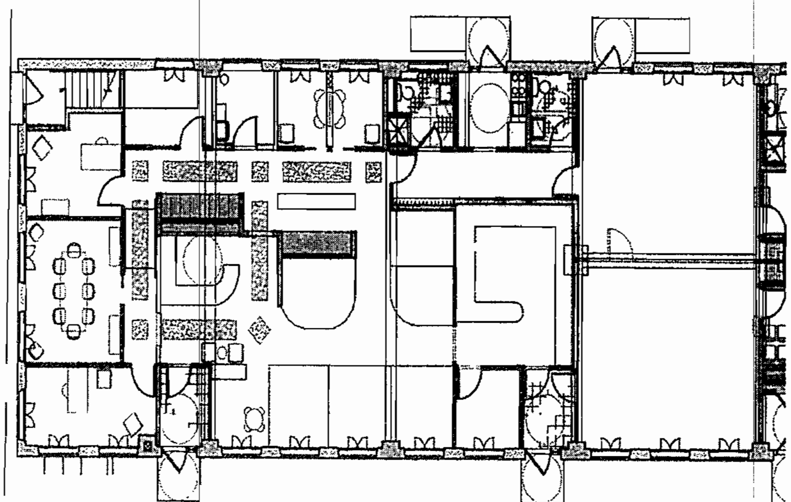
The renovation of the Kazon Building will provide a roomy, flexible, and professional workspace for the HomeOwnership Center's staff and customers.

NAMING OPPORTUNITIES
Sponsorships available in support of Rutland West
NHS' restoration of West Rutland's
LOUIS KAZON BUILDING

The Community Park

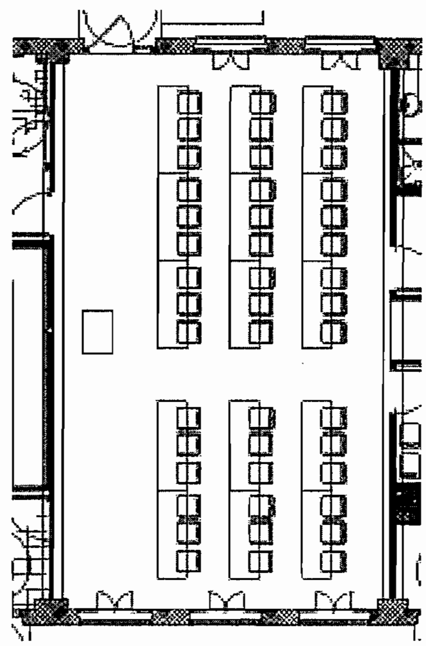
Located between the Kazon Building and the historic Joy Theater next door, the park will contain a play area for community residents and visitors and feature marble sculptures created by artists at the Carving Studio.





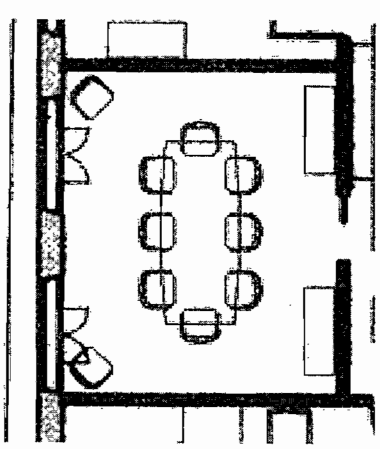
Office and Community Rooms

Once completed, the building will contain a 1,000 square foot community room that will be available to the public for meetings and parties. The HomeOwnership Center will contain a board room and several customer,work rooms.



Classroom Tables and Chairs

Tables in the HomeOwnership Center classroom will seat up to 80 participants in HomeBuyer Education and Financial Fitness Workshops. State of the art audio-visual equipment in the classroom will also be available for public meetings.

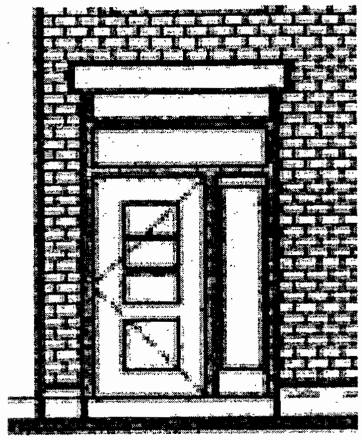


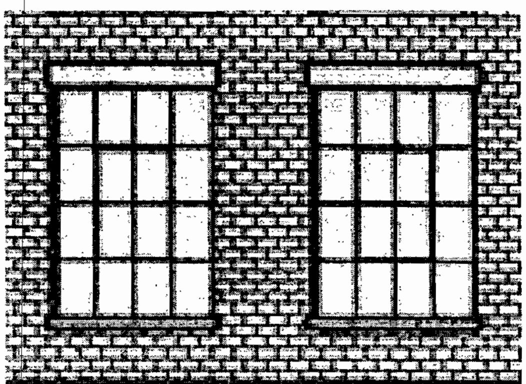
Conference Room Table and Chairs

Big enough to get the entire staff or board together in one space, the conference room table should seat up to twelve people. This area is the heart of the HomeOwnership Center's workspace, both for meetings and as a special projects areas.

Building Doors

Providing access to the office and community space as well as to the apartments within the building, the doors will provide accessibility for handicapped individuals while maintaining the historical essence of the building.





Windows

The 65 sixteen paned industrial windows that provide light throughout the building will be restored and custom-made storm and screen insets will provide energy-efficiency without changing the unique look of the windows.

Brick and Marble

The brick façade will be re-pointed, repaired and cleaned, as will the marble detail work on the building's façade and the marble lintels of doors and windows.

Contact Rutland West Executive Director Ludy Biddle about these naming opportunities and other sponsorships available for the HomeOwnership Center.

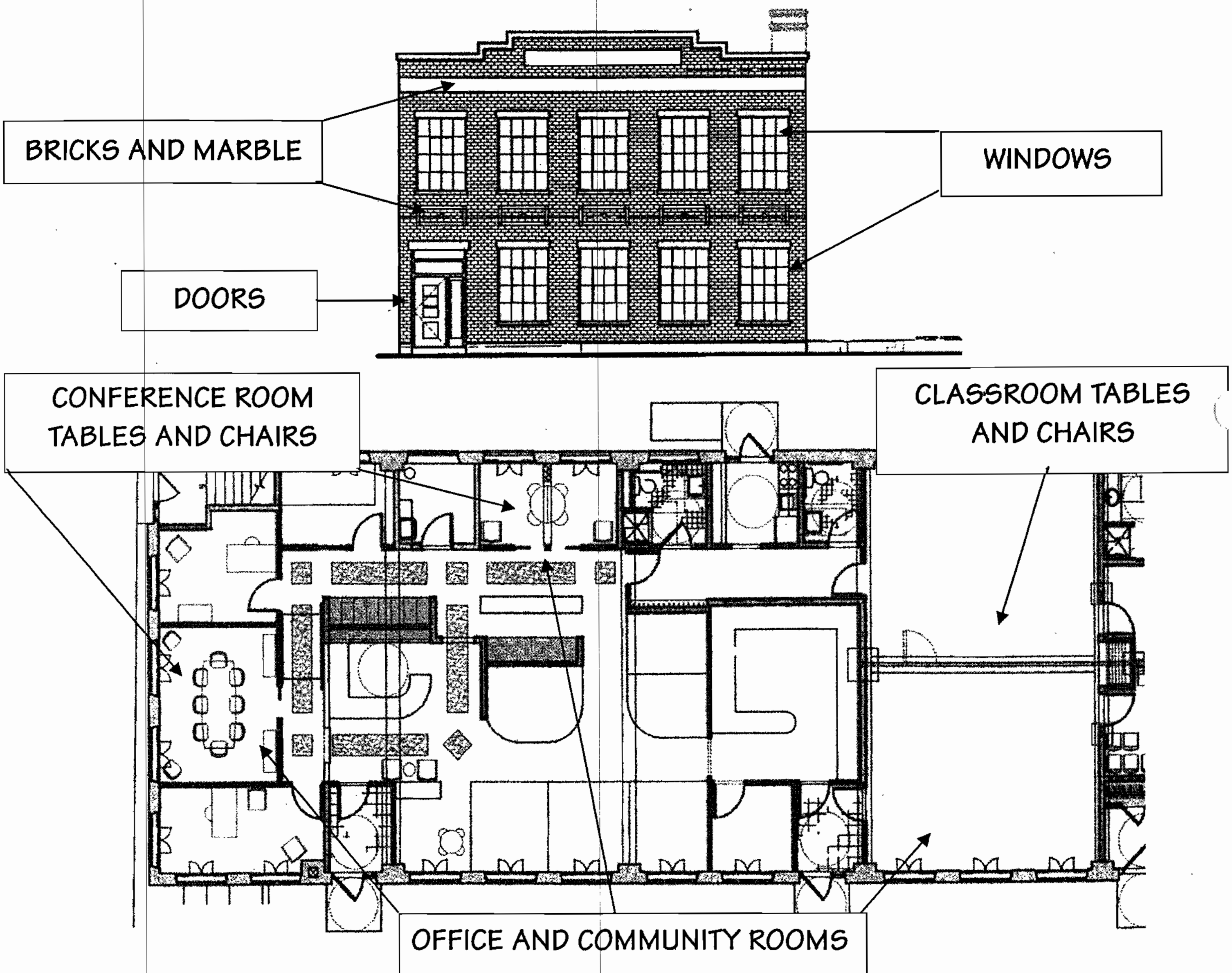
Rutland West NHS 37 Marble Street P.O. Box 541 West Rutland, VT 05777
(802) 438-2303 rwnhs@vermontel.net

Rutland West Neighborhood Housing Services is a nonprofit community development organization. All donations are tax deductible. Rutland West is also a certified Community Development Financial Institution. As such, donations made to Rutland West by lending institutions carry additional credit under the Community Reinvestment Act.

HOW YOU CAN HELP

Rutland West is making available a number of
NAMING OPPORTUNITIES

for individuals and businesses interested in supporting the organization's efforts to restore this wonderful piece of local history. Contact Rutland West Executive Director Ludy Biddle to discuss sponsorship opportunities that include:



Rutland West NHS 37 Marble Street P.O. Box 541 West Rutland, VT 05777
(802) 438-2303 rwnhs@vermontel.net

Rutland West Neighborhood Housing Services is a nonprofit community development organization. All donations are tax deductible. Rutland West is also a certified Community Development Financial Institution. As such, donations made to Rutland West by lending institutions carry additional credit under the Community Reinvestment Act.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: June 5, 2003

RE: Highgate Update

This memo is a follow up to the Board's discussion at the Tax Credit Meeting on May 15th regarding Highgate. At that time, the Board was informed that construction bids came in $800,000 over budget. The Board/Committee made a forward commitment of the total 2004 State Affordable Housing Tax Credits to help fill the resulting shortfall in the budget subject to staff underwriting. This memo is intended to provide an update and to address concerns regarding the increased costs and the bidding process raised by the Board.

Construction Costs, Re-Bidding, or Phasing the Work

VHFA employed the services of Dave Anderson, a highly credible and experienced construction consultant to review construction plans, specs, and the proposed scope of work at Highgate. Dave has been involved and has worked with the project manager since Highgate was awarded ceiling tax credits last fall. There were eight pre-qualified bidders, six who participated in the walk-through, and two who submitted bids. We found that several of the pre-qualified contractors did not submit final bids for a number of reasons including: distance to the project, labor shortage, difficulty of working in an occupied project, length of the project, and the difficult nature of the site (being a dense development on a tough, hilly site). Although re-bidding was considered, it is not recommended unless there are substantive changes made to the project. Dave Anderson's experience indicates that a re-bid project tends to increase in price, as estimates have been disclosed during the first bidding process. In addition, there is little indication that we would receive new bids from contractors beyond those who have already bid. We are therefore recommending against re-bidding, as we do not believe it will benefit the project.

The Board had also questioned the benefits of trying to phase the project. This would be very difficult and most likely would result in further increased cost to the project. Construction is currently underway for mold remediation. There are significant cost savings associated with the efficiencies of completing all work in one construction season. Operating deficits from vacancies will be minimized if the work gets done in a timely manner. Work completed for mold remediation will not be put at risk for failure to cure the drainage issues underlying the cause of the mold. VHFA has advanced nearly $350,000 of zero percent financing to address the mold problem to date. Phasing the project over time exposes the project to market risk if construction costs increase with an improving economy. There has been significant momentum to address the redevelopment needs of this difficult project, and piecing together a financial plan in the future for a second or third phase would be very challenging. Therefore we also recommend against phasing the scope of work.

Filling the Gap

Staff has been working with Housing Vermont on a plan to fill the gap, as well as in reviewing potential cuts in the construction budget. We have had Dave Anderson carefully review all "value engineering" (construction cost cutting) recommendations to ensure that proposed cuts maintain the integrity of the project and that the work continues to meet code requirements. In addition we are trying to minimize cuts that improve the livability or marketability of the units.

After acceptable value engineering and other adjustments, Housing Vermont has reduced the $800,000 overage to $676,577. They propose to fund this as follows:

$461,577	Equity from 2004 State Affordable Housing Tax Credit of $150,000 and $15,500 additional ceiling tax credit (5% of the allocation amount, which is within staff discretion to approve)
$ 65,000	Additional deferred developer's fee (now deferring a total of 72% of their fee)
$ 50,000	Additional VHFA 0% Loan (for a total 0% loan of $400,000)
$ 50,000	Additional VCDP award
$ 50,000	Additional VHCB award
$676,577	Total proposed sources to fill gap

The 2004 State Affordable Housing Tax Credit was committed on May 15th subject to staff review. This review has taken place, and staff feels that allocation of the 2004 State Credits is critical to the completion of the Highgate project. Staff is also recommending that the Board approve an additional zero percent loan, contingent on the borrower's effort to obtain the participation of other funders (VHCB and VCDP). The borrower is approaching both VHCB and VCDP for enhancements to its previous funding commitments.

Federal Tax Credit Request

The owner has requested that they be able to return their reservation of 2002 Housing Credits in the amount of $310,000 and obtain a reservation in the same amount of 2003 Housing Credits (see attached letter). There is a provision in the Allocation Plan, "*Return of Previously Allocated Credits*", which allows for such a request in extraordinary situations if the following four conditions are met: First, if a *project's viability is threatened by extraordinary circumstances (which generally will not include delays in securing state or local approvals) that become apparent so late in a year that it is not feasible to hold a competitive round.* The project's owner is required to meet the "10% test" by 6/23/03. Originally the project was to close in May or June. Under that scenario, they would have been able to meet the 10% test. Bids received in early May were significantly over budget. Since then, identifying acceptable cuts to the scope of work as well as sources to fill the gap have caused a delay in the schedule, resulting in the owner's inability to meet the 10% test by 6/23/03. Receiving a 2003 Credit allocation now will enable them to begin construction and meet the 10% test by fall. Second, *with the return and re-allocation, the Project can be placed in service within the maximum time limits allowed by the Internal Revenue Code under the original allocation.* The 2002 allocation required that the project be placed in service by the end of 2004. We would require that a 2003 Allocation meet the same timeline. The owner can meet the deadline if they begin construction under current assumptions. Third, *the amount of Housing Credits available to the State is not reduced.* This request will have no impact on the amount of credit we have to allocate. Last, *the VHFA Board of Commissioners approves the return and re-allocation.* Staff recommends approval of the owner's request so that the project can continue to move forward.

HUD Issues

When the construction and permanent loans were presented to the board for approval, staff raised the issue of the HUD "flexible subsidy", a deferred loan that is currently in first position. We have had discussions with HUD regarding whether this obligation can be extended past its current maturity date of 2011, to 2033, which would be after VHFA's new amortizing debt matures. At its maturity, its balance including accrued interest will be approximately $1.5 million, repayment of which renders the project financially infeasible. HUD has informed us that repayment of the flexible subsidy on its current maturity date is a statutory requirement, and they do not have the flexibility to extend it without a statutory amendment. We will pursue a statutory amendment with the help of the Vermont delegation and hope to obtain that in the next Congressional session. In addition we are seeking a shared first position with HUD on our construction and new permanent loan, which has been verbally approved. We are working with HUD Manchester staff on a document to that end.

Summary
Staff continues to work with Housing Vermont on refining the budget and on the value engineering process. Due to the nature of the extensive sitework as well as tax credit deadline requirements, there is pressure for the project to close as soon as possible and for construction to begin. We believe the prudent course is to limit cuts to the construction budget, work with the developer to fill the gap, and help the project to proceed to construction.

Recommendation
Staff recommends:

1) VHFA Board approval of a forward allocation of $150,000 in 2004 State Affordable Housing Tax Credits;
2) VHFA Board approval of the owner's request to return 2002 Housing Credits in the amount of $310,000 and obtain a reservation of 2003 Housing Credits in the amount of $310,000;
3) That the VHFA Board authorize the Executive Director to approve up to $155,000 in additional zero percent financing subject to borrower's efforts in obtaining participation of other funders.

See attached resolution.

Attachment

HOUSING VERMONT

Celebrating our 15th year!

4 June 2003

Cindy Reid
Multifamily Development Underwriter
Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4364

Re: Highgate Carryover - Reallocation of Credits Request

Dear Cindy:

After some extraordinary challenges, Highgate is moving again toward closing and redevelopment. Unfortunately, delays attributable to these circumstances have made meeting the 10% cost certification required to perfect carryover unusually difficult and threatens the feasibility of the project. As provided for in the allocation plan, Housing Vermont would like to conditionally return the $310,000 allocation of Vermont's 2002 LIHTC credits received for the Highgate redevelopment. This return would be conditioned upon Vermont Housing Finance Agency agreeing to reissue the $310,000 in credits to Highgate as part of the State of Vermont's 2003 allocation. This will have no impact on the existing 2003 allocated and unallocated credits, but will allow to meet its 10% test when the project closes and begins construction.

I believe the project currently meets three of the four conditions set out in the allocation plan that allow for such a return and reissuance:

> I. The Project's viability is threatened by extraordinary circumstances (which generally will not include delays in securing state or local approvals) that become apparent so late in a year that it is not feasible to hold a competitive round;

The 10 % test perfecting carryover is required to be achieved by June 23, 2003, making June 23, 2003 the end of "a year" for the purposes meeting the 10% test for carryover under the new tax credit regulations. An early June closing on financing and the construction contract and the start of construction was to have allowed for meeting the 10% test. There have been two intervening events that have delayed such a closing. First, the project was bid on May 6, 2003 and the lowest bid was some $800,000 over the approved budget. Since that time, the owner has been working to identify additional sources and modifications in the scope of work that allow for a viable project. Such sources and modifications have been identified and approved by the lenders, but there is not sufficient time to close the financing and start construction to meet the 10% carryover requirement before the end of the 10% test period (that previously was the end of the year). The second extraordinary circumstance is that the co-general partner on this project is a resident controlled organization that has been under intense lender scrutiny in regard to their management and oversight of resident services. Reaching final resolution to the satisfaction of lenders and the

123 St. Paul Street
Burlington, Vermont 05401
phone: 802.863.8424
fax: 802.660.9034
www.housingvermont.org

owners took until just this week. This has also worked to delay the closing that would facilitate meeting the 10% test.

> II. With the return and reallocation, the project can still be placed in service within the maximum time limits allowed by the Internal Revenue Code (IRC) under the original allocation;

Under the original allocation, the IRC would require that the project be placed in service on or before December 31, 2004. The current construction schedule, adjusted to the most recent delays, will have the final units placed in service in November of 2004. Units in general will be placed in service as they are completed and well before the close of 2004. The owner is confident that they can comply with this requirement.

> III. The amount of Housing Credit available to the State is not reduced.

The return and reallocation of the $310,000 in credit will not reduce or otherwise effect the amount of Housing Credit available to the State.

The fourth and final requirement is the approval of the VHFA Board of Commissioners. Assuming that this request can be worked into the agenda, I will plan to ask for such approval at the June 12, 2003 meeting of the board. If you have any questions, please do not hesitate to call me. Thanks for your attention to this matter.

Sincerely,

R. Andrew Broderick
President

RAB:msh

SECOND RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR IMPROVEMENTS TO HIGHGATE APARTMENTS, BARRE

WHEREAS, the Board of Commissioners of Vermont Housing Finance Agency (the "Agency") has passed a Resolution Re: Improvement Financing for Highgate Apartments, Barre on June 13, 2002 for a $350,000 Zero Percent Loan and a Resolution Re: Construction and Permanent Financing for Improvements to Highgate Apartments, Barre on January16, 2003 for a construction loan in the amount of $2,335,000 and a permanent loan in the amount of $165,000; and

WHEREAS, Highgate Housing Limited Partnership (the "Borrower") is working to obtain additional financing to cover additional construction costs in an amount up to $800,000 for the improvements to Highgate Apartments in Barre, Vermont (the "Development"); and

WHEREAS, based on staff review, the reservation of 2004 State Affordable Housing Tax Credits has been considered; and

WHEREAS, the Borrower has requested the return of its 2002 federal Housing Credits and a new reservation of 2003 federal Housing Credits in the same amount; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated June 5, 2003, containing information and recommendations about the current status of the Development (the "Memorandum");

The actions taken by the Agency in its June 13, 2002 and January 16, 2003 resolutions are incorporated herein by reference and remain in full force and effect.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is hereby authorized to commit a loan in an amount up to but not to exceed $155,000 to the Borrower to be funded with excess yield zero percent pool funds based on the Borrower's effort to obtain the participation of other lenders in filling the unanticipated funding gap.

2. The Board hereby confirms its approval of the forward commitment of 2004 State Affordable Housing Tax Credits in the amount of $150,000 to the Borrower.

3. The Board hereby approves the Borrower's request to return its reservation of 2002 federal Housing Credits in the amount of $310,000 and obtain a reservation of 2003 federal Housing Credits in the amount of $310,000.

Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Housing Finance Agency Board Room
164 St. Paul Street
Burlington, Vermont
Thursday, June 12, 2003 at 9:00 a.m.

Present: Chairperson Randall, Commissioners Mr. Beaulieu, Mr. Candon (Designee for Crowley), Ms. Canney, Mr. Hall (Designee for Dorn), Mr. Seelig, Mr. Spaulding

Staff: Mr. Adams, Ms. Carpenter, Ms. Collins, Ms. Couture, Ms. Crady, Ms. Mullikin Drake, Mr. Erdelyi, Mr. Fairbanks, Ms. Greenough, Ms. Reid, Mr. Schoenbeck

Guests: Ms. Ludy Biddle (Rutland West Neighborhood Housing Services), Mr. Ken Braverman (HallKeen), Mr. Andy Broderick (Housing Vermont), Mr. Andy Burnes (HallKeen), Ms. Cecelia Daly (Agency of Commerce and Community Development), Mr. Kevin Dorn (Secretary, Agency of Commerce and Community Development), Mr. Jeffry Glassberg (Capital Ideas), Mr. Peter Holmberg (Holmberg Properties), Mr. Sam Lewis (Agency of Transportation), Mr. Bob Marcellino (Homestead Design), Ms. Nancy Owens (Housing Vermont), Mr. Geoff Proulx (Citigroup), Mr. Mike Richardson (Capital Ideas), Mr. John Wagner (Kutak Rock), Mr. Rich Wickman (Housing Vermont)

Chairperson Randall called the meeting to order at 9:00 a.m.

BOARD TRAINING

Mr. John Wagner, Esq., of Kutak Rock, Bond Counsel to VHFA, reviewed the role and structure of an HFA and provided basic training to Commissioners on the process of bond issuance.

EXECUTIVE SESSION

Mr. Hall made a motion to go into Executive Session to discuss Personnel related items. Mr. Seelig seconded the motion with the Board unanimously approving. The Board of Commissioners commenced Executive Session at 11:45 a.m.

Ms. Canney made a motion to adjourn Executive Session. Mr. Beaulieu seconded the motion with the Board unanimously approving. Executive Session was adjourned at 12:15 p.m.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

MINUTES

Mr. Seelig made a motion to approve both the May 15, 2003 and May 28, 2003 Board of Commissioners' meeting minutes with Mr. Beaulieu seconding the motion.

- The Board unanimously approved the May 15th minutes.
- Mr. Candon abstained from the approval of the May 28th minutes. All other Board members approved the May 28th minutes.

HOMEOWNERSHIP

Ms. Crady reviewed the points of her monthly report reiterating that the Agency will fall short of the FY 2003 goal of $58 million in loan purchases. Although there is currently approximately $19 million in the pipeline, the process to close is taking longer, possibly because the system is bogged down with refinances. Ms. Crady expects that the FY 2003 loan purchases will be between $52 and $53 million.

There is currently a 2½ basis point spread over conventional rates – which continue to decline!

Delinquency reports as of May 31, 2003 will be available at the August meeting. Delinquencies continue to run at about the same level as last year, but the percentage has increased due to the decline in the portfolio. The majority of the delinquent loans appear to be the same borrowers with recurring problems. Staff continues to pursue loan modifications when appropriate to avoid defaults.

Mr. Candon inquired about Mascoma Savings Bank's high delinquency rate of 11.76%. Ms. Crady agreed that the rate is high, but explained that it represents only two loans. Mascoma Savings Bank's production is relatively low, and they may have difficulty meeting the minimum five loans per year required in the new lender contract to remain active and participating.

ADMINISTRATION

Ms. Carpenter reported that the Administrative Fee Bill (to which was attached technical changes to the State Housing Tax Credit) never made it out of Committee. Representative Marron, Chair of the Ways & Means Committee, has promised to give the issue top priority in the next session.

June is Homeownership Month (as well as Dairy Month!). John Fairbanks helped to set up, and Kelly Deforge represented VHFA at the Minority Homeownership Event at Burlington City Hall this a.m. Also represented were Fannie Mae, RD, HUD and the Homeownership Centers.

Ms Carpenter announced that she will be meeting with Art Garcia, the Administrator for all the federal Rural Development / Rural Housing Services programs, on June 13, 2003 in Montpelier.

Ms Carpenter proposed that the August meeting take place in Bellows Falls as there are three projects within approximately two blocks that could be seen.

In response to Mr. Seelig's question about Richford, Ms. Carpenter said that the project looks great, although, downtown still needs some work.

FINANCE

Mr. Schoenbeck referred the Board to his memo and the attached balance sheet and statement of revenues for the bond programs through March 31, 2003. Mr. Hall asked about the makeup of "cash and cash equivalents." Mr. Schoenbeck explained that these consist of Guaranteed Investment Contracts and other high rated instruments with guaranteed rates. There is very little cash and nothing risky.

Mr. Schoenbeck then presented the FY 2004 Proposed Budget which is based on the March 31, 2003 numbers projected to the end of FY 2003. He cautioned that outstanding loan balances continue to drop and, as they do, so do expected earnings. The month of May did see a slower rate of prepayments. The good news is that losses are lower than expected.

Mr. Schoenbeck explained that the Budget Subcommittee (Mr. Hall, Mr. Spaulding, and Mr. Seelig) had reviewed the budget proposal and recommended Board approval. The other half of the Board, making up the Human Resources Subcommittee, had also met previously to discuss adjustments to salaries – which are a large part of the budget. Attention was called to a significant drop in the Capital budget.

Chairperson Randall, in reference to goals and initiatives, asked what was being done this year that is new and different to promote housing. Ms. Carpenter answered that there isn't much that is significantly new and different, but highlighted the following activities that address what the Agency is continuing to do to promote its current housing activities:

- Maintainance of Operating/Marketing Support to the Homeownership Centers, with an initiative to find ways to increase capacity in the Bennington and Brattleboro areas
- Continuation of the Homeownership Demonstration Program with the proposed implementation of a Construction Loan Program to follow up Singe-family Ventures and Predevelopment Loans
- Implementation of Phase I of the VHFA.net Extranet which, admittedly, is not visible to the public, but from which our partners are greatly benefiting; increased enhancements of the Housing Data Website; and the implementation of the electronic data transfer from the trustee and servicers

Ms. Carpenter added that the area where we still continue to have the greatest potential for impact is in the production of stock. Discussion followed. At the August Board meeting Ms. Crady and Ms. Collins will report on the activities of the Homeownership Centers.

Mr. Candon voiced his hope that mobile home options are not forgotten. Ms. Carpenter reminded attendees that we do have the mobile home refinancing option available and that last month we expanded it to include some number of homes that are not on fixed foundations as currently defined.

Chairperson Randall asked the Board Members to share their thoughts at the August meeting as to what they'd like to see in the area of new initiatives (versus continuing operational initiatives.) To Mr. Beaulieu's question about timeframe for a Strategic Planning Session, Chairperson Randall explained that this typically takes place in October, but that this October's meeting would, instead, be about regional trends as it will be a joint meeting with New Hampshire. In light of this, Chairperson Randall reiterated the need to use the August meeting as stated. Discussion followed. (Ms. Carpenter suggested longer meetings as the Tax Credit Allocation process uses much of the Board's time at three meetings per year. Ms. Canney suggested making the October meeting a two-day session.)

Chairperson Randall asked Ms. Greenough to solicit feedback from Board Members via e-mail about extending the August Board meeting to discuss new initiatives and about when strategic planning can be addressed.

Mr. Schoenbeck added that, in line with goals and objectives, the Piper Jaffray study due out this Fall will help in determining resource availability.

Mr. Spaulding complimented the staff on the format of the budget. He then made a motion to approve the FY 2004 Operating and Capital Budget. Mr. Hall seconded the motion and the Board unanimously approved the motion.

DEVELOPMENT

Wall Street, Springfield

Ms. Reid referred attendees to the memo regarding the rehabilitation of an historic building located on Wall Street in Springfield which, as of March 2003, is owned by the Rockingham Area Community Land Trust.

Ms. Canney made a motion to accept the "Resolution Re: Construction Financing for Wall Street (Brookline Apartments), Springfield." Mr. Hall seconded the motion and the Board unanimously approved the Resolution.

Kazon Building, West Rutland

Ms. Reid highlighted points from the memo regarding the Kazon Building in West Rutland. Rutland West Neighborhood Housing Services (RWNHS) is a fairly new borrower to VHFA.

The loan being sought would be used for only the residential portion of the rehabilitation. Ms. Canney expressed concern about the breakdown of one to two bedroom units (4 of the 6 being one-bedroom) because she understands that Rutland is in need of more family housing. Discussion followed. Highlights include the fact that RWNHS will be required to do a market study (to determine need) and that the building and site are not as well suited to family housing. Ms. Biddle cited the need for the one-bedroom units, as well as the added benefits of providing office and training space for their Homeownership Center.

Mr. Beaulieu made a motion to accept the "Resolution Re: Construction Financing for Kazon Building, West Rutland" with a request that staff review the design of the building. Mr. Seelig seconded the motion and the Board unanimously approved the Resolution.

Highgate Update
Ms. Reid updated the Board on issues concerning Highgate that were raised at the previous Tax Credit Committee and Board meetings. It is the recommendation of staff to not re-bid the project as the cost would likely increase and time would be lost. In addition, phasing should not be considered for two reasons: 1) costs would increase in future phases and 2) phasing would slow the redevelopment's current momentum. Some of the $800,000 gap between the bid and the budget has been mitigated with cuts in the scope of work. To fill the remainder of the funding gap, staff is requesting the Board approve a forward allocation of $150,000 in 2004 State Affordable Housing Tax Credits (which was approved at the May 15, 2003 Board Meeting subject to staff review) and that the Board authorize the Executive Director to approve up to $155,000 in additional zero percent financing with the expectation that the amount will be less, pending approved participation of VHCB and VCDP.

Discussion followed. Ms. Reid spoke of a Capital Needs Assessment, completed a couple of months ago, which showed that the owner should be putting aside $65,000/year into replacement reserves (up from $30,000 currently budgeted). Mr. Broderick reported that changes in the way the current resident services program is operated will likely need to be made. VHFA does have budget approval authority that it may need to exercise with the resident controlled Board.

Mr. Candon asked about the total construction costs? Ms. Reid replied that costs are currently about $4.5 million. Mr. Candon also asked about vacancy rate. Mr. Broderick explained that, last year, it was good (about 3 to 4 percent). However, currently 30 units are vacant in anticipation of rehabilitation.

Ms. Reid also explained that the owner is requesting the Board approve the return of 2002 Housing Credits in exchange for a reservation of 2003 Housing Credits in the same amount. Ms. Carpenter added that this is essentially a paper swap.

Ms. Reid explained that there are still issues with HUD. Ms. Mullikin Drake is working on these and the outcome won't be known before closing. Resolution may require a change in law so that HUD can defer the flexible subsidy mortgage due in 2011. If required, this would be the second Congressional Amendment prompted by Highgate.

Ms. Canney expressed concern that approving an additional $155,000 in zero percent financing may deter VHCB and VCDP from participating. Mr. Seelig assured Ms. Canney that he is recommending that VHCB contribute $50,000. A similar request will be made of the VDCP Board. Mr. Broderick also explained that each Board tries to act in good faith.

Mr. Seelig made a motion to approve the "Second Resolution Re: Construction and Permanent Financing for Improvements to Highgate Apartments, Barre." Mr. Hall seconded the motion. More discussion followed with Ms. Canney proposing an interim approval of only $55,000 in zero percent funds, authorizing staff to approve up to the remaining $100,000 if neither VHCB nor VCDP approved additional funds. Chairperson Randall explained that the Board should assume the responsibility – it could approve $55,000 today and ask staff to return to the Board if additional funds were needed, or approve $155,000 today. Chairperson Randall called for a vote. All were in favor except Ms. Canney who opposed the motion. The Resolution was approved as recommended by staff.

To Mr. Spaulding's questions regarding whether the sponsors become the owners, Ms. Reid explained that the sponsors will be a general partner in a to-be-formed tax credit limited partnership. Ms. Carpenter added that the source of the zero percent funds is excess yield or arbitrage on the multi-family pool – although these funds are diminishing.

Ms. Mullikin Drake explained that one year ago the Board committed $350,000 in excess yield funds to Highgate. That commitment required Board approval because Highgate is an existing portfolio project which does not generate excess yield funds. According to the current Excess Yield Policy, staff can commit 1) loans of excess yield funds in any amount to existing portfolio projects that generate excess yield funds and are not "troubled loans" and 2) individual loans up to $100,000 of excess yield funds to new developments. Board approval is required for any loans of excess yield funds to existing portfolio projects that do not generate excess yield funds.

Updates on First Tax Credit Round of 2003

The possibility of Stowe Family Housing relinquishing its 2003 tax credits and being forward allocated the same amount in 2004 credits was discussed at the May 15, 2003 Tax Credit Committee meeting. Ms. Reid explained that Housing Vermont has requested that they keep their 2003 credits as they hope to know the result of the court appeal of the decision of the Zoning Board by October. They believe they will be in the ground and will make the carryover date.

Lengthy discussion followed regarding the tax credit allocation process. The issues that were raised at the May 15, 2003 Tax Credit Committee and VHFA Board meetings were revisited.

- Ms. Carpenter explained that project readiness is currently a second tier priority and that a community's need is a first tier priority. The difficulty results from the number of good projects that meet our criteria, which is forcing the need to "up the bar." Readiness may be one way to do so, however, it may be more important to have clearer criteria on what type of projects are our first priority to provide more predictability in the allocation process.

- In response to Ms. Canney's suggestion that the three Chittenden County projects - which are ready to go - be allocated tax credits, Ms. Carpenter mentioned that the Board may not want projects to be so concentrated geographically for political reasons, particularly in light of several future major redevelopments projects.
- Ms. Carpenter suggested that the Tax Credit Committee and Board exercise its option to reject projects based on revised criteria and a revised process. Chairperson Randall agreed, adding that stringing projects along is costly and time consuming, not to mention unfair.
- Both Mr. Candon and Mr. Spaulding stated that they are generally not in favor of forward allocation because it may mean missing out on good future projects.
- Ms. Carpenter suggested that another way to deal with the abundance of projects would be to ask staff to look at other financing options or a redesign of the project before it comes before the Board.

Mr. Seelig expressed reluctance to allocate at today's meeting because the current process (three rounds per year) creates expectations in the development community. To allocate outside of one of these rounds would be unfair. Mr. Candon, Chairperson Randall and Mr. Beaulieu agreed.

Mr. Erdelyi suggested that the Tax Credit Committee and the Board only decide what projects should receive tax credit allocations and leave timing of the allocations to the staff. That is, there is a difference between a binding commitment and an allocation.

There was agreement regarding the need to revisit the tax credit allocation process. Mr. Seelig made a motion to request that staff and the Tax Credit Committee meet this summer to determine 1) if the criteria used in the tax credit allocation process needs to be adjusted, and 2) how the process of allocation could be made simpler and more straightforward. Mr. Candon seconded the motion. However, after Chairperson Randall pointed out that this is a request, which therefore does not need a motion, Mr. Seelig withdrew his motion.

Ms. Canney raised the point that the minutes of the May 15, 2003 meeting clearly stated that the Board would discuss allocating tax credits at this meeting. Mr. Seelig made a motion to not take action today. Mr. Candon seconded the motion. The Board unanimously approved the motion.

Winooski Project

Mr. Burnes (HallKeen) presented a Powerpoint overview (copies of slides distributed) of the Winooski Falls Redevelopment Project. Mr. Burnes explained that this plan, Plan A, assumes UVM's involvement – if only by way of soft marketing rather than financial. Mr. Burnes did concede that resolution with UVM had been hoped for by now. The backup plan, Plan B, would change the West Block from student housing to affordable housing, using either 9% or 4% tax credits.

There are five components to the Master Plan: West Block (either 110 units of student housing – Plan A – or affordable housing – Plan B); Central Block (250 affordable and mixed income housing units); Champlain Mill (100 2-bedroom market rate luxury units); Condominiums (150 luxury 2-bedroom units priced at between $175,000 and $190,000); and VSAC.

Mr. Seelig asked about the balance of affordable to market rate housing in the Central Block. Mr. Burnes explained that the ratio would be 25% affordable (50% AMI) to 75% market. HallKeen would seek $850,000 in 9% tax credits (along with $750,000 HOME and $1.5 million CDBG) for funding of Central Block.

Mr. Seelig asked about amenities for open spaces. Mr. Burnes explained that Central Block has open courtyards and vistas of the river. He added that there are 100 acres of park land and that he hoped to be able to extend the river path to it.

Mr. Schoenbeck asked what would happen if VSAC decided to go elsewhere. Mr. Burnes replied that this would mean a significant revamping and restructuring of the overall project.

Mr. Spaulding asked about the total cost. Both Mr. Erdelyi and Mr. Burnes believe that the infrastructure will cost $49 million. The construction was estimated to be from $80 to $85 million for development.

OTHER BUSINESS

Ms. Carpenter distributed information on the NCSHB (National Council of State Housing Boards) Conference being held in Alaska in July and reminded the Board that there is the ability to support travel of some members to this meeting or the NCSHA (National Council of State Housing Agencies) Annual Meeting in Seattle this Fall.

Ms. Carpenter stated that both Mr. Adams and Mr. Broderick have analyzed various scenarios for Winchester and will present these as soon as they are finalized. Ms. Carpenter updated the Board regarding the outcome of a meeting with John Wagner in which it was learned that changing a 40/60 bond to a 20/50 bond can be done by reclassifying the bond without having to resell it.

Mr. Spaulding made the motion to adjourn the meeting. Mr. Candon seconded the motion and the Board unanimously approved to adjourn the meeting at 3:12 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: July 28th, 2003

RE: Construction Loan Applications for the Board Meeting

The Board agenda is very heavy for the August 7th meeting, particularly from the Multifamily/Development side. Included in the Board package you will note three project applications where our involvement is limited to providing construction financing.

- Whetstone Building - Brattleboro: Brattleboro Area Community Land Trust; $1,350,000: 55% of the total project financing.
- Small City - Vergennes: Housing Vermont and Addison County Community Action Group; $2,230,000: 65% of the total project financing.
- School Street Apartments - Rutland: Rutland Community Land Trust: $1,100,000: 70% of the total project financing.

In all three project proposals, funding sources are committed that will pay off the VHFA loans at completion. The project sponsors are all well know to us. Risk associated with these projects is seen as low. We welcome any questions you may have at the Board meeting but we are hoping these will be somewhat "consent agenda" items out of respect for your time and the heavy agenda.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter

DATE: July 24, 2003 CR

RE: Multifamily Construction Loan Request for Whetstone Housing, Brattleboro

Name:	Whetstone Housing	**Location:**	Brattleboro
Housing Type:	General Occupancy	**Unit Type:**	Flats and one Townhouse
Total Units:	20	**Unit Sizes:**	11 1-BR @ 651 s.f. 6 2-BR @ 819 s.f. 3 3-BR @ 1,047 s.f.
Total Cost:	$2,428,900	**Per S.F. Acquisition & Construction Cost:**	$127.93
Loans Requested:	$1,350,000 construction	**Housing Credits (4%):**	$76,808
Other Funding:	VHCB, HOME, VCIL, Project Reserves, Preservation Trust, Weatherization, REEP, Housing Credit Equity (State), Debt		
Sponsors:	Brattleboro Area Community Land Trust (BACLT)		

BACLT (as general partner within a tax credit limited partnership) is requesting a tax-exempt construction loan (to obtain 4% out of cap credits) to acquire and rehabilitate four historic buildings totaling 20 units of housing located at 42 South Main, 50, 58 and 64 Canal Streets near downtown Brattleboro. (These buildings were among the first properties BACLT developed in 1989, and then transferred to tenant cooperatives in 1991. The rehabilitation was minimal, and the properties have suffered from deferred maintenance. The co-op members have recently voted to dissolve the co-ops and sell them back to BACLT.) BACLT had requested ceiling credits in the last round and withdrew their application at the Board/Committee meeting in order to re-submit it as a 4% out of cap credit deal. The project obtained a commitment of $100,000 in State Tax Credits at that time. The project has all of its funding commitment. Four units have project-based Section 8 certificates which expire next year. BACLT has approached the State Housing Authority regarding converting these vouchers to project-based assistance at expiration. All of the units but one are affordable to households at or below 50% of area median income, and the buildings are occupied by predominantly very low income households. The properties have a history of high occupancy. BACLT will manage the project once construction is complete. Sources of take out funding for VHFA's construction loan include soft sources listed above and housing credit equity. Construction is anticipated to begin in October and be completed by September 2004.

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

RESOLUTION RE: CONSTRUCTION FINANCING FORWHETSTONE HOUSING, BRATTLEBORO

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

WHEREAS, an application has been submitted to the Agency by Brattleboro Area Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the rehabilitation of four (4) buildings containing a total of twenty (20) units of rental housing in the Town of Brattleboro (the "Development");

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 24, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

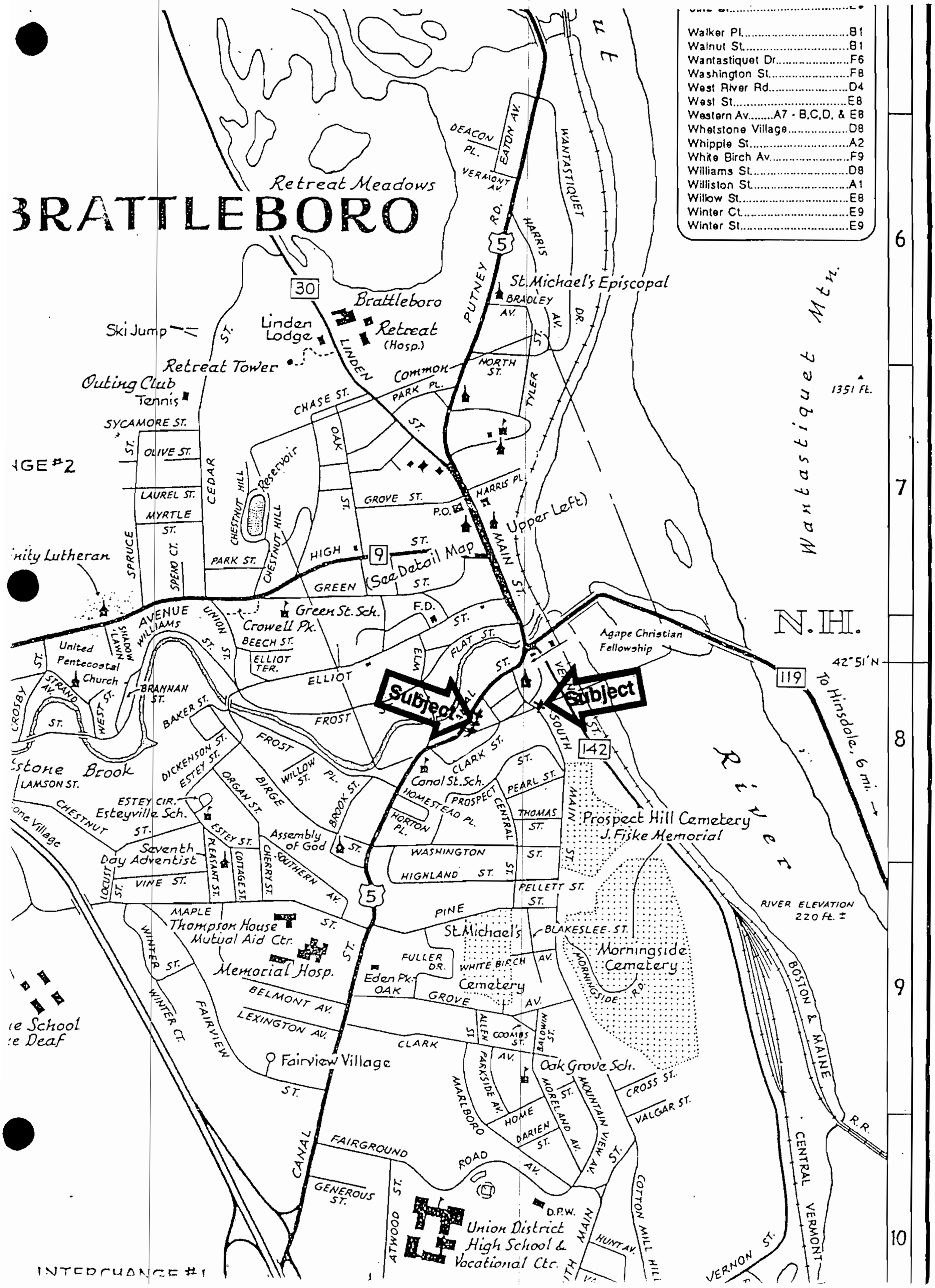
6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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



Walker Pl. B1
Walnut St. B1
Wantastiquet Dr. F6
Washington St. F8
West River Rd. D4
West St. E8
Western Av. ....A7 - B,C,D, & E8
Whetstone Village D8
Whipple St. A2
White Birch Av. F9
Williams St. D8
Williston St. A1
Willow St. E8
Winter Ct. E9
Winter St. E9
BRATTLEBORO
Retreat Meadows
Brattleboro Retreat (Hosp.)
Linden Lodge
Ski Jump
Retreat Tower
Outing Club Tennis
St. Michael's Episcopal
Common
(See Detail Map Upper Left)
Green St. Sch.
Crowell Pk.
United Pentecostal Church
Agape Christian Fellowship
Subject
Subject
Canal St. Sch.
Esteyville Sch.
Assembly of God
Seventh Day Adventist
Thompson House
Mutual Aid Ctr.
Memorial Hosp.
Eden Pk.
St. Michael's Cemetery
Morningside Cemetery
Prospect Hill Cemetery
J. Fiske Memorial
Fairview Village
Oak Grove Sch.
Union District High School & Vocational Ctr.
D.P.W.
Wantastiquet Mtn.
1351 Ft.
N.H.
42°51'N
To Hinsdale, 6 mi.
River
RIVER ELEVATION 220 Ft. ±
BOSTON & MAINE R.R.
CENTRAL VERMONT
INTERCHANGE #1
6
7
8
9
10

23-Jul-03 **Whetstone Housing L P**

Total Residential Units:	20	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	17	Increase in Income from Other Sources:	1.50%
Percent Restricted:	85.00%	Increase in Income from Commercial:	0.00%
Total Development Cost:	2,428,900	Expense increase:	3.00%
Total Development Cost per Unit:	121,445	Vacancy Rate:	5%
Total Development Cost Per SF:	160	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	77,269	Short Depreciation Schedule:	5 years
Credit Amount :	77,500	Mid Term Depreciation	15 years
RITC	229,676		
		VT State Housing Credit (2003)	100,000
LIHTC - 4% (August 2003)	3.35%		65,000

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage	175,000	7.20%	6.25%	30	30
HOME	376,000	15.48%	4.50%	25	deferred
VHCB Existing Debt	104,000	4.28%	0.00%	25	deferred
VHCB New	286,000	11.77%	0.00%	25	deferred
VHCB Lead Paint Program	32,000	1.32%	0.00%	25	deferred
VHCB Feasibility (GP Equity)	15,000	0.62%	N/A	N/A	Equity
VCIL Home Acess	5,000	0.21%	N/A	N/A	Grant
Reserves	48,000	1.98%	0.00%	25	deferred
Preservation Trust	28,500	1.17%			
Weatherization & REEP	34,400	1.42%	N/A	N/A	Grant
Limited Partner Equity	1,325,000	54.55%	N/A	N/A	Equity
TOTAL SOURCES	2,428,900	100.00%			
VHFA Construction Loan	1,350,000	55.58%	2.00%		20,250
					3,091

USES

Acquisition	299,500	12.33%
Construction Hard Costs	1,647,507	67.83%
Soft Costs	481,893	19.84%
TOTAL USES	2,428,900	100%
Gap	0	

APPLICABLE FRACTION CALCULATION

See Calculation on Rent Summary Page

Tax Credit Restricted Units	17
Total Units	20
Unit Fraction	85.00%
Tax Credit Square Footage	12,917
Total Residential Square Footage	15,219
Square Footage Fraction	84.87%
Applicable Fraction	84.87%

23-Jul-03 **Whetstone Housing L P**

		Budget	50, 58, & 64 CANAL STREET (0.70) Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis CANAL ST ONLY	Other	42 SOUTH MAIN ST (0.30) Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis CANAL ST ONLY	Other
	ACQUISITION											
1	Land	0										
2	Purchase of Building(s)	296,000	215,000		215,000			81,000		81,000		
3	Demolition (without replacement)											
4	Property Appraisal	1,000	700		700			300		300		
5	Legal - Title and Recording	2,500	1,750		1,750			750		750		
	Subtotal - Acquisition	299,500										
	CONSTRUCTION HARD COSTS											
6	Rehabilitation	1,306,800		739,227	739,227	739,227			567,573	567,573		
7	New Building(s)	0		0					0			
8	Accessory Buildings	0		0					0			
9	Sitework	153,707		130,470	130,470				23,237	23,237		
10	Commercial Space Costs (if any)	0										
11	General Requirements	0		0					0			
12	Contractor Overhead	0		0					0			
13	Contractor Profit	0		0					0			
14	Construction Contingency	125,000		87,500	87,500	87,500			37,500	37,500		
15	Construction Management	0		0					0			
16	Construction Bond Fee	0		0					0			
17	Hazardous Materials Abatement	45,000		31,500	31,500	31,500			13,500	13,500		
18	Off-Site Improvements	0		0					0			
19	Furnishings, Fixtures, & Equipment	17,000		11,900	11,900				5,100	5,100		
20	Other ( )	0		0					0			
	Subtotal - Hard Costs	1,647,507										
	SOFT COSTS											
21	Architectural	106,000		74,200	74,200	74,200			31,800	31,800		
22	Engineering	39,000		27,300	27,300	27,300			11,700	11,700		
23	Legal/Accounting	8,500		5,950	5,960	5,960			2,550	2,550		
24	Relocation	20,700		14,490	14,490	14,490			6,210	6,210		
25	Environmental Assessment	2,000		1,400	1,400	1,400			600	600		
26	Energy Assessment	0		0		0			0			
27	Permits/Fees	7,500		5,250	5,250	5,250			2,250	2,250		
28	Independent Market Study	2,500		1,750	1,750	1,750			750	750		
29	Construction Period Insurance	5,500		3,850	3,850	3,850			1,650	1,650		
30	Construction Interest	20,000		14,000	14,000	14,000			6,000	6,000		
31	VHFA Construct Loan Fee	18,500		12,950	12,950	12,950			5,550	5,550		
32	Bank Council Fee	3,500		2,450	2,450	2,450			1,050	1,050		
33	Taxes During Construction	8,500		5,950	5,950	5,950			2,550	2,550		
34	Insp fee	2,400		1,680	1,680	1,680			720	720		
35	Marketing	500										
36	Tax Credit Fees	5,400		3,780	3,780	3,780			1,620	1,650		
37	Soft Cost Contingency	2,993		2,095	2,095	2,095			898	898		
38	Permanent Loan Origination Fee											
39	Park Service Fee	2,000		1,400	1,400	1,400			600	600		
40	Other (_Historic Preservation Consult)	6,900		4,830	4,830	4,830			2,070	2,070		
	SYNDICATION COSTS											
41	Organizational (Partnership)	1,500										
42	Bridge Loan Fees and Expenses	12,000										
43	Syndication Consultant	4,000										
44	Tax Opinion	0										
	DEVELOPER'S FEES											
45	Developer's Fees	155,000		108,500	108,500	108,500			46,500	46,500		
46	Other Partnership Fees	0		0		0			0	0		
47	Consultant Fees	32,000		22,400	22,400	22,400			9,600	9,600		
	RESERVES											
48	Working Capital	10,000										
49	Rent-up (Deficit Escrow) Reserve	5,000										
50	Other Operating Reserves											
51	Sinking Fund	0										
52	Replacement Reserves											
	Subtotal - Soft Costs	481,893										
	TOTALS	2,428,900	217,450	1,314,822	1,520,382	1,172,462		82,050	781,578	858,558	0	
	LESS: Amount of Non-qualified Financing			24,080	24,080	24,080			10,320	10,320	0	
	LESS: Adjustment for per unit cost limits	100.00%		0					0			
	LESS: Historic tax Credit (Residential Portion)			229,676	229,676				0	0		
	Total Eligible Basis		217,450	1,061,066				82,050	771,258			
	TIMES: Adjusted for QCT/DDA	130.0%		1,379,385					1,002,635			
	TIMES: Applicable Fraction	76.52%	166,387	1,055,470				1.000 82,050	1,002,635			
	Total Qualified Basis		166,387	1,055,470				82,050	1,002,635			
	TIMES: Applicable Percentage		3.35%	3.35%				3.35%	3.35%			
	Total Annual Credit Qualified		5,574	35,358				2,749	33,588			
				40,932					36,337			

50, 58, & 64 CANAL STREET

20%	Historic Credit Rate
229,676	Annual Historic Credit
1,136,156	Long Term Depreciable Basis
27.5	Depreciation Schedule
41,315	Annual Depreciation
8,698	Mid Term Depreciation
11,900	Short Term Depreciable Basis
5	Depreciation Schedule
2,380	Annual Depreciation

42 SOUTH MAIN ST

20%	Historic Credit Rate
0	Annual Historic Credit
825,001	Long Term Depreciable Basis
27.5	Depreciation Schedule
30,000	Annual Depreciation
1,549	Mid Term Depreciation
5,100	Short Term Depreciable Basis
5	Depreciation Schedule
1,020	Annual Depreciation

See Rent Summary Page for Applicable Fraction Calc.

23-Jul-03 **Whetstone Housing L P**

	Check all Applicable									A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
42 So. Main																										
	1	1	1		1	1	1			3	909	552	60	612		1						1				
	2		1		1	1				1	881	476	29	505	1								1			
	3		1		1	1				3	1,093	625	60	685						1		1				
	4	1	1		1	1				2	575	460	44	504	1						1					
	5		1		1	1				2	1,278	600	44	644			1						1			
	6	1	1	Sect 8	1	1				2	680	600	44	644	1						1					
50 Canal																										
	1	1	1		1	1	1			3	1,140	597	60	657	1							1				
	2	1	1	Sect 8	1	1				1	575	450	29	479		1					1					
	3		1		1	1				1	677	443	29	472			1					1				
	4		1		1	1				1	712	443	29	472		1						1				
58 Canal																										
	1		1		1	1				1	571	404	29	433		1					1					
	2	1	1	Sect 8	1	1				1	484	450	29	479	1						1					
	3		1		1	1				1	571	419	29	448	1							1				
	4		1		1	1				1	484	387	29	416	1						1					
	5	1	1	Sect 8	1	1				1	717	450	29	479		1					1					
	6		1			1				1	717	475	29	504				1				1				
64 Canal																										
	1	1	1		1	1				2	793	497	44	541			1					1				
	2								1	2	793	525	44	569			1					1				
	3		1			1				2	792	497	44	541				1				1				
	4		1		1	1				1	777	450	29	479			1					1				
Total # Units	20	8	19	4	17	19	2	0	1	Totals:	15,219	9,800		Total # Units:	7	5	5	2	0	1	7	11	2	0	0	0

117,600

form revision date: 2/27/97

23-Jul-03 **Whetstone Housing L P**

	Annual	Monthly	Per Unit Per Month		58/64 Canal 10	50 Canal 4	42 So. Main 6
Administration							
Management Fee	10,800	900	45	9.7%	5,400	2,160	3,240
Supportive Services	0	0	0				
Audit/Accounting	3,550	296	15		1,800	750	1,000
Legal	1,600	133	7		700	200	700
Compliance Monitoring	960	80	4		480	192	288
Marketing	400	33	2		250	100	50
Other	425	35	2		125	200	100
TOTAL ADMINISTRATIVE	17,735	1,478	74				
Utilities							
Electricity	2,420	202	10		1,300	400	720
Fuel	7,600	633	32		3,500	1,400	2,700
Water and Sewer	3,800	317	16		1,700	800	1,300
Fire Alarm / Emergency	950	79	4		500	200	250
Other	0	0	0				
TOTAL UTILITIES	14,770	1,231	62				
Maintenance							
Maintenance / Janitor Payroll	12,926	1,077	54		4,500	2,500	5,926
Maintenance Overhead	1,471	123	6		646	200	625
Exterminating	150	13	1		50	50	50
Trash Removal / City	150	13	1		50	50	50
Snow Removal / None	1,500	125	6		700	700	100
Grounds	250	21	1		100	100	50
Repairs Material	1,930	161	8		950	250	730
Repairs Contract	3,400	283	14		1,500	1,000	900
HVAC Repairs / Maintenance	0	0	0				
Elevator Contract / Repairs	0	0	0				
Painting and Decorating	0	0	0				
Other	0	0	0				
TOTAL MAINTENANCE	21,777	1,815	91	per unit month			
Real Estate Taxes	15,900	1,325	66	excl. ds & res.	7,600	3,500	4,800
Property Insurance	6,400	533	27	319	2,700	1,400	2,300
Replacement Reserves	8,800	733	37		4,500	2,500	1,800
Primary Debt Service	12,930	1,078	54				
Other "must pay" debt service		0	0				
Other		0	0				
Total	98,312	8,193	410		39,051	18,652	27,679

form revision date 2/27/97

23-Jul-03

Whetstone Housing L P

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Year	2,004	2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016	2,017	2,018	2,019
Operating Income																	
Gross Rent		117,600	119,364	121,154	122,972	124,816	126,689	128,589	130,518	132,476	134,463	136,480	138,527	140,605	142,714	144,854	147,027
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(5,880)	(5,968)	(6,058)	(6,149)	(6,241)	(6,334)	(6,429)	(6,526)	(6,624)	(6,723)	(6,824)	(6,926)	(7,030)	(7,136)	(7,243)	(7,351)
Total Operating Income		111,720	113,396	115,097	116,823	118,576	120,354	122,159	123,992	125,852	127,740	129,656	131,600	133,574	135,578	137,612	139,676
Operating Expenses																	
Total Expenses (excl. Reserves)		76,582	78,879	81,246	83,683	86,194	88,780	91,443	94,186	97,012	99,922	102,920	106,007	109,188	112,463	115,837	119,312
Reserves		8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
Total Operating Expense		85,382	87,679	90,046	92,483	94,994	97,580	100,243	102,986	105,812	108,722	111,720	114,807	117,988	121,263	124,637	128,112
Net Operating Income		26,338	25,716	25,051	24,340	23,582	22,775	21,917	21,006	20,040	19,017	17,936	16,793	15,587	14,315	12,975	11,564
Less Primary Debt Service		12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930	12,930
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		13,408	12,786	12,121	11,410	10,652	9,845	8,987	8,076	7,110	6,087	5,006	3,863	2,657	1,385	45	(1,366)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,366
Net Cash		13,408	12,786	12,121	11,410	10,652	9,845	8,987	8,076	7,110	6,087	5,006	3,863	2,657	1,385	45	0
DCR		203.70%	198.89%	193.74%	188.24%	182.38%	176.14%	169.50%	162.46%	154.99%	147.08%	138.71%	129.88%	120.55%	110.71%	100.34%	89.43%
Cumulative Cash Flow																	
Beginning Balance		15,000	28,520	41,521	53,953	65,767	76,912	87,334	96,975	105,778	113,682	120,621	126,532	131,344	134,986	137,383	138,458
Deposits		13,408	12,786	12,121	11,410	10,652	9,845	8,987	8,076	7,110	6,087	5,006	3,863	2,657	1,385	45	0
Interest	1.5%	113	214	311	405	493	577	655	727	793	853	905	949	985	1,012	1,030	1,038
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,366)
Ending Balance		28,520	41,521	53,953	65,767	76,912	87,334	96,975	105,778	113,682	120,621	126,532	131,344	134,986	137,383	138,458	138,130
Cumulative Replacement Reserves																	
Beginning Balance			8,866	17,732	26,665	35,665	44,733	53,868	63,072	72,346	81,688	91,101	100,584	110,138	119,764	129,463	139,234
Deposits		8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
Interest	1.5%	66	66	133	200	267	335	404	473	543	613	683	754	826	898	971	1,044
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		8,866	17,732	26,665	35,665	44,733	53,868	63,072	72,346	81,688	91,101	100,584	110,138	119,764	129,463	139,234	149,078
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Net Operating Income		26,338	25,716	25,051	24,340	23,582	22,775	21,917	21,006	20,040	19,017	17,936	16,793	15,587	14,315	12,975	11,564
Plus Reserves		8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800
Less Interest Expense		(27,799)	(27,668)	(27,527)	(27,378)	(27,219)	(27,049)	(26,869)	(26,678)	(26,474)	(26,256)	(26,025)	(25,779)	(25,517)	(25,239)	(24,942)	(24,626)
Less Long Depreciation		(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)	(71,315)
Less Mid Depreciation		(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	(10,247)	
Less Short Depreciation		(3,400)	(3,400)	(3,400)	(3,400)	(3,400)	0	0	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(77,623)	(78,113)	(78,638)	(79,200)	(79,799)	(77,037)	(77,715)	(78,434)	(79,195)	(80,001)	(80,851)	(81,748)	(82,692)	(83,686)	(84,729)	(75,577)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		27,168	27,340	27,523	27,720	27,930	26,963	27,200	27,452	27,718	28,000	28,298	28,612	28,942	29,290	29,655	26,452
VT State Tax Credit		65,000	65,000	65,000	65,000	65,000											
Plus Federal Tax Credits		307,176	77,500	77,500	77,500	77,500	77,500	77,500	77,500	77,500	77,500						0
After Tax Cash Flow		399,345	169,840	170,023	170,220	170,430	104,463	104,700	104,952	105,218	105,500	28,298	28,612	28,942	29,290	29,655	26,452
Total Years	15.0	2,004	2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016	2,017	2,018	2,019
Reinvestment Rate	12.00%																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Current After Tax Cash Flows		398,945	169,670	169,853	170,050	170,259	104,358	104,595	104,847	105,113	105,395	28,270	28,583	28,913	29,261	29,626	26,426
Future Value of Cash Flows at Yr 15:		2,183,653	829,195	741,154	662,509	592,255	324,121	290,051	259,597	232,372	208,031	49,821	44,976	40,621	36,705	33,181	26,426
Discount Rate:	6.00%																
Capital Contribution Number:	1	2	3	4	5	6	7	8									
Date of Capital Contribution:	01-Oct-03	01-Mar-04	15-Sep-04	15-Apr-05													
Amount of Capital Contribution:	10,000	0	1,165,000	150,000	0	0	0	0									
Present Value of Contributions:	10,000	0	1,098,991	136,589	0	0	0	0									
Cash Flows	(1,245,580)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,528,242	6,554,667
IRR:	11.68%		1,325,000														
Equity Yield:	94.62%		1,325,000														

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: July 24, 2003

RE: Multifamily Construction Loan Request for Smallest City, Vergennes

Name:	Smallest City	**Location:**	Vergennes
Housing Type:	General Occupancy	**Unit Type:**	Flats
Total Units:	19	**Unit Sizes:**	11 1-BR @ 563 s.f. 6 2-BR @ 733 s.f. 2 3-BR @ 919 s.f.
Total Cost:	$3,422,449	**Per S.F. Acquisition & Construction Cost:**	$242.32
Loans Requested:	$2,230,000 construction	**Housing Credits (4%):**	$111,061
Other Funding:	Rural Development (RD), VHCB, HOME, REEP, VHCB Lead, Historic Tax Credit Equity		
Sponsors:	Housing Vermont (HVT) & Addison County Community Action Group (ACCAG)		

The "Smallest City" project consists of two historic buildings located at 206 and 224 Main Street in Vergennes. Originally purchased by ACCAG in the late 1980s, the properties received some rehabilitation (not enough) at time of purchase and again in the 1990s, and have been managed by ACCAG as rental property. ACCAG will form a limited partnership with HVT that will acquire and rehabilitate the properties, addressing energy efficiency, unit reconfiguration, fire safety and marketability. The residents who currently live in the building will be relocated during rehab. Rural Development (RD) has issued a commitment for permanent financing and rental assistance for all of the units. The sponsors are seeking a tax-exempt construction loan from VHFA and 4% tax credits. Sources of take-out financing for the construction loan include RD, VHCB, HOME, and tax credit equity. The sponsors have obtained commitments for all funding. The project has all necessary permits. A level one environmental site assessment was completed which reported no findings. The sponsors plan to begin construction in October with completion by September 2004.

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

RESOLUTION RE: CONSTRUCTION FINANCING
FOR "SMALLEST CITY" PROJECT, VERGENNES

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont and Addison County Community Action Group (the "Sponsors") on behalf of a to be formed limited partnership in which the Sponsors or their subsidiaries will be the general partners (the "Borrower") involving the rehabilitation of two (2) buildings containing a total of nineteen (19) units of rental housing in the City of Vergennes, Vermont (the "Development");

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 24, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

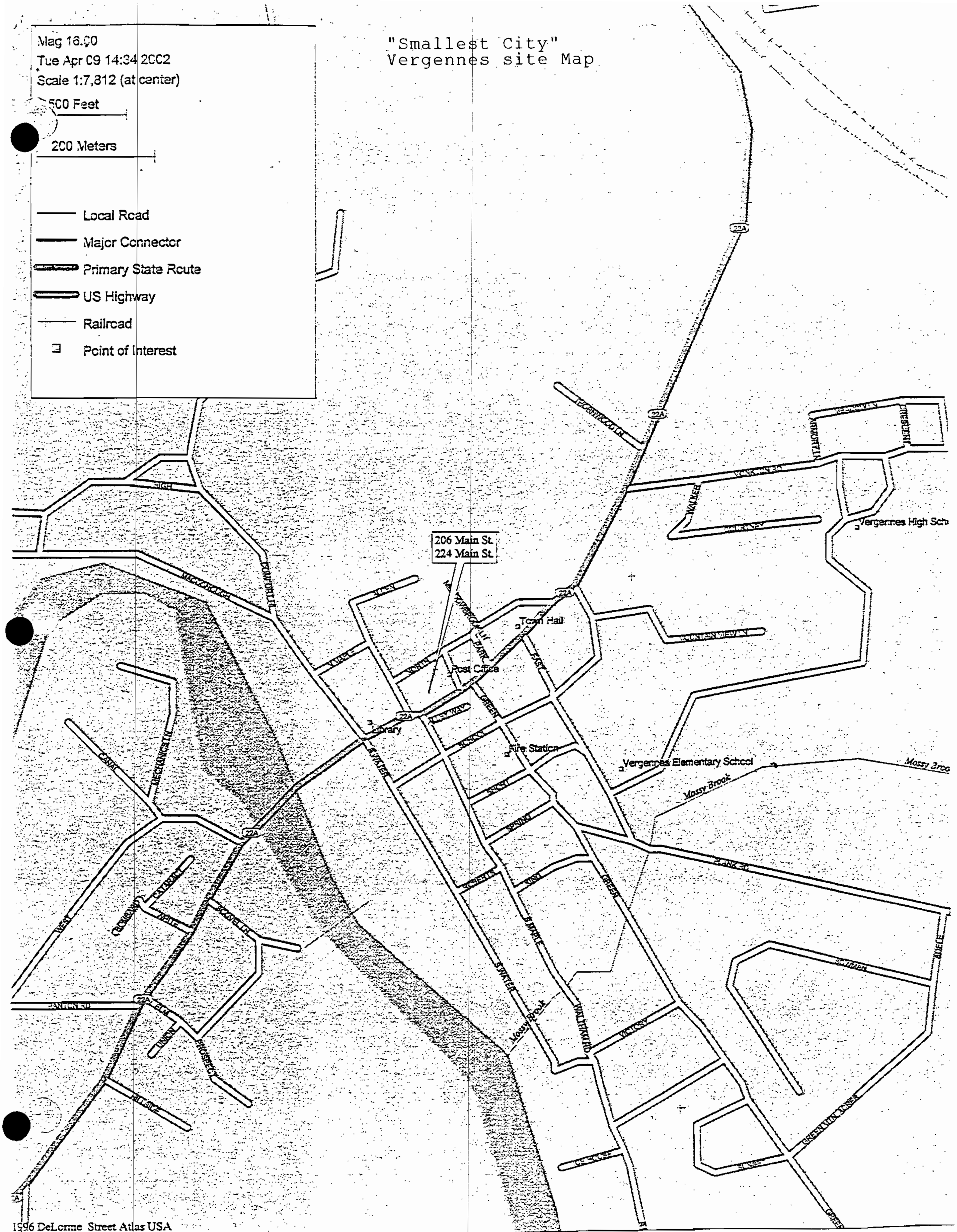
WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

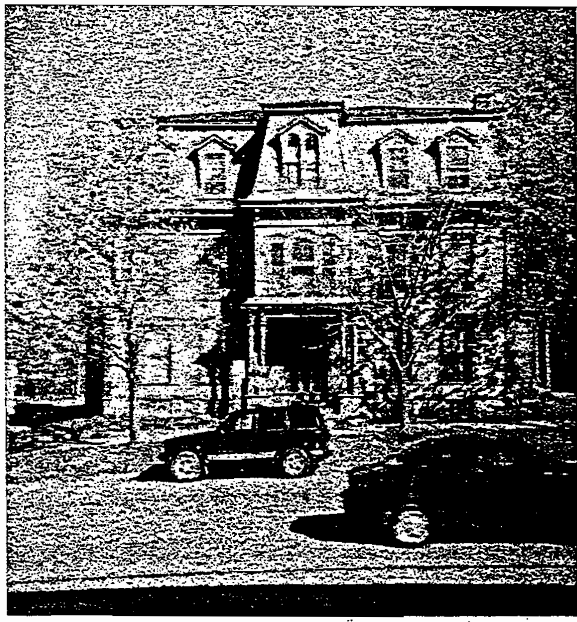
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsors for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsors as the representatives of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsors of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

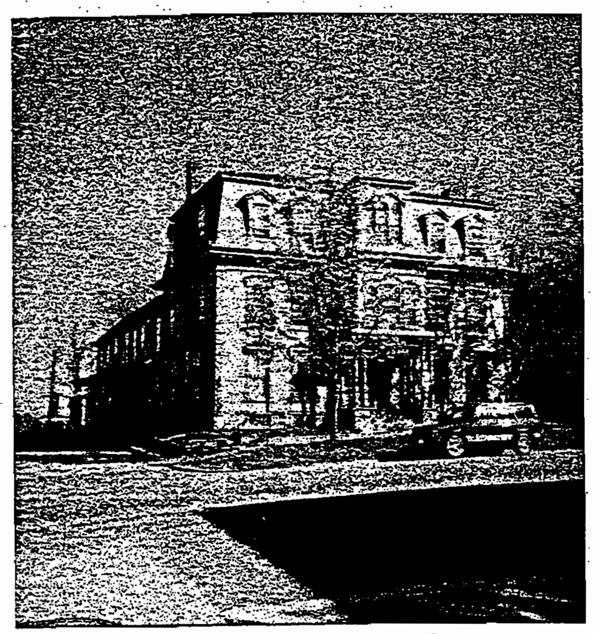
3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the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

"Smallest City"
Vergennes site Map

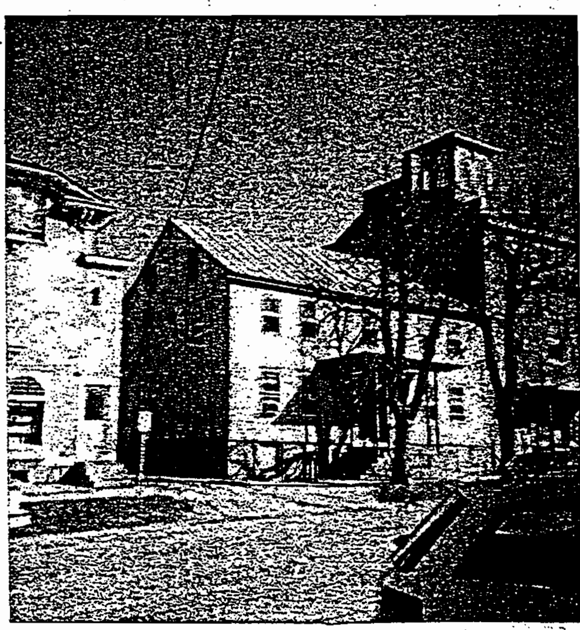


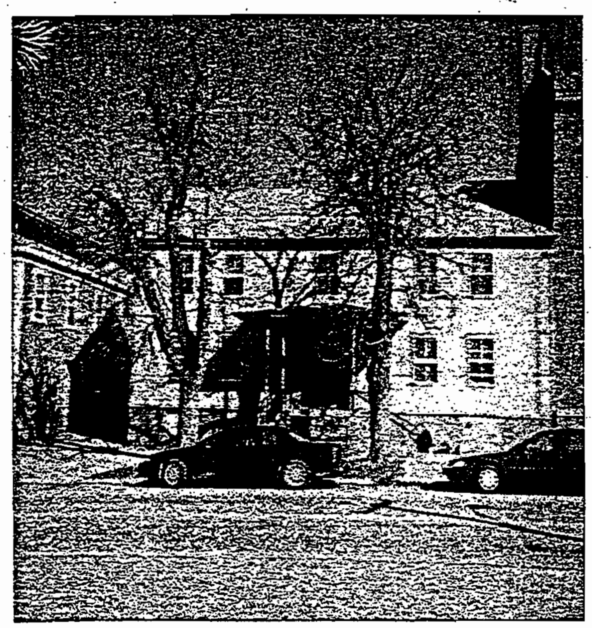
Pictures of Subject Properties





224 Main Street





206 Main Street

23-Jul-03 **Smallest City, Vergennes**

Total Residential Units:	19	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	19	Increase in Income from Other Sources:	1.50%
Percent Restricted:	100.00%	Increase in Income from Commercial:	0.00%
Total Resid. Development Cost:	3,370,478	Expense increase:	3.00%
Total Development Cost per Unit:	177,394	Vacancy Rate:	5%
Total Development Cost Per SF:	53	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	113,302	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	110,285	Sponsor's Estimated Yield:	120.64%
		Commercial depreciation schedule:	39 years
		Setaside Election:	40/60
LIHTC - 4%	3.35%	August-03	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
Long term debt - Rural Development	989,500	29.35%	1.00%	50	50
HOME	520,000	15.43%	0.00%	30	30
VHCB	468,413	13.90%	0.00%	30	30
VHCB Lead	21,447	0.64%	0.00%	30	20
REEP	6,000	0.18%	0.00%	30	30
Tax Credit Equity	1,365,500	40.51%	N/A	N/A	
TOTAL SOURCES	3,370,860	100.00%			
VHFA Construction Loan	2,230,000	66.16%	2.0%	12 months Tax Exempt	

USES

Acquisition	921,360	27.34%
Construction Hard Costs	1,808,308	53.65%
Soft Costs	640,810	19.01%
TOTAL USES	3,370,478	100.00%
Gap	(382)	

PER UNIT COST LIMIT CALCULATION

	per unit limits		number of units			
0 Br	84,390		0	0		
1 Br	90,140		11	991,540		
2 Br	95,890		6	575,340		
3 Br	101,637		2	203,274		
4 Br	107,390		0	0		
Maximum cost allowed under the per unit cost limits			19	1,770,154		100.00%
Projected total cost, excluding cash accounts				3,347,528	Cost Overage %	52.88%
		(over)/under		(1,577,374)		

General Partner's Capital Contribution	13,786	1.00%
Limited Partner's Capital Contribution	1,364,834	99.00%
Total Equity	1,378,620	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	19
Total Units	19
Unit Fraction	100.00%
Tax Credit Square Footage	12,429
Total Residential Square Footage	12,429
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

206 Main	Acquisition	122,000	444,000
206 Main	Rehab	342,418	515,562
224 Main	Acquisition	322,000	
224 Main	Rehab	173,144	
		959,562	

23-Jul-03 **Smallest City, Vergennes**

	Residential Combined	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Commercial depreciation	
1	Land	165,071						
2	Purchase of Building(s)	751,989	751,989		751,989			
3	DEVELOPER'S FEES	0	0					
4	Property Appraisal	0	0		0			
5	Legal - Title and Recording	4,300	4,300		4,300			
0	Subtotal - Acquisition	921,360						
0	CONSTRUCTION HARD COSTS							
6	Rehabilitation	1,515,370		1,515,370	1,515,370	1,515,370		
7	New Building(s)	0						
8	Landscaping	0						
9	Sitework	105,000		105,000	105,000	52,500		
10	Commercial Space Costs (if any)	0						
11	General Requirements	0						
12	Contractor Overhead	0						
13	Contractor Profit	0						
14	Construction Contingency	166,088		166,088	166,088	166,088		
15	Construction Management	0						
16	Construction Bond Fee	0						
17	Hazardous Materials Abatement	0						
18	Off-Site Improvements	0						
19	Furnishings, Fixtures, & Equipment	21,850		21,850				
20	Other (_rent loss during contract)	0						
0	Subtotal - Hard Costs	1,808,308						
0	SOFT COSTS							
21	Architectural	148,705		148,705	148,705	148,705		
22	Engineering	0						
23	Legal/Accounting	18,000		18,000	18,000	18,000		
24	Relocation	60,000		60,000	60,000	60,000		
25	Environmental Assessment	2,100		2,100	2,100	2,100		
26	Historic Preservation	0						
27	Permits/Fees	8,368		8,368	8,368	8,368		
28	Independent Market Study	4,000			4,000			
29	Construction Period Insurance	0		0	0	0		
30	Construction Interest	35,325		35,325	35,325	35,325		
31	Construction Loan Origination Fee	49,325		49,325	49,325	49,325		
32	Taxes During Construction	34,887		34,887	34,887	34,887		
33	Project Consultant	10,000		10,000	10,000	20,000		
34	Marketing	0						
35	Tax Credit Fees	3,650		3,650	3,650	3,650		
36	Soft Cost Contingency	7,500		7,500	7,500	7,500		
37	Permanent Loan Origination Fee	0						
38	Lender's Counsel's Fee	0						
39	Other (__syndication fee______________)	0		0	0	0		
0	SYNDICATION COSTS	0						
40	Organizational (Partnership)	0						
41	Bridge Loan Fees and Expenses	0						
42	Syndication Consultant	0						
43	Tax Opinion	0						
0	DEVELOPER'S FEES	0						
44	Developer's Fees	236,000		236,000	236,000	236,000		
45	Other Partnership Fees	0		0	0	0		
46	Consultant Fees	0		0	0	0		
0	RESERVES	0						
47	Working Capital	22,950						
48	Rent-up (Deficit Escrow) Reserve	0						
49	Other Operating Reserves	0						
50	Sinking Fund	0						
51	Replacement Reserves	0						
0	Subtotal - Soft Costs	640,810						
	TOTALS	3,370,478	756,289	2,422,168	3,160,607	2,357,818	0	0
LESS:	Amount of Non-qualified Financing				0		0	0
LESS:	Adjustment for per unit cost limits	100.00%						
LESS:	Historic tax Credit (Residential Portion)			471,564	471,564	20%	Historic Credit Rate	0
	Total Eligible Basis		756,289	1,950,604		471,564	Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.00%		2,535,786				
TIMES:	Applicable Fraction	100.00%	756,289	2,535,786				
	Total Qualified Basis		756,289	2,535,786	2,689,043	Long Term Depreciable Basis		0
TIMES:	Applicable Percentage		3.35%	3.35%	27.5	Depreciation Schedule		39
	Total Annual Credit Qualified		25,336	84,949	97,783	Annual Depreciation		0
	Total Tax Credits Requested	113,350		110,285	21,850	Short Term Depreciable Basis		
	Estimated Net Syndication Proceeds **(excluding historic credit equity)**	893,936			7	Depreciation Schedule		
	Estimated Yield - Housing Credit Syndication	79.66%			3,121	Annual Depreciation		
	Equity Gap	893,554						
	Credits Needed to fill Equity Gap	113,302						

23-Jul-03 **Smallest City, Vergennes**

	Housing	Monthly	Per Unit Per Month	
Administration				
Management Fee	11,880	990	52	9.2%
Office Expense		0	0	
Audit/Accounting	3,360	280	15	
Legal	1,920	160	8	
Compliance Monitoring		0	0	
Marketing	500	42	2	
Investor Fee	2,736	228	12	
		0	0	
TOTAL ADMINISTRATIVE	20,396	1,700	89	
Utilities				
Electricity	1,680	140	7	
Fuel	14,040	1,170	62	
Water and Sewer	7,344	612	32	
Fire Alarm / Emergency	1,200	100	5	
Other		0	0	
TOTAL UTILITIES	24,264	2,022	106	
Maintenance				
Maintenance / Janitor Payroll	8,640	720	38	
Janitor Supplies	2,400	200	11	
Exterminating	480	40	2	
Trash Removal	2,880	240	13	
Snow Removal	1,440	120	6	
Grounds	1,920	160	8	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	4,000	333	18	
Other/stormwater maint.	4,980	415	22	
TOTAL MAINTENANCE	26,740	2,228	117	
				per unit month excl. ds & res.
Real Estate Taxes	14,400	1,200	63	403
Property Insurance	6,000	500	26	
Replacement Reserves	8,400	700	37	
Primary Debt Service	25,156	2,096	110	
Other "must pay" debt service		0	0	
Other		0	0	
Total	125,356	10,446	550	

Check all Applicable										A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
206 Main St.	1	1	1		1	1	1			1	608	533	29	562			1				1					
	2	1	1		1	1	1			2	856	609	44	653			1				1					
	3	1	1		1	1				1	589	533	29	562			1				1					
	4	1	1		1	1				1	531	533	29	562			1				1					
	5	1	1		1	1				1	490	533	29	562			1				1					
	6	1	1		1	1				1	528	533	29	562			1				1					
	7	1	1		1	1				2	637	609	44	653			1				1					
	8	1	1		1	1				2	630	609	44	653			1				1					
	9	1	1		1	1				1	549	533	29	562			1				1					
224 Main St.	10	1	1		1	1				1	498	533	29	562			1				1					
	11	1	1		1	1				2	793	609	44	653			1				1					
	12		1		1	1				1	565	533	29	562			1				1					
	13		1		1	1				1	576	533	29	562			1				1					
	14		1		1	1				1	614	533	29	562			1				1					
	15		1		1	1	1			2	761	609	44	653			1				1					
	16		1		1	1				1	647	533	29	562			1				1					
	17		1		1	1				3	850	849	60	909			1				1					
	18		1		1	1				2	722	609	44	653			1				1					
	19		1		1	1				3	988	849	60	909			1				1					
Total # Units	19	11	19		19	19	3	0	0	Totals:	12,432	$ 11,215	Total # Units:	$ 11,918			19				19					

	Avg SF	Avg Rent	# Units
1	563	533	11
2	733	609	6
3	919	849	2

23-Jul-03		Smallest City, Vergennes														
Combined Cashflow	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580	134,580
Other Income		1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Residential Vacancy and other losses		(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)	(6,729)
RD Booked interest Subsidy		38,023	38,013	37,997	37,974	37,943	37,903	37,854	37,795	37,726	37,645	37,551	37,444	37,323	37,187	37,034
Total Operating Income		167,174	167,164	167,148	167,125	167,094	167,054	167,005	166,946	166,877	166,796	166,702	166,595	166,474	166,338	166,185
Operating Expenses																
Total Expenses (excl. Reserves)		91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800	91,800
Reserves		8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Total Operating Expense		100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200	100,200
Net Operating Income		66,974	66,964	66,948	66,925	66,894	66,854	66,805	66,746	66,677	66,596	66,502	66,395	66,274	66,138	65,985
Less Primary Debt Service		25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156	25,156
Less Booked RD interest		38,023	38,013	37,997	37,974	37,943	37,903	37,854	37,795	37,726	37,645	37,551	37,444	37,323	37,187	37,034
Annual Cash Flow		3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795
DCR		106.01%	106.01%	106.01%	106.01%	106.01%	106.02%	106.02%	106.03%	106.03%	106.04%	106.05%	106.06%	106.07%	106.09%	106.10%
Cumulative Cash Flow																
Beginning Balance		0	3,795	7,666	11,614	15,641	19,749	23,938	28,212	32,571	37,017	41,552	46,178	50,897	55,710	60,619
Deposits		3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795	3,795
Interest	2.0%	0	76	153	232	313	395	479	564	651	740	831	924	1,018	1,114	1,212
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		3,795	7,666	11,614	15,641	19,749	23,938	28,212	32,571	37,017	41,552	46,178	50,897	55,710	60,619	65,626
Cumulative Replacement Reserves																
Beginning Balance		0	8,484	17,054	25,795	34,711	33,805	42,881	52,139	61,581	71,213	71,037	80,858	90,875	101,093	111,514
Deposits		8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Interest	2.0%	84	170	341	516	694	676	858	1,043	1,232	1,424	1,421	1,617	1,818	2,022	2,230
Withdrawals		0	0			(10,000)					(10,000)					(15,000)
Ending Balance		8,484	17,054	25,795	34,711	33,805	42,881	52,139	61,581	71,213	71,037	80,858	90,875	101,093	111,514	107,145
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		66,974	66,964	66,948	66,925	66,894	66,854	66,805	66,746	66,677	66,596	66,502	66,395	66,274	66,138	65,985
Plus Reserves		8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Less Interest Expense		(9,895)	(9,742)	(9,587)	(9,430)	(9,272)	(9,113)	(8,952)	(8,789)	(8,624)	(8,458)	(8,291)	(8,121)	(7,950)	(7,777)	(7,603)
Less Long Depreciation		(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)	(97,783)
Less Short Depreciation		(3,121)	(3,121)	(3,121)	(3,121)	(3,121)	(3,121)	(3,121)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(35,426)	(35,282)	(35,143)	(35,010)	(34,883)	(34,764)	(34,651)	(31,426)	(31,331)	(31,246)	(31,172)	(31,109)	(31,059)	(31,023)	(31,001)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		12,399	12,349	12,300	12,254	12,209	12,167	12,128	10,999	10,966	10,936	10,910	10,888	10,871	10,858	10,850
Plus Tax Credits		110,285	110,285	110,285	110,285	110,285	110,285	110,285	110,285	110,285	110,285					
After Tax Cash Flow		122,684	122,633	122,585	122,538	122,494	122,452	122,413	121,284	121,250	121,221	10,910	10,888	10,871	10,858	10,850
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		122,684	122,633	122,585	122,538	122,494	122,452	122,413	121,284	121,250	121,221	10,910	10,888	10,871	10,858	10,850
Future Value of Cash Flows at Yr 15:		671,517	599,322	534,897	477,405	426,100	380,317	339,460	300,294	268,046	239,268	19,227	17,133	15,273	13,620	12,153
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	15-Sep-03	30-Jun-04	15-Nov-04													
Amount of Capital Contribution:	138,000	1,035,000	207,000			0	0	0								
Present Value of Contributions:	138,000	986,333	192,782	0	0	0	0									
Cash Flows	(1,317,115)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IRR:	7.70%															
Equity Yield:	120.64%															

form revision date: 2/27/97

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: July 24, 2003

RE: Multifamily Construction Loan Request for School Street, Rutland

Name:	School Street Family Housing	**Location:**	64 School Street, Rutland
Housing Type:	General Occupancy	**Unit Type:**	Flats
Total Units:	10	**Unit Sizes:**	2 1-BR @ 638 s.f. 2 2-BR @ 840 s.f. 6 3-BR @ 983 s.f.
Total Cost:	$1,577,850	**Per S.F. Acquisition & Construction Cost:**	$138.20
Loans Requested:	$1,100,000 construction	**Housing Credits (4%):**	$61,383
Other Funding:	VHCB, HOME, Rural Development (RD), REEP, VCDP		
Sponsors:	Rutland County Community Land Trust (RCCLT)		

RCCLT is requesting a tax-exempt construction loan (to obtain 4% out of cap credits) to build ten units of housing in one building at 64 School Street in Rutland. RCCLT received a commitment for Rural Development (RD) permanent financing and rental assistance nearly two years ago. The local permit was appealed, the project was significantly delayed, but now is fully permitted (local and Act 250). The development will be located on an in-fill lot in a residential neighborhood. There is an old unused warehouse currently on the lot that will be demolished. This development will revitalize the neighborhood, which is very close to downtown, and surrounded by modest homes. RCCLT has received all funding commitments except for an enhancement to their RD loan of $106,000. The borrower should know of RD's decision by August 10. All ten units will have RD rental assistance and thus will be able to serve very low income households. There is some contamination from a former gasoline underground storage tank on the site. Engineers from Heindel and Noyes have investigated the site and a Corrective Action Plan has been submitted to the State for review and approval. Sources for VHFA's construction loan take out include the Rural Development permanent loan and Housing Credit equity. RCCLT will manage the project once construction is complete. Construction is anticipated to begin in September and be completed by August 2004.

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

RESOLUTION RE: CONSTRUCTION FINANCING FOR SCHOOL STREET APARTMENTS, RUTLAND

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

WHEREAS, an application has been submitted to the Agency by Rutland County Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of one (1) building containing a total of ten (10) units of rental housing in the City of Rutland (the "Development");

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 24, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

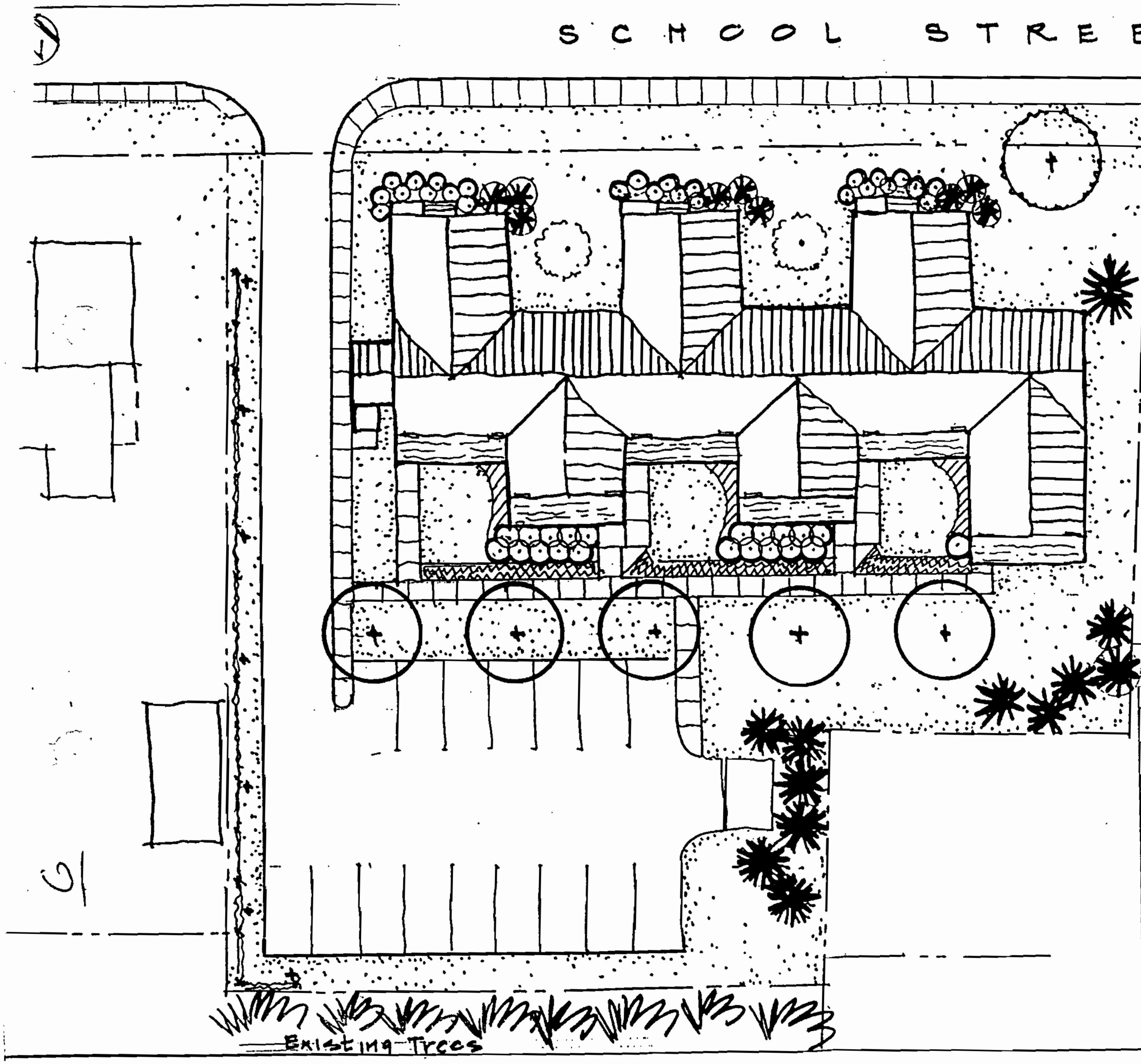
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

6371 II NE (PROCTOR)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

64 School ST
Rutland



Planting Key

Symbol	Plant type	#
	Shade tree	5
	Flowering tree	3
	Evergreen tree	12
	Evergreen shrubs	9
	Medium shrubs	21
	Small shrubs	26
	Perennials	200
	Vines	7
	Fence	150 ln. ft.
	Annual bed	300 sq. ft.

ARNOLD & SCANGAS
ARCHITECTS

RUTLAND COUNTY
COMMUNITY
LAND TRUST
CORPORATION

64 SCHOOL
STREET
Rutland, Vermont

PROPOSED
SITE PLAN

NORTH ELEVATION
SCALE: 1/8" = 1'-0"

SOUTH ELEVATION
SCALE: 1/8" = 1'-0"

ARNOLD & SCANGAS ARCHITECTS

CIVIL:

STRUCTURAL:

MECHANICAL/ELECTRICAL:

RUTLAND COUNTY COMMUNITY LAND TRUST CORPORATION

64 SCHOOL STREET
Rutland, Vermont

DRAWING TITLE:
PROPOSED ELEVATIONS

DRAWN BY:
DATE: 1.22.01
SCALE:
DRAWING NO:

PROJECT NO: 2103

6

23-Jul-03 **School Street, Rutland**

Total Residential Units:	10	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	10	Increase in Income from Other Sources:	1.00%
Percent Restricted:	100.00%	Increase in Income from Commercial:	1.00%
Total Development Cost:	1,577,850	Expense increase:	2.50%
Total Development Cost per Unit:	157,785	Vacancy Rate:	4%
Total Development Cost Per SF:	178	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	61,827	Short Depreciation Schedule:	5 years
Credit Amount Allocated:	62,000	Sponsor's Estimated Yield:	87.49%
		Setaside Election:	40/60
		LP TIN #:	
LIHTC - 4%	3.35%	August-03	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - RD	600,000	38.03%	1.00%	50	30
HOME	171,450	10.87%	4.00%	25	deferred
VHCB	240,000	15.21%	0.00%	25	deferred
REEP	6,400	0.41%			Grant
VCDP grant	15,000	0.95%			Grant
VHCB Feasibility (GP Equity)	8,000	0.51%			N/A
Tax Credit Equity LP	537,000	34.03%	N/A	N/A	
	1,577,850	100.00%			
VHFA Construction Loan	1,100,000	69.72%	10-12 months		

USES

Acquisition	102,250	6.48%
Construction Hard Costs	1,121,498	71.08%
Soft Costs	354,102	22.44%
TOTAL USES	1,577,850	100.00%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits		number of units			
0 Br	84,390		0	0		
1 Br	90,140		2	180,280		
2 Br	95,890		2	191,780		
3 Br	101,637		6	609,822		
4 Br	107,390		0	0		
Maximum cost allowed under the per unit cost limits			10	981,882		
Projected total cost, excluding cash accounts		N/A out of Cap.		1,565,850	Cost Overage %	63%
		(over)/under		(583,968)		

General Partner's Capital Contribution	5,424	1.00%
Limited Partner's Capital Contribution	537,000	99.00%
Total Equity	542,424	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	10
Total Units	10
Unit Fraction	100.00%
Tax Credit Square Footage	8,855
Total Residential Square Footage	8,855
Square Footage Fraction	100.00%
Applicable Fraction	100.00%

#	Item	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	100,000					
2	Purchase of Building(s)		0		0		
3	Demolition (without replacement)						
4	Property Appraisal	750	750		750		
5	Legal - Title and Recording	1,500	1,500		1,500		
	Subtotal - Acquisition	102,250					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0		0			
7	New Building(s)	1,018,304		1,018,304	1,018,304		
8	Accessory Buildings	0					
9	Sitework						
10	Commercial Space Costs (if any)	0					
11	General Requirements						
12	Contractor Overhead & profit						
13	Contractor Profit	0				0	
14	Construction Contingency	84,694		84,694	84,694		
15	Construction Management	0				0	
16	Construction Bond Fee						
17	Hazardous Materials Abatement	7,500		7,500	7,500		
18	Off-Site Improvements	0				0	
19	Furnishings, Fixtures, & Equipment	11,000		11,000	11,000	0	
20	Other (____________)	0				0	
	Subtotal - Hard Costs	1,121,498					
	SOFT COSTS						
21	Architectural / Engineering	85,500		85,500	85,500		
22	Survey	1,325		1,325	1,325		
23	Legal/Accounting	14,000		14,000	14,000		
24	Construction Management	30,000		30,000	30,000		
25	Environmental Assessment	2,970		2,970	2,970		
26	Energy Assessment	0		0	0	0	
27	Permits/Fees	19,640		19,640	19,640		
28	Compaction/Testing	8,800		8,800	8,800		
29	Independent Market Study	2,582		2,582	2,582		
30	Construction Period Insurance	3,500		3,500	3,500		
31	Construction Interest	12,500		12,500	12,500		
32	VHFA Loan Origination Fee	16,000		16,000	16,000		
33	Taxes During Construction	2,800		2,800	2,800		
34	VHFA Inspection Fee	4,000		4,000	4,000		
35	Marketing	500					
36	Tax Credit Fees	2,240		2,240	2,240		
37	Soft Cost Contingency	2,500		2,500	2,500		
38	VHFA Lender's Council Fee	3,500		3,500	3,500		
39	0	0					
39	Option payments	22,745					
41	Historic Preservation Consult	0					
42	Capital Needs Assessment	2,500					
	SYNDICATION COSTS						
43	Organizational (Partnership)	2,500					
44	Bridge Loan Fees and Expenses	7,000					
45	Syndication Consultant	4,000					
46	Tax Opinion						
	DEVELOPER'S FEES						
47	Developer's Fees	60,000		60,000	60,000		
48	VCDP Admin Fee	0					
49	Consultant Fees	31,000		31,000	31,000		
	RESERVES						
50	Working Capital	12,000					
51	Rent-up (Deficit Escrow) Reserve						
52	Other Operating Reserves	0					
53	Sinking Fund	0					
54	Replacement Reserves	0					
	Subtotal - Soft Costs	354,102					
	TOTALS	1,577,850	2,250	1,424,355	1,415,605	0	
	LESS: Amount of Non-qualified Financing			6,400	6,400	0	
	LESS: Adjustment for per unit cost limits	100.00%		0			
	LESS: Historic tax Credit (Residential Portion)			0	0		
	Total Eligible Basis		2,250	1,417,955			
	TIMES: Adjusted for QCT/DDA	130.00%		1,843,342			
	TIMES: Applicable Fraction	100.00%	2,250	1,843,342			
	Total Qualified Basis		2,250	1,843,342			
	TIMES: Applicable Percentage		3.35%	3.35%			
	Total Annual Credit Qualified		75	61,752			

20%	Historic Credit Rate
0	Annual Historic Credit
1,409,205	Long Term Depreciable Basis
27.5	Depreciation Schedule
51,244	Annual Depreciation
11,000	Short Term Depreciable Basis
5	Depreciation Schedule
2,200	Annual Depreciation

Total Tax Credits Requested	62,000	61,752
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	537,000	
Estimated Yield - Housing Credit Syndication	87.49%	
Equity Gap	537,000	
Credits Needed to fill Equity Gap	62,000	

form revision date: 2/27/97

0.00

23-Jul-03 **School Street, Rutland**

Building #	Unit #	Check all Applicable: HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	A: Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)
64 School Street														
	1	1		1	1	1	1			2	840	750	0	750
	2	1		1	1	1		1		3	915	900	0	900
	3	1		1	1	1		1		1	605	625	0	625
	4	1		1	1	1		1		3	915	900	0	900
	5			1	1	1		1		2	840	750	0	750
	6			1	1	1				3	1,050	900	0	900
	7			1	1	1				3	985	900	0	900
	8			1	1	1				1	670	625	0	625
	9			1	1	1				3	985	900	0	900
	10			1	1	1				3	1,050	900	0	900
Total # Units	10	4	0	10	10	10	1	4	0	Totals:	8,855	10		Total # Units:

	B: OCCUPIED BY: Income level of residents to be served:						C: AFFORDABLE TO: Units affordable to residents at:					
Unit #	<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
1		1					1					
2		1					1					
3		1					1					
4		1					1					
5		1					1					
6		1					1					
7		1					1					
8		1					1					
9		1					1					
10		1					1					
Total # Units:	0	10	0	0	0	0	10	0	0	0	0	0

Avg SF Avg Rent

23-Jul-03 **School Street, Rutland**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	6,000	500	50	6.2%
Supportive Services		0	0	
Audit/Accounting	3,000	250	25	
Legal	1,000	83	8	
Compliance Monitoring	500	42	4	
Marketing	100	8	1	
Other	1,535	128	13	
TOTAL ADMINISTRATIVE	12,135	1,011	101	
Utilities				
Electricity	6,780	565	57	
Fuel	6,000	500	50	
Water and Sewer	2,500	208	21	
Fire Alarm / Emergency	0	0	0	
Other		0	0	
TOTAL UTILITIES	15,280	1,273	127	
Maintenance				
Maintenance / Janitor Payroll	3,500	292	29	
Maintenance Overhead	3,844	320	32	
Exterminating		0	0	
Trash Removal	2,000	167	17	
Snow Removal	1,500	125	13	
Grounds	1,500	125	13	
Repairs Material	500	42	4	
Repairs Contract	2,500	208	21	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs	0	0	0	
Painting and Decorating	500	42	4	
Other		0	0	
TOTAL MAINTENANCE	15,844	1,320	132	
				per unit month excl. ds & res. 519
Real Estate Taxes	12,500	1,042	104	
Property Insurance	6,500	542	54	
Replacement Reserves	13,500	1,125	113	
Primary Debt Service	15,254	1,271	127	
Other "must pay" debt service		0	0	
Other		0	0	
Total	91,013	7,584	758	

23-Jul-03	School Street, Rutland															
	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		97,800	98,778	99,766	100,763	101,771	102,789	103,817	104,855	105,903	106,962	108,032	109,112	110,203	111,306	112,419
Other Income		2,800	2,828	2,856	2,885	2,914	2,943	2,972	3,002	3,032	3,062	3,093	3,124	3,155	3,187	3,219
Vacancy and other losses		(3,912)	(3,951)	(3,991)	(4,031)	(4,071)	(4,112)	(4,153)	(4,194)	(4,236)	(4,278)	(4,321)	(4,364)	(4,408)	(4,452)	(4,497)
Total Operating Income		96,688	97,655	98,631	99,618	100,614	101,620	102,636	103,663	104,699	105,746	106,804	107,872	108,950	110,040	111,140
Operating Expenses																
Total Expenses (excl. Reserves)		62,259	63,815	65,411	67,046	68,722	70,440	72,201	74,006	75,857	77,753	79,697	81,689	83,731	85,825	87,970
Reserves		13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Sub-Total Operating Expense		75,759	77,315	78,911	80,546	82,222	83,940	85,701	87,506	89,357	91,253	93,197	95,189	97,231	99,325	101,470
RD Return/ Incentive Fee		4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Total Operating Expense		79,759	81,315	82,911	84,546	86,222	87,940	89,701	91,506	93,357	95,253	97,197	99,189	101,231	103,325	105,470
Net Operating Income		16,929	16,339	15,721	15,072	14,392	13,680	12,935	12,156	11,343	10,493	9,607	8,683	7,719	6,715	5,670
Less Primary Debt Service		15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254	15,254
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		1,675	1,086	467	(182)	(862)	(1,574)	(2,319)	(3,098)	(3,911)	(4,761)	(5,647)	(6,571)	(7,535)	(8,539)	(9,584)
		0	0	0	182	862	1,574	2,319	3,098	3,911	4,761	5,647	6,571	7,535	8,539	9,584
Net Cash		1,675	1,086	467	0	0	0	0	0	0	0	0	0	0	0	0
DCR		110.98%	107.12%	103.06%	98.81%	94.35%	89.68%	84.80%	79.69%	74.36%	68.79%	62.98%	56.92%	50.60%	44.02%	37.17%
Cumulative Cash Flow																
Beginning Balance		0	1,675	2,777	3,272	3,122	2,291	740	(1,571)	(4,685)	(8,643)	(13,490)	(19,272)	(26,036)	(33,831)	(42,708)
Deposits		1,675	1,086	467	0	0	0	0	0	0	0	0	0	0	0	0
Interest	2.0%	0	17	28	33	31	23	7	(16)	(47)	(86)	(135)	(193)	(260)	(338)	(427)
Withdrawals		0	0	0	(182)	(862)	(1,574)	(2,319)	(3,098)	(3,911)	(4,761)	(5,647)	(6,571)	(7,535)	(8,539)	(9,584)
Ending Balance		1,675	2,777	3,272	3,122	2,291	740	(1,571)	(4,685)	(8,643)	(13,490)	(19,272)	(26,036)	(33,831)	(42,708)	(52,719)
Cumulative Replacement Reserves																
Beginning Balance		0	13,635	27,271	41,044	54,955	69,004	83,194	97,526	112,001	126,621	141,388	156,301	171,364	186,578	201,944
Deposits		13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Interest	2.0%	135	136	273	410	550	690	832	975	1,120	1,266	1,414	1,563	1,714	1,866	2,019
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		13,635	27,271	41,044	54,955	69,004	83,194	97,526	112,001	126,621	141,388	156,301	171,364	186,578	201,944	217,463
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		16,929	16,339	15,721	15,072	14,392	13,680	12,935	12,156	11,343	10,493	9,607	8,683	7,719	6,715	5,670
Plus Reserves		13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Less Interest Expense		(12,815)	(12,722)	(12,628)	(12,532)	(12,436)	(12,339)	(12,241)	(12,142)	(12,042)	(11,940)	(11,838)	(11,735)	(11,631)	(11,525)	(11,419)
Less Long Depreciation		(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)	(51,244)
Less Short Depreciation		(2,200)	(2,200)	(2,200)	(2,200)	(2,200)	0	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(35,830)	(36,326)	(36,851)	(37,405)	(37,988)	(36,403)	(37,050)	(37,729)	(38,443)	(39,191)	(39,975)	(40,796)	(41,656)	(42,554)	(43,493)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		12,541	12,714	12,898	13,092	13,296	12,741	12,967	13,205	13,455	13,717	13,991	14,279	14,579	14,894	15,223
State Housing Tax Credit		0	0	0	0	0										
Plus Tax Credits		62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000					
After Tax Cash Flow		74,541	74,714	74,898	75,092	75,296	74,741	74,967	75,205	75,455	75,717	13,991	14,279	14,579	14,894	15,223
Total Years	15															
Reinvestment Rate	12.00%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		74,541	74,714	74,898	75,092	75,296	74,741	74,967	75,205	75,455	75,717	13,991	14,279	14,579	14,894	15,223
Future Value of Cash Flows at Yr 15:		408,003	365,137	326,816	292,555	261,921	232,135	207,891	186,205	166,807	149,452	24,657	22,468	20,483	18,683	17,049
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	15-Sep-03	30-Jan-04	30-Jun-04	15-Apr-05												
Amount of Capital Contribution:	5,000	0	457,000	75,000	0	0	0	0								
Present Value of Contributions:	5,000	0	435,511	68,113	0	0	0	0								
Cash Flows	(508,624)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,700,261
508,624																
IRR:	11.77%															
Equity Yield:	82.86%															

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: July 24, 2003

RE: Multifamily Construction & Permanent Loan Request for Butterfield Elderly, West Dover

Name:	Butterfield Common	**Location:**	Handle Road, West Dover
Housing Type:	Elderly	**Unit Type:**	Flats; elevator
Total Units:	26	**Unit Sizes:**	22 1-BR @ 721 s.f. 4 2-BR @ 850 s.f.
Total Cost:	$4,542,550	**Per S.F. Acquisition & Construction Cost:**	$145.34
Loans Requested:	$2,350,000 construction $350,000 permanent	**Housing Credits (4%):**	$163,500
Other Funding:	VHCB, HOME, Rural Development (RD), REEP, AHP, State Credit		
Sponsors:	Brattleboro Area Community Land Trust (BACLT)		

BACLT is requesting tax-exempt construction and permanent financing (and 4% out of cap credits) to build twenty-six units of elderly housing in one building on Handle Road in West Dover, Windham County. The proposed building would consist of two stories of residential space over a parking garage. It is part of a larger development (to be financed separately) on a total of 6.9 acres that will include seven units of family rental housing and seven units of homeownership. The land was donated to BACLT and is located less than one-half mile from Route 100, and across from the base of the Mount Snow resort. The site is gently sloping, partly meadow and partly wooded. It is served by municipal sewer, is on the local bus route, and adjacent to a wildlife refuge. The market study, performed by John Ryan, cites a strong need and demand for independent senior housing in this area. Services are located several miles from this site. However, the development will be on the bus line, and there is an active senior van program that would serve the site. BACLT received a commitment for Rural Development (RD) permanent financing of $970,000 (RD's per project maximum is $1,000,000) and rental assistance for 22 of the 26 units (the remaining four units will serve households up to 100% of median income). The project can support more debt, so the sponsor is requesting additional permanent financing from VHFA (in shared first position with RD). BACLT has applications into VHCB, VHFA (for State Credit), and will apply to AHP in September. The sponsor anticipates local permit approval by December and Act 250 approval by January 2004. The loan would be conditioned upon receiving a satisfactory appraisal and level one environmental site assessment. Sources for VHFA's construction loan take-out include RD and Housing Credit equity. RD would size their rental assistance to incorporate debt service for both the VHFA and the RD loans. BACLT is considering Stewart Property Management to manage the project once construction is complete. Construction is anticipated to begin Spring 2004 and be completed by March 2005.

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

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR BUTTERFIELD ELDERLY, WEST DOVER

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

WHEREAS, an application has been submitted to the Agency by Brattleboro Area Community Land Trust (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of one (1) building containing a total of twenty-six (26) units of elderly rental housing in the Town of West Dover (the "Development");

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 24, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

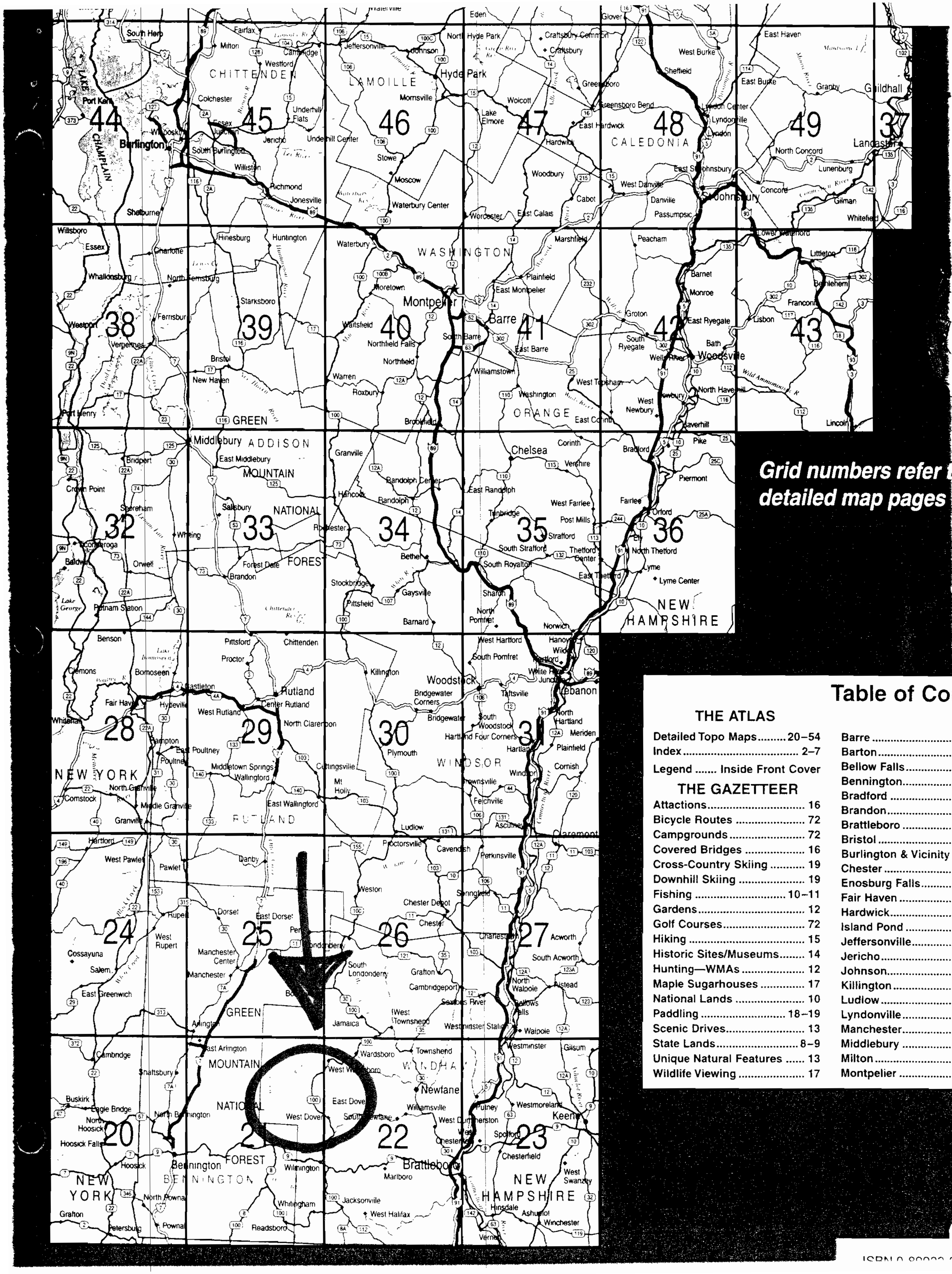
6. The Sponsor is financially responsible and is a qualified housing sponsor within the meaning of the Act. The Borrower will be required to qualify as a housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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



Grid numbers refer t
detailed map pages

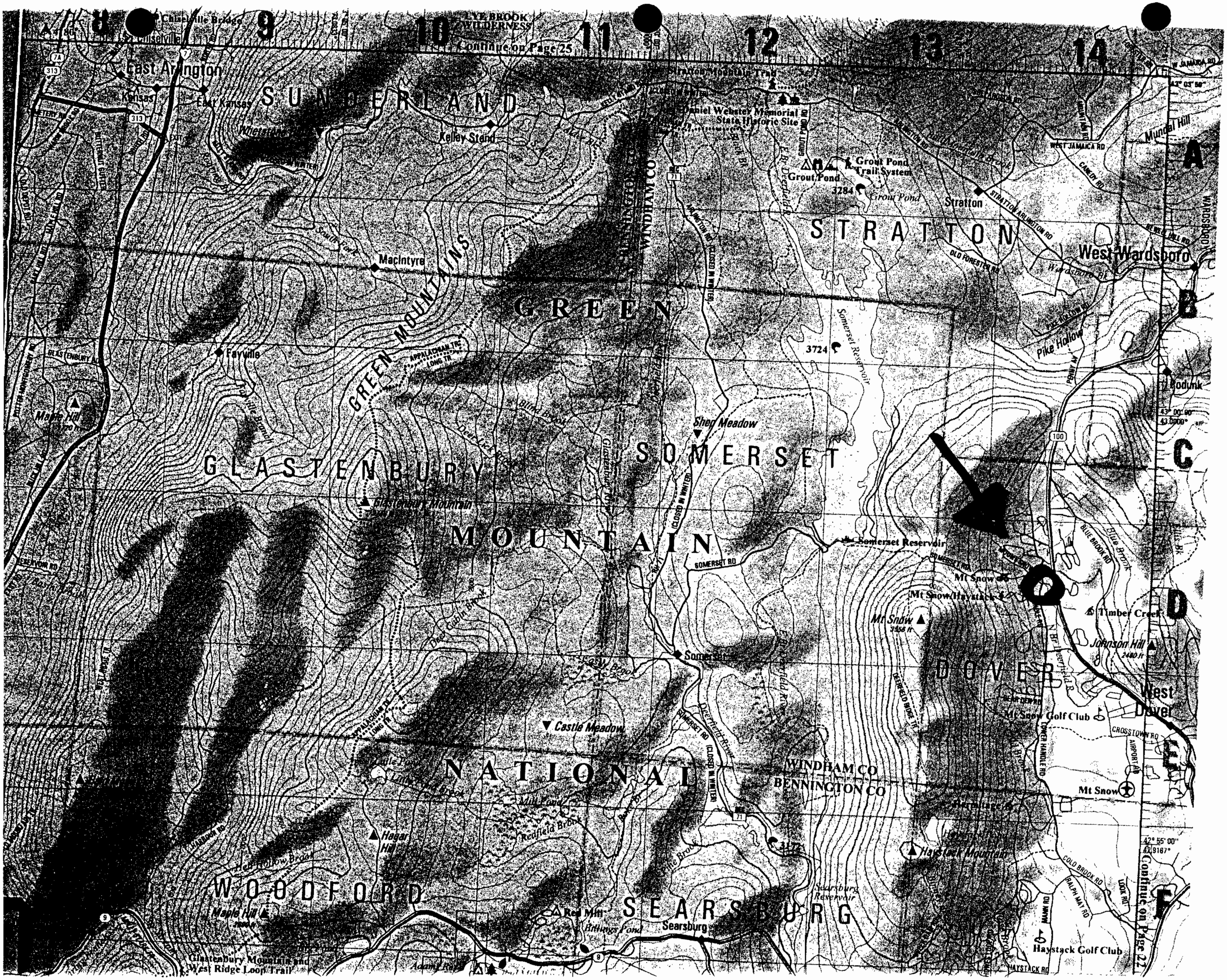
Table of Co

THE ATLAS

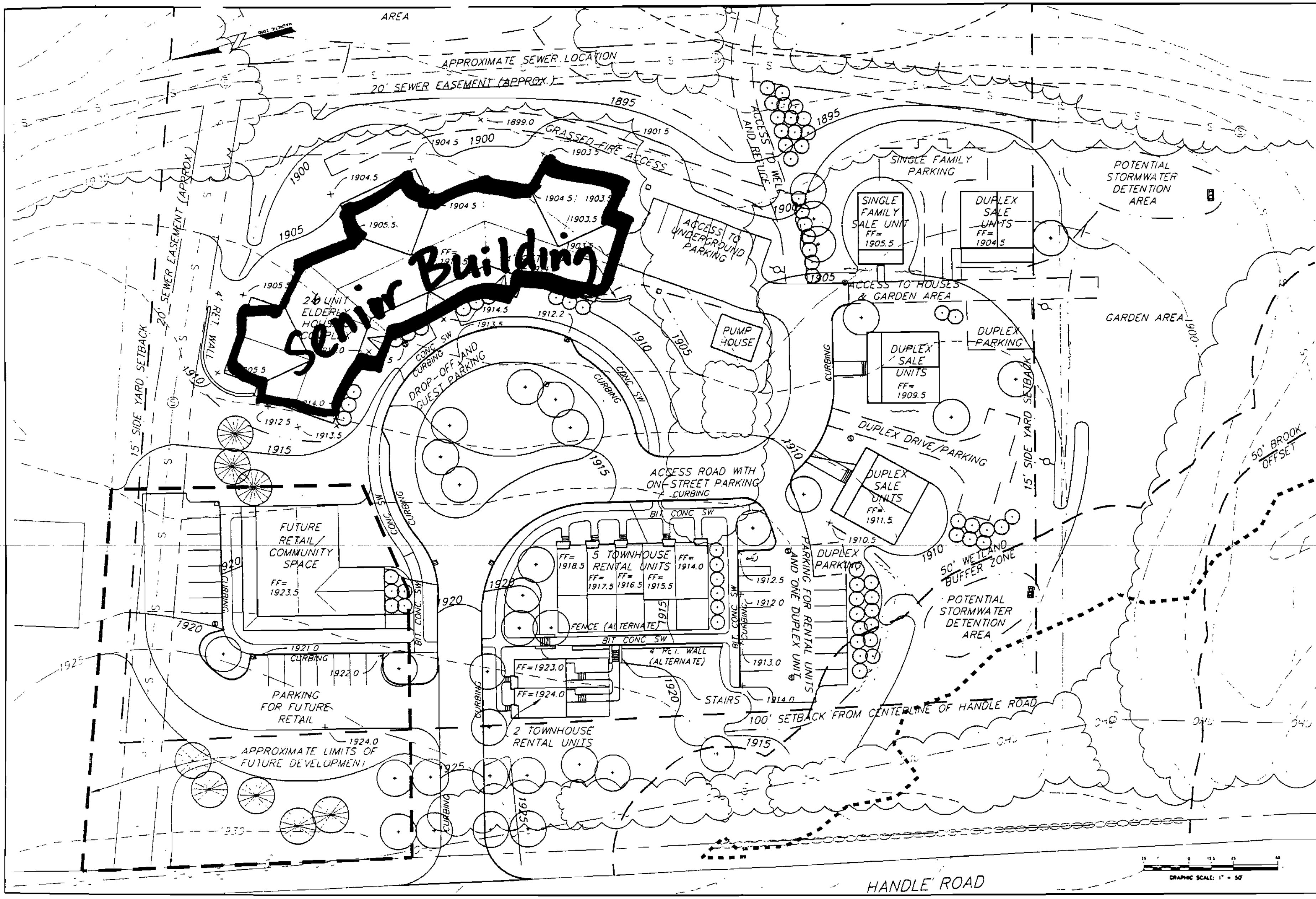
THE GAZETTEER

Pl

ISBN 0-89933-( )



Continue on Page 25
Continue on Page 22
LYE BROOK WILDERNESS
East Arlington
Kansas
SUNDERLAND
Kelley Stand
Daniel Webster Memorial State Historic Site
Stratton Mountain Trail
Grout Pond
Grout Pond Trail System
3284
Stratton
STRATTON
West Wardsboro
MacIntyre
GREEN MOUNTAINS
GREEN
BENNINGTON CO
WINDHAM CO
Fayville
3724
Somerset Reservoir
Pike Hollow
Bodunk
Maple Hill
Shep Meadow
SOMERSET
GLASTENBURY
Glastenbury Mountain
MOUNTAIN
Somerset Reservoir
SOMERSET RD
Mt Snow
Mt Snow/Haystack
Mt Snow
Timber Creek
Johnson Hill
Somerset
DOVER
West Dover
Mt Snow Golf Club
Castle Meadow
NATIONAL
WINDHAM CO
BENNINGTON CO
Mt Snow
Hagar Hill
Haystack Mountain
WOODFORD
Maple Hill
Red Mill
SEARSBURG
Searsburg
Searsburg Reservoir
Haystack Golf Club
Glastenbury Mountain and West Ridge Loop Trail
42° 55' 00"
42.9167°
43° 00' 00"
43.0000°
8
9
10
11
12
13
14
A
B
C
D
E
F



STEVENS & ASSOCIATES, P.C.

ENGINEERS • LANDSCAPE ARCHITECTS • PLANNERS

P.O. Box 1589
Brattleboro, VT 05302
(802) 257-9329

BUTTERFIELD SITE FEASIBILITY STUDY

HANDLE ROAD
WEST DOVER, VERMONT

PREPARED FOR
BRATTLEBORO AREA COMMUNITY LAND TRUST
192 CANAL STREET
BRATTLEBORO, VERMONT

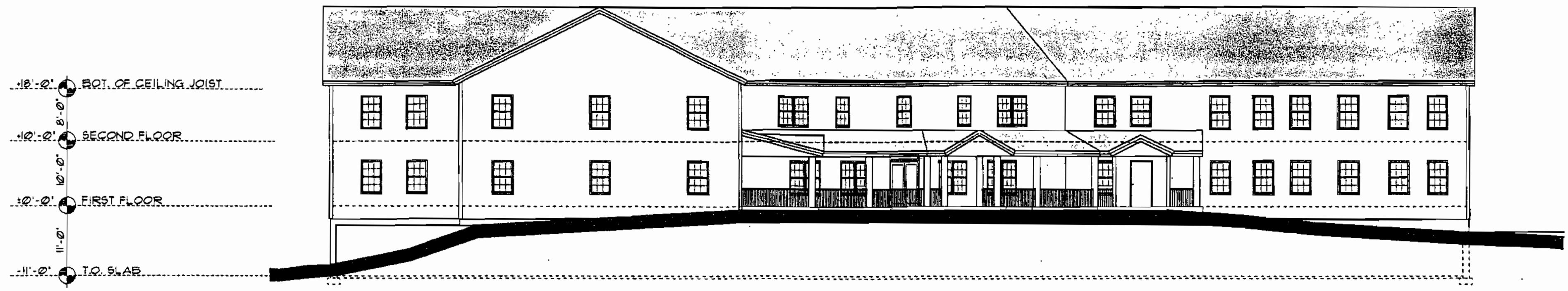
DATE: REVISION:
4/03 - LANDSCAPING REV

CONCEPTUAL SITE PLAN

DES. BY	KDW
DWN. BY	WHD/KDW
CHKD. BY	KDW/RKS
SCALE	AS SHOWN
DATE	7/03/03
PROJECT NUM	#02-032
DWG. NO	

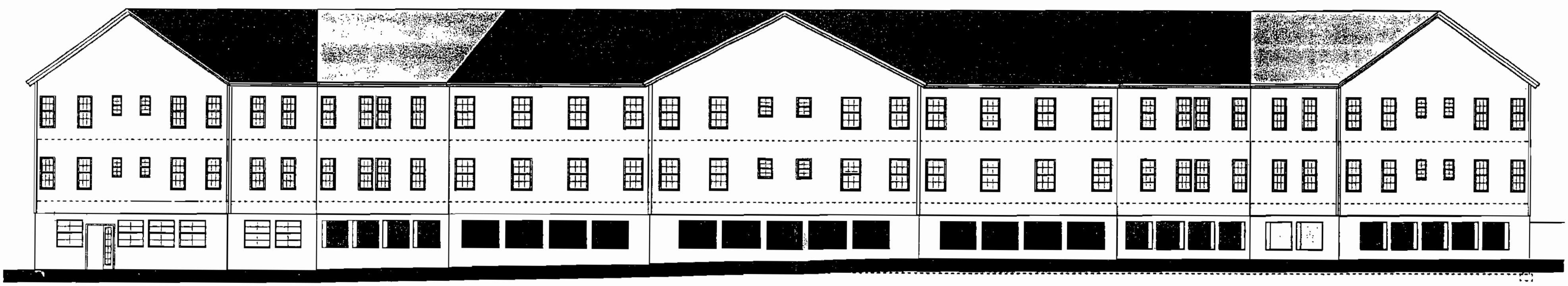
C-3

SHEET 1 OF 3



SCHEME J
ELEVATION D

0 8 16 24 32



SCHEME J
ELEVATION B

0 8 16 24 32

\\Computer090\SharedDocs_WFI Active Projects\Multi Family\Butterfield 10209\Drawings\Drawings in Progress\10209_Senior Housing Scheme J_revised 02.20.03.dwg, B, 02/21/2003 03:15:43 PM

23-Jul-03 **Butterfield Elderly, Dover**

Total Residential Units:	26	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	22	Increase in Income from Other Sources:	1.00%
Percent Restricted:	83.02%	Increase in Income from Commercial:	0.00%
Total Development Cost:	4,542,550	Expense increase:	2.50%
Total Development Cost per Unit:	174,713	Vacancy Rate:	5%
Total Development Cost Per SF:	176	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	162,265	Short Depreciation Schedule:	5 years
Credit Amount Allocated:	163,500	Sponsor's Estimated Yield:	109.59%
State Tax Credit (65% applicable)	81,250	Mid Depreciation	15 years
State Tax Credit (actual)	125,000		
LIHTC - 4%	3.35%	August 2003	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage - RD 515	970,000	21.35%	1.00%	50	30
VHFA	350,000	7.70%	6.25%	30	30
HOME	447,050	9.84%	4.00%	25	deferred
VHCB	650,000	14.31%	0.00%	25	deferred
REEP (Efficiency VT Program)	14,200	0.31%	0	0	Grant
VHCB Feasibility (GP Equity)	36,300	0.80%	0	0	N/A
AHP funds	325,000	7.15%	0	20	deferred
Tax Credit Equity LP	1,750,000	38.52%	N/A	N/A	
	4,542,550	100.00%			
VHFA Construction Loan	2,350,000	51.73%	3%		12 months

USES

Acquisition	3,250	0.07%
Construction Hard Costs	3,750,000	82.55%
Soft Costs	789,300	17.38%
TOTAL USES	4,542,550	100.00%
Gap	0	

General Partner's Capital Contribution	17,918	1.00%
Limited Partner's Capital Contribution	1,773,913	99.00%
Total Equity	1,791,831	

form revision date: 2/27/97

#	Item	Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building(s)		0		0		
3	Demolition (without replacement)						
4	Property Appraisal	500					
5	Legal - Title and Recording	2,750					
	Subtotal - Acquisition	3,250					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	3,000,219		3,000,219	3,000,219		
8	Insulation	0					
9	Sitework	417,500		417,500	417,500		
10	GMP Primary Electric	0					
11	General Requirements						
12	Contractor Overhead & profit						
13	Contractor Profit	0					
14	Construction Contingency	300,281		300,281	300,281		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	32,000		32,000	32,000		
20	Other (____________________)	0					
	Subtotal - Hard Costs	3,750,000					
	SOFT COSTS						
21	Architectural / Engineering	250,000		250,000	250,000		
22	Survey	11,400		11,400	11,400		
23	Legal/Accounting	14,500		14,500	14,500		
24	Construction Management	20,000		20,000	20,000		
25	Environmental Assessment	2,500		2,500	2,500		
26	Civil Engineering	76,500		76,500	76,500		
27	Permits/Fees	35,000		35,000	35,000		
28	Impact Fees	31,000		31,000	31,000		
29	Compaction/Testing	7,500		7,500	7,500		
30	Independent Market Study	3,000		3,000	3,000		
31	Construction Period Insurance	6,000		6,000	6,000		
32	Construction Interest	18,000		18,000	18,000		
33	VHFA Loan Origination Fee	34,000		34,000	34,000		
34	Taxes During Construction	1,500		1,500	1,500		
35	VHFA Inspection Fee	3,500		3,500	3,500		
36	Marketing	500					
37	Tax Credit Fees	6,400		6,400	6,400		
38	Soft Cost Contingency	3,500		3,500	3,500		
39	VHFA Lender's Council Fee	3,000		4,000	4,000		
40	Traffic Study	1,500		1,500	1,500		
41	0	0					
42	Historic Preservation Consult	0					
43	Capital Needs Assessment	2,000					
	SYNDICATION COSTS						
44	Organizational (Partnership)	1,500					
45	Bridge Loan Fees and Expenses	7,500					
46	Syndication Consultant	2,500					
47	Tax Opinion						
	DEVELOPER'S FEES						
48	Developer's Fees	175,000		175,000	175,000		
49	Deferred Fee	0					
50	Consultant Fees	47,500		47,500	47,500		
	RESERVES						
51	Working Capital						
52	Rent-up (Deficit Escrow) Reserve						
53	Operating Reserves	24,000					
54	Sinking Fund	0					
55	Replacement Reserves	0					
	Subtotal - Soft Costs	789,300					
	TOTALS	4,542,550	0	4,502,300	4,470,300	0	
LESS:	Amount of Non-qualified Financing			14,200	14,200	0	
LESS:	Adjustment for per unit cost limits	100.00%		0			
LESS:	Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate	
	Total Eligible Basis		0	4,488,100		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.00%		5,834,530			
TIMES:	Applicable Fraction	83.02%	0	4,843,732			
	Total Qualified Basis		0	4,843,732	4,038,600	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.35%	3.35%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	162,265	146,858	Annual Depreciation	

Total Tax Credits Requested	161,296	162,265	32,000 Short Term Depreciable Basis
Estimated Net Syndication Proceeds **(excluding historic credit equity)**	1,750,000		5 Depreciation Schedule
Estimated Yield - Housing Credit Syndication	109.59%		6,400 Annual Depreciation
Equity Gap	1,750,000		
Credits Needed to fill Equity Gap	161,296		417,500 Mid Term Depreciation
			15 Depreciation Schedule
			27,833 Annual Depreciation

form revision date: 2/27/97

23-Jul-03 **Butterfield Elderly, Dover**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	16,000	1,333	51	8.0%
Accounting Fee	1,512	126	5	
Audit/Accounting	4,000	333	13	
Legal	1,200	100	4	
Compliance Monitoring	864	72	3	
Marketing	650	54	2	
Other	250	21	1	
TOTAL ADMINISTRATIVE	24,476	2,040	78	
Utilities				
Electricity	7,170	598	23	
Fuel	9,000	750	29	
Water	8,582	715	28	
Sewer	400			
Fire Alarm / Emergency	1,400	117	4	
Other		0	0	
TOTAL UTILITIES	26,552	2,213	85	
Maintenance				
Maintenance / Janitor Payroll	8,025	669	26	
Maintenance Overhead	2,675	223	9	
Exterminating	150	13	0	
Trash Removal	2,730	228	9	
Snow Removal	5,655	471	18	
Grounds	6,760	563	22	
Repairs Material	1,500	125	5	
Repairs Contract	2,500	208	8	
HVAC Repairs / Maintenance	1,000	83	3	
Elevator Contract / Repairs	3,000	250	10	
Painting and Decorating	0	0	0	
Other / Cleaning	4,400	367	14	
TOTAL MAINTENANCE	38,395	3,200	123	
				per unit month excl. ds & res. 378
Real Estate Taxes	19,000	1,583	61	
Property Insurance	9,500	792	30	
Replacement Reserves	19,500	1,625	63	
Primary Debt Service	24,660	2,055	79	
Other "must pay" debt service	25,860	2,155	83	
Other	2,220	185	7	
Total	190,164	15,847	609	

23-Jul-03 **Butterfield Elderly, Dover**

Building #	Unit #	HOME Unit (Check all Applicable)	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	A: Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)
	1	1		1	1	1		1		1	721	650	29	679
	2	1		1	1	1	1	1		1	721	650	29	679
	3	1		1	1	1	1	1		1	721	650	29	679
	4	1		1	1	1		1		1	721	650	29	679
	5	1		1	1	1		1		1	721	650	29	679
	6	1		1	1	1		1		1	721	650	29	679
	7	1		1	1	1		1		1	721	650	29	679
	8	1		1	1	1		1		1	721	650	29	679
	9	1		1	1	1		1		1	721	650	29	679
	10	1		1	1	1		1		1	721	650	29	679
	11			1	1	1		1		1	721	650	29	679
	12	1		1	1	1		1		1	721	650	29	679
	13			1	1	1		1		1	721	650	29	679
	14			1	1	1		1		1	721	650	29	679
	15			1	1	1		1		1	721	650	29	679
	16	1		1	1	1		1		1	721	650	29	679
	17			1	1	1	1	1		1	721	650	29	679
	18			1	1	1		1		1	721	650	29	679
	19			1	1	1		1		1	721	650	29	679
	20			1	1	1		1		1	721	650	29	679
	21			1	1	1		1		1	721	650	29	679
	22					1		1		1	721	650	29	679
	23					1		1		2	850	750	44	794
	24					1		1		2	850	750	44	794
	25					1		1		2	850	750	44	794
	26	1		1	1	1	1	1		2	850	750	44	794
Total # Units	26	13	0	22	22	26	4	26	0	Totals:	19,262	17,300		Total # Units:

Unit #	B: OCCUPIED BY: Income level of residents to be served: <30%	<50%	<60%	<80%	<100%	>100%	C: AFFORDABLE TO: Units affordable to residents at: 30%	50%	60%	65%	80%	100%+
1			1				1					
2		1					1					
3			1				1					
4			1				1					
5			1				1					
6			1				1					
7		1					1					
8		1					1					
9			1				1					
10			1				1					
11			1				1					
12		1					1					
13			1				1					
14			1				1					
15			1				1					
16		1					1					
17			1				1					
18			1				1					
19			1				1					
20			1				1					
21			1				1					
22					1						1	
23					1						1	
24					1						1	
25					1						1	
26			1				1					
Total # Units	0	5	17	0	4	0	22	0	0	0	4	0

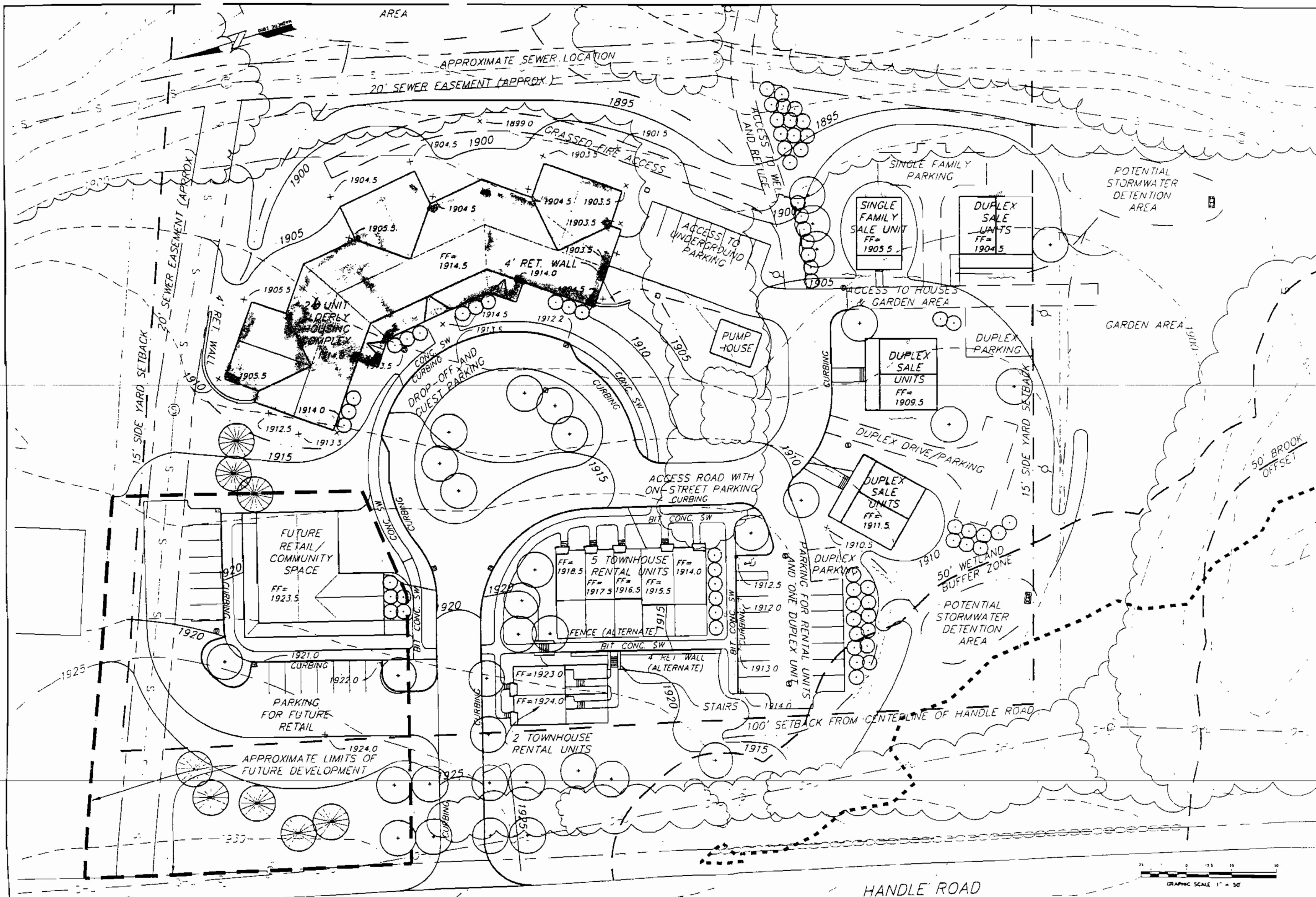
23-Jul-03 **Butterfield Elderly, Dover**

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Year / Date		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Income																	
Gross Rent		207,600	209,676	211,773	213,890	216,029	218,190	220,372	222,575	224,801	227,049	229,320	231,613	233,929	236,268	238,631	241,017
Interest Credit Subsidy		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	1,974
Vacancy and other losses		(10,380)	(10,484)	(10,589)	(10,695)	(10,801)	(10,909)	(11,019)	(11,129)	(11,240)	(11,352)	(11,466)	(11,581)	(11,696)	(11,813)	(11,932)	(12,051)
Total Operating Income		198,920	200,909	202,918	204,947	206,997	209,067	211,158	213,269	215,402	217,556	219,731	221,929	224,148	226,390	228,653	230,940
Operating Expenses																	
Total Expenses (excl. Reserves)		120,143	123,147	126,225	129,381	132,615	135,931	139,329	142,812	146,383	150,042	153,793	157,638	161,579	165,618	169,759	174,003
Reserves		19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Sub-Total Operating Expense		139,643	142,647	145,725	148,881	152,115	155,431	158,829	162,312	165,883	169,542	173,293	177,138	181,079	185,118	189,259	193,503
Management Incentive Fee		0	0	0	0	0	0	0	0	0	0	0	7,200	7,200	7,200	7,200	7,200
Total Operating Expense		139,643	142,647	145,725	148,881	152,115	155,431	158,829	162,312	165,883	169,542	173,293	184,338	188,279	192,318	196,459	200,703
Net Operating Income		59,277	58,263	57,193	56,067	54,882	53,636	52,329	50,957	49,519	48,014	46,438	37,591	35,869	34,071	32,194	30,237
Less Primary Debt Service		24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660	24,660
Less Secondary Debt Service		25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860	25,860
Annual Cash Flow		8,756	7,742	6,673	5,546	4,361	3,116	1,808	436	(1,001)	(2,507)	(4,082)	(12,930)	(14,651)	(16,449)	(18,326)	(20,283)
Less RD Return on Investment		(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)	0	14,651	16,449	18,326	20,283
Net Cash		1,556	542	(527)	(1,654)	(2,839)	(4,084)	(5,392)	(6,764)	(8,201)	(9,707)	(11,282)	(12,930)	0	0	0	0
DCR		117.33%	115.32%	113.21%	110.98%	108.63%	106.17%	103.58%	100.86%	98.02%	95.04%	91.92%	74.41%	71.00%	67.44%	63.73%	59.85%
Cumulative Cash Flow																	
Beginning Balance		24,000	25,796	33,797	40,807	46,761	51,590	55,221	57,582	58,594	58,178	56,253	52,734	40,331	26,083	9,894	(8,333)
Deposits		1,556	542	(527)	(1,654)	(2,839)	(4,084)	(5,392)	(6,764)	(8,201)	(9,707)	(11,282)	(12,930)	0	0	0	0
Interest	2.0%	240	258	338	408	468	516	552	576	586	582	563	527	403	261	99	(83)
Withdrawals		0	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	0	(14,651)	(16,449)	(18,326)	(20,283)
Ending Balance		25,796	33,797	40,807	46,761	51,590	55,221	57,582	58,594	58,178	56,253	52,734	40,331	26,083	9,894	(8,333)	(28,700)
Cumulative Replacement Reserves																	
Beginning Balance		0	19,695	39,392	59,286	79,379	99,673	120,169	140,871	161,780	182,897	204,226	225,769	247,526	269,502	291,697	314,114
Deposits		19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Interest	2.0%	195	197	394	593	794	997	1,202	1,409	1,618	1,829	2,042	2,258	2,475	2,695	2,917	3,141
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		19,695	39,392	59,286	79,379	99,673	120,169	140,871	161,780	182,897	204,226	225,769	247,526	269,502	291,697	314,114	336,755

Year		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Operating Income		59,277	58,263	57,193	56,067	54,882	53,636	52,329	50,957	49,519	48,014	46,438	37,591	35,869	34,071	32,194	30,237
Plus Reserves		19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500	19,500
Less Interest Expense		(49,272)	(48,857)	(48,424)	(47,971)	(47,498)	(47,002)	(46,483)	(45,939)	(45,369)	(44,771)	(44,144)	(43,485)	(42,793)	(42,065)	(41,300)	(40,495)
Less Bridge Interest		(8,000)	(4,000)														
Less Long Depreciation		(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)	(146,858)
Less Mid Depreciation		(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	(27,833)	
Less Short Depreciation		(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	(6,400)	0	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(159,587)	(156,186)	(152,822)	(153,496)	(154,207)	(154,957)	(155,746)	(150,174)	(151,041)	(151,949)	(152,897)	(161,086)	(162,115)	(163,185)	(164,297)	(137,616)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		55,855	54,665	53,488	53,724	53,973	54,235	54,511	52,561	52,864	53,182	53,514	56,380	56,740	57,115	57,504	48,166
State Housing Tax Credit		81,250	81,250	81,250	81,250	81,250											
Plus Tax Credits		163,500	163,500	163,500	163,500	163,500	163,500	163,500	163,500	163,500	163,500						
After Tax Cash Flow		300,605	299,415	298,238	298,474	298,723	217,735	218,011	216,061	216,364	216,682	53,514	56,380	56,740	57,115	57,504	48,166
Quarterly Return to Investors		75,151	74,854	74,559	74,618	74,681	54,434	54,503	54,015	54,091	54,171	13,378	14,095	14,185	14,279	14,376	12,041
Total Years	15																
Reinvestment Rate	12.00%																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Current After Tax Cash Flows		300,605	299,415	298,238	298,474	298,723	217,735	218,011	216,061	216,364	216,682	53,514	56,380	56,740	57,115	57,504	48,166
Future Value of Cash Flows at Yr 15:		1,645,383	1,463,276	1,301,359	1,162,846	1,039,122	676,252	604,562	534,959	478,313	427,692	94,310	88,715	79,716	71,645	64,404	48,166

Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4	5	6	7	8								
Date of Capital Contribution:	15-May-02	31-Jan-03	31-Mar-03	31-Mar-04	31-Mar-04											
Amount of Capital Contribution:	5,000	540,000	950,000	100,000	0	0	0	0								
Present Value of Contributions:	5,000	517,015	900,665	89,197	0	0	0	0								
Cash Flows	(1,511,877)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,732,552
1,511,877																
IRR:	13.22%															
Equity Yield:	93.40%			1,595,000	1,750,000	(155,000)										

Sale at Mortgage Balance:	
Total Losses	2,343,745
Total Capital Contribution	1,595,000
Net Gain	748,745
Exit Tax	262,061



STEVENS & ASSOCIATES P.C.

BUTTERFIELD SITE FEASIBILITY STUDY

HANDLE ROAD WEST DOVER VERMONT

PREPARED FOR

BRATTLEBORO AREA COMMUNITY LAND TRUST

192 CANAL STREET BRATTLEBORO VERMONT

DATE REVISION

4/03 – LANDSCAPING REV.

CONCEPTUAL SITE PLAN

DES BY	KOW
DWN BY	WBU/KGW
CHKD BY	KOW/RKS
SCALE	AS SHOWN
DATE	7/03/03
PROJECT NUM	#02-032
DWG NO	

C-3

SHEET 1 OF 3

HOUSING VERMONT

Celebrating our 15th year!

July 10, 2003

Sarah Carpenter
VHFA
PO Box 408
Burlington, VT 05402

RE: Randoph Family Housing

Dear Sarah:

Housing Vermont and Randolph Area Housing Development Corporation have been working together over the past 18 months to develop 12 units of new family housing in the town of Randolph. VHFA allocated $120,000 in 9% credits to the project in 2002. We were unable to meet the carryover requirements for the 2002 credits in June. Therefore, we are now returning the credits of $120,000 and request that the VHFA Board re-allocate, as allowed under the Qualified Allocation Plan, the same amount of credits at the August 7th meeting.

Under Section 6 of the QAP "Return of Previously Allocated Tax Credits," VHFA may re-allocate an amount of credits less than or equal to the amount of returned credits to the same project without the necessity of holding a competitive round; under four conditions:

1. The Project's viability is threatened by extraordinary circumstances that become apparent so late in a year that it is not feasible to hold a competitive round;
2. With the return and re-allocation the Project can be placed in service within the maximum time limits allowed by the Internal Revenue Code under the original allocation;
3. The amount of Housing Credits available to the State is not reduced; and
4. The VHFA Board of Commissioners approves the return and re-allocation.

As detailed below, this request satisfies these conditions.

1. The Randolph Family Housing project consists of 12 units on two sites. One site is vacant land and will have 8 newly constructed units and the second site is an existing multi-family building with four units. On March 19, 2002 we submitted our local permit application for the new construction project. The schedule took a major setback when the local DRB closed the hearing and took 60 days to review our permit application for the new construction project and then denied the permit on July 16, 2002. We began the appeal process and at the same time made minor revisions to the permit application and re-submitted it to the DRB. The DRB approved the second submission and we received

123 St. Paul Street
Burlington, Vermont 05401
phone: 802.863.8424
fax: 802.660.9034
www.housingvermont.org

an appeal-free permit on October 23, 2002. We moved forward with the Act 250 permit process and received an appeal-free permit for the new construction on April 14, 2003.

With permits in hand we began to move forward with the construction documents. Two unforeseen events further hampered our schedule. First, upon further investigation and evaluation our structural engineers concluded that the existing apartment building was so deteriorated that instead of rebuilding a portion of the building as originally planned, we needed to demolish and re-build the entire building. This was the most cost effective approach to the project. This decision entailed the approval of the local historical society, neighborhood meetings, a new Section 106 review and local DRB approval. We received all of these approvals as of May 14, 2003.

The second extraordinary event that arose this spring and which set back our schedule was the disbanding of the architectural firm working on the project. The firm includes two principals, and they made a decision on March 27, 2003 to separate and work independently. The separation was not amicable and the ownership of our contract was disputed. As of mid-March the drawings were scheduled for completion in early June, they will now be complete in late July; our schedule was delayed by six weeks.

In all, a series of permit issues and unforeseen conditions changed our schedule from a spring 2003 construction start to a fall 2003 construction start. As a result of these delays, we were unable to purchase the sites and meet the carryover requirements.

We need a commitment of credits in August so that we can syndicate the credits and have an investor in place in time to begin construction in September. Waiting until the competitive round in September means the sale of the credits is delayed. The construction start is then later and potentially hampered by winter conditions thereby jeopardizing our ability to complete the project by December 2004.

2. Under the original allocation, the project must be placed in service by December 31, 2004. If we receive a re-allocation at the August Board meeting, we will start construction in late September and be complete by September of 2004.

3. The amount of Credits to the State is not affected by this re-allocation.

4. We are seeking Board approval for the re-allocation.

Thank you very much for your attention to this matter. I will attend the August Board meeting and be available to answer any questions regarding the project.

Sincerely,

Nancy Owens
Vice President

cc: Cindy Reid

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

DATE: July 25, 2003

RE: **Winchester Place – Request for Approval**

Loan Request:
Refinance existing VHFA permanent debt in the amount of $5,973,000 plus approval for additional funding in the amount of $485,000, each with a term of up to 30 years and at an interest rate that maintains financial feasibility. The final rate offered by the Agency may require a reduction in our normal spread over our cost of funds.

Continue to defer existing VHFA zero percent loans now totaling $1,272,709, plus approve an additional zero percent loan in the amount of $159,000. Repayment to begin after 2017 as cash flows permit and paid in full by no later than the maturity date of our amortizing debt.

Project Description:
Winchester Place is a 166-unit family housing project located off Route 15 in Colchester. It is sited on land owned by and leased from Saint Michaels College. The project is owned by Winchester Associates, a Vermont limited partnership. The general partner is H.V. Winchester, Inc., a wholly owned subsidiary of Housing Vermont. The limited partner is Merchants Properties, Inc. a wholly owned subsidiary of the Merchants Bank. The property is managed by Lake Champlain Housing Ventures, Inc. (a subsidiary of Lake Champlain Housing Development Corporation).

Historical Background:
The project was originally built between 1989 and 1990 and was one of the first tax credit transactions completed by VHFA and Housing Vermont. Changes in funding sources late in the process resulted in a higher level of debt than the project has been able to carry and construction deficiencies that quickly eroded replacement and sinking fund reserves. The original debt levels were supported by what turned out to be very aggressive assumptions regarding lease up, vacancies (3.0%), and projected rent increases of 4.5% per year. Reserves were depleted faster than original projections by the need for replacement of much of the original siding and very expensive upgrades to an under-designed wastewater disposal system. The project needs roughly $600,000 in rehab work now including replacement of casement windows, various doors, updated ventilation, replacement of boilers, and repaving of road and parking areas.

Winchester Place has had operating deficiencies for the past eight years. The project has been kept out of default only by cash contributions by the Merchants Bank in combination with deferred loans from VHFA. The combined current contributions approximate $250,000 per year. In the best case scenario, these are likely to continue until 2004, at which time the tax credit compliance period expires and the Merchants Bank has no further incentive to continue to support the project deficits. We fully anticipate the cash contributions will stop and the project will most likely default at that time.

The current lease with Saint Michaels has provisions that have precluded the project from taking on new debt maturing beyond 2016. Our efforts with Saint Michaels have focused on removing this restriction to enable the debt restructuring. We reached a verbal agreement with Saint Michaels in October 2002 as evidenced by a draft Memorandum of Understanding (MOU). The MOU established a more clearly defined date at which Saint Michaels would take possession of the project, extended the restrictions on debt service to allow restructured debt to be amortized over a new thirty year term, and required Housing Vermont to obtain an amendment to the original permits to eliminate (as of December 31st, 2016) the affordability restrictions imposed by the permits, and to insure no permits would be needed in the event Saint Michaels desires to demolish the project once they take possession in 2033.

Closing will be contingent on agreement that the conditions of the MOU have been satisfied along with receipt and review of an amended Land Lease with Saint Michaels that is acceptable to VHFA, and clarification that the amendments to the Permits that have been made are satisfactory and sufficient for Saint Michaels.

Proposed Operating Proformas:
The attached operating proformas are provided to show Winchester's projected financial feasibility. A summary of the major assumptions is narrated on page one of the proforma. This proposal maintains 40% of the units affordable to households at 60% of median income for the full term of the loan and a total of at least 51% of the units will be occupied by households of low and moderate-income families as required by state statute. Key to financial viability is the assumption that in 2017, the project will achieve the fully indexed projected LIHTC rents. The rent projections for the first 14 years are trended and based on current rents, which are below the current tax credit limits. Operating cash reserves and replacement reserves are adequately funded to offset any minor variances to our key trending assumptions, to provide for ongoing maintenance and to allow for repayment of the VHFA deferred funding prior to the termination of the project in 2032-2033.

Board Action:
That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:") and that the Board authorize the Executive Director to issue a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence with underwriting conditions as deemed appropriate by staff.

RESOLUTION RE: RESTRUCTURED FINANCING
FOR WINCHESTER PLACE, COLCHESTER

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

WHEREAS, Winchester Associates (the "Borrower") has been working to restructure its financing with the Agency for Winchester Place in Colchester, Vermont (the "Development");

WHEREAS, the application contemplates new terms on its existing mortgage loan and additional financing for the Development with the interest rates to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated July 25th, 2003, containing information and recommendations about the current status of the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the

Borrower for restructured financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director is hereby authorized to commit an additional loan in an amount up to but not to exceed $159,000 to the Borrower to be funded with excess yield zero percent pool funds.

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

WINCHESTER PLACE - KEY ASSUMPTIONS

The schedules that follow reflect a refinance of all existing VHFA debt projected as of August 31st, 2003 (including $5,973,000 amortizing debt and $1,272,709 zero percent loans) with additional amortizing debt of $485,000 and additional zero percent loan of $159,000. The combined new funding provided by VHFA is $644,000. In addition to the loans provided by VHFA, it is anticipated that the Merchants Bank will provide a capital contribution of $65,000. This scenario assumes that at least 40% (67 units) of the 166 total number of units, will remain affordable to households at or below 60% of the area median income throughout the term of the loan.

Acquisition cost at $7,246,709 reflects the existing loans owed to VHFA plus legal fees. Rehab work of $610,000 includes replacement of boilers, windows and repaving. Soft costs are predominantly funding of working capital at $90,000 and miscellaneous expenses (legal, permit and recording fees) to complete the transaction.

Rent projections are based on current actual rents trended at 1.5% per year until 2017. Current rents are below the maximum LIHTC limits. In 2017, we assume the project will have caught up to the projected tax credit rent limits, which were also trended at 1.5% per year. The project permits contain affordability restrictions which will now expire on 12/31/2016. Tax exempt private activity bond requirements become the more restrictive limitation from 2017 to the end of the term of the loan. This scenario converts 6 of the 73 currently restricted units to market rate units in 2017, leaving the required 67 units to be affordable to households at or below 60% of median income.

Debt Service Coverage (DCR) is 116% with a Loan-to-Value of 70%, based on the appraised value in 1989. Replacement reserves in the first year are low because of the amount of rehab work to be completed as part of this transaction. Replacement reserves in year two through term have been increased to $56,828 ($342/unit/year). The project cash flows for the first five years. Negative cash flows occur in years six through fourteen. This will be minimized if the project rents begin to catch up with the maximums allowed. Operating reserves will relied on to cover the operating deficits otherwise until 2017, when we count on achieving the higher rents. We believe that trending these at 1.5% is reasonable and will be achieved.

Repayment of the VHFA deferred debt is achieved from cash flows over 115% in the final twelve years. Cash balances are projected to be sizeable in 2033 and should be adequate to cushion the project when needed in the last five years of the projects anticipated life.

7/25/2003

23-Jul-03 **Winchester Place - Refund Existing VHFA Dept retain 40% at 60%**

Total Residential Units:	166	Increase in Income from Rental Units:	1.50%
Housing Credit Restricted Units:	73	Increase in Income from Other Sources:	1.50%
Percent Restricted:	43.98%	Increase in Income from Commercial:	1.50%
Total Development Cost:	7,954,709	Expense increase:	3.00%
Total Development Cost per Unit:	47,920	Vacancy Rate: 2% for yrs 1-5, and 5% thereafter	2.00%
Total Development Cost Per SF:	54	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	0	Short Depreciation Schedule:	7 years
Credit Amount Allocated:		Sponsor's Estimated Yield:	

LIHTC - 9%	0.00%	
LIHTC - 4%	0.00%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA Existing Permanent	5,973,000	75.09%	6.00%	30	30
VHFA Permanent - New	485,000	6.10%	6.00%	30	30
VHFA Exisiting Zero -Deferred	1,272,709	16.00%	0.00%	def. loan	30
VHFA Addiditonal Zero-Deferred	159,000	2.00%	0.00%	def. loan	30
Merchants Final Cap. Contri - NEW	65,000	0.82%	0.00%	grant	n/a
Developer Loan		0.00%	N/A	N/A	
Tax Credit Equity		0.00%	N/A	N/A	
TOTAL SOURCES	7,954,709	100.00%			

USES

Acquisition	7,246,209	91.09%	**DCR Yr 1**	**116%**
Construction Hard Costs	610,000	7.67%	**DCR Yr 14**	**93%**
Soft Costs	98,500	1.24%	**DCR Yr 15**	**139%**
TOTAL USES	7,954,709	100%		
Gap	0			

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	27	2,433,780		
2 Br	95,890	131	12,561,590		
3 Br	101,637	8	813,096		
4 Br	107,390	0	0		
Maximum cost allowed under the per unit cost limits		166	15,808,466		
Projected total cost, excluding cash accounts			7,864,709	Cost Overage %	201%
	(over)/under		7,943,757		

General Partner's Capital Contribution	0	0.00%
Limited Partner's Capital Contribution	0	0.00%
Total Equity	0	

APPLICABLE FRACTION CALCULATION

23-Jul-03 **Winchester Place - Refund Existing VHFA Dept retain 40% at 60%**

		Budget	Per Unit	Per s.f.	VHCB Terms:____	HOME Terms:____	Allocation of Sources VCDP Terms:____	Debt Terms:____	Equity Terms:____	Other Terms:__________	TOTAL SOURCES
	ACQUISITION										
1	Land	1,272,709	7,667	8.58							0
2	Purchase of Building(s)	5,973,000	35,982	40.28							0
3	Demolition (without replacement)		0	0.00							0
4	Property Appraisal		0	0.00							0
5	Legal - Title and Recording	500	3	0.00							0
	Subtotal - Acquisition	7,246,209	43,652	48.86							
	CONSTRUCTION HARD COSTS										
6	Rehabilitation	610,000	3,675	4.11							0
7	New Building(s)		0	0.00							0
8	Accessory Buildings		0	0.00							0
9	Sitework		0	0.00							0
10	Commercial Space Costs (if any)		0	0.00							0
11	General Requirements		0	0.00							0
12	Contractor Overhead		0	0.00							0
13	Contractor Profit		0	0.00							0
14	Construction Contingency		0	0.00							0
15	Construction Management		0	0.00							0
16	Construction Bond Fee		0	0.00							0
17	Hazardous Materials Abatement		0	0.00							0
18	Off-Site Improvements		0	0.00							0
19	Furnishings, Fixtures, & Equipment		0	0.00							0
20	Other (_______________)		0	0.00							0
	Subtotal - Hard Costs	610,000	3,675	4.11							
	SOFT COSTS										
21	Architectural		0	0.00							0
22	Engineering		0	0.00							0
23	Legal/Accounting	5,500	33	0.04							0
24	Relocation		0	0.00							0
25	Environmental Assessment		0	0.00							0
26	Energy Assessment		0	0.00							0
27	Permits/Fees	3,000	18	0.02							0
28	Independent Market Study		0	0.00							0
29	Construction Period Insurance		0	0.00							0
30	Construction Interest		0	0.00							0
31	Construction Loan Origination Fee		0	0.00							0
32	Taxes During Construction		0	0.00							0
33	Clerk of the Works		0	0.00							0
34	Marketing		0	0.00							0
35	Tax Credit Fees		0	0.00							0
36	Soft Cost Contingency		0	0.00							0
37	Permanent Loan Origination Fee		0	0.00							0
38	Lender's Counsel's Fee		0	0.00							0
39	Other (_______________)		0	0.00							0
	SYNDICATION COSTS										
40	Organizational (Partnership)		0	0.00							0
41	Bridge Loan Fees and Expenses		0	0.00							0
42	Syndication Consultant		0	0.00							0
43	Tax Opinion		0	0.00							0
	DEVELOPER'S FEES										
44	Developer's Fees	0	0	0.00							0
45	Other Partnership Fees		0	0.00							0
46	Consultant Fees		0	0.00							0
	RESERVES										
47	Working Capital	90,000	542	0.61							0
48	Rent-up (Deficit Escrow) Reserve		0	0.00							0
49	Other Operating Reserves		0	0.00							0
50	Sinking Fund		0	0.00							0
51	Replacement Reserves		0	0.00							0
	Subtotal - Soft Costs	98,500	593	0.66							
	TOTAL DEVELOPMENT COSTS	7,954,709	47,920	54	0	0	0	0	0	0	0

23-Jul-03 **Winchester Place - Refund Existing VHFA Dept retain 40% at 60%**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	2,003 Annual Rent	2,004 Yrly Inc @1.5%	2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016
0 Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Br	Loft	800	3	600		21,600	21,924	22,253	22,587	22,925	23,269	23,618	23,973	24,332	24,697	25,068	25,444	25,825	26,213
2 Br	TH	900	63	560		423,360	429,710	436,156	442,698	449,339	456,079	462,920	469,864	476,912	484,066	491,327	498,696	506,177	513,770
3 Br	HC	1,100	7	635		53,340	54,140	54,952	55,776	56,613	57,462	58,324	59,199	60,087	60,988	61,903	62,832	63,774	64,731
4+ Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Totals	66,800	73			498,300	505,775	513,361	521,062	528,877	536,811	544,863	553,036	561,331	569,751	578,297	586,972	595,777	604,713

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent													
0 Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Br	Loft	800	24	900		259,200	263,088	267,034	271,040	275,105	279,232	283,420	287,672	291,987	296,367	300,812	305,324	309,904	314,553
2 Br	TH	900	68	800		652,800	662,592	672,531	682,619	692,858	703,251	713,800	724,507	735,374	746,405	757,601	768,965	780,500	792,207
3 Br	HC	1,100	1	700		8,400	8,526	8,654	8,784	8,915	9,049	9,185	9,323	9,463	9,604	9,749	9,895	10,043	10,194
4+ Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Totals	81,500	93			920,400	934,206	948,219	962,442	976,879	991,532	1,006,405	1,021,501	1,036,824	1,052,376	1,068,162	1,084,184	1,100,447	1,116,954
All Units																			
	Grand Totals	148,300	166			1,418,700	1,439,981	1,461,580	1,483,504	1,505,756	1,528,343	1,551,268	1,574,537	1,598,155	1,622,127	1,646,459	1,671,156	1,696,223	1,721,667
	Less Vacancy		2.00%	5.00%		(28,374)	(28,800)	(29,232)	(29,670)	(30,115)	(76,417)	(77,563)	(78,727)	(79,908)	(81,106)	(82,323)	(83,558)	(84,811)	(86,083)
					NET RENT	1,390,326	1,411,181	1,432,349	1,453,834	1,475,641	1,451,926	1,473,705	1,495,810	1,518,247	1,541,021	1,564,136	1,587,598	1,611,412	1,635,584
	OTHER INCOME																		
	Laundry (Indexexed at _%			3%		2,400	2,472	2,546	2,623	2,701	2,782	2,866	2,952	3,040	3,131	3,225	3,322	3,422	3,524
	Parking					0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Commercial Space Income					0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Other		INTERES	3%		1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426	1,469
	Total Other Income					3,400	3,502	3,607	3,715	3,827	3,942	4,060	4,182	4,307	4,436	4,569	4,706	4,848	4,993
					TOTAL INCOME	1,393,726	1,414,683	1,435,956	1,457,549	1,479,468	1,455,867	1,477,764	1,499,992	1,522,554	1,545,457	1,568,706	1,592,305	1,616,260	1,640,577

				Projected TC Rents @ 60% AMI	2,003	2,004	2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016
2 Br	Loft	24	885		770	782	793	805	817	830	842	855	867	880	894	907	921	934
2 Br	TH	68	885		770	782	793	805	817	830	842	855	867	880	894	907	921	934
3 Br	HC	1	1,023		908	922	935	949	964	978	993	1,008	1,023	1,038	1,054	1,070	1,086	1,102

form revision date: 2/27/97

23-Jul-03 **Winchester Place - Refund Existing VHFA Dept retain 40% at 60%**

Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	2,017	2,018	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031	2,032
HC Restricted Units																					
0 Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Br	Loft	800	3	600		45,526	46,209	46,902	47,605	48,319	49,044	49,780	50,526	51,284	52,054	52,834	53,627	54,431	55,248	56,077	56,918
2 Br	TH	900	63	560		637,360	646,920	656,624	666,473	676,470	686,617	696,917	707,370	717,981	728,751	739,682	750,777	762,039	773,469	785,071	796,848
3 Br	HC	1,100	7	635		93,948	95,358	96,788	98,240	99,713	101,209	102,727	104,268	105,832	107,420	109,031	110,667	112,327	114,011	115,722	117,457
4+ Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Totals	66,800	73			776,834	788,486	800,314	812,318	824,503	836,871	849,424	862,165	875,098	888,224	901,547	915,071	928,797	942,729	956,870	971,223
Non-HC Restricted Units																					
Bedrooms	Type	Square Feet	Number	Rent	Utilities	All Market Rates Units:															
0 Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Br	Loft	800	24	900		305,968	310,558	315,216	319,944	324,743	329,615	334,559	339,577	344,671	349,841	355,088	360,415	365,821	371,308	376,878	382,531
2 Br	TH	900	68	800		886,864	900,167	913,670	927,375	941,285	955,405	969,736	984,282	999,046	1,014,032	1,029,242	1,044,681	1,060,351	1,076,256	1,092,400	1,108,786
3 Br	HC	1,100	1	700		10,347	10,502	10,659	10,819	10,982	11,146	11,314	11,483	11,656	11,830	12,008	12,188	12,371	12,556	12,745	12,936
4+ Br			0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Totals	81,500	93			1,203,179	1,221,227	1,239,545	1,258,138	1,277,010	1,296,165	1,315,608	1,335,342	1,355,372	1,375,703	1,396,338	1,417,283	1,438,543	1,460,121	1,482,023	1,504,253
All Units																					
Grand Totals		148,300	166			1,980,013	2,009,713	2,039,859	2,070,457	2,101,513	2,133,036	2,165,032	2,197,507	2,230,470	2,263,927	2,297,886	2,332,354	2,367,339	2,402,849	2,438,892	2,475,476
Less Vacancy		2.00%	5.00%			(99,001)	(100,486)	(101,993)	(103,523)	(105,076)	(106,652)	(108,252)	(109,875)	(111,523)	(113,196)	(114,894)	(116,618)	(118,367)	(120,142)	(121,945)	(123,774)
					NET RENT	1,881,012	1,909,227	1,937,866	1,966,934	1,996,438	2,026,384	2,056,780	2,087,632	2,118,946	2,150,730	2,182,991	2,215,736	2,248,972	2,282,707	2,316,948	2,351,702
OTHER INCOME																					
Laundry (Indexexed at _%			3%			3,630	3,739	3,851	3,967	4,086	4,208	4,335	4,465	4,599	4,737	4,879	5,025	5,176	5,331	5,491	5,656
Parking						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Space Income						0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other		INTERES	3%			1,513	1,558	1,605	1,653	1,702	1,754	1,806	1,860	1,916	1,974	2,033	2,094	2,157	2,221	2,288	2,357
Total Other Income						5,143	5,297	5,456	5,620	5,788	5,962	6,141	6,325	6,515	6,710	6,911	7,119	7,332	7,552	7,779	8,012
					TOTAL INCOME	1,886,155	1,914,524	1,943,322	1,972,553	2,002,226	2,032,346	2,062,921	2,093,957	2,125,461	2,157,441	2,189,903	2,222,855	2,256,305	2,290,259	2,324,727	2,359,714

2,017 Mix	cheduled Rent	New Mix	New Income	2,020 Rent	New Mix	New Income	2,023 Rent	New Mix	New Inccome
3	948	4	3,794	964	4	3,856	1,037	4	4,148
63	948	56	53,113	964	56	53,984	1,037	56	58,076
7	1,118	7	7,829	1,114	7	7,798	1,223	7	8,561
73		67							
0	0								
24	1,109	23	25,497	1,159	23	26,662	1,212	23	27,880
68	985	75	73,905	1,030	75	77,281	1,077	75	80,811
1	862	1	862	902	1	902	943	1	943
166		166	165,001		166	170,483		166	180,419

				Projected TC Rents @ 60% AMI	2,017	2,018	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031	2,032
2 Br	Loft	24	885		948	963	977	992	1,007	1,022	1,037	1,053	1,068	1,084	1,101	1,117	1,134	1,151	1,168	1,186
2 Br	TH	68	885		948	963	977	992	1,007	1,022	1,037	1,053	1,068	1,084	1,101	1,117	1,134	1,151	1,168	1,186
3 Br	HC	1	1,023		1,118	1,135	1,152	1,170	1,187	1,205	1,223	1,241	1,260	1,279	1,298	1,317	1,337	1,357	1,378	1,398

23-Jul-03 **Winchester Place - Refund Existing VHFA Dept retain**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	54,864	4,572	28	3.9%
Supportive Services		0	0	
Audit/Accounting	4,550	379	2	
Legal	4,800	400	2	
Compliance Monitoring	3,600	300	2	
Marketing		0	0	
Other	92,664	7,722	47	
TOTAL ADMINISTRATIVE	160,478	13,373	81	
Utilities				
Electricity	12,000	1,000	6	
Fuel	3,600	300	2	
Water and Sewer	84,088	7,007	42	
Fire Alarm / Emergency	1,600	133	1	
Other	0	0	0	
TOTAL UTILITIES	101,288	8,441	51	
Maintenance				
Maintenance / Janitor Payroll	85,200	7,100	43	
Janitor Supplies	29,900	2,492	15	
Exterminating	1,080	90	1	
Trash Removal	28,200	2,350	14	
Snow Removal	31,000	2,583	16	
Grounds	14,000	1,167	7	
Repairs Material		0	0	
Repairs Contract		0	0	
HVAC Repairs / Maintenance	12,650	1,054	6	
Elevator Contract / Repairs		0	0	
Painting and Decorating	48,900	4,075	25	
Other	2,100	175	1	
TOTAL MAINTENANCE	253,030	21,086	127	
				per unit month
Real Estate Taxes	147,960	12,330	74	excl. ds & res.
Property Insurance	30,180	2,515	15	348
Replacement Reserves	56,828	4,736	29	
Primary Debt Service	0	0	0	
Other "must pay" debt service	0	0	0	
SMC Ground Lease	120,000	10,000	60	
Total	869,764	72,480	437	

form revision date: 2/27/97

23-Jul-03

Winchester Place - Refund Existing VHFA Dept retain 40% at 60%

	Year	2,003	2,004	2,005	2,006	2,007	2,008	2,009	2,010	2,011	2,012	2,013	2,014	2,015	2,016
Operating Income															
Gross Rent		1,418,700	1,439,981	1,461,580	1,483,504	1,505,756	1,528,343	1,551,268	1,574,537	1,598,155	1,622,127	1,646,459	1,671,156	1,696,223	1,721,667
Other Income		3,400	3,451	3,607	3,715	3,827	3,942	4,060	4,182	4,307	4,436	4,569	4,706	4,848	4,993
perating Subsidy by VHFA/Merchants		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(28,374)	(28,800)	(29,232)	(29,670)	(30,115)	(76,417)	(77,563)	(78,727)	(79,908)	(81,106)	(82,323)	(83,558)	(84,811)	(86,083)
Total Operating Income		1,393,726	1,414,632	1,435,956	1,457,549	1,479,468	1,455,867	1,477,764	1,499,992	1,522,554	1,545,457	1,568,706	1,592,305	1,616,260	1,640,577
Operating Expenses															
Total Expenses (excl. Reserves)		692,936	713,724	735,136	757,190	779,906	803,303	827,402	852,224	877,791	904,124	931,248	959,185	987,961	1,017,600
SMC Ground Lease Payments		120,000	120,000	128,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000
Reserves		43,000	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828
Total Operating Expense		855,936	890,552	919,964	950,018	972,734	996,131	1,020,230	1,045,052	1,070,619	1,096,952	1,124,076	1,152,013	1,180,789	1,210,428
Net Operating Income		537,790	524,080	515,992	507,531	506,734	459,736	457,535	454,940	451,936	448,505	444,630	440,291	435,471	430,149
Less Primary Debt Service		464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		73,162	59,452	51,364	42,904	42,107	(4,891)	(7,093)	(9,688)	(12,692)	(16,123)	(19,998)	(24,336)	(29,157)	(34,479)
Operating Subsidies / Sinking Fund		0	0	0	0	0	4,891	7,093	9,688	12,692	16,123	19,998	24,336	29,157	34,479
Net Cash		73,162	59,452	51,364	42,904	42,107	0	0	0	0	0	0	0	0	0
DCR		**115.75%**	**112.80%**	**111.05%**	**109.23%**	**109.06%**	**98.95%**	**98.47%**	**97.91%**	**97.27%**	**96.53%**	**95.70%**	**94.76%**	**93.72%**	**92.58%**
Cumulative Cash Flow															
Beginning Balance		0	73,162	134,078	188,123	234,789	281,592	282,333	280,886	276,816	269,660	258,931	244,111	224,657	199,994
Deposits		73,162	59,452	51,364	42,904	42,107	(4,891)	(7,093)	(9,688)	(12,692)	(16,123)	(19,998)	(24,336)	(29,157)	(34,479)
Interest	2.0%	0	1,463	2,682	3,762	4,696	5,632	5,647	5,618	5,536	5,393	5,179	4,882	4,493	4,000
Withdrawals															
Ending Balance		**73,162**	**134,078**	**188,123**	**234,789**	**281,592**	**282,333**	**280,886**	**276,816**	**269,660**	**258,931**	**244,111**	**224,657**	**199,994**	**169,514**
Cumulative Replacement Reserves															
Beginning Balance		0	43,000	100,688	59,530	117,548	176,727	137,090	196,660	257,421	219,397	280,613	343,053	206,743	267,705
Deposits		43,000	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828
Interest	2.0%	0	860	2,014	1,191	2,351	3,535	2,742	3,933	5,148	4,388	5,612	6,861	4,135	5,354
Withdrawals				(100,000)			(100,000)	0	0	(100,000)		0	(200,000)	0	0
Ending Balance		**43,000**	**100,688**	**59,530**	**117,548**	**176,727**	**137,090**	**196,660**	**257,421**	**219,397**	**280,613**	**343,053**	**206,743**	**267,705**	**329,888**

23-Jul-03

												PRO FORMA	23-Jul-03				
	Year	2,017	2,018	2,019	2,020	2,021	2,022	2,023	2,024	2,025	2,026	2,027	2,028	2,029	2,030	2,031	2,032
Operating Income																	
Gross Rent		1,980,013	2,009,713	2,039,859	2,070,457	2,101,513	2,133,036	2,165,032	2,197,507	2,230,470	2,263,927	2,297,886	2,332,354	2,367,339	2,402,849	2,438,892	2,475,476
Other Income		5,143	5,297	5,456	5,620	5,788	5,962	6,141	6,325	6,515	6,710	6,911	7,119	7,332	7,552	7,779	8,012
perating Subsidy by VHFA/Merchants		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(99,001)	(100,486)	(101,993)	(103,523)	(105,076)	(106,652)	(108,252)	(109,875)	(111,523)	(113,196)	(114,894)	(116,618)	(118,367)	(120,142)	(121,945)	(123,774)
Total Operating Income		1,886,155	1,914,524	1,943,322	1,972,553	2,002,226	2,032,346	2,062,921	2,093,957	2,125,461	2,157,441	2,189,903	2,222,855	2,256,305	2,290,259	2,324,727	2,359,714
Operating Expenses																	
Total Expenses (excl. Reserves)		1,048,128	1,079,572	1,111,959	1,145,318	1,179,677	1,215,067	1,251,519	1,289,065	1,327,737	1,367,569	1,408,596	1,450,854	1,494,380	1,539,211	1,585,387	1,632,949
SMC Ground Lease Payments		136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000
Reserves		56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828
Total Operating Expense		1,240,956	1,272,400	1,304,787	1,338,146	1,372,505	1,407,895	1,444,347	1,481,893	1,520,565	1,560,397	1,601,424	1,643,682	1,687,208	1,732,039	1,778,215	1,825,777
Net Operating Income		645,199	642,125	638,535	634,408	629,721	624,451	618,573	612,064	604,896	597,044	588,479	579,173	569,097	558,220	546,511	533,937
Less Primary Debt Service		464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628	464,628
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		180,571	177,497	173,907	169,780	165,093	159,823	153,946	147,436	140,268	132,416	123,851	114,545	104,469	93,593	81,883	69,309
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		180,571	177,497	173,907	169,780	165,093	159,823	153,946	147,436	140,268	132,416	123,851	114,545	104,469	93,593	81,883	69,309
DCR		**138.86%**	**138.20%**	**137.43%**	**136.54%**	**135.53%**	**134.40%**	**133.13%**	**131.73%**	**130.19%**	**128.50%**	**126.66%**	**124.65%**	**122.48%**	**120.14%**	**117.62%**	**114.92%**
Cumulative Cash Flow																	
Beginning Balance		169,514	353,476	538,043	722,711	906,945	1,090,177	1,271,804	1,451,186	1,627,646	1,800,467	1,968,892	2,132,121	2,289,309	2,439,564	2,581,948	2,715,471
Deposits		180,571	177,497	173,907	169,780	165,093	159,823	153,946	147,436	140,268	132,416	123,851	114,545	104,469	93,593	81,883	69,309
Interest	2.0%	3,390	7,070	10,761	14,454	18,139	21,804	25,436	29,024	32,553	36,009	39,378	42,642	45,786	48,791	51,639	54,309
Withdrawals																	
Ending Balance		**353,476**	**538,043**	**722,711**	**906,945**	**1,090,177**	**1,271,804**	**1,451,186**	**1,627,646**	**1,800,467**	**1,968,892**	**2,132,121**	**2,289,309**	**2,439,564**	**2,581,948**	**2,715,471**	**2,839,089**
Cumulative Replacement Reserves																	
Beginning Balance		329,888	193,313	254,008	315,916	229,062	290,471	353,109	266,999	329,167	392,578	307,258	370,231	434,463	349,981	413,808	478,913
Deposits		56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828	56,828
Interest	2.0%	6,598	3,866	5,080	6,318	4,581	5,809	7,062	5,340	6,583	7,852	6,145	7,405	8,689	7,000	8,276	9,578
Withdrawals		(200,000)	0	0	(150,000)	0	0	(150,000)	0	0	(150,000)	0	0	(150,000)	0	0	0
Ending Balance		**193,313**	**254,008**	**315,916**	**229,062**	**290,471**	**353,109**	**266,999**	**329,167**	**392,578**	**307,258**	**370,231**	**434,463**	**349,981**	**413,808**	**478,913**	**545,319**

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter CR

DATE: July 7, 2003

RE: Vermont Housing Ventures Predevelopment Loan Program

Summary

Vermont Housing Ventures (Ventures) is a $650,000 revolving loan fund that provides pre-development working capital at a low cost to nonprofit housing developers for eligible multifamily projects. Ventures was begun in 1988 with a $250,000 program limit. It was increased to $325,000 in 1997 and then to $650,000 in 1999 when it was combined with a bridge loan program. In the past few months, the fund has been lent out, and requests have exceeded available funds. We currently have four requests totaling $187,500 and anticipate more. Repayments have not kept pace with new requests since many projects take longer than anticipated to pay off for reasons including permit appeals, the need to fill funding gaps, etc. Ventures continues to be a critical program for nonprofit developers which helps them get affordable housing projects off the ground and to closing. The program has a high success rate – the default rate is 1.85%. In 15 years VHFA has lent over $3.4 million in Ventures loans.

Since we have too much demand to meet with our current program limit, and since our financial analysts have cautioned against committing too much of the General Fund to Ventures loans, staff proposes to increase Ventures by $250,000 *on a temporary basis*, until a review of our capital adequacy is performed by our financial analysts. After the review is completed (anticipated to be year end), we will have a better sense of the implications of committing $900,000 to Ventures on a permanent basis.

Recommendation

That the VHFA Board of Commissioners pass the attached resolution to increase the amount of the Ventures Loan Program *on a temporary basis* by $250,000 to a new program total of $900,000 until 12/31/03.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: TEMPORARY AMENDMENT TO VERMONT HOUSING VENTURES NONPROFIT PREDEVELOPMENT & BRIDGE LOAN PROGRAM

WHEREAS, the Agency administers the Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program ("Ventures");

WHEREAS, the Agency wishes to adopt an amendment to Ventures that will allow for a temporary increase in the amount of total funds available to be effective until December 31, 2003; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated July 7, 2003, containing information and recommendations about the amendment to Ventures (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be adopted;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to implement the temporary increase to $900,000 in total Ventures funds available to be effective until December 31, 2003.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: July 28th, 2003

RE: Permanent Financing for Garden Apartments, Burlington

Name:	Garden Apartments.	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Townhouse, Flats
Total Units:	13	**Unit Sizes:**	2 One-BR @ 600 sf, 9 Two-BR @ 750 sf; 2 Four-BR @ 1,250 sf
Total Cost:	$1,196,367	**Per S.F. Acquisition & Construction Cost:**	$96.96
Loan Requested: (tax-exempt)	$530,000 Permanent $175,000 Zero-Deferred	**Housing Credits:**	$29,492 (4% credits)
Other Funding:	Owner's equity, HOME-City, Burlington Trust Funds, BED Weatherization, Deferred Developers Fees		
Sponsor:	Burlington Housing Authority & King Street Neighborhood Revitalization Corp.		

Garden Apartments consist of two buildings: A ten-unit building located at 97-103 King Street, and a three-unit building located at 195 St. Paul Street. These are two very prominent brick buildings in the King and St. Paul Street neighborhood. The project is being acquired jointly by the Burlington Housing Authority and the King Street Neighborhood Revitalization Corporation from Barbara Baker and Dorothy Jenson (private ownership). VHFA financed this project for Ms. Baker and Ms. Jenson in 1980-1981 with an original balance of $446,467, and a current outstanding balance of $250,008.

The current owners are in technical default of our loan agreements due to violations of the requirements under their HAP Contract and uncured deficiencies in their most recent REAC inspection. In addition, property insurance is about to lapse. VHFA may need to step in with forced place coverage if the current owner is unable to place new insurance. Transfer of this project to BHA and KSNRC is critically important to salvaging the HAP payments and the overall return of the project to good physical and financial condition. We have been working with HUD who has agreed to work with us on this transfer before they take action to withhold HAP payments.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

There is extensive rehab work planned as part of this acquisition with a total estimated cost of \$342,573. The scope of work includes repairs to doors, replacement of windows, repairs to the slate roof, conversion from electric heat to gas-hot water, installation of a sprinkler system, replacement of appliances as needed and correction of significant deferred maintenance and security issues.

The sponsors originally requested a loan of up to \$590,000 and a \$100,000 deferred loan at 0%. The project does not cash flow adequately at the level of amortizing debt requested. We have reduced the amount of amortizing debt we are recommending for Board approval to no more than \$530,000, but increasing the amount of the deferred loan to up to \$175,000. The sponsors have been asked to request the sellers to reduce their purchase price by as much as \$75,000. The maximums we have requested give us some flexibility we feel we may need in the event the sellers do not reduce their price by this amount.

Recommendations: Staff recommend that the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence. (Resolution to be available at the meeting)

RESOLUTION RE: PERMANENT FINANCING
FOR GARDEN APARTMENTS, BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Sponsor") on behalf of an entity controlled by the Sponsor or its subsidiary and the King Street Neighborhood Revitalization Corporation or its subsidiary (the "Borrower") involving the permanent financing of two (2) buildings containing a total of thirteen (13) units of rental housing in the City of Burlington (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower; and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated July 28, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition and construction costs to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

VHFA Board Minutes
Women's Club Room, Municipal Building
The Square
Bellows Falls, Vermont
Thursday, August 7, 2003 at 9:30 a.m.

Present: Chairperson Randall, Commissioners Mr. Beaulieu, Mr. Candon (Designee for Crowley), Ms. Canney, Mr. Hall (Designee for Dorn), Mr. Seelig, Ms. Pearce (Designee for Spaulding)

Staff: Ms. Carpenter, Ms. Collins, Ms. Couture, Ms. Crady, Mr. Erdelyi, Mr. Fairbanks, Mr. Falzone, Ms. Greenough, Ms. Reid, Mr. Schoenbeck

Guests: Mr. Jeff Kantor (J.D. Kantor, Inc.), Ms. Nancy Owens (Housing Vermont), Ms. Martha Ratcliffe (Brattleboro Area Community Land Trust)

Chairperson Randall called the meeting to order at 11:20 a.m.

Ms. Carpenter thanked Robert McBride for accompanying the Board this morning and providing an historical perspective as the Board toured the Howard Block, Rockingham Canal House and Exner Block.

Ms. Carpenter introduced Richard Ewald, Development Director for the Town, who thanked the Board for its role in the revitalization of downtown Bellows Falls.

Ms. Randall introduced Beth Pearce, Assistant State Treasurer and Jeb Spaulding's new and permanent designee, and asked all persons present to introduce themselves.

MINUTES

Mr. Candon made a motion to approve the June 12, 2003 Board of Commissioners' meeting minutes with Mr. Seelig seconding the motion. Ms. Pearce abstained. All other Board members were in favor.

DEVELOPMENT

In reference to the heavy agenda today, Ms. Carpenter mentioned that the Board may want to consider establishing a "consent agenda" whereby the Board has decided in advance on specific project parameters (be they dollar amount, kind of project, etc.) so that projects within those parameters are considered to be approved as a group with little or no discussion. Mr. Seelig added that a Board member would be able to request that a project come off the consent agenda.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Whetstone Housing
Ms. Reid highlighted her memo regarding Brattleboro Area Community Land Trust's request for a construction loan to rehabilitate twenty units in four buildings near downtown Brattleboro. Since the writing of her memo, Mr. Kantor has obtained a verbal commitment to transfer four units with expiring Section 8 Certificates to ten-year project based vouchers which is great for long-term affordability.

Smallest City
Ms. Reid highlighted her memo regarding Housing Vermont's and Addison County Community Action Group's request for a construction loan to rehabilitate nineteen units in two buildings on Main Street in Vergennes. Rural Development (RD) has made a commitment to takeout most of the construction loan. (Other sources of takeout funding are in place.) Ms. Owens added that bids will be sought in two weeks and that a fall closing is anticipated.

School Street Family Housing
Ms. Reid highlighted her memo regarding Rutland County Community Land Trust's request for a construction loan to build ten units in one building near downtown Rutland. Sources of takeout include an RD permanent loan. The one concern is contamination from an underground gasoline storage tank, since removed from the property. Mr. Kantor relayed that the Corrective Action Plan has been verbally approved by the State and that written approval is expected in one month.

Whetstone / Smallest City / School Street Resolutions
Mr. Candon made a motion to approve:
1. the "Resolution Re: Construction Financing for Whetstone Housing, Brattleboro;"
2. the "Resolution Re: Construction Financing for Smallest City Project, Vergennes;" and
3. the "Resolution Re: Construction Financing for School Street Apartments, Rutland."

Ms. Seelig seconded the motion and the Board unanimously approved the Resolutions.

Butterfield Common
Ms. Reid highlighted her memo regarding Brattleboro Area Community Land Trust's (BACLT) request for both construction and permanent loans to build twenty-six units of elderly housing in one building in West Dover on land donated by Edie Moss. She distributed a site plan (the site will also include family rental units and for sale condos and single family homes) and commented that the Board will see this again in September when BACLT requests 9% tax credits for the family rental housing. She noted that VHFA will seek a shared first mortgage with RD for the permanent financing.

Ms. Reid indicated that there remain two challenging pieces of funding: AHP (because it is very competitive) and State Credit (because the Committee has already committed all of 2003 and 2004 State Credit). Mr. Kantor indicated that the State Credit would not be needed until 2005.

Mr. Candon asked about the policy on senior housing. Ms. Carpenter replied that the Consolidated Plan does indicate that senior housing is a low priority for grant funding but this request is for tax-exempt financing and 4% tax credits – which are not scarce resources. Mr. Kantor and Martha Ratcliffe added that, currently, West Dover has no senior housing; the nearest is located in the Bennington/Brattleboro area.

Ms. Canney made a motion to approve the "Resolution Re: Construction and Permanent Financing for Butterfield Elderly, West Dover." Mr. Beaulieu seconded the motion and the Board unanimously approved the Resolution.

Randolph Family Housing
Ms. Reid summarized the letter sent by Housing Vermont to Ms. Carpenter in which Housing Vermont indicated it is returning 2002 9% tax credits and requesting that, in return, VHFA allocate the same amount of 2003 tax credits.

Ms. Owens emphasized that the request meets the conditions outlined in Section 6 of the Qualified Allocation Plan and added that the project is moving along as anticipated.

Mr. Hall made a motion to approve the swap of 2002 9% tax credits for 2003 9% tax credits allocated to Housing Vermont and Randolph Area Housing Development Corporation for the construction of Randolph Family Housing. Ms. Canney seconded the motion and the Board unanimously approved the swap of tax credits.

Winchester Place
In Mr. Adams' absence, Mr. Falzone highlighted the memo regarding Winchester Place and provided some history on the project. The project has had significant cash flow problems and VHFA and the Merchants Bank have been sharing operating deficits through a forbearance agreement. The major factor impeding the ability to restructure this project is the ground lease with St. Michael's College, which prohibits any debt extending beyond December 2016.

Mr. Adams and Mr. Andy Broderick (Housing Vermont) have been working for the past year to develop a solution. Conservative assumptions were used. The missing piece is final approval from St. Michael's regarding concessions to the ground lease.

Ms. Randall asked whether the Merchants Bank has agreed to provide the capital contribution of $65,000 as outlined in the proforma. Ms. Carpenter said it had not committed, but staff strongly believes this is well within the intent of the forbearance agreement. However, she believes that the Merchants Bank will have no economic incentive to do either (contribute the $125,000 next March or make the $65,000 capital contribution now) because the resulting tax credit recapture will be less than either of these amounts.

When asked about a bond sale to fund this project, Mr. Schoenbeck replied that VHFA is scheduled to sell a $15 million bond on September 15, 2003 and close at the end of that month. Mr. Schoenbeck stated that in order to meet the bond sale dates, VHFA will need the following by the end of August; a signed agreement from St. Michael's College allowing for the financing of new debt, and a capital commitment from the Merchants Bank and/or Housing Vermont of $65,000.

Ms. Canney made a motion to approve the "Resolution Re: Restructured Financing for Winchester Place, Colchester."

More discussion followed. Mr. Candon volunteered to speak with Mr. Joe Boutin about staff's concern that the Merchant's Bank contributes to the restructuring and meets the intent of the forbearance agreement.

Ms. Canney repeated her motion to approve the "Resolution Re: Restructured Financing for Winchester Place, Colchester." Mr. Seelig asked for the addition of a loan condition such that, in 2033, any additional cash remaining in the project is used to help relocate people. Ms. Canney accepted the addition to her motion. The Board unanimously approved the motion with this added condition.

Vermont Housing Ventures Predevelopment Loan Program
Ms. Reid highlighted her memo asking for a temporary increase of $250,000 to the Vermont Housing Ventures Predevelopment Loan Program.

Mr. Candon made a motion to approve the "Resolution Re: Temporary Amendment to Vermont Housing Ventures Nonprofit Predevelopment & Bridge Loan Program." Mr. Seelig seconded the motion and the Board unanimously approved the Resolution.

Garden Apartments
In Mr. Adams' absence, Mr. Falzone highlighted the memo regarding Garden Apartments. Both permanent and zero-deferred loans are being sought by Burlington Housing Authority and King Street Neighborhood Revitalization Corporation to acquire and rehabilitate two buildings with a total of thirteen units located on King Street and St. Paul Street in Burlington.

Mr. Beaulieu made a motion to approve the "Resolution Re: Permanent Financing for Garden Apartments, Burlington." Ms. Canney seconded the motion and the Board unanimously approved the Resolution.

Tax Credit Allocation Process
Ms. Carpenter called the Board's attention to the information in the Board packet pertaining to the allocation of tax credits. She indicated that tighter, clearer standards are needed to make allocation decisions. Staff will reconvene the Joint Committee after the September round to begin this process. She also reviewed the concepts of a rolling process of allocation in which reservations would not be given until a project is ready to go. She asked the Board members for their thoughts so that they can be considered when the Committee next meets to discuss these changes. Mr. Erdelyi added that clarity of thresholds is also needed.

Much discussion followed covering questions and issues raised during the JCTC meeting and covered in those minutes (included in the Board packet).

Ms. Randall expressed concern about the fact that end-users of tax credits are not participating in this discussion regarding changing the allocation process. Ms. Carpenter assured the Board that the Committee is still early in the process of investigating change and that feedback from developers will be sought. Mr. Seelig reiterated the obligation of the Committee to hold a public hearing. He also asked staff to consider giving a longer lead time when adopting significant changes. Ms. Carpenter replied that she thought the more difficult issue will be tightening up the selection criteria. A transition to a rolling allocation process may be difficult, but the proposed idea could actually provide more "rounds."

Mr. Beaulieu recognized the need for less subjectivity to which Mr. Erdelyi added that a developer should be able to look at the Allocation Plan and put together a competitive project. Ms. Collins informed the Board that she's begun researching other states' project design criteria and finding them to be very restrictive.

Mr. Beaulieu left the meeting at 1:55 p.m.

HOMEOWNERSHIP

Homeownership Activities

Ms. Crady asked if there were any questions on her memo to the Board regarding Homeownership Activities. She informed the Board that $5 million was reserved in home loans last week, no doubt because of a more favorable spread, and called the Board's attention to the fact that only two REO properties are under deposit, but also stated that there are offers pending on five properties, and that two properties have title issues which may take some time to resolve. Mr. Schoenbeck added that VHFA lost 14% of its loan portfolio this year due to payoffs (in terms of the number of loans), which is significant.

Ms. Crady encouraged Board members to attend the upcoming lender luncheons.

Homeownership Centers

Ms. Crady reviewed the memo regarding Homeownership Centers Activity submitted to the Board by Ms. Crady and Ms. Collins. Both the number of homebuyers who have used Homeownership Centers and the number of VHFA borrowers who have received Homeownership education continue to increase. Ms. Crady and Ms. Collins wanted to present a comparison of the performance of homebuyers who've received Homeownership education with those who have not, however, the data currently available is not reliable. The hope is that the performance is the same. This would be a positive outcome because it would mean that the higher risk assumed with higher LTV loans is being mitigated with the education.

Ms. Canney observed that there's been high turnover and lack of leadership at the Homeownership Centers. Mr. Seelig believes that the low rate of pay is a big factor. In addition, two Homeownership Centers are about to lose an Americorps presence upon which they are very reliant. This presence will only be partially replaced by VISTA. Mr. Seelig then asked why the Rockingham HO Center numbers are so low. Ms. Crady cited small classes. Ms. Collins pointed to the lower income of this area's population.

Ms. Crady and Ms. Carpenter stated that there is a meeting scheduled in September to determine how the Centers can achieve a statewide physical presence. The solution may indicate more staffing and more funding.

Ms. Randall asked whether there are Centers that do not do VHFA loans. Ms. Crady responded that all Centers are doing VHFA loans but to varying degrees. She said that RD funding is better suited to some situations and that she is not unhappy with any of the Centers' levels of participation. Ms. Crady further described some disconnect when it comes to data collection and sharing between VHFA, Homeownership Centers and banks. It could be that the number of VHFA borrowers who've participated in Homeownership education is actually higher.

Mobile Home Portfolio Analysis

Ms. Crady reviewed the memo regarding Mobile Home Portfolio Analysis submitted to the Board by Ms. Collins and Ms. Crady. Ms. Crady indicated that this information represents installment number one of more to come. VHFA is a major player in mobile home financing having 44% of the market share of mobile homes on owned land.

Ms. Collins is working to calculate loan losses by construction type and expand the delinquencies analysis available.

Mr. Schoenbeck commented that this analysis will (hopefully) be a useful tool to have during discussions with the rating agencies about the value of mobile homes in our portfolio.

Ms. Carpenter indicated that there's not been a lot of activity with mobile home refinancing. Ms. Crady believes this is because owners are carrying too much debt. Ms. Canney wondered if an exception could be made for those owners whose debt problems began when their yearly adjustable mobile home loan rate was increased. Ms. Crady commented that it would be difficult to obtain insurance on loans where there are delinquent payments during the last 24 months.

Interest Rates
Ms. Crady stated that her staff's analysis of conventional rates as of yesterday (August 6, 2003) would dictate a VHFA rate of 6.15% if a 50 basis point spread below the average conventional rate is to be maintained. Both she and Mr. Schoenbeck are proposing that rates be assessed on a weekly basis. It is common to overbook when close to a bond issue which means that mortgage rates need to be decided when the underlying bond rate is unknown. Mr. Schoenbeck is concerned that future mortgagors will have to pay a higher rate if overbooking occurs at too low of a mortgage rate in this rising market.

Ms. Randall asked what the timeframe is for the next bond issue. Mr. Schoenbeck explained that staff and the bond team are working on a dual track. One path being pursued is a warehousing program in which the State Treasurer's office would make short-term loans to VHFA to fund mortgages that aren't going to market immediately. The other path would be going to market. Mr. Schoenbeck explained that he was hoping to hold off on going to market until later this year or early next year. However, considering that VHFA is now running out of money, he believes that VHFA may need to go to market in October. Mr. Schoenbeck further reported that the bond team believes that the second path (Treasurer's Office) is the preferable one. However, since VHFA has never followed this path, it is possible that it may prove to be more complicated than is currently known and not available for our next financing.

Ms. Crady indicated that we have $25 million in the pipeline and we've only purchased between $7 million and $8 million in mortgages because the closing process is taking so long. This is not good for VHFA. (Currently, we are investing this money at 1% and paying bondholders up to 6%.)

Ms. Pearce announced that she will be meeting with the AG's office tomorrow (August 8, 2003) to discuss the legalities of the warehousing program. She believes it will be a positive program for the State.

Ms. Canney made the motion to authorize staff to adjust mortgage rates on a weekly basis if necessary with the target of maintaining a 50 basis point spread to conventional rates on identical products until a new bond issue is priced and a full spectrum of mortgage rates is determined. Mr. Hall seconded the motion and the Board unanimously approved it.

PUBLIC AFFAIRS

Mr. Fairbanks highlighted points from his memo regarding the 2003 – 2004 Agency Outreach / Marketing Plan.

VHFA's 30th anniversary is on April 11, 2004. In celebration, on Monday, April 12, 2004, there will be an event in the Governor's ceremonial office in the Statehouse. Celebrations will continue with a reception in June, Homeownership Month. Mr. Seelig suggested that, as a means of obtaining earned media, the legislators who wrote VHFA's authorizing statute could be involved and honored.

VHFA will again sponsor the Homebuyer Fair in Chittenden County. And, in November 2004, VHFA, in conjunction with other housing partners, will host a statewide housing conference. Mr. Fairbanks will be soliciting ideas regarding content and speakers for the conference in the coming months.

ADMINISTRATION

Executive Director's Report
Due to time pressures, Ms. Carpenter skipped her Executive Director's Report and moved on to the next agenda item, Pension Plan Changes.

Pension Plan
Ms. Carpenter reviewed the points of Ms. Loller's memo in her absence. The Pension Plan RFP Committee is recommending that the Agency adopt Manulife Financial to be the Agency's new Fund Manager. Smith Barney Citigroup Global Markets, Inc. will be the new Broker. Pension Works will remain the Third Party Administrator.

Ms. Carpenter explained that the Trustees (Ms. Carpenter, Mr. Schoenbeck, Mr. Adams, and Ms. Loller) are responsible for picking the Fund Manager. The Fund Manager picks the funds. The Broker provides education for staff. And, the Third Party Administrator ensures Plan compliance.

To Mr. Seelig's questions about the extent of the changes, Ms. Carpenter replied that, as currently proposed, the vesting schedules and participation start dates will not be changing.

Ms. Pearce asked about the current level of participation in the State's 457 Deferred Compensation Plan. Ms. Carpenter thought that approximately fifteen of forty employees currently participate. Mr. Schoenbeck added that employees will still be able to participate in the State's plan though some may opt out.

Mr. Hall made a motion to approve the "Resolution Re: Amendments to Pension Plan" as follows with changes to verbiage as follows:

- Any reference to "Board of Directors" should be changed to "Board of Commissioners"
- The pronoun "her," when used to refer to the Director of Administration, should be changed to "his or her"

Ms. Canney seconded the motion. All were in favor except Ms. Pearce who abstained.

Mr. Seelig made a motion to adopt the recommendation of management to appoint two additional Trustees, a Board member and a staff member, and that Board member Mr. Candon and staff member Polly Thibault be appointed. Mr. Hall seconded the motion and the Board passed it unanimously.

Winooski Update
Ms. Carpenter reported that Mr. Erdelyi has been doing a tremendous amount of work on the Winooski project. The focus has been multifold and includes 1) understanding the elements of the project, 2) where they stand from an underwriting perspective, and 3) understanding the Section 108 Loan and associated risks.

Mr. Erdelyi reviewed the plan for the site. Between now and 2009, five developments will be erected in addition to a parking garage. The condos will be the last to be constructed. Currently, much of Mr. Erdelyi's focus is on the Central Block with the assumption that funding sources will include LIHTC, HOME and CDGB. Mr. Erdelyi indicated that the project shows a high level of amortizing debt and also high rents on the market rate units. What is unknown is the upper limit of rents that can be supported. There are lots of variables in the model and the further out the projections are made, the harder it is to be confident in all the assumptions.

Mr. Erdelyi further explained that the Winooski Community Development Corporation would like to see the downtown developed and is seeking $47 million for the redesign of traffic flow, burying of infrastructure and building of a parking garage. The biggest single source would come from a Section 108 HUD Loan in the amount of $21 million. The security for this loan would be the State's pledge of Federal Community Development Block Grant (CDBG) money. Mr. Hall talked briefly about DHCA's role. Winooski has created a Tax Increment Financing (TIF) district. The downtown developments to be built within this district will generate tax revenues, which will be used to repay the Section 108 Loan. Another source of funding being sought is subsidy transportation dollars, which will not have to be repaid.

The State is encouraging the developer to assume more risk around the Section 108 Loan by acquiring the site without contingencies, except for soft money that would come from the State.

There are currently some differences between the analysis and market study assumptions commissioned by Hall Keen and the review study commissioned by VHFA and completed by Allen and Brooks. Depending on what assumptions are used, there could be a gap in funding of $4 million on the Central Block development.

Ms. Randall asked about a market study completed six years ago which showed a need for 25,000 units in Chittenden County. Mr. Erdelyi responded that the study had not been updated, and that the trend in vacancy rates is upward.

Ms. Canney questioned where UVM stood. Ms. Carpenter informed the Board that HallKeen has found another developer with which it will work on the student housing piece of the project and that this developer is not seeking a hard financial commitment from UVM. Instead, it is only asking for a marketing agreement and that UVM consider, in its Master Plan, the number of beds in Winooski.

Mr. Seelig expressed reservations about the aggressive assumptions used to determine market rate rents. He is also concerned about the density of the project. He suggested that dollars from Senator Leahy's office might best be used on community facilities, such as a park, to help market these units. Mr. Candon remarked that Burlington has tried to move students out of the community and wonders about the feasibility of including student housing in this project.

Mr. Erdelyi explained that the most significant issue now is committing adequate public resources to make this project feasible. Once the State commits on the 108 Loan, the housing resources will have to follow.

Ms. Capenter explained to the Board the dual role that VHFA is playing. First, VHFA is assisting DHCA in determining the feasibility of the project, and, if the project proceeds, VHFA will continue assisting DHCA by monitoring its progress. Secondly, VHFA may be asked to finance certain elements, namely Central Block and perhaps conduit issuance on the student housing.

Ms. Carpenter stated that there is nothing comparable in Vermont, which makes this project difficult to assess. Right now, it has laundry list of conditions to meet, including a tax stabilization plan. Ms. Carpenter's sense is that the State would like to give a conditional commitment on a Section 108 Loan and that this will set the project in motion. If the Board has serious reservations, these should be voiced to Kevin Dorn and the Governor's Office as soon as possible.

Mr. Seelig believes VHFA staff is doing the right thing to minimize risk and to gain an understanding. He would like to convene a meeting to look at the project with others. He understands that, if there are reservations, they need to be stated soon.

Mr. Candon asked about a timeline. Ms. Carpenter replied that the biggest drop dead is a commitment of Transportation Funds, to be known by the end of September. There will be contingencies, including proving that the buildings are feasible. Mr. Candon asked whether 'our' (Central Block) building could stand by itself. Ms. Carpenter replied that each development stands alone, but they all need to be constructed to generate the tax revenue to repay the 108 Loan.

Mr. Hall will coordinate a meeting between his office (DHCA), Ms. Seelig's office (VHCB), VHFA staff and the VHFA Board. Ms. Greenough will assist Mr. Hall with planning the meeting.

OTHER BUSINESS

Ms. Crady indicated that Lyman Park, which is adjacent to Lyman Meadows in Hinesburg, is seeking VHFA condominium approval. There are a total of nine units: five have been sold and four are under contract. Buyers for two of those four are seeking VHFA financing. The nine-unit project was developed as rental housing and recently converted to condominiums. Ms. Crady asked the Board members whether they had reservations regarding financing of Lyman Park units, given that it is a conversion project, provided VHFA determines that the project converted according to state law. Ms. Randall responded that she had no issues. There were no other opinions forthcoming and no vote requested.

Mr. Candon made a motion to adjourn the meeting. Mr. Hall seconded the motion and the Board unanimously approved to adjourn the meeting at 4:00 p.m.

vhfa
Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: September 4, 2003

RE: Permanent Financing for Duggan Row Apartments, Burlington

Name:	Duggan Row Apartments.	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Townhouse & Flat style apartments
Total Units:	16	**Unit Sizes:**	Three One-BR Six Two-BR Seven-Three-BR
Total Cost:	$1,078,250	**Per S.F. Acquisition & Construction Cost:**	$75.65
Loan Requested: (tax-exempt)	$925,000Permanent $128,875 Zero-Deferred	**Housing Credits:**	Not Applicable
Other Funding:	Owners Cash Equity		
Sponsor:	Burlington Housing Authority (BHA) and King Street Neighborhood Revitalization Corporation (KSNRC)		

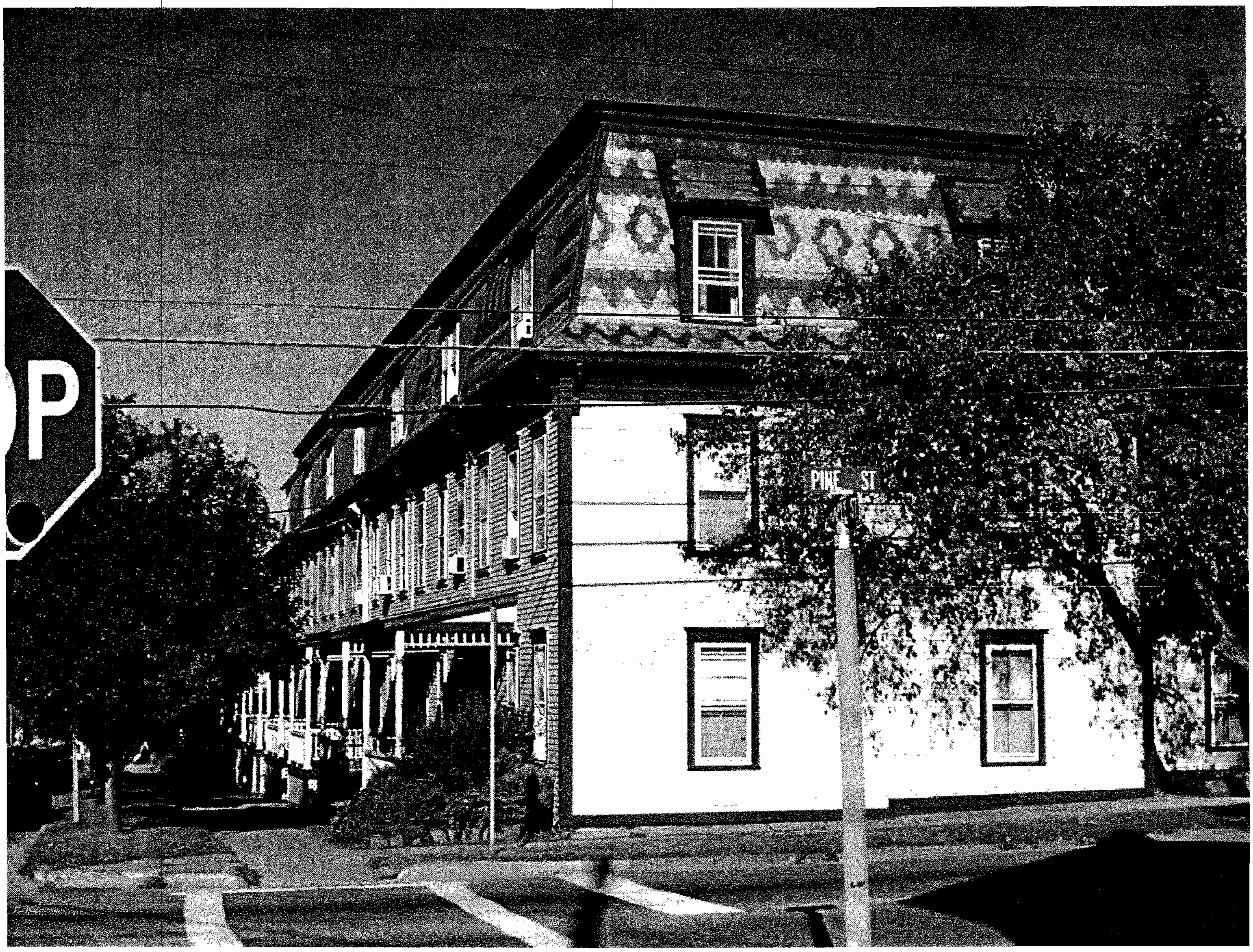
Garden Apartments consist of a single building located at 94-106 Maple Street, in Burlington. This historically significant Civil War era property has 16 units, all with Section 8 rent assistance. VHFA has been and will continue to be the HAP Contract Administrator. The HAP Contract expires in October 2010.

The project is being acquired by the Burlington Housing Authority and King Street Neighborhood Revitalization Corporation from the Joseph Duggan Trust, a private for-profit owner. Although VHFA financed this project for the Duggan's in 1980, we were paid off in 1997. The project has been very well maintained with only $10,000 improvements planned as part of the acquisition by BHA.

The sponsors have requested Tax Exempt Bond financing in the amount of $925,000 along with a zero-percent deferred loan of up to $128,875. BHA will be contributing $30,000 in cash as equity. Due to the limited rehab work required, the project is not eligible for tax credits and it is unlikely that other soft sources of funding would be available to help cover the $128,875 they are requesting in deferred debt. We also do not feel that the project can support a higher level of amortizing debt.

This is a desirable project in good condition and a stable tenant population. We are anxious to bring Duggan Apartments back into the VHFA portfolio and to see ownership transferred to the BHA and KSNRC. This will insure long-term affordability under the care of an owner with an excellent track record. An appraisal report is still pending and our recommendation for approval is subject to receipt and review of this report.

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


PINE ST

08-Sep-03 **Duggan Row House - Burlington Housing Authority**

				Trending Assumptions	
Total Residential Units:	16	Increase in Income from Rental Units:		1.80%	
Housing Credit Restricted Units:	16	Increase in Income from Other Sources:		1.80%	
Percent Restricted:	100.00%	Increase in Income from Commercial:		0.00%	
Total Development Cost:	1,083,875	Expense increase:		3.00%	
Total Development Cost per Unit:	67,742	Vacancy Rate:		2.00%	
Total Development Cost Per SF:	80	Partner's Tax Rate:		35%	
		Long Depreciation Schedule:		27.5	years
Max Credit Potential:	N/A	Short Depreciation Schedule:		7	years
Credit Amount Allocated:	N/A	Sponsor's Estimated Yield:		N/A	

davea:
Rents are flat on 1 and 2 bedroom units until FMR rents catch up in year 11.

LIHTC - 9%	N/A
LIHTC - 4%	N/A

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
VHFA First Mortgage	925,000	85.34%	7.00%	40	30
VHFA Zero Deferred	128,875	11.89%	0.00%	0	0
Replacement Reserves	0	0.00%	0.00%	0	0
BHA/KSNRC	30,000	2.77%	0.00%	0	0
Tax Credit Equity	0	0.00%	0.00%	0	0
TOTAL SOURCES	**1,083,875**	100.00%			

USES

Acquisition	1,018,500	93.97%	
Construction Hard Costs	10,000	0.92%	
Soft Costs	55,375	5.11%	
TOTAL USES	1,083,875	100%	
Gap	0		

DCR YR 1 =	116%
DCR YR 10 =	104%
DCR YR 15 =	101%
LT TDC =	85%

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units			
0 Br	84,390	0	0		
1 Br	90,140	2	180,280		
2 Br	95,890	9	863,010		
3 Br	101,637	0	0		
4 Br	107,390	2	214,780		
Maximum cost allowed under the per unit cost limits		13	1,258,070		
Projected total cost, excluding cash accounts			1,058,775	Cost Overage %	119%
	(over)/under		199,295		

General Partner's Capital Contribution	N/A	N/A
Limited Partner's Capital Contribution	N/A	N/A
Total Equity		

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	N/A
Total Units	N/A
Unit Fraction	N/A
Tax Credit Square Footage	N/A
Total Residential Square Footage	N/A
Square Footage Fraction	N/A
Applicable Fraction	N/A

		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	130,000	8,125	9.56
2	Purchase of Building(s)	878,000	54,875	64.58
3	Property Transfer Tax		0	0.00
4	Property Appraisal	3,500	219	0.26
5	Legal - Title and Recording	7,000	438	0.51
	Subtotal - Acquisition	1,018,500	63,656	74.91
	CONSTRUCTION HARD COSTS			
6	Rehabilitation	10,000	625	0.74
7	New Building(s)		0	0.00
8	Accessory Buildings		0	0.00
9	Sitework		0	0.00
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency		0	0.00
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement		0	0.00
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment		0	0.00
20	Other (________________)		0	0.00
	Subtotal - Hard Costs	10,000	625	0.74
	SOFT COSTS			
21	Architectural		0	0.00
22	Engineering		0	0.00
23	Legal/Accounting		0	0.00
24	Relocation		0	0.00
25	Environmental Assessment		0	0.00
26	Energy Assessment		0	0.00
27	Permits/Fees		0	0.00
28	Independent Market Study		0	0.00
29	Construction Period Insurance		0	0.00
30	Construction Interest		0	0.00
31	Construction Loan Origination Fee		0	0.00
32	Taxes During Construction		0	0.00
33	Clerk of the Works		0	0.00
34	Marketing		0	0.00
35	Tax Credit Fees		0	0.00
	Other Professionals			
	Lender's Inspections			
36	Soft Cost Contingency		0	0.00
37	Permanent Loan Origination Fee	13,875	867	1.02
38	Lender's Counsel's Fee	4,000	250	0.29
39	Other (Development Consultant)	2,000	125	0.15
	SYNDICATION COSTS			
40	Organizational (Partnership)		0	0.00
41	Cost certification		0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees		0	0.00
45	Other Partnership Fees		0	0.00
46	Consultant Fees	10,400	650	0.76
	RESERVES			
47	Working Capital	10,000	625	0.74
48	Rent-up (Deficit Escrow) Reserve		0	0.00
49	Other Operating Reserves		0	0.00
50	Security Deposits		0	0.00
51	Replacement Reserves	15,100	944	1.11
	Subtotal - Soft Costs	55,375	3,461	4.07
	TOTAL DEVELOPMENT COSTS	1,083,875	67,742	80

RESOLUTION RE: PERMANENT FINANCING FOR DUGGAN ROW APARTMENTS, BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Burlington Housing Authority (the "Sponsor") on behalf of itself and King Street Neighborhood Revitalization Corporation or its subsidiary (the "Borrower") involving the permanent financing of one (1) building containing a total of sixteen (16) units of rental housing in the City of Burlington (the "Development"); and

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

WHEREAS, the Borrowers qualify as housing sponsors within the meaning of the Vermont Housing Finance Agency Act (the "Act"); and

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated September 4, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition and construction costs to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in modifying the existing mortgage loan and making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a modification of the existing mortgage loan and a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director is hereby authorized to commit an additional loan in an amount up to $128,875 to the Borrower to be funded with excess yield zero percent pool funds.

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FR: Dave Adams

DATE: September 10th, 2003

RE: **Winchester Place – Request to increase VHFA deferred debt.**

At the meeting held August 7th, 2003, the Board approved the following for Winchester Place:

"Refinance existing VHFA permanent debt in the amount of $5,973,000 plus approval for additional funding in the amount of $485,000, each with a term of up to 30 years and at an interest rate that maintains financial feasibility. The final rate offered by the Agency may require a reduction in our normal spread over our cost of funds.

Continue to defer existing VHFA zero percent loans now totaling $1,272,709, plus approve an additional zero percent loan in the amount of $159,000. Repayment to begin after 2017 as cash flows permit and paid in full by no later than the maturity date of our amortizing debt."

As part of the Board approval, a Resolution was passed allowing staff to increase the amount of zero-percent deferred debt to $224,000 in the event the Partnership failed to contribute their $65,000 portion of the workout proposal. The Partnership is following through on their commitment to make this contribution. However, the staff is requesting the Agency continue to provide up to the $224,000 approved.

We are requesting this higher amount to fund provisions in the budget for VHFA to be paid a 1% origination fee. We had not considered charging an origination fee during underwriting of the workout proposal since our focus was primarily on project feasibility. We have locked in a rate to the project at 6.125% as the maximum it can afford. Our spread to cost of funds has been fluctuating with the market. This spread has been as low as 57.5 basis points and is currently around 85 basis points, well below our normal spread of 150 basis points. Providing the additional zero-percent loan will allow us to increase the yield to the Agency to more acceptable levels and fund the $64,580 origination fee.

Board Action:
Authorize the staff to provide zero-percent deferred debt of up to $224,000 to Winchester Place subject to the requirements and conditions imposed as part of the Board resolution passed, August 7th, 2003, with the recognition that a portion of these proceeds may be used to fund origination fees payable to the Agency.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

SECOND RESOLUTION RE: RESTRUCTURED FINANCING FOR WINCHESTER PLACE, COLCHESTER

WHEREAS, the Board of Commissioners of Vermont Housing Finance Agency (the "Agency") has passed a Resolution Re: Restructured Financing for Winchester Place, Colchester on August 7, 2003 for a permanent loan in the amount of outstanding debt plus $485,000 in improvements and a new zero percent deferred loan in an amount up to $224,000 to cover anticipated operating deficits; and

WHEREAS, based on staff review, an additional zero percent deferred loan in the amount of $64,580 to cover the origination fee is needed for Winchester Place in Colchester, Vermont (the "Development"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated September 10, 2003, containing information and recommendations about this request (the "Memorandum");

This resolution amends in its entirety paragraph 3 of the RESOLVEDs in the resolution dated August 7, 2003. The other actions taken by the Agency in its August 7, 2003 resolution are incorporated herein by reference and remain in full force and effect.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is hereby authorized to commit an additional loan in an amount up to but not to exceed $224,000 to the Borrower to be funded with excess yield zero percent pool funds for the purposes described in the Memorandum attached hereto.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: September 10, 2003

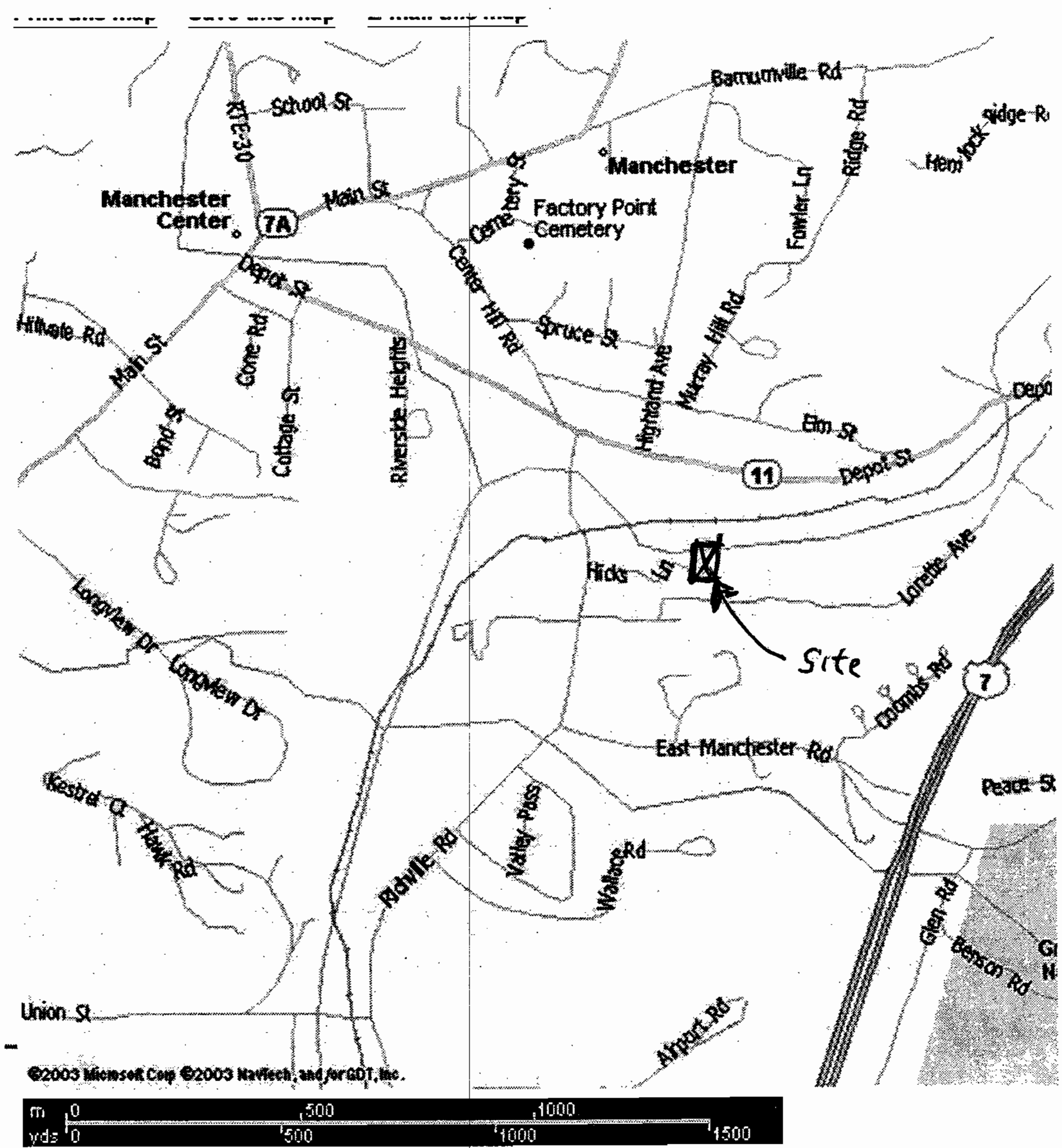
RE: Request for Construction & Permanent Loan, 0% Loan, Increase in LIHTC

Name:	Manchester Commons	**Location:**	Manchester
Housing Type:	General Occupancy	**Unit Type:**	Townhouses & Flats
Total Units:	16	**Unit Sizes:**	7 1-BR @ 694 s.f. 6 2-BR @ 983 s.f. 3 3-BR @ 1,114 s.f.
Total Cost:	$2,101,082	**Per S.F. Acquisition & Construction Cost:**	$116.08
Loans Requested:	$1,000,000 construction $154,250 permanent $80,000 zero percent loan	**Housing Credits:**	$108,149 allocated $8,782 requested increase
Other Funding:	VHCB, HOME		
Sponsors:	Regional Affordable Housing Corporation (RAHC)		

RAHC is developing this project adjacent to its Manchester Knoll development, which was completed in January 2001 and is fully occupied. The development will consist of three new buildings and 15 new units, slab-on-grade, with paved, open parking (two spaces per unit). In addition there is currently a small, detached house and a barn, and the house will continue as a rental unit. RAHC currently owns the site and the two structures on it now. The development has received its local and Act 250 permits and the Act 250 appeal period runs through September 10. The Act 250 permit as written will require an amendment to the local permit. Plans and specs are complete and out to bid with subcontractors. Construction should begin in October and complete next spring. The project received a carryover allocation of tax credits and commitments from all of the other funding sources except for the Federal Home Loan Bank of Boston AHP funds, which were to be used as both a deferred loan and a subsidized advance (for low-interest permanent financing). The developer has been advised by FHLBB staff that a third application for the AHP funds is not likely to be successful. Between the loss of AHP funds and other budget increases (including some re-design required by the permitting process), the project has a gap of $250,000 to fill. To do this the developer is seeking increased VHCB & HOME funds, additional tax credits, additional debt, and an $80,000 VHFA "zero percent" loan. Although the Board-adopted policy on the use of zero percent funds does not prioritize this type of development, staff feels the project has merit and has few available options for filling its gap. RAHC has agreed to utilize VHFA construction and permanent financing as a condition of receiving the zero percent loan. The project has an appraisal on order and has obtained a market study. The market study (performed by John Ryan) cites a strong need and demand for the housing proposed. RAHC intends to manage the property itself (RAHC currently manages Manchester Knoll).

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

Manchester Commons



04-Sep-03 **Manchester Commons**

Total Residential Units:	16	Increase in Income from Rental Units:	1.00%
Housing Credit Restricted Units:	10	Increase in Income from Other Sources:	2.50%
Percent Restricted:	61.90%	Increase in Income from Commercial:	0.00%
Total Development Cost:	2,101,081	Expense increase:	2.50%
Total Development Cost per Unit:	131,318	Vacancy Rate:	5%
Total Development Cost Per SF:	149	Partner's Tax Rate:	35%
Credit Election:	40/60	Long Depreciation Schedule:	27.5 years
Max Credit Potential:	116,931	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	108,149	Sponsor's Estimated Yield:	82.00%
LIHTC - 9%	7.95%	December, 2002	
LIHTC - 4%	3.45%		

SOURCES

		% of Total Development Cost	Interest Rate		Amortization	Term	Payment
First Mortgage	154,245	7.34%	8.00%		30	30	13,582
Second Mortgage		0.00%	1.00%		20	int. only	
HOME deferred loan	400,000	19.04%	4.36%	deferred		30	
VHCB deferred loan	380,500	18.11%	0.00%	deferred		30	
VHFA 0% loan	80,000	3.81%	0.00%	deferred		30	
VHCB Grant	127,500	6.07%				grant	
Other Equity		0.00%	N/A		N/A		
Tax Credit Equity	958,837	45.64%	N/A		N/A		
TOTAL SOURCES	2,101,082	100.00%					
VHFA Construction Loan	1,000,000		4.0%				

USES

Acquisition	176,750	8.41%
Construction Hard Costs	1,460,146	69.49%
Soft Costs	464,185	22.09%
TOTAL USES	2,101,081	100%
Gap	(1)	

PER UNIT COST LIMIT CALCULATION

	per unit limits	number of units	
0 Br	84,390	0	0
1 Br	90,140	7	630,980
2 Br	95,890	7	671,230
3 Br	101,637	2	203,274
4 Br	107,390	0	0
Maximum cost allowed under the per unit cost limits			1,505,484
Projected total cost, excluding cash accounts			2,063,361
	(over)/under		(557,877)

General Partner's Capital Contribution	9,588	1.00%
Limited Partner's Capital Contribution	949,247	99.00%
Total Equity	958,836	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	10
Total Units	16
Unit Fraction	62.50%
Tax Credit Square Footage	8,728
Total Residential Square Footage	14,101
Square Footage Fraction	61.90%
Applicable Fraction	61.90%

4-Sep-03 **Manchester Commons** **Exhibit E Page 2**

		Budget	Per Unit	Per s.f.	Debt Terms:____	VHCB Terms:____	HOME Terms:____	VHFA 0% lo Terms:____	VHCB Grant Terms:____	Equity Terms:____	Other Terms:____	TOTAL SOURCES
			116.08		154,245	380,500	400,000	80,000	127,500	958,837		
								Allocation of Sources				
	ACQUISITION											
1	Land	127,500	7,969	9.04					127,500	0		127,500
2	Purchase of Building(s)	42,500	2,656	3.01		42,500				0		42,500
3	Demolition (without replacement)	0	0	0.00						0		0
4	Property Appraisal	5,500	344	0.39		5,500				0		5,500
5	Legal - Title and Recording	1,250	78	0.09		1,250				0		1,250
	Subtotal - Acquisition	176,750	11,047	12.53								
	CONSTRUCTION HARD COSTS											
6	Rehabilitation		0	0.00						0		0
1,310,368	New Building(s)	1,143,047	71,440	81.06	154,245	169,885	400,000	80,000		338,917		1,143,047
8	Accessory Buildings		0	0.00						0		0
9	Sitework	167,321	10,458	11.87						167,321		167,321
10	Commercial Space Costs (if any)		0	0.00						0		0
11	General Requirements		0	0.00						0		0
12	Contractor Overhead		0	0.00						0		0
13	Contractor Profit		0	0.00						0		0
14	Construction Contingency	98,278	6,142	6.97						98,278		98,278
15	Construction Management		0	0.00						0		0
16	Construction Bond Fee	12,500	781	0.89						12,500		12,500
17	Hazardous Materials Abatement		0	0.00						0		0
18	Off-Site Improvements		0	0.00						0		0
19	Furnishings, Fixtures, & Equipment	24,000	1,500	1.70						24,000		24,000
20	Other (playground _)	15,000	938	1.06						15,000		15,000
	Subtotal - Hard Costs	1,460,146	91,259	103.55								
	SOFT COSTS											
21	Architectural	91,464	5,717	6.49		91,464				0		91,464
22	Engineering	24,752	1,547	1.76		24,752				0		24,752
23	Legal/Accounting	6,250	391	0.44		6,250				0		6,250
24	Relocation	0	0	0.00						0		0
25	Environmental Assessment	1,600	100	0.11		1,600				0		1,600
26	Energy Assessment	1,500	94	0.11		1,500				0		1,500
27	Permits/Fees	30,299	1,894	2.15		30,299				0		30,299
28	Independent Market Study	4,000	250	0.28		4,000				0		4,000
29	Construction Period Insurance	1,500	94	0.11		1,500				0		1,500
30	Construction Interest	21,000	1,313	1.49						21,000		21,000
31	Construction Loan Origination Fee	14,500	906	1.03						14,500		14,500
32	Taxes During Construction	4,400	275	0.31						4,400		4,400
33	Clerk of the Works	3,500	219	0.25						3,500		3,500
34	Marketing		0	0.00						0		0
35	Tax Credit Fees	5,000	313	0.35						5,000		5,000
36	Soft Cost Contingency	10,000	625	0.71						10,000		10,000
37	Permanent Loan Origination Fee	1,200	75	0.09						1,200		1,200
38	Lender's Counsel's Fee	4,000	250	0.28						4,000		4,000
39	Other	0	0	0.00						0		0
	SYNDICATION COSTS											
40	Organizational (Partnership)	4,500	281	0.32						4,500		4,500
41	Bridge Loan Fees and Expenses		0	0.00						0		0
42	Syndication Consultant	10,000	625	0.71						10,000		10,000
43	Tax Opinion	5,000	313	0.35						5,000		5,000
	DEVELOPER'S FEES											
44	Developer's Fees	152,000	9,500	10.78						152,000		152,000
45	Other Partnership Fees		0	0.00						0		0
46	Consultant Fees	30,000	1,875	2.13						30,000		30,000
	RESERVES											
47	Working Capital	16,000	1,000	1.13						16,000		16,000
48	Rent-up (Deficit Escrow) Reserve		0	0.00						0		0
49	Other Operating Reserves	15,000	938	1.06						15,000		15,000
50	Sinking Fund		0	0.00						0		0
51	Replacement Reserves	6,720	420	0.48						6,720		6,720
	Subtotal - Soft Costs	464,185	29,012	32.92								
	TOTAL DEVELOPMENT COSTS	2,101,081	131,318	149	154,245	380,500	400,000	80,000	127,500	958,836	0	2,101,081

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	127,500					
2	Purchase of Building(s)	42,500			42,500		
3	Demolition (without replacement)	0			0		
4	Property Appraisal	5,500			5,500		
5	Legal - Title and Recording	1,250			1,250		
	Subtotal - Acquisition	176,750					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0		0	0		
1,310,368	New Building(s)	1,143,047		1,143,047	1,143,047		
8	Accessory Buildings	0		0	0		
9	Sitework	167,321		167,321	167,321		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0		0	0		
12	Contractor Overhead	0		0	0		
13	Contractor Profit	0		0	0		
14	Construction Contingency	98,278		98,278	98,278		
15	Construction Management	0		0	0		
16	Construction Bond Fee	12,500		12,500	12,500		
17	Hazardous Materials Abatement	0		0	0		
18	Off-Site Improvements	0		0	0		
19	Furnishings, Fixtures, & Equipment	24,000		24,000	24,000		
20	Other (playground _)	15,000		15,000	15,000		
	Subtotal - Hard Costs	1,460,146					
	SOFT COSTS						
21	Architectural	91,464		91,464	91,464		
22	Engineering	24,752		24,752	24,752		
23	Legal/Accounting	6,250		6,250	6,250		
24	Relocation	0		0	0		
25	Environmental Assessment	1,600		1,600	1,600		
26	Energy Assessment	1,500		1,500	1,500		
27	Permits/Fees	30,299		30,299	30,299		
28	Independent Market Study	4,000		4,000	4,000		
29	Construction Period Insurance	1,500		1,500	1,500		
30	Construction Interest	21,000		21,000	21,000		
31	Construction Loan Origination Fee	14,500		14,500	14,500		
32	Taxes During Construction	4,400		4,400	4,400		
33	Clerk of the Works	3,500		3,500	3,500		
34	Marketing	0					
35	Tax Credit Fees	5,000		5,000	5,000		
36	Soft Cost Contingency	10,000		10,000	10,000		
37	Permanent Loan Origination Fee	1,200					
38	Lender's Counsel's Fee	4,000		4,000	4,000		
39	Other	0		0	0		
	SYNDICATION COSTS						
40	Organizational (Partnership)	4,500					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	10,000					
43	Tax Opinion	5,000					
	DEVELOPER'S FEES						
44	Developer's Fees	152,000		114,000	152,000		
45	Other Partnership Fees	0		0	0		
46	Consultant Fees	30,000		30,000	30,000		
	RESERVES						
47	Working Capital	16,000					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	15,000					
50	Sinking Fund	0					
51	Replacement Reserves	6,720					
	Subtotal - Soft Costs	464,185					
	TOTALS	2,101,081	0	1,827,911	1,891,161	0	

		Acquisition Basis	Construction Basis	Residential Depreciation	
LESS: Amount of Non-qualified Financing					
LESS: Adjustment for per unit cost limits					
LESS: Historic tax Credit (Residential Portion)			0	0	20% Historic Credit Rate
Total Eligible Basis		0	1,827,911		0 Annual Historic Credit
TIMES: Adjusted for QCT/DDA	130.0%		2,376,285		
TIMES: Applicable Fraction	61.90%	0	1,470,833		
Total Qualified Basis		0	1,470,833	1,891,161	Long Term Depreciable Basis
TIMES: Applicable Percentage		3.45%	7.95%	27.5	Depreciation Schedule
Total Annual Credit Qualified		0	116,931	68,769	Annual Depreciation
Total Tax Credits Requested	116,931			24,000	Short Term Depreciable Basis
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	949,246			7	Depreciation Schedule
Estimated Yield - Housing Credit Syndication	82.00%			3,429	Annual Depreciation
Equity Gap	958,836	958,834	958,836		
Credits Needed to fill Equity Gap	118,112				

form revision date: 2/27/97

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		694	4	494	29	23,720
2 Br		968	5	592	44	35,514
3 Br		1,114	1	610	60	7,323
4+ Br			0	0		0
	Totals	8,728	10			66,557
	SF %	61.90%				

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br			0	0		0
1 Br		696	3	700	29	25,209
2 Br		1,086	2	811	44	19,462
3 Br		1,114	1	1,016	60	12,194
4+ Br			0	0		0
	Totals	5,373	6			56,865
All Units	SF %	38.10%				
	Grand Totals	14,101	16			123,422

Less Vacancy	5.00%	(6,171)
	NET RENT	117,251

OTHER INCOME

Laundry	0
Parking	0
Commercial Space Income	0
Other	0
TOTAL INCOME	117,251

		Check all Applicable								A					B						C					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:						AFFORDABLE TO: Units affordable to residents at:					
															<30%	<50%	<60%	<80%	<100%	>100%	30%	50%	60%	65%	80%	100%+
1	1					1			1	2	1,086	754	44	798				1							1	
1	2	1			1	1				3	1,114	744	60	804			1						1			
1	3	1			1	1				1	667	447	29	476		1						1				
1	4	1			1	1	1			1	720	447	29	476		1						1				
1	5				1	1	1			2	880	526	44	570		1						1				
2	6	1			1	1				2	1,086	526	44	570		1						1				
2	7					1			1	3	1,114	1,016	60	1,076					1							1
2	8				1	1				1	667	542	29	571			1						1			
2	9				1	1	1			1	720	542	29	571			1						1			
2	10	1			1	1	1			2	880	526	44	570		1						1				
3	11					1			1	2	1,086	868	44	912					1							1
3	12	1			1	1				3	1,114	610	60	670		1						1				
3	13					1			1	1	667	732	29	761					1							1
3	14					1	1		1	1	720	637	29	666				1							1	
3	15	1			1	1	1			2	880	639	44	683			1						1			
4	16					1			1	1	700	732	29	761					1							1
Total # Units	16	7	0	0	10	16	6	0	6	Totals: 28	14,101	10,285		Total # Units:	0	6	4	2	4	0	0	6	4	0	2	4

04-Sep-03	**Manchester Commons**			
			Per Unit	
	Annual	Monthly	Per Month	
Administration				
Management Fee	8,250	688	43	7.0%
Supportive Services		0	0	
Audit/Accounting	3,500	292	18	
Legal	850	71	4	
Compliance Monitoring	480	40	3	
Marketing	350	29	2	
Other (State Entity Tax)	250	21	1	
TOTAL ADMINISTRATIVE	13,680	1,140	71	
Utilities				
Electricity	2,250	188	12	
Fuel	9,388	782	49	
Water and Sewer	6,720	560	35	
Fire Alarm / Emergency		0	0	
Other		0	0	
TOTAL UTILITIES	18,358	1,530	96	
Maintenance				
Maintenance / Janitor Payroll	3,500	292	18	
Janitor Supplies	500	42	3	
Exterminating	300	25	2	
Trash Removal	4,800	400	25	
Snow Removal	3,500	292	18	
Grounds	4,500	375	23	
Repairs Material	500	42	3	
Repairs Contract	1,000	83	5	
HVAC Repairs / Maintenance		0	0	
Elevator Contract / Repairs		0	0	
Painting and Decorating	1,000	83	5	
Other		0	0	
TOTAL MAINTENANCE	19,600	1,633	102	
				per unit month
Real Estate Taxes	24,048	2,004	125	excl. ds & res.
Property Insurance	4,750	396	25	419
Replacement Reserves	6,720	560	35	
Primary Debt Service	13,582	1,132	71	
Other "must pay" debt service		0	0	
Other		0	0	
Total	100,738	8,395	525	

form revision date: 2/27/97

04-Sep-03

Manchester Commons

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		123,422	124,656	125,902	127,161	128,433	129,717	131,015	132,325	133,648	134,984	136,334	137,698	139,075	140,465	141,870
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vacancy and other losses		(6,171)	(6,233)	(6,295)	(6,358)	(6,422)	(6,486)	(6,551)	(6,616)	(6,682)	(6,749)	(6,817)	(6,885)	(6,954)	(7,023)	(7,094)
Total Operating Income		117,251	118,423	119,607	120,803	122,011	123,232	124,464	125,709	126,966	128,235	129,518	130,813	132,121	133,442	134,777
Operating Expenses																
Total Expenses (excl. Reserves)		80,436	82,447	84,508	86,621	88,787	91,006	93,281	95,613	98,004	100,454	102,965	105,539	108,178	110,882	113,654
Reserves		6,720	6,787	6,855	6,924	6,993	7,063	7,133	7,205	7,277	7,350	7,423	7,497	7,572	7,648	7,724
Total Operating Expense		87,156	89,234	91,363	93,545	95,779	98,069	100,415	102,818	105,281	107,803	110,388	113,037	115,750	118,530	121,379
Net Operating Income		30,094	29,189	28,244	27,259	26,232	25,163	24,049	22,890	21,685	20,432	19,129	17,776	16,371	14,912	13,398
Less Primary Debt Service		13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582	13,582
Less Secondary Debt Service		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Cash Flow		16,513	15,607	14,662	13,677	12,650	11,581	10,468	9,309	8,104	6,850	5,548	4,195	2,789	1,330	(184)
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	184
Net Cash		16,513	15,607	14,662	13,677	12,650	11,581	10,468	9,309	8,104	6,850	5,548	4,195	2,789	1,330	0
DCR		221.58%	214.91%	207.96%	200.70%	193.14%	185.27%	177.07%	168.54%	159.67%	150.44%	140.85%	130.88%	120.54%	109.80%	98.65%
Cumulative Cash Flow																
Beginning Balance		23,000	34,583	46,892	59,902	73,587	87,709	101,045	113,533	125,113	135,718	145,283	153,736	161,006	167,015	171,686
Deposits		16,513	15,607	14,662	13,677	12,650	11,581	10,468	9,309	8,104	6,850	5,548	4,195	2,789	1,330	0
Interest	2.0%	460	692	938	1,198	1,472	1,754	2,021	2,271	2,502	2,714	2,906	3,075	3,220	3,340	3,434
Withdrawals:																
Project Operating Needs		(5,390)	(3,990)	(2,590)	(1,190)	0	0	0	0	0	0	0	0	0	0	(184)
Special LP or GP Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of Deferred Devel. Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Partnership Audit or K-1 Fee		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Distribution of Cash to Owner		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		34,583	46,892	59,902	73,587	87,709	101,045	113,533	125,113	135,718	145,283	153,736	161,006	167,015	171,686	174,936
Cumulative Replacement Reserves																
Beginning Balance		6,720	13,642	20,702	27,971	35,454	7,702	14,919	22,351	30,002	37,879	8,107	15,692	23,503	31,546	39,825
Deposits		6,720	6,787	6,855	6,924	6,993	7,063	7,133	7,205	7,277	7,350	7,423	7,497	7,572	7,648	7,724
Interest	2.0%	202	273	414	559	709	154	298	447	600	758	162	314	470	631	796
Withdrawals		0	0	0	0	(35,454)	0	0	0	0	(37,879)	0	0	0	0	(39,825)
Ending Balance		13,642	20,702	27,971	35,454	7,702	14,919	22,351	30,002	37,879	8,107	15,692	23,503	31,546	39,825	8,521
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Net Operating Income		30,094	29,189	28,244	27,259	26,232	25,163	24,049	22,890	21,685	20,432	19,129	17,776	16,371	14,912	13,398
Plus Reserves		6,720	6,787	6,855	6,924	6,993	7,063	7,133	7,205	7,277	7,350	7,423	7,497	7,572	7,648	7,724
Less Interest Expense		(29,733)	(30,386)	(31,064)	(31,767)	(32,495)	(33,250)	(34,032)	(34,842)	(35,680)	(36,547)	(37,445)	(38,372)	(39,331)	(40,322)	(41,344)
Less Long Depreciation		(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)	(68,769)
Less Short Depreciation		(3,429)	(3,429)	(3,429)	(3,429)	(3,429)	(3,429)	(3,429)	0	0	0	0	0	0	0	0
Taxable Income (Loss)		(65,117)	(66,609)	(68,163)	(69,783)	(71,468)	(73,223)	(75,048)	(73,516)	(75,488)	(77,535)	(79,662)	(81,868)	(84,158)	(86,531)	(88,992)
Cash Flow		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus Tax Savings		22,791	23,313	23,857	24,424	25,014	25,628	26,267	25,731	26,421	27,137	27,882	28,654	29,455	30,286	31,147
Plus Tax Credits		116,931	116,931	116,931	116,931	116,931	116,931	116,931	116,931	116,931	116,931					
After Tax Cash Flow		139,722	140,244	140,788	141,355	141,945	142,559	143,198	142,662	143,352	144,069	27,882	28,654	29,455	30,286	31,147
Total Years	15															
Reinvestment Rate	11.22%															
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Current After Tax Cash Flows		139,722	140,244	140,788	141,355	141,945	142,559	143,198	142,662	143,352	144,069	27,882	28,654	29,455	30,286	31,147
Future Value of Cash Flows at Yr 15:		688,666	621,506	560,976	506,415	457,228	412,880	372,892	334,019	301,775	272,688	47,450	43,845	40,524	37,463	34,642
Discount Rate:	6.00%															
Capital Contribution Number:	1	2	3	4												
Date of Capital Contribution:	1-Sep-03	1-May-04	1-Jul-04	4-Sep-03												
Amount of Capital Contribution:	47,942	767,069	143,826	0												
Present Value of Contributions:	47,942	736,626	136,720	0												
Cash Flows	(921,289)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,732,967
Net Cash Flows	(47,942)	(627,347)	(3,581)	140,788	141,355	141,945	142,559	143,198	142,662	143,352	144,069	27,882	28,654	29,455	30,286	31,147
IRR:	11.53%	11.53%														
Equity Yield:	79.58%															

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR MANCHESTER COMMONS, MANCHESTER

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

WHEREAS, an application has been submitted to the Agency by regional affordable Housing Corporation (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or its subsidiary will be the general partner (the "Borrower") involving the construction of three (3) buildings and an existing building containing a total of sixteen (16) units of general occupancy rental housing in the Town of Manchester (the "Development");

WHEREAS, the application contemplates a mortgage loan for construction and permanent financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency's cost of funds, including a zero percent deferred loan in the amount of $80,000;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated September 10, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as the representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director is hereby authorized to commit an additional loan in an amount up to $80,000 to the Borrower to be funded with excess yield zero percent pool funds.

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

DATE: September 10, 2003

RE: Request for Increases in Housing Credit Allocations to Manchester Commons, Arlington Village Center

Two developments, one just about to begin construction and one just complete, have experienced cost overruns and are left with funding gaps. Both are seeking increases of greater than 5% to previous tax credit allocations. (The Board has authorized staff to grant increases of up to 5% for any project that needs it without Board approval of the individual increases.)

Manchester Commons is a 16-unit project in Manchester under development by Regional Affordable Housing Corporation (see enclosed memo). The sponsor is seeking multiple funding sources to fill a gap due to increases in the construction budget and due to the lack of AHP funding that was sought twice without success. Bids are expected back from subcontractors on September 22nd, and the budget should see very few major changes after that date. The original tax credit allocation was $108,149 and the final being sought is $116,931, an increase of $8,782 (8.1%).

Arlington Village Center, also developed by RAHC, is a combination of 12 newly constructed units and 17 units of acquisition/rehabilitation. The sites are adjacent to one another and are located at the center of the Town. Due to high costs for unforeseen structural work and site costs, as well as winter conditions, the project has net cost overruns of approximately $189,000 (see attached letter). The sponsor intends to use additional historic credits and tax credits to fill this gap. The original tax credit allocation was $147,515 and the final amount being sought is $172,297, an increase of $24,782 (16.8%).

Recommendation: That the VHFA Board of Commissioners pass the attached resolution approving both increases and authorize staff to execute the documents reflecting the revised credit allocations.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: ADDITIONAL ALLOCATIONS OF LOW INCOME HOUSING TAX CREDITS TO MANCHESTER COMMONS, MANCHESTER AND ARLINGTON VILLAGE CENTER, ARLINGTON

WHEREAS, the Agency administers the allocation of the federal Low Income Housing Tax Credits under the State's Qualified Allocation Plan;

WHEREAS, the Agency staff recommends additional allocations in excess of the five percent (5%) limit for staff-approved increases; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated September 10, 2003, containing information and recommendations about the additional allocations requested (the "Memorandum");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations contained in the Memorandum which is attached and incorporated by this reference be approved;

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to formalize the additional and total allocations of federal Low Income Housing Tax Credits to the following projects in the following amounts:

Manchester Commons, Manchester	$8,782	Total Allocation = $116,931
Arlington Village Center, Arlington	$24,782	Total Allocation = $172,297

ARLINGTON VILLAGE CENTER HOUSING LIMITED PARTNERSHIP
c/o Regional Affordable Housing Corporation
P.O. Box 1247
Bennington, VT 05201

September 3, 2003

Joe Erdelyi
Vermont Housing Finance Agency
P.O. Box 408
Burlington, VT 05402

RE: Arlington Village Center

Dear Joe:

The Arlington Village Center development has been completed. We are very pleased with the results, including 100% occupancy upon placed in service.

As we have advised you, construction costs increased by close to $190k (7.5%), due primarily to more substantial structural repairs on one of the historic buildings, adverse site conditions, and increased winter conditions. We had some small decreases in soft costs. We have a net increase in total development cost of $189k+/-. The final per unit cost is just under $137k.

We have completed a detailed analysis of final costs and tax basis for each of the 12 buildings. The tax costs and actual (as opposed to projected) tenant incomes in each unit have been verified. The result, allowing for the per unit cost limits in effect at the time of original application, conservatively supports additional housing tax credits of $25k+/-.

The amount of historic tax credit is also increased. The combined additional credits can yield sufficient equity to close the funding gap. We are in the process of going back to the 3 investors (Bank of Bennington, Chittenden and Factory Point) to discuss their ability to increase their respective investments on a pro rata basis.

In combination with raising more equity, we've also looked at the potential for more debt. In early July, the FHLBB advance rate was 4.79%. Then it looked as though we could take on an additional $47k in debt, but keep the debt service payment, the Merchants Bank spread and the FHLBB subsidy as assumed. Now, the advance rate is 5.5%+, so the additional debt capacity is only about $5k.

Therefore, please have this letter serve as AVC HLP's formal request for an additional allocation of $24,782 of LIHTC. We will submit under separate cover a detailed budget update for your review.

Thank you for your consideration.

Sincerely,

Diane

Diane L. Binnick
Executive Director

vhfa

Vermont Housing Finance Agency

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER RAS

DATE: SEPTEMBER 17, 2003

RE: DRAFT SWAP MANAGEMENT PLAN (AS AMENDED)

As expected our financing team had a couple of suggestions to the "draft swap policy" that was included in the Board mailing and sent to them at the same time. The suggested changes follow.

- Page 2, II Authority. Add the 21st Series resolution in the first sentence and change Homeownership Program to Series 17 bonds.
- Page 2, III.*A. Counterparty risk.* Add in the second paragraph, such as the posting of collateral by UBS AG upon certain ratings downgrades, and as further detailed in Section IV.
- Page 3, *D. Basis risk,* five lines in add to BMA (Bond Market Association) Municipal Swap Index for the first year and a percentage of LIBOR (London Interbank Offering Rate) for subsequent years.
- Page 4, *Basis risk* (cont) end of fourth sentence after BMA Index add and percentage of LIBOR. Also add /percentage of LIBOR after BMA Municipal Swap Index later in the paragraph. Finally, add and established the percentage of LIBOR at 70% after BMA Index plus 10 basis points.
- Page 5, IV. Swap Agreement with UBS AG Insert a new paragraph after the second full paragraph and before events of default that reads: In addition, should either of UBS AG's Moody's or S&P ratings decline below A3 or A-, UBS will be required to post collateral equal to the value of the Swap. The Agency would be required to post collateral at these rating levels if the Insurer's ratings are also downgraded below A3 or A-.
- Page 6, third paragraph under Termination Events. Eliminate (iii).

With these changes we believe that the Swap Management plan accurately reflects the processes and documentation put into place for Series 17 and expected to be implemented for Series 18.

Recommended Board Action

Approval of the Swap Management plan as amended.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

EQUAL HOUSING OPPORTUNITY

VERMONT HOUSING FINANCE AGENCY
Swap Management Plan for the Homeownership Program
Single Family Housing Bonds, Series 18
Dated as of September 18, 2003
and
Specifically Relating to UBS AG as Swap Counterparty

I. Background

The Vermont Housing Finance Agency (the " Agency") administers a homebuyer program (the "Homeownership Program") in order to provide low cost and low interest loans to persons and families in the State of Vermont. Through the Homeownership Program, the Agency purchases loans originated by lenders to qualifying borrowers. The Agency finances the Homeownership Program mainly through the issuance of tax-exempt bonds.

The Agency has structured and implemented the Homeownership Program in an effort to place as many low and moderate income Vermont residents as possible in their own home. Accordingly, the interest rate at which the Agency can offer Homeownership loans is a crucial component of the Homeownership Program. The interest rate the Agency sets for the loans is directly tied to the Agency's cost of funds. Because of this direct impact, the pricing of the Agency's bonds is a key consideration in the administration of the Homeownership Program.

Because of its desire to provide the lowest possible mortgage rates to participants in the Homeownership Program, the Agency has decided to enter into a swap agreement (the "Agreement") with UBS AG ("UBS AG") as counterparty. In the current market, a variable rate bond issue and a related interest rate swap will help the Agency achieve the goal of a lower mortgage rate. The Agency anticipates putting in place an interest rate swap (the "Transaction") in connection with the issuance of its Series 18 bond issue. A portion of the Series 18 Bonds will be issued as variable rate demand obligations ("VRDOs"), initially set to bear interest at a weekly rate. Because the Agency does not, at this time, want to have unhedged variable rate debt outstanding, it will enter into the hedging Transaction with UBS AG. Additional details about the Agreement and the Transaction are set forth below.

In the future, the Agency may desire to implement additional transactions under the Agreement, as we continue to provide the lowest possible mortgage rates to eligible borrowers under the Homeownership Program. In connection with the Transaction, and with each possible future transaction, the Agency will analyze the risks and benefits associated with such actions, as we manage the Homeownership Program in a manner that ensures long-term financial stability. This analysis will include Agency staff, outside counsel, our lead investment banker (UBS Financial Services Inc.), and in connection with the Transaction, U.S. Bancorp Piper Jaffray as the Agency's financial advisor and swap advisor.

Before making a final decision to proceed with the Transaction, the Agency analyzed the risks, costs, and benefits associated with interest rate swaps to ensure that a proper and well-informed decision was being made. Specifically, in addition to training sessions attended by Agency staff at industry conferences (such as the NCSHA conferences), the Agency also received extensive analysis and information from UBS Financial Services Inc. and U.S. Bancorp Piper Jaffray. This information and analysis included risk and cost-benefit analysis and a savings analysis. In addition, U.S. Bancorp Piper Jaffray also conducted cash flow stress runs to ensure our bond issue and the Transaction could be structured in an appropriate manner.

II. Authority

On March 7, 2003, the Board of the Agency adopted a Resolution authorizing the Agency to enter into derivative transactions in connection with the Homeownership Program. At this Board meeting and on prior occasions, Agency staff, bond counsel, U.S. Bancorp Piper Jaffray, and UBS Financial Services led extensive discussions and presentation to the Board concerning derivative transactions, and specifically interest rate swaps.

III. Risks Associated with Swap Transactions; Agency's Response Plan

Several general risks are associated with swap transactions, namely: counterparty risk, termination risk, rollover risk, basis risk, tax risk and amortization (prepayment and extension) risk. The Agency has been extensively educated on each of these risks, and has analyzed the best manner to minimize each such risk in connection with our Agreement with UBS AG. The Agency's understanding of these risks, and our planned courses of action in response thereto, are detailed below. As an overriding consideration, the Agency believes that it has the necessary financial flexibility to manage each of these risks. Specifically, because of the Agency's excess assets under the Homeownership Program and the Agency's general fund assets, the Agency is confident that it has the ability to manage and absorb increased debt service costs (in the event of a swap termination and the resulting unhedged variable rate debt) as well as the ability to, if necessary, make a termination payment pursuant to the Agreement.

A. Counterparty Risk

Counterparty risk is the risk that the swap counterparty, UBS AG, will not perform pursuant to the Agreement's terms. Under a fixed payor swap such as will be the case for the Transaction, if the counterparty defaults, the Agency would be exposed to an unhedged variable rate bond position. The creditworthiness of the counterparty is indicated by its issuer credit rating.

The Agency has decided to enter into the Agreement and Transaction with UBS AG because of the strong credit rating of UBS AG (currently rated "AA+/A-1+" by

Standard & Poor's and "Aa2/P-1" by Moody's). In addition, to further protect against counterparty risk, certain provisions have been included in the Agreement, as detailed in Section IV below. Finally, as described above, the Agency will utilize its financial flexibility to manage any unhedged variable rate debt in the event of a failure by UBS AG to perform under the Agreement.

With respect to counterparty risk, the Agency will also manage the Agreement and all transactions entered into with UBS AG to ensure that the Agency's exposure to UBS AG does not exceed a proper amount. The Agency will look to diversify with respect to counterparties if and when we have determined that our exposure to UBS AG is at a level above which we should not go, or if necessary or appropriate to get the best possible pricing. For other counterparties, the Agency will require adequate credit ratings, such as "AA" and "Aa2", as well as appropriate provisions in the swap documents to protect the Agency to the greatest extent possible. Because the Agency does not anticipate entering into a significant number of swap transactions with UBS AG, or any other counterparty, in the near future, the need to diversify will certainly be an item to consider in our analysis, but it is not likely to be a major factor until such time as we have more transactions with any one counterparty.

B. Termination Risk

Termination risk is the risk that the swap could be terminated as a result of any of several events, which may include a ratings downgrade of the Agency's single family mortgage bonds or of UBS AG, covenant violation by either party, bankruptcy of either party, swap payment default by either party, and default events as defined in the Agency's Single Family Housing Bond resolution. The specific termination events under the Agreement are detailed in Section IV below; however, the Agency believes that the likelihood of any such termination event is remote. In the event of an early termination that results in a significant termination payment, the Agency will analyze the benefits of a replacement swap transaction, in which a new counterparty would pay an amount to the Agency up-front, to offset the termination payment.

C. Rollover Risk

Rollover risk is the risk that the term of a particular swap contract is not coterminous with the related bonds. If an issuer entered into a swap to hedge for a specified period of time and then decides at swap maturity that it wishes to maintain the same or a similar hedge position, it may incur re-hedging costs at that time.

To avoid this risk, the Agency has worked with UBS AG to structure the Transaction such that that maturity of the swap matches the maturity of the related bonds. In addition, the Agency is only issuing approximately 25% of its bonds under this issue as VRDOs with a swap. The Agency will likely take similar measures in future transactions, to avoid rollover risk.

D. Basis Risk

Basis risk refers to a mismatch between the interest rate received from the swap counterparty and the interest rate actually owed on the Agency's bonds. Specifically, the Agency's basis risk is that the variable interest payments received from UBS AG will be less than the actual variable interest payments owed on the Agency's VRDOs. Under the Transaction, the Agency will pay a fixed rate to UBS AG and in return receive a floating variable rated based on the BMA Municipal Swap Index. The mismatch between the Agency's actual bond rate and the swap rate is the Agency's basis risk. This mismatch could occur for various reasons, including an increased supply of tax-exempt bonds, deterioration of the Agency's credit quality, a reduction in the rating of the VRDOs, or a change in federal income tax rates for corporations and individuals.

In the Transaction, the Agency understands that it is taking basis risk. The Agency discussed basis risk with UBS PaineWebber and U.S. Bancorp Piper Jaffray, and after analyzing the costs and benefits associated with taking basis risk (versus not taking basis risk, through a cost of funds swap), a decision was made to use the BMA Index (thereby taking basis risk). To minimize this risk (and to account for the anticipated trading differential between the BMA Municipal Swap Index and the Agency's VRDOs), the Agency has structured the Transaction so UBS AG pays the BMA Index plus 10 basis points. In addition, the Agency determined that a cost of funds swap was not in its best interest, due to the increased costs, future difficulty in valuing such an arrangement, reduced flexibility surrounding a cost of funds swap, and the Agency's strong bond ratings under the single family Housing Program. A similar analysis will be undertaken by the Agency in connection with future transactions.

E. Tax Risk

All issuers who issue tax-exempt variable rate debt inherently accept risk stemming from changes in marginal income tax rates. Decreases in marginal income tax rates for individuals and corporations could result in tax-exempt variable rates rising faster than taxable variable rates. This is a result of the tax code's impact on the trading value of tax-exempt bonds. This risk is also known as "tax event" risk, a form of basis risk under swap contracts. Percentage of LIBOR and certain BMA swaps can also expose issuers to tax event risk. Some BMA swaps have tax event triggers which can change the basis under the swap to a LIBOR basis from BMA.

F. Amortization Risk

Amortization risk represents the potential cost to the Agency of servicing debt or honoring swap payments resulting from a mismatch between the amount of bonds outstanding and the notional amount of swap outstanding. Amortization risk occurs to the extent bonds and swap notional amounts become mismatched over the life of the transaction. This could occur to the extent that the Agency redeems bonds in advance of the swap notional amount schedule, causing an unhedged swap position (this is acceleration risk, likely due to high prepayment speeds, where swap payments are then owed on a notional amount in excess of the related bonds outstanding). Conversely, the Agency could be faced with some unhedged variable rate bonds to the extent that the expected cash flow to repay bonds does not materialize in accordance with a relatively faster amortizing swap notional schedule (this is extension risk, likely due to very slow prepayment speeds, where interest payments will be owed on the variable rate bonds with a lesser or no corresponding amount of payments coming to the Agency under the swap agreement). Amortization mismatches could potentially force the Agency to terminate a portion of the swap prior to maturity under unfavorable market conditions.

The Agency has worked to minimize amortization risk in connection with the Transaction, and we will do the same on future transactions under the Agreement. To reduce acceleration risk, the Agency has structured the related bonds with a planned amortization schedule, with prepayments in excess of the planned amount going to call other bonds of this issue. In addition, the Agency may use excess prepayments to call bonds of other issues under the general resolution, to ensure that this acceleration risk can be adequately managed.

With respect to the extension risk described above, the Agency has structured the bonds relating to the Transaction and the accompanying planned amortization schedule at a very conservative level (30% PSA). The Agency believes that by setting the planned amortization at such a low level, the likelihood of facing serious extension risk is very low. In addition, the Agency will have the ability to use prepayments from other series of bonds to cross call into this issue (subject to the particular series resolution permitting such cross calling) to keep the bond amortization on the planned schedule.

The Agency will undertake a similar analysis and careful planning of future bond structures when contemplating additional transactions under the Agreement.

IV. Swap Agreement with UBS AG

The Agreement between UBS AG and the Agency consists of the following documents (utilizing the International Swap and Derivatives Association, Inc. ("ISDA") master form documents): the ISDA Master Agreement, the accompanying Schedule and a Credit Support Annex. A Confirmation will be prepared and executed in connection with the Transaction, and in connection with each future transaction under the Agreement. Specific details as to the particular transaction will be set forth in each respective Confirmation.

The Agreement governs all future transactions between the Agency and UBS AG. Pursuant to the Agreement, the Agency and UBS AG have agreed to make the payments described in each Confirmation that is executed. Netting of payments will be utilized on a transaction by transaction basis, but not among different transactions. In addition, each party has made the standard representations set forth in the ISDA Master Agreement, as modified and added to by the Schedule. The key provisions of the Agreement concern default, early termination events, and the credit support annex, which items are set forth in detail below.

The Events of Default under the Agreement (including the modifications made under the Schedule) include:

(i) Failure to Pay or Deliver – if such failure is not remedied on or before the third business day after notice of such failure;
(ii) Breach of Agreement – if such failure is not remedied on or before the thirtieth day after notice of such failure;
(iii) Credit Support Default – failure to comply with the provisions of the Credit Support Annex;
(iv) Misrepresentation;
(v) Default under Specified Transaction – this covers several events of default, repudiation or failure with respect to any Specified Transactions (broadly defined to cover basically all transactions between the Agency and UBS AG);
(vi) Cross Default – this section does apply, and will result in an Event of Default if either party defaults on its Specified Indebtedness (with respect to the Agency, this means general obligations including single family debt under the single family housing bond resolution) in an amount exceeding the Threshold Amount ($10,000,000); provided, however, that no Event of Default will exist if such failure was a result of an administrative error, funds were actually available to pay as necessary, and payment is made within three business days following receipt of written notice of such failure;
(vii) Bankruptcy events;
(viii) Merger Without Assumption; and
(ix) Agency; Repudiation – if the Agency ceases to have the legal authority to make payments under the Agreement, or if legislation is enacted that has the effect of repudiating the Agreement.

Upon the occurrence and continuation of an Event of Default, the non-defaulting party may designate an Early Termination Date in respect of all transactions under the Agreement. Payments must be calculated and paid, as appropriate, in the event of an Early Termination Date. Under the Agreement, such payments will be determined using the Second Method and Market Quotation.

The following events are Termination Events under the Agreement:

(i) Illegality – a change in law that makes performance of obligations under a transaction unlawful;
(ii) Credit Event Upon Merger – occurs when a merger takes place (with assumption) and the credit of the resulting entity is materially weaker than that of such entity immediately prior to such merger; and

(iii) Additional Termination Event – occurs if the single family obligations of the Agency or the long-term unsecured debt of UBS AG fall below certain ratings thresholds (at or below "A-" by S&P or "A3" by Moody's).

If a Termination Event occurs, an Early Termination Date may be set by the appropriate party. Similar to the occurrence of an Early Termination Date upon an Event of Default, an Early Termination Date due to a Termination Event also requires the calculation and payment of the appropriate amount, as described in the Agreement.

As part of each Confirmation, the Agency and UBS AG will negotiate (and will almost always include) an optional termination right, to be exercised at any time upon proper notice. Such optional termination right will be in addition to the par termination right that the Agency expects to include in the Transaction. Finally, this optional termination will require calculations and payment of the appropriate termination payment (similar to an Early Termination Date), depending on market conditions.

After analyzing each Event of Default and Termination Event, the Agency believes the likelihood of any such events taking place is remote. The reasons for this belief include the high level of financial flexibility of the Agency under the single family resolution and under its general fund, the strong ratings and cashflows of the Homeownership Program, the strong financial position of UBS AG, the assistance of both U.S. Bancorp Piper Jaffray as financial advisor and swap advisor and UBS PaineWebber in putting together this Agreement and the bonds related to the Transaction, and the Agency's care, research and analysis in entering into the Agreement. As part of the ongoing work to be done in connection with the Agreement, the Agency will, at least on an annual basis and likely on a semi-annual basis, monitor the costs associated with early terminations, with the assistance of U.S. Bancorp Piper Jaffray and UBS AG, and keep current on the market value of the transactions.

To assist the Agency, UBS Financial Services has prepared a grid detailing potential termination payments that would be owed by the Agency under varying market conditions. If required to make an early termination payment in connection with termination of the Transaction, the Agency will work with UBS AG and U.S. Bancorp Piper Jaffray to ensure that the requirements of the Agreement have been followed, and to make sure that the amount of any such termination payment has been properly calculated. To fund a termination payment, the Agency would likely use either General Fund moneys or excess funds held under the Single Family Resolution. Again, a determination of which source of funds to use will be made at the time a termination payment is actually due.

V. Agency Personnel Involved

The Agency has utilized the time and abilities of several staff members in connection with the analysis, negotiation and structuring of the Agreement and the Transaction. Included in this group are the Agency's Executive Director, Chief Financial Officer, General Counsel and Senior Financial Analyst. These same persons will continue to monitor each transaction, to ensure proper management of the Agency's obligations under the Agreement. In addition to these persons, the Agency has also hired U.S. Bancorp Piper Jaffray as its swap advisor for the Transaction. U.S. Bancorp Piper Jaffray has worked with the Agency in structuring and negotiating the Agreement and the Transaction, to ensure that the Agency understands the risks and benefits associated with the swap. Also, as our lead investment banker, UBS PaineWebber has played an important role in educating the Agency staff and Board as to the risks and benefits of swap transactions, and in minimizing the risks through proper bond structures.

VI. Conclusion

The Agency appreciates the complex analysis that must be undertaken in connection with swap transactions. After much time and thought, the Agency feels confident that its Board and staff understand the risks and benefits associated with interest rate swaps, and that we have the ability to monitor the Agreement, the Transaction and future transactions as necessary to ensure any risks are minimized, while maintaining the lowest possible cost of borrowing under the Homeownership Program. The steps outlined in this Swap Management Plan will be implemented by the Agency in order to manage the Agreement and the transactions thereunder.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: REIMBURSEMENT OF SINGLE FAMILY MORTGAGE PURCHASES WITH BOND PROCEEDS

WHEREAS, the Agency has and plans to purchase certain mortgages with its own funds that will later be reimbursed with mortgage revenue bond proceeds; and

WHEREAS, the Agency wishes to authorize and ratify such reimbursement in accordance with the Internal Revenue Code;

WHEREFORE, it is hereby RESOLVED:

1. That the issuance of the Bonds for the purpose of financing one or more loans made to finance the purchase or improvement of single family housing in the State by persons meeting certain set income criteria (the "Loans") is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any such advances of Agency funds for purchase of Loans prior to the issuance of the Bonds. The Agency intends to sell and issue Bonds in a principal amount sufficient to finance all or a portion of the Loans purchased after August 22, 2003, but in no case will the amount of such Bonds exceed a maximum principal amount of $60,000,000.

2. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to any person for its refusal to do so.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, CHIEF FINANCIAL OFFICER

DATE: SEPTEMBER 10, 2003

RE: MULTI-FAMILY BOND FINANCING SCHEDULE

We are currently working on a financing plan for several projects that have recently come before the Board. The main and driving force for the bond issue is the Winchester project that has been approved by the Board at the last meeting. The Board has also approved the Garden Apartments financing. At this month's meeting you will be looking at a request to provide financing for the Duggan Row Apartments. We had originally planned to price and sell bonds in mid-September and close by the end of the month. As you will read in a companion single family financing memorandum, we have decided to switch gears and get the single family financing done early. We also expect to bring a large (approximately $3.5 million) project named Hawk's Nest to the Board at the October meeting. It makes a lot of sense to combine all these projects into one financing rather than do multiple bond issues. Our "revised schedule" basically pushes back the financing by one month and assumes pricing around the 20th of October. We do run a little rate risk as we have underwritten Winchester at 6.125% and their cash flow does not work at higher rates than that. Bond rates have stabilized recently and we have been hovering around 75-100 basis points spread, which is less than our allowed earnings of 150 basis points. In this Board mailing you will see a memorandum from Dave Adams discussing our request to loan additional zero percent funds so that we can charge our typical financing points upfront. The other projects are expected to be loaned out at our full spread allowance.

Attached to this memorandum is our standard $15 million authorizing resolution for bonding purposes. We currently have available about $12.9 million from the previous resolution but the Board has approved about $9 million in short-term construction financings (typically sold to Banknorth) and the projects mentioned in this memorandum totals another $12 million. We should then have left between $6-7 million of authority for future Board approved projects.

Recommended Board Action

Authorize staff to proceed with the bonding schedule as outlined and approval of the Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds in One or More Series to Finance Multi-Family Projects.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

VERMONT HOUSING FINANCE AGENCY

Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000

of Bonds In One or More Series to Finance Multi-Family Projects

Adopted September 18, 2003

TABLE OF CONTENTS

Page

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

September 18, 2003

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

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

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. As used in this Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

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

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

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

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

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

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

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

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

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

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

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

Section 1.02. Authority for Resolution. This Resolution is adopted pursuant to and in accordance with the provisions of the Act and any General Resolution that may be applicable as hereinafter set forth.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF BONDS

Section 2.01. Authorization of Bonds, Principal Amount and Series. In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in this Resolution and in any General Resolution applicable thereto, one or more series of Bonds are hereby authorized to be issued, from time to time, each by the execution and delivery of a Series Certificate, in an aggregate principal amount not to exceed $15,000,000. Such Series Certificate shall be signed by at least two of the following—Chairman, Vice-Chairman, Executive Director, Chief Financial Officer or Chief of Program Operations; provided that if the amount of Bonds authorized by such Series Certificate exceeds $1,000,000 one of the signatories thereto must be the Chairman or Vice-Chairman. The Agency is of the opinion and hereby determines (a) that the issuance of Bonds in said amount is necessary to provide sufficient funds to be used and expended from time to time for the Program; (b) that the Mortgage Loans to be made or financed on behalf of the Agency with the proceeds of the Bonds can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (c) that the Agency will derive receipts, revenues and other income from the Mortgage Loans purchased or made with the proceeds of the Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program or purpose for which the Bonds are issued.

Section 2.02. Purposes. The purposes for which the Bonds are being issued are to provide funds to make or finance Mortgage Loans, including making deposits in any funds or accounts of a General Resolution, and include refunding bonds of the Agency issued for such purpose, all as shall be specified in detail in one or more Series Certificates as hereinafter described. Only Mortgage Loans and Projects approved by separate resolution of the Agency may be financed by the proceeds of Bonds authorized hereby.

Section 2.03. Bond Provisions; Series Certificate. A Series of Bonds shall be issued hereunder only upon the delivery of a Series Certificate which shall specify the terms and conditions of such Bonds and the sale and delivery thereof, including without limitation the following:

(a) the principal amount of Bonds to be issued pursuant thereto;

(b) the Series or sub-Series designation and title;

(c) the maturity or maturities of the Bonds, which in no event shall exceed 40 years, provided that if the Agency otherwise approves a Mortgage Loan with a maturity in excess of 40 years from the date of issuance of the Bonds intended to fund such Mortgage, such Bonds may have a maturity not to exceed six months following the maturity of such Mortgage Loan, subject in any case to limitations imposed by the Act;

(d) the interest rate or rates on the Bonds or the method of determining the same, provided that the interest rate or rates on the Bonds (or the initial rate or rates if the rates are not fixed rates) shall not exceed 7% if the interest on the Bonds is to be exempt from federal income taxation or 9% otherwise, and provided further that if the initial rate or rates are not fixed rates the maximum permitted rate in any case may not exceed 12%;

(e) the date or dates on which interest on the Bonds is payable;

(f) the dated date or dates of the Bonds, or the method of determining the same;

(g) the redemption provisions for the Bonds, which may include optional, mandatory and/or sinking fund redemptions, provided that the Bonds shall be optionally redeemable no later than 15 years after their date of issuance and at a redemption premium not exceeding 3% and reducing by at least 1% annually thereafter;

(h) the minimum and authorized denominations of the Bonds;

(i) whether or not the interest on the Bonds is to be exempt from federal income taxation;

(j) whether or not the Bonds are to be DTC Eligible;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

SPECIAL COVENANTS FOR TAX-EXEMPT BONDS

Section 3.01. Covenants as to Code. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not permit at any time or times any moneys made available to purchase Mortgage Loans in accordance herewith or any proceeds of the Bonds to be used, directly or indirectly, in a manner which would result in such bonds being qualified for the exclusion of any such Bond from the treatment afforded by subsection (a) of Section 103 of the Code by reason of such bond being classified as an "arbitrage bond" within the meaning of Section 148 of the Code, and, without limiting the generality of the foregoing, the Agency shall:

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

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

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

Section 3.02. Rebate. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation:

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

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

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

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

Section 3.03. Governmental Program Requirement. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the Agency shall not make any arrangement, formal or informal, pursuant to which any mortgagor, mortgage lender or other person (or any related person as defined in Section 147 of the Code) who may receive a Mortgage Loan under the Program shall purchase Bonds of the Series or issue which financed such Mortgage Loan in an amount related to the amount of such Mortgage Loan.

Section 3.04. Compliance With Article III. If and to the extent a Series or sub-Series of Bonds is designated as Bonds the interest on which is not to be subject to federal income taxation, the provisions of this Article III shall be complied with by the Agency in order to meet the requirements of the Code such that interest on such Bonds shall be and remain exempt from federal income taxes; provided, however, that the Agency shall not be required to comply with any such provision with respect to such Bonds in the event the Agency receives a Counsel's Opinion from a nationally recognized bond counsel firm that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article III will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article III.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Amendments. This Resolution may be amended from time to time prior to the issuance of any Series of Bonds, which right shall be in addition to any other rights to amend. To the extent a Series of Bonds is issued under and pursuant to a General Resolution, this Resolution and any Series Certificate with respect to such Bonds may be amended under the conditions and to the extent permitted by such General Resolution. To the extent a Series of Bonds is issued only pursuant to this Resolution and a Series Certificate, this Resolution and the Series Certificate may be amended except as restricted hereby, by such Series Certificate or by the Bonds or any other agreement or document executed in conjunction therewith.

Section 4.02. General. The Agency may adopt, and specify in an Officer's Certificate, any additional covenants as to Mortgage Loans, Mortgagors or lenders.

Section 4.03. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner of the Agency, Executive Director, Deputy Director, Treasurer, Director of Finance and Secretary of the Agency are hereby authorized and directed to do all acts and things (including the conduct of any public hearings required by federal tax laws) and to execute and deliver any and all documents, filings, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution or any Series Certificate.

Section 4.04. Effective Date. This resolution shall take effect immediately.

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: TEMPORARY AMENDMENT OF BYLAWS

WHEREAS, the Agency determined that the Board of Commissioners meetings to be held October 8 and 9, 2003 should be held in Hanover, New Hampshire to accommodate its joint meeting with the New Hampshire Housing Finance Authority and the Maine State Housing Authority;

WHEREAS, the Bylaws of the Agency require that its meetings be held "within Vermont;"

WHEREAS, the Agency wishes to amend the Bylaws effective immediately to allow for meetings outside the State of Vermont for purposes of the October 8 and 9, 2003 meetings only;

NOW, THEREFORE, it is:

> RESOLVED, that the fourth sentence of Article III Section 3.2 of the Bylaws of the Agency is hereby amended by deleting the words "within Vermont" for purposes of the October 8 and 9, 2003 meetings only and to be effective immediately; and
>
> RESOLVED, that all actions taken in preparation of such meetings are hereby confirmed.

Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Housing Finance Agency Board Room
164 St. Paul Street
Burlington, Vermont
Thursday, September 18, 2003 at 1:00 p.m.

VHFA Board Members Present:
Lisa Randall - Chair, Thomas Candon, Dagyne Canney, John Hall, Gus Seelig, Beth Pearce

VHFA Board Member Absent:
Paul Beaulieu

Staff: Dave Adams, Sarah Carpenter, Renee Couture, Joe Erdelyi, Becky Greenough, Pat Loller, Cindy Reid, Roger Schoenbeck

Guests: Diane Binnick (Regional Affordable Housing Corporation), Jeff Glassberg (Capital Ideas), Jeff Kantor (J.D. Kantor, Inc.), Bob Marcellino (HDI Real Estate, Inc.), Nancy Owens (Housing Vermont), Brian Pine (Burlington Community and Economic Development Office), John Powell (Lake Champlain Housing Development Corporation), Mike Richardson (Capital Ideas), Bruce Simmons (Lake Champlain Housing Development Corporation), Connie Snow (Brattleboro Area Community Land Trust), John and Dena Wager (Roosevelt Sponsors)

Chair Randall called the meeting to order at 1:00 p.m.

MINUTES

Mr. Candon made a motion to approve the August 7, 2003 Board of Commissioners' meeting minutes with Mr. Seelig seconding the motion. The minutes were approved unanimously.

DEVELOPMENT

Request for Increases in Housing Credits – Manchester Commons and Arlington Village Center
Request for Construction, Permanent, Zero Percent Loans – Manchester Commons
Mr. Erdelyi highlighted his memo regarding Regional Affordable Housing Corporation's (RAHC) request for an increase in housing credit allocations for Manchester Commons and Arlington Village Center.

He also referred Board members to his memo regarding RAHC's request for Construction and Permanent Loans and a Zero Percent Loan for Manchester Commons.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Mr. Glassberg and Ms. Binnick first addressed all requests for Manchester Commons, on which construction is scheduled to begin November 1st. Ms. Binnick explained that Federal Home Loan Bank of Boston (FHLBB) funding was not granted because the project was incorrectly scored. When RAHC asked a second time, FHLBB did not have the resources. Another reason for the funding gap is increased construction costs due to required redesign.

Ms. Binnick explained that RAHC is appealing the property tax assessment on Phase I of Manchester Commons. In case RAHC does not win the appeal, this phase includes the higher tax rate in its proforma. According to Mr. Erdelyi, the issue is that tax credits are being added to the property value, which is constraining debt service capacity. He agrees that this issue is worth the fight. Ms. Binnick elaborated by explaining that the assessors have turned incentives into penalties that the project must pay. Mr. Glassberg said it boils down to a question of whether the intangible value of tax credits are properly taxable as real estate. Ms. Binnick said that there are 10 previously heard cases in the country and they are split, five and five.

Ms. Seelig moved to approve the "Resolution Re: Construction and Permanent Financing for Manchester Commons, Manchester" and Ms. Canney seconded the motion. The Board unanimously approved the Resolution.

Ms. Binnick then described the reasons for the requested increase in tax credits for Arlington Village Center. In the process of pinning down its construction financing, time was lost, pushing construction into the winter season. In addition, unforeseen structural deficiencies were found in the existing buildings being rehabilitated.

Mr. Candon moved to approve the "Resolution Re: Additional Allocations of Low Income Housing Tax Credits to Manchester Commons, Manchester and Arlington Village Center, Arlington" and Mr. Seelig seconded the motion. The Board unanimously approved the motion.

Joint Committee on Tax Credits Recommendations

Mr. Seelig made a motion to approve the recommendation of the Joint Committee on Tax Credits to allocate tax credits in the amount of $245,000 to Riverside Village, $387,079 to Roosevelt Apartments, $119,000 to Butterfield Commons Family and $271,374 to Stony Creek for a total allocation of $1,022,453. Mr. Hall seconded the motion. The recommendation was unanimously approved.

Mr. Seelig made a motion to approve the recommendation of the Joint Committee on Tax Credits to allocate $125,000 in 2005 State Tax Credits to Butterfield Elderly. Mr. Hall seconded the motion. The recommendation was unanimously approved.

With regard to Arbor Gardens Phase II, Ms. Randall and other Board members agreed that Mr. Erdelyi should relay to Mr. Marcellino the Board's wishes for future tax credit applications: either 11 units in the 2nd building must be market rate (which will dictate that Mr. Marcellino seek CDBG and HOME funds), or the 2nd and 3rd buildings (with the mix as currently proposed) must be built simultaneously. The Board also would require a more substantial playground.

Ms. Reid reminded the Board that Letters of Intent for the December round are due on October 17th. If the December round is being cancelled, the [potential] applicants need to be informed as soon as possible. The Board authorized Ms. Reid to communicate to applicants that the Committee expects to postpone the December Allocation Round and convene early in 2004.

Duggan Row
Mr. Adams reviewed his memo regarding permanent financing for Duggan Row. He explained that Burlington Housing Authority and the King Street Neighborhood Revitalization Corporation, who are seeking to acquire Duggan Row, need the Zero Percent Deferred Loan because it is unlikely to get any other soft funding and it is carrying maximum debt. He agreed to reduce the amount of the Zero Percent Loan if interest rates go down. He reminded the Board that VHFA does currently have a preservation agreement with Duggan Row.

Mr. Seelig made a motion to approve the "Resolution Re: Permanent Financing for Duggan Row Apartments, Burlington." Mr. Candon seconded the motion and the Board unanimously approved the Resolution.

Winchester Place
Mr. Adams reviewed his memo regarding increasing VHFA deferred debt so that VHFA could receive its origination fee. The origination fee was never worked into the original proforma. Mr. Adams was comfortable with foregoing an origination fee when the spread was larger but the spread has since narrowed. When Ms. Randall expressed uneasiness about approving an increase for this reason, Ms. Carpenter explained that origination fees are included as a rule. The proceeds can then flow into the general fund instead of into the zero excess yield pool.

Ms. Canney made a motion to approve the "Second Resolution Re: Restructured Financing for Winchester Place, Colchester." Mr. Hall seconded the motion and all but Ms. Pearce approved the Resolution. (Ms. Pearce was not present for this vote.)

Following up on last month's meeting, Ms. Randall asked whether or not The Merchants Bank was covering its $65,000 obligation. Mr. Adams explained that The Merchants Bank is using the balance of its $125,000 contribution made in February, 2003 to cover a portion of the $65,000, and the Partnership will make up any remaining shortfall. The Merchants Bank was under the impression that the 2003 pay-in was the last one they were obligated to pay based on discussion with Housing Vermont.

ADMINISTRATION

Pension Plan
Ms. Loller presented her memo regarding the Pension Plan Safe Harbor Resolution.

Mr. Seelig asked what happens to the money forfeited by the departing employee to which Mr. Schoenbeck replied that it comes back to the Agency to reduce future contributions.

Mr. Seelig made a motion to approve the "Resolution Re: Safe Harbor Contribution Formula to Vermont Housing Finance Agency 401(k) Retirement Plan." Mr. Candon seconded the motion and the Board unanimously approved the Resolution.

October Meeting
Ms. Carpenter requested feedback on the proposed October 8th Board Meeting Agenda. The resulting decisions/requests are as follows:

- Those Board members who wish to tour Templeton should meet there at 9:30 a.m. (Mr. Adams will arrange the tour.)

- Ms. Couture will e-mail to Board members documents relevant to the Tax Credit Allocation Process to be discussed at the October meeting.
- Mr. Seelig requested that staff draft tax credit allocation proposal ideas for the Board to review at the October meeting.
- Mr. Adams expects to present an O'Dell application for a single family project at the October meeting.
- Mr. Seelig would like to hear from Maine and New Hampshire about how they are maintaining a spread between conventional rates and their rates and whether they are doing so at a loss.

FINANCE

Mr. Schoenbeck called the Board's attention to his memo regarding the multifamily bond financing schedule. The markets are faring better and, this morning, the rate was 6.53%. This means that, other than Winchester, projects will pay the full 150 basis points spread. They will not subsidize Winchester, which, at this rate, will pay 128 basis points.

Mr. Seelig made a motion to approve the "Resolution Authorizing the Issuance and Sale of a Maximum of $15,000,000 of Bonds in One or More Series to Finance Multi-Family Projects." Ms. Canney seconded the motion and the Board unanimously approved the Resolution.

Mr. Schoenbeck added that he is looking to price the bonds on or about October 20th.

Mr. Schoenbeck then called the Board's attention to his memo regarding the single family bond issuance. He explained that single family activity has been very strong. The rates will drop on Monday from 6.15% to 5.95%. The rates on the higher mortgages allow for the rate drop on the remaining money while maintaining our full spread. He indicated that the Agency has purchased $100,000 under a bond sale not sold yet, which is a first.

Mr. Schoenbeck distributed a list of proposed changes to the "VHFA Swap Management Plan for the Homeownership Program Single Family Housing Bonds, Series 18 Dated as of September 18, 2003 and Specifically Relating to UBS AG as Swap Counterparty," the latter being attached to the single family bond issuance memo. Although there are six proposed changes, only two are substantive. The first is that UBS is required to post collateral if their ratings drop below a certain level (an option to termination). The second regards the inclusion of the LIBOR index along with references to the BMA index (Bond Market Association Tax Exempt Index). The Agency's swap bond uses the LIBOR (London Interbank Offering Rate) index as a taxable index after the first year.

The next deal will be done in exactly the same way as the last one, using a swap variable rate demand vehicle and some combination of BMA and LIBOR, based on expert advice. Mr. Schoenbeck informed the Board that this next swap will save about 25 basis points.

Mr. Schoenbeck added that the Agency is looking to price the bond before the next meeting as it has $8.2 million in reservations with nothing behind them.

Mr. Candon made a motion to approve the Swap Management Plan as amended. Ms. Canney seconded the motion and the Board unanimously approved the Plan.

Ms. Canney made a motion to approve the "Resolution Re: Reimbursement of Single Family Mortgage Purchases with Bond Proceeds." Mr. Candon seconded the motion and the Board unanimously approved the Resolution.

Ms. Canney made a motion to authorize staff to proceed with the single family bond issuance. Mr. Hall seconded the motion and the motion was unanimously approved.

OTHER

ACCD and VHFA: Winooski – Section 108 Loan
Ms. Carpenter distributed to the Board a draft copy of an Agreement between the Agency of Commerce and Community Development (ACCD) and VHFA whereby VHFA will act as an agent of ACCD with respect to the Winooski Project and the Section 108 Loan. Section 4 of the Agreement indicates that a dollar amount will be paid by ACCD to VHFA. However, this amount is not currently known as VHFA hasn't yet determined the manner in which it will need to hire additional staff.

Ms. Carpenter is looking to the Board for their feedback with respect to the Agreement. Both Mr. Candon and Mr. Seelig expressed approval. Ms. Randall voiced concern about liability should VHFA make an error. Ms. Carpenter indicated that we do have insurance against lawsuits and that both ACCD and VHFA are covered by the State's policies. She also explained that VHFA is being asked to provide advice to the best of our ability along with a monitoring of the project. She believes the threat of a lawsuit by ACCD is nil, although exposure due to an error may be another matter. Ms. Randall would like to see a clause added to the Agreement that formalizes the relationship between ACCD and VHFA and their understanding to hold each other harmless, and a clause that indicates that work under this contract is for the purposes of ACCD and VHFA only.

Standard & Poors
Ms. Carpenter reminded the Board that S&P underwriting staff will be visiting on October 2nd and 3rd. She invited the Board to attend lunch on October 2nd.

ADJOURNMENT

Mr. Seelig made a motion to adjourn the meeting. Ms. Canney seconded the motion and the Board unanimously approved to adjourn the meeting at 2:58 p.m.

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel EMD

RE: Single Family Bond Program – Supplemental Resolution for Series 18

DATE: October 2, 2003

As we move forward on the issuance of Series 18 of the Single Family Housing Bonds Program, Kutak Rock has prepared the Twenty-Second Supplemental Single Family Housing Bond Resolution which is attached for your consideration. This resolution authorizes the issuance of up to $60,000,000 in tax-exempt bonds and/or notes for purposes of homeownership mortgage financing. The resolution also authorizes the execution of the Bonds Purchase Contract and the Notes Purchase Contract substantially in the form as presented to you; therefore, these contracts are also attached for your consideration.

Because of changes in market conditions, you will notice that this resolution does not include Variable Rate Bonds or the Swap component that was used in Series 17. The current plan includes only fixed rate bonds and notes in a total amount of $52,080,000.00. Roger will provide further details at the Board meeting.

Recommended Board Action: To adopt the attached resolution.

VERMONT HOUSING FINANCE AGENCY

TWENTY-SECOND SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

Adopted October 9, 2003

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS AND AUTHORITY

ARTICLE II
AUTHORIZATION OF SERIES 18 OBLIGATIONS

ARTICLE III
ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 18 OBLIATIONS

ARTICLE IV
FORM OF SERIES 18 OBLIGATIONS

ARTICLE V
MISCELLANEOUS

ARTICLE VI
MUNICIPAL BOND INSURANCE POLICY

TWENTY-SECOND SUPPLEMENTAL SINGLE FAMILY HOUSING BOND RESOLUTION

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution is hereinafter sometimes referred to as the "Twenty-Second Supplemental Resolution."

Section 1.02. Definitions and Interpretation.

(a) Except as provided in Paragraph (B) of this Section, all terms used herein shall have the same meanings as are given such terms in Section 101 of the Resolution.

(b) In this Twenty-Second Supplemental Resolution unless a different meaning clearly appears from the context:

"*Adjusted Interest Rate*" means the rate or rates of interest to be borne by all Adjusted Rate Bonds subsequent to the Adjustment Date as determined pursuant to Section 2.03(a)(iv) hereof.

"*Adjusted Rate Bonds*" means all Series 18 Tender Bonds on which the interest rate has been adjusted to the Adjusted Interest Rate on the Adjustment Date and any Series 18 Bonds authenticated and delivered under the Resolution thereafter upon transfer of, or in exchange or substitution for, any such Bonds.

"*Adjustment Date*" means the Business Day, if any, not later than the last Business Day of the Adjustment Option Period, on which the interest rate on the Series 18 Tender Bonds is adjusted to the Adjusted Interest Rate as determined in accordance with Section 2.03(a)(ii) hereof.

"*Adjustment Option Period*" means the period set forth in the Series Certificate during which the Agency may exercise its right to cause the mandatory tender of Series 18 Bonds in accordance with Section 2.03 hereof.

"*Adjustment Rating Certificate*" means (i) a certificate of an Authorized Officer to the effect that the Agency has notified each Nationally Recognized Credit Rating Agency then maintaining a credit rating on any Bonds Outstanding that the interest rate on the Series 18 Tender Bonds will be adjusted to the Adjusted Interest Rate on the Adjustment Date and has furnished each such Nationally Recognized Credit Rating Agency with a Remarketing Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof, accompanied by (ii) a letter from each such Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that adjustment of the interest rate on the Series 18 Tender Bonds will not cause such Nationally Recognized Credit Rating Agency to change the unenhanced credit ratings then assigned by it to any Bonds Outstanding.

"*Arbitrage Projection Certificate*" means a certificate of an Authorized Officer setting forth the Agency's reasonable expectations that adjustment of the interest rate on the Series 18 Tender Bonds on the Adjustment Date to the Adjusted Interest Rate and the purchase thereafter of Loans at a certain specified rate or rates with proceeds allocable to the Adjusted Rate Bonds will not cause the Series 18 Bonds to be "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code, accompanied by an opinion of Bond Counsel to the effect that the adjustment of the interest rate on the Series 18 Tender Bonds on the Adjustment Date will not adversely affect the excludability of interest on the Series 18 Obligations from the gross income of the holders thereof for federal income tax purposes and that no matters have come to the attention of such counsel which make unreasonable or incorrect the representations made in such certificate.

"*Authenticating Agent*" with respect to all Series 18 Obligations, means the Trustee.

"*Beneficial Owner*" means the person or entity that is considered to be the beneficial owner of any Series 18 Obligation pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

"*Bond Counsel*" means Kutak Rock LLP, or any successor firm of attorneys or such other firm of nationally recognized bond attorneys designated by the Agency.

"*Bond Depository*" means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 2.02 hereof.

"*Bond Insurer*" means the provider of municipal bond insurance with respect to the Series 18 Bonds, as shall be set forth in the Series Certificate.

"*Bond Year*" means the twelve month period beginning on each April 1 and ending on the following March 31; provided that the initial Bond Year shall commence on the date of issuance of the Series 18 Obligations and end on March 31, 2004.

"*Business Day*" means any calendar day other than a Saturday, a Sunday or a day on which banks in Burlington, Vermont or New York, New York, are authorized or required to be closed.

"*Calculation Date*" means the date, if any, on which the Adjusted Interest Rate is determined, which date shall be any Business Day selected by the Tender

Bond Remarketing Agent with the approval of the Agency not earlier than 15 days prior to the Adjustment Date and not later than seven days prior to the Adjustment Date.

"*Code*" means the Internal Revenue Code of 1986, as amended, and all Treasury Regulations thereunder to the extent applicable to the Series 18 Bonds.

"*Loan Loss*" means the amount, certified to the Trustee by an Authorized Officer, of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of the Series 18 Bonds, which amount shall not exceed the sum of (i) the unpaid principal balance of the Loan at the date of the default, (ii) the amount of accumulated delinquent interest due on the Loan (excluding late charges and penalty interest), and (iii) the amount of advances made by or for the account of the Agency with respect to such Loan for regularly scheduled payments of principal and interest in arrears, hazard insurance premiums, property taxes, property protection and preservation expenses and foreclosure costs, less the sum of (iv) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments (excluding proceeds of fire and extended coverage insurance) collected or received by the Agency from or on account of such Loan and the property securing the same, (v) the amount of cash remaining in any escrow account maintained for such Loan, (vi) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (vii) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in the Series 18 Loan Loss Claim Fund.

"*Loan Loss Claim Fund Withdrawals*" means amounts withdrawn from the Series 18 Loan Loss Claim Fund pursuant to Section 3.06(b) hereof on account of a Loan Loss.

"*Municipal Bond Insurance Policy*" means the municipal bond insurance policy issued by the Bond Insurer insuring the scheduled payment when due of the principal of and interest on the Series 18 Bonds as provided therein.

"*Municipal Bond Insurance Policy Premium*" means the premium payable to the Bond Insurer with respect to the Municipal Bond Insurance Policy, payable at the times and in the amount set forth in the Series Certificate. Such Municipal Bond Insurance Policy Premium shall be deemed a Program Expense for all purposes under the Resolution.

"*Notice Date*" means the Business Day which is 30 days prior to the Adjustment Date.

"*Official Statement*" means the Official Statement of the Agency describing the Series 18 Obligations, dated the date of execution of the Purchase Contracts.

"*Participant*" means securities brokers or dealers, banks, trust companies, clearing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

"*Principal Amount*" for purposes of Section 204(B) of the Resolution and at any date of computation, means, with respect to any Series 18 Obligation, the stated principal amount thereof.

"*Pro-Forma Adjusted Interest Rate*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Pro-Forma Tender Bonds*" shall have the meaning given such term in Section 2.03(a)(i) hereof.

"*Purchase Contracts*"" means, collectively, the Series 18 Bond Purchase Contract and the Series 18 Note Purchase Contract.

"*Record Date*" with respect to the payment of interest on a Series 18 Obligation, means, except as may otherwise be provided in the Series Certificate, the fifteenth day of the month next preceding the date on which interest is to be paid on such Series 18 Obligation or, if such fifteenth day is not a Business Day, the next preceding Business Day; provided that, with respect to overdue interest or interest payable on a Series 18 Bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date, which date shall be not more than twenty Business Days before the date set for payment; and provided further that the Trustee shall give notice of a special record date by mailing a copy of such notice to the Holders of all Series 18 Obligations Outstanding to which such special record date is applicable in the manner provided in Section 801 of the Resolution at least ten days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"*Remarketing Projection of Revenues*" means a Projection of Revenues satisfying the requirements of Section 2.03(a)(vi) hereof calculated on the assumption that the Adjusted Rate Bonds will bear interest at the Adjusted Interest Rate and will mature on the dates determined in accordance with Section 2.03(a)(v) hereof.

"*Representation Letter*" means, with respect to the Series 18 Obligations held in book-entry only form with the Bond Depository, the Blanket Letter of Representations of the Agency dated April 4, 1995.

"*Resolution*" means the resolution of the Agency adopted September 20, 1990, entitled "Single Family Housing Bond Resolution."

"*Series Certificate*" means the Series Certificate of the Chair or Vice Chairman and Executive Director of the Agency dated on or before the date of issuance of the Series 18 Obligations which Series Certificate shall establish certain terms of the Series 18 Obligations as provided herein.

"*Series 18 Bond Purchase Contract*" means the Purchase Contract, or Contracts, by and among the Agency, the Underwriters named therein and the direct institutional purchaser of the Series 18 Bonds, if any, providing for the terms and conditions of the sale of the Series 18 Bonds in substantially the form of the Bond Purchase Contract presented to the Agency on the date hereof.

"*Series 18 Bond Reserve Requirement*" means an amount with respect to the Series 18 Bonds at least equal to the lesser of (i) 50% of the maximum amount of Debt Service payable on all Series 18 Bonds Outstanding in the current or any subsequent Fiscal Year and (ii) 10% of the original net proceeds of the Series 18 Bonds.

"*Series 18 Bonds*" means the Series 18 Bonds of the Agency authorized to be issued in one or more Series by this Twenty-Second Supplemental Resolution; provided, however, that as provided in Section 2.01 hereof and as may be provided in the Series Certificate, a portion of the Series 18 Bonds may be issued as a separate issue for federal tax purposes and shall be designated as Series 19 Bonds. References herein to the Series 18 Bonds shall be deemed to include the Series 19 Bonds, if any.

"*Series 18 Contingency Account*" means the account in the Redemption Fund so designated and created pursuant to Section 3.01(e) hereof.

"*Series 18 Contingency Account Deposits*" means the Series 18 Contingency Account Surety Bond, cash or any one or more of the following to the extent its deposit in the Series 18 Contingency Account will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 18 Contingency Account.

"*Series 18 Contingency Account Surety Bond*" means the irrevocable surety bond issued by the Series 18 Contingency Account Deposit Provider to be held for the credit of the Series 18 Contingency Account and any extension thereof or substitute surety bond therefor deposited with the Trustee pursuant to Section 3.02(c) thereof.

"*Series 18 Contingency Account Deposit Provider*" means the Bond Insurer as provider of the Series 18 Contingency Account Surety Bond, and, if applicable, the provider of any other Series 18 Contingency Account Deposit.

"*Series 18 Cost of Issuance Account*" means the account in the Program Fund so designated and created by Section 3.01(c) hereof.

"*Series 18 Funded Loan Loss Claim Fund Requirement*" means, at any date of computation, an amount equal to the Series 18 Loan Loss Claim Fund Requirement less the stated and unpaid amounts, if any, of all Series 18 Loan Loss Claim Fund Deposits in full force and effect held for the account of the Series 18 Loan Loss Claim Fund.

"*Series 18 Loan Loss Claim Fund*" means the fund so designated and created pursuant to Section 3.01(a) hereof.

"*Series 18 Loan Loss Claim Fund Deposit Provider*" means, if so provided in the Series Certificate, the Bond Insurer as provider of the Series 18 Loan Loss Claim Fund Surety Bond, and, if applicable, the provider of any other Series 18 Loan Loss Claim Fund Deposit.

"*Series 18 Loan Loss Claim Fund Deposits*" means the Series 18 Loan Loss Claim Fund Surety Bond, if any, cash or any one or more of the following to the extent its deposit in the Series 18 Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (i) irrevocable and unexpired letters of credit issued by banking institutions, (ii) irrevocable policies of insurance in full force and effect issued by insurers, (iii) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (iv) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of the Series 18 Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Series 18 Loan Loss Claim Fund Requirement*" means, as of any date of computation, (i) an amount at least equal to (A) one and eighty-five hundredths percent (1.85%) of the sum of (1) the aggregate unpaid principal amount of all Loans purchased under the Resolution from amounts on deposit in the Series 18 Program Account plus (2) the aggregate amount, if any, then held in the Series 18 Program Account which may be applied to the purchase of such Loans, less (B) the aggregate amount of all Loan Loss Claim Fund Withdrawals that have been theretofore made from the Series 18 Loan Loss Claim Fund, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

"*Series 18 Loan Loss Claim Fund Surety Bond*" means, if so provided in the Series Certificate, the irrevocable surety bond issued by the Bond Insurer to be held for the credit of the Series 18 Loan Loss Claim Fund and any extension thereof or substitute surety bond deposited with the Trustee pursuant to Section 3.02(b) hereof.

"*Series 18 Notes*" means the Series 18 Notes of the Agency authorized to be issued in one or more Series by this Twenty-Second Supplemental Resolution.

"*Series 18 Note Purchase Contract*" means the Purchase Contract by and between the Agency and UBS Financial Services Inc. providing for the terms and conditions of the sale of the Series 18 Notes in substantially the form of the Note Purchase Contract presented to the Agency on the date hereof.

"*Series 18 Program Account*" means the one or more Series 18 Bonds Program Accounts authorized to be established in the Series Certificate.

"*Series 18 Rebate Account*" means the account in the Rebate Fund so designated and created pursuant to Section 3.01(f) hereof.

"*Series 18 Rebate Requirement*" with respect to the Series 18 Bonds, means an amount equal to the cumulative net sum calculated and determined from time to time in accordance with the requirements of Section 148(f) of the Code that must be paid to the United States pursuant to Section 3.05 hereof.

"*Series 18 Reimbursement Agreements*" means, as applicable, (i) the agreement by and between the Agency and the Series 18 Loan Loss Claim Fund Deposit Provider in connection with the Series 18 Loan Loss Claim Fund Deposit and (ii) the agreement by and between the Agency and the Series 18 Contingency Account Deposit Provider in connection with the Series 18 Contingency Account Deposit.

"*Series 18 Tender Bonds*" means the Series 18 Bonds selected in accordance with Section 2.03(A)(3) hereof for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds.

"*Series 18 Tender Bonds Proceeds Subaccount*" means the Series 18 Program Account Tender Bonds Proceeds Subaccount established pursuant to Section 3.01(b) hereof.

"*Tender Bond Remarketing Agent*" means, collectively, UBS Financial Services Inc., Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc. or any other investment banking firm, financial institution or other entity at the time acting in the capacity of Tender Bond Remarketing Agent under the Tender Bond Remarketing Agreement.

"*Tender Bond Remarketing Agreement*" means the Remarketing Agreement executed in connection with the remarketing of Series 18 Tender Bonds, in such form as shall be approved by the Agency prior to the Adjustment Date.

"*Trustee*" means Banknorth, N.A., Burlington, Vermont, or its successor in trust under the Resolution.

"*Underwriters*" means, collectively, UBS Financial Services Inc., Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc., as underwriters of the Series 18 Bonds and UBS Financial Services Inc. as underwriter of the Series 18 Notes.

"*Yield*" means the yield on the Series 18 Obligations or the yield on any Loan or any other investment held under the Resolution and allocable to the Series 18 Obligations calculated as required by Sections 148(h) and 143(g) of the Code.

(c) Unless a different meaning clearly appears from the context, for all purposes of the Resolution and this Twenty-Second Supplemental Resolution, the term "Interest Payment Date" shall mean (i) with respect to the Series 18 Bonds and any Series 18 Notes with a maturity date in excess of one year from the date of issuance thereof, May 1 and November 1 of each year commencing on May 1, 2004, (ii) with respect to any Series 18 Notes with a maturity of less than one year from the date of issuance thereof, the maturity date thereof, and (iii) with respect to all Series 18 Obligations, any redemption date of any Series 18 Obligations and any other date on which interest on the Series 18 Obligations is required or permitted by the Resolution to be paid.

Section 1.03. Authority. This Twenty-Second Supplemental Resolution supplements the Resolution and is adopted pursuant to Section 701 of the Resolution and in accordance with the Act.

ARTICLE II

AUTHORIZATION OF SERIES 18 OBLIGATIONS

Section 2.01. Series 18 Obligations; Authorization; Purpose; Findings.

(a) The Agency hereby authorizes the issuance of one or more Series of Bonds in an aggregate Principal Amount not to exceed $35,000,000 to be designated "Single Family Housing Bonds, Series 18" for the purpose of funding mortgage loans, costs of issuance and reserve funds, and the refunding of certain obligations of the Agency. Each separate Series of Bonds shall have its own letter designation (i.e. Series 18-A, Series 18-B, etc.) as shall be set forth in the Series Certificate. In addition, in order to distinguish between Bonds of different tax plans for federal tax purposes, the Bonds of such Series may be designated and redesignated (as herein provided and as may be provided in the Series Certificate or Certificates delivered in connection with such Bonds) as Series 19 Bonds, and, within such designation, may be further designated as SubSeries 19-A, SubSeries 19-B, and so forth. References herein to the Series 18 Bonds shall be deemed to include the Series 19 Bonds, if any. In addition, the Agency hereby authorizes the issuance of one or more Series of Notes in an aggregate principal amount not to exceed $25,000,000 to be designated "Single Family Housing Notes, Series 18" for the purpose of funding mortgage loans, costs of issuance and reserve funds, and the refunding of certain obligations of the Agency; provided, however, that the proceeds of any Series of Notes may not be utilized to fund mortgage loans, costs of issuance or reserve funds until such Series of Notes has been refunded with an issuance of long-term Bonds. Each separate Series of Notes shall have its own letter designation (i.e. Series 18B, Series 18C, etc.) as shall be set forth in the Series Certificate.

The Agency hereby determines (i) that the original aggregate Principal Amount of the Series 18 Obligations is necessary to provide sufficient funds to be used and expended for the Program, (ii) that Loans made on behalf of the Agency with moneys allocable to the Series 18 Bonds can be issued bearing rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State of Vermont without the assistance of the Agency and (iii) that the Agency will derive receipts, revenues or other income from the Loans purchased with moneys allocable to the Series 18 Bonds as provided herein and the investment of the proceeds of the Series 18 Notes sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Series 18 Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the Series 18 Obligations are being issued. For purposes of Section 204(B) of the Resolution, the Series 18 Obligations shall be issued as "Fixed-Rate Bonds" as described in Section 2.03(B) of the Resolution and all or a portion of the Series 18 Bonds shall be issued as "Tender Bonds" as described in Section 203(D) of the Resolution.

(b) The Series 18 Bonds are being issued to provide funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more of the Series 18 Program Account, the Series 18 Cost of Issuance Account, the Series 18 Capitalized Interest Account, the Debt Service Fund and the Bond Reserve Fund, subject to the limitations and provisions provided in Article V of the Resolution. The Series 18 Notes are being issued to provided funds for the refunding of certain outstanding obligations of the Agency and to make deposits in one or more Program Accounts as set forth in the Series Certificate. The amounts of the deposits described in this paragraph (b) shall be as set forth in the Series Certificate.

(c) Subject to Section 2.02 hereof, all Series 18 Bonds shall be issued only in the form of fully registered bonds each in the denomination of $5,000 or any whole multiple thereof and shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "RA," "RB" or "RC," etc., as applicable, and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(d) The Series 18 Obligations shall be dated as shall be set forth in the Series Certificate. Subject to Section 2.03 hereof, the Series 18 Obligations shall mature on the dates and in the Principal Amounts and shall bear interest at the rates set forth in the Series Certificate; provided, however, that in no event shall (i) the Yield on the Series 18 Obligations exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 18 Bonds in excess of 6.50% per annum (ii) the final maturity date of the Series 18 Bonds be later than November 1, 2035 or (iii) the final maturity date of the Series 18 Notes be later than May 1, 2006.

(e) The Principal Amount and Redemption Price of the Series 18 Bonds shall be payable at the Principal Office of the Trustee. Interest on the Series 18 Bonds shall be payable solely by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the Series 18 Bond on account of which such payment is made, mailed to the address of the registered owner thereof as it appears on the registry books of the Agency, determined as of the close of business on the applicable Record Date. The Principal Amount or Redemption Price of and interest on the Series 18 Obligations shall also be payable at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as permitted by the Resolution. Notwithstanding anything in the Resolution or this Paragraph (e) to the contrary, if at any time the Series 18 Obligations are not restricted to being registered in the registry books of the Agency in the name of Cede & Co., as nominee of the Bond Depository, as provided in Section 2.02 hereof, the Principal Amount and Redemption Price of and interest on the Series 18 Obligations of any registered owner of Series 18 Obligations of $1,000,000 or more in Principal Amount shall be payable, at the option of such registered owner expressed in a written notice delivered to the Trustee, in immediately available funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear a notation of the CUSIP number of the Series 18 Obligations on account of which such payment is made.

(f) Pursuant to Section 305(C) of the Resolution, the Agency in its sole discretion may charge for every exchange or transfer of a Series 18 Obligation a fee sufficient to reimburse the Agency for the cost of preparing each new Series 18 Obligation delivered upon such exchange or transfer and for any other expenses of the Agency or the Trustee incurred in connection therewith (in addition to any applicable tax, fee or other governmental charge other than one imposed by the Agency), which fee shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Section 2.02. Book Entry System. Notwithstanding the foregoing provisions of Section 2.01 hereof and anything in Article III of the Resolution to the contrary:

(a) The Series 18 Obligations shall be initially issued in the form of a single separate fully registered bond for each Series and maturity of the Series 18 Obligations in the amount of such maturity. Upon initial issuance, the ownership of the Series 18 Obligations shall be registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository. With respect to Series 18 Bonds registered in the registry books kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any Beneficial Owner of the Series 18 Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, Cede & Co. or any Participant with respect to any ownership interest in the Series 18 Obligations, (ii) the delivery to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any notice with respect to the Series 18 Obligations, including any notice of redemption, or (iii) the payment to any Participant, any Beneficial Owner or any other person, other than the Bond Depository, of any amount with respect to the Principal Amount or Redemption Price of, or interest on, the Series 18 Obligations. The Trustee shall pay the Principal Amount or Redemption Price of, and interest on, the Series 18 Obligations only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the Principal Amount or Redemption Price of, and interest on, the Series 18 Obligations to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Series 18 Obligation evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price of, and interest pursuant to the Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co." in this Twenty-Second Supplemental Resolution shall refer to such new nominee of the Bond Depository.

(b) Upon receipt by the Agency and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is able to undertake such functions upon reasonable and customary terms, then the Series 18 Obligations shall no longer be restricted to being registered in the registry books of the Agency kept by the Trustee in the name of Cede & Co., as nominee of the Bond Depository, but may be registered in whatever name or names the owners transferring or exchanging Series 18 Obligations shall designate, in accordance with the provisions of the Resolution.

(c) In the event the Agency determines that Beneficial Owners should be able to obtain certificates for the Series 18 Obligations, the Agency shall notify the Bond Depository and the Trustee of the availability of such certificates. In such event, the Trustee shall issue, transfer and exchange certificates as requested by the Bond Depository (or, pursuant to Section 2.02(b) hereof, any other owner of Series 18 Obligations) in appropriate amounts, and, whenever the Bond Depository requests the Agency and the Trustee to do so, the Trustee and the Agency will cooperate with the Bond Depository in taking appropriate action after reasonable notice (i) to transfer the certificates to any Participant having Series 18 Obligations credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 18 Obligations.

(d) Notwithstanding any other provision of this Twenty-Second Supplemental Resolution to the contrary, so long as any Series 18 Obligation is registered in the name of Cede & Co., as nominee of the Bond Depository, all payments with respect to the Principal Amount or Redemption Price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to or on the order of the Bond Depository as provided in the Representation Letter.

Section 2.03. Adjusted Rate Bonds.

(a) The Series 18 Bonds are issued subject to the provision that all or part of such Series 18 Bonds may be called for mandatory tender on the Adjustment Date and exchanged for or remarketed as an equal Principal Amount of Series 18 Bonds bearing interest at the Adjusted Interest Rate determined in accordance with this Section 2.03.

(i) If at any time and from time to time during the Adjustment Option Period (but not less than 40 days prior to the end of the Adjustment Option Period) any amount attributable to the Series 18 Bonds remains on deposit in the Series 18 Program Account and the Agency has determined (A) that the rate of interest to be borne by Loans allocable to Series 18 Bonds bearing interest at the rates set forth in the Series Certificate either (1) exceeds that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can then afford or (2) exceeds the maximum rate at which Mortgage Lenders are willing, in the judgment of the Agency, to commit to sell Loans for the Agency or (B) that Loans made by or on behalf of the Agency, directly or indirectly, with the proceeds of Series 18 Bonds bearing interest at the rates set forth in the Series Certificate cannot be issued bearing a rate or rates of interest which is less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Agency may deliver to the Tender Bond Remarketing Agent a certificate of an Authorized Officer directing the Tender Bond Remarketing Agent to determine and certify to the Agency a Pro-Forma Adjusted Interest Rate as of a date (the "Certification Date") specified in such Certificate (which date shall be not less than two Business Days after the date of such certificate). The certificate of an Authorized Officer shall also specify a Principal Amount of Series 18 Bonds (not in excess of the amount then on deposit in the Series 18 Program Account allocable to the Series 18 Bonds and in a multiple of $5,000) for which the Pro-Forma Adjusted Interest Rate shall be determined (hereinafter referred to as the "Pro-Forma Tender Bonds"). On the Certification Date, the Tender Bond Remarketing Agent shall determine and certify to the Agency and the Trustee the Pro-Forma Adjusted Interest Rate with respect to the Pro-Forma Tender Bonds. The Pro-Forma Adjusted Interest Rate shall be the lowest rate or rates which, in the Tender Bond Remarketing Agent's judgment on the basis of prevailing market conditions, would permit the resale of the Pro-Forma Tender Bonds at par plus accrued interest, if any, on the Certification Date.

(ii) If on or after any Certification Date (A) the Agency determines that the yield (calculated as of the Certification Date) on the Pro-Forma Tender Obligations bearing interest at the Pro-Forma Adjusted Interest Rate is at least 1/2 of 1% lower than the yield on the Series 18 Obligations (calculated as of the original date of authentication and delivery of the Series 18 Obligations) and (B) the Agency determines that the rate of interest to be borne by Loans allocable to proceeds of Series 18 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate does not exceed that rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford and does not exceed the maximum rate which is allowable under Section 143(g) or Section 148(a) of the Code without causing the Series 18 Obligations to become "arbitrage bonds" within the meaning of Section 143(g) or Section 148(a) of the Code and (C) the Agency determines that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds allocable to Series 18 Bonds bearing interest at the Pro-Forma Adjusted Interest Rate can be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency and (D) the Agency determines that the rate of interest on such Loans will be sufficient, together with all other Revenues and other funds available for the purpose, to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses (on the assumption that the Pro-Forma Tender Bonds will bear interest at the Pro-Forma Adjusted Interest Rate subsequent to the Certification Date), the Agency may elect in a certificate of an Authorized Officer delivered to the Trustee and the Tender Bond Remarketing Agent to call a Principal Amount of Series 18 Bonds which are Fixed-Rate Bonds (not in excess of the Principal Amount of Pro-Forma Tender Bonds) for mandatory tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds. The certificate of an Authorized Officer delivered to the Trustee shall also specify the Adjustment Date after with the Adjusted Rate Bonds shall bear interest at the Adjusted Interest Rate, which Adjustment Date, in the sole discretion of the Agency, shall be any date within the Adjustment Option Period not less than 33 days after the date such certificate is delivered to the Trustee.

(iii) If the Agency shall have elected to call a Principal Amount of Series 18 Bonds for tender on the Adjustment Date and exchange for or remarketing as Adjusted Rate Bonds as provided in Paragraph (ii) of this Section 2.03, the Trustee shall select the Outstanding Series 18 Bonds (hereinafter refereed to as "Series 18 Tender Bonds") to be tendered (in aggregate Principal Amount equal to the Principal Amount of Series 18 Bonds specified by the Agency pursuant to Paragraph (a)(ii) of this Section 2.03). If less than all Series 18 Bonds are to be tendered, Series 18 Bonds of each maturity Outstanding shall be called for tender, as nearly as practicable, in accordance with the ratio which the aggregate Principal Amount of Series 18 Bonds of each maturity Outstanding bears to the aggregate Principal Amount of all Series 18 Bonds of all maturities Outstanding. If less than all Series 18 Bonds of any particular maturity are to be tendered, the Trustee shall select by lot the Series 18 Bonds within such maturity to be tendered. Not later than the Notice Date, notice of tender shall be given by the Trustee, in the name of the Agency, by first-class registered mail to all Holders of Series 18 Tender Bonds at their addresses appearing on the registration books of the Agency maintained by the Trustee (or at such other address as may have been provided to the Trustee for such purpose). A copy of such notice shall be furnished by the Agency on or before the Notice Date to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding. In addition to the purposes provided in this Section 2.03, the notice of tender shall also constitute a notice of redemption of the Series 18 Tender Bonds on the Adjustment Date in whole or in part pursuant to Section 2.04(d) and Section 3.03(c) to the extent the conditions provided in Paragraphs (a)(iv) or (vii) of this Section 2.03 shall occur. Each such notice shall state in effect:

(A) the Principal Amount of Series 18 Tender Bonds owned by such Holder and the bond numbers and maturity dates thereof;

(B) the calendar date on which the Adjustment Date will occur and that, unless the conditions provided in Paragraph (iv) or Paragraph (vii) of this Section 2.03(a) shall occur, Series 18 Tender Bonds of such Holder will be exchanged for and either redelivered to such Holder or remarketed as Adjusted Rate Bonds on the Adjustment Date, in either case bearing the same maturity dates as the Series 18 Tender Bonds for which they were exchanged;

(C) that the Holders of Series 18 Tender Bonds will no longer be entitled to receive interest on such Bonds after the Adjustment Date, except in the case of Series 18 Tender Bonds retained as provided in Section 2.03(b)(iii) hereof and not purchased (in which case such Bonds shall, from and after the Adjustment Date, bear interest at the Adjusted Interest Rate);

(D) that each Series 18 Tender Bond shall be purchased on the Adjustment Date unless the Bondholder directs the Agency and the Trustee not to purchase all or any specified portion of such Holder's Series 18 Tender Bonds (which portion shall not be less than $5,000 and shall be in whole multiples of $5,000 in Principal Amount) upon compliance by such Bondholder with the provisions of clause (iii) of Section 2.03(b);

(E) the date by which a Holder making the election described in Section 2.03(b)(iii) hereof must notify the Trustee of such election and the address and facsimile number to which a Holder making the election may deliver notice of such election;

(F) that if the Series 18 Tender Bonds had been exchanged for Adjusted Rate Bonds on the Certification Date, they would have borne interest thereafter at the Pro-Forma Adjusted Interest Rate and that the actual Adjusted Interest Rate will be determined on the Calculation Date (describing the dates on which the Calculation Date may occur and the method by which the actual Adjusted Interest Rate will be determined);

(G) that, whether or not each Bondholder elects to direct the Agency and the Trustee not to purchase any or all of such Bondholder's Series 18 Tender Bonds in accordance with Section 2.03(b)(iii), unless such Bonds are registered in the name of the Bond Depository or its nominee, such Bondholder shall deliver such Bond or Bonds to the Trustee no later than 10:30 a.m. (New York City time) on the Adjustment Date duly endorsed in blank for transfer (the Trustee and the Bond Depository may agree as to any procedures to be followed by them with respect to the delivery of Series 18 Tender Bonds); and

(H) that if no adjustment of interest rate takes place as a result of a failure of or inability of the Tender Bond Remarketing Agent to set the Adjusted Interest Rate on the Calculation Date, or otherwise as provided herein, whether or not a Bondholder has elected to direct the Agency or the Trustee not to purchase all or a portion of such Bondholder's Series 18 Tender Bonds, all of such Series 18 Tender Bonds will be subject to mandatory redemption on the Adjustment Date.

(iv) On the Calculation Date the Tender Bond Remarketing Agent shall determine and announce to the Trustee and the Agency, in addition to those matters set forth in Paragraph (v) of this Section 2.03(a), the Adjusted Interest Rate that the Adjusted Rate Bonds of each applicable maturity shall bear as of the Adjustment Date. The Adjusted Interest Rate shall be the interest rate which, in the judgment of the Tender Bond Remarketing Agent, as of the date of such determination and under prevailing market conditions, would permit the resale of the Adjusted Rate Bonds on such date at par plus accrued interest, if any. If the Tender Bond Remarketing Agent shall fail or be unable to set the Adjusted Interest Rate on the Calculation Date, all Series 18 Tender Bonds shall be subject to mandatory redemption on the Adjustment Date. The Tender Bond Remarketing Agent shall announce the Adjusted Interest Rate by telephone to the Trustee and the Agency prior to 12:00 Noon, New York City time, on the Calculation Date, and shall confirm such notice by telex, facsimile or in writing or by wire sent on the same day or by next-day delivery service. Subject to Paragraph (vii) of this Section 2.03(a), as soon as possible after the Calculation Date the Trustee shall notify Bondholders who elected not to have their Series 18 Tender Bonds purchased pursuant to subparagraph (b)(iii) below of the Adjusted Interest Rate applicable to the Adjusted Rate Bonds to be retained by such holders. Following the Calculation Date, but in no event later than the second Business Day prior to the Adjustment Date, the Agency shall also deliver to the Trustee (1) an Arbitrage Projection Certificate, (2) a Remarketing Projection of Revenues satisfying the provisions of Paragraph (vi) of this Section 2.03(a), (iii) an Adjustment Rating Certificate and (3) a certificate of an Authorized Officer to the effect that the balance on deposit in the Bond Reserve Fund and the Series 18 Loan Loss Claim Fund as of the Adjustment Date will not be less than the Bond Reserve Fund Requirement and the Series 18 Loan Loss Claim Fund Requirement, respectively, calculated as of the Adjustment Date.

(v) On the Certification Date and on the Calculation Date, the Tender Bond Remarketing Agent shall deliver to the Agency and the Trustee a schedule of Principal Installments (including Sinking Fund Installments, if any) of the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable. The maturity dates of, and schedule of Principal Installments for, the Pro-Forma Tender Bonds and the Adjusted Rate Bonds, as applicable, shall be the same dates and schedule as established pursuant to Sections 2.01 and 2.04(d) hereof for the Series 18 Bonds for which they are to be exchanged, provided that, the Sinking Fund Installments, if any, for the Adjusted Rate Bonds of any maturity shall be the pro-rata proportion of each Sinking Fund Installment established for such maturity by the Tender Bond Remarketing Agent pursuant to Section 2.04(d) hereof determined, as nearly as practicable, in accordance with the ratio which the aggregate Outstanding Principal Amount of Adjusted Rate Bonds of such maturity bears to the aggregate Outstanding Principal Amount of all Series 18 Bonds of such maturity.

(vi) In addition to the requirements of Section 610 of the Resolution, the Remarketing Projection of Revenues delivered in connection with the remarketing of the Adjusted Rate Bonds shall assume the schedule of Principal Installments for the Adjusted Rate Bonds delivered to the Agency on the Calculation Date in accordance with Paragraph (v) of this Section 2.03(a) and shall demonstrate that following such remarketing expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that the amount of Revenues and other funds available to pay Aggregate Debt Service in the current and each subsequent Fiscal Year on all Bonds Outstanding other than the Series 18 Tender Bonds, and to pay all Program Expenses allocable to such Bonds, will be greater following adjustment of the Series 18 Tender Bonds to Adjusted Rate Bonds than would be the case if the Agency did not remarket the Adjusted Rate Bonds but redeemed the Series 18 Tender Bonds in accordance with Section 2.04(b) hereof. A copy of the Remarketing Projection of Revenues, together with a schedule of Investment Obligations in which the proceeds of the Series 18 Bonds will be invested following the Adjustment Date, shall be furnished by the Agency to each Nationally Recognized Credit Rating Agency then maintaining a rating on the Series 18 Bonds not later than five days prior to the Adjustment Date. In addition to the foregoing requirements, the Remarketing Projection of Revenues shall also take into account the provisions of Section 3.03(c) hereof. No moneys, other than Revenues, and no other amounts, Reserve Deposits or Series 18 Loan Loss Claim Fund Deposits, other than amounts, Reserve Deposits and Series 18 Loan Loss Claim Fund Deposits available therefor on the Adjustment Date for such Adjusted Rate Bonds in the Funds and Accounts held under the Resolution, and no other Additional Security for the Series 18 Bonds, shall be assumed in such Remarketing Projection of Revenues to be available to pay the Series 18 Bonds unless at or prior to such Adjustment Date the Agency shall have deposited such moneys, Reserve Deposits or Series 18 Loan Loss Claim Fund Deposits in one or more of the Funds or Accounts held under the Resolution, or shall have assigned or delivered such Additional Security to the Trustee, and shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such moneys, Reserve Deposits, Series 18 Loan Loss Claim Fund Deposits or Additional Security have been validly pledged as security for the payment of the Principal Amount and Redemption Price of and interest on the Bonds and that such assignment or delivery will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 18 Obligation Outstanding.

(vii) If on or prior to the second Business Day immediately preceding the Adjustment Date either (A) the Agency shall fail to deliver to the Trustee the

Arbitrage Projection Certificate, Adjustment Rating Certificate or Remarketing Projection of Revenues or certificate of an Authorized Officer described in Paragraph (iv) of this Section 2.03(a) or (B) either (1) the Agency shall determine (and certify to the Trustee) that the rate of interest to be borne by Loans to be acquired with the proceeds attributable to the Adjusted Rate Bonds exceeds the rate which the Agency reasonably determines is the maximum rate which eligible Borrowers can afford or (2) the Agency shall have reasonably determined (and shall so certify to the Trustee) that Mortgage Lenders would be unable or unwilling to originate Loans for sale to the Agency at such rate or in a principal amount sufficient to fully apply all proceeds allocable to the Adjusted Rate Bonds as herein provided, or (3) the Agency shall determine that Loans made by or on behalf of the Agency, directly or indirectly, with proceeds attributable to the Adjusted Rate Bonds cannot be issued bearing a rate or rates of interest which will be less than the prevailing rate of interest on comparable loans available in the State without the assistance of the Agency, the Series 18 Tender Bonds (or such portion of the Principal Amount thereof as the Agency shall determine is necessary to satisfy the provisions of this Paragraph (vii)) shall not be exchanged for or remarketed as Adjusted Rate Bonds on the Adjustment Date but shall be redeemed on the Adjustment Date in accordance with Section 2.04(B) hereof.

(b) (i) Subject to Paragraph (b)(iii) of this Section 2.03, all Series 18 Tender Bonds shall be subject to mandatory tender for purchase on the Adjustment Date. Subject to the following sentence, any Series 18 Tender Bond subject to purchase on the Adjustment Date shall be purchased on the Adjustment Date from moneys transferred to the Debt Service Fund pursuant to Section 3.04(c) hereof at a purchase price equal to the Principal Amount thereof (including any initial issue premium paid with respect to the related maturity of the Series 18 Bonds) plus accrued interest, if any, thereon to the Adjustment Date, and without premium. There shall not be purchased from such moneys:

(A) Series 18 Tender Bonds purchased with remarketing proceeds as contemplated by subparagraph (ii) hereof;

(B) Series 18 Tender Bonds with respect to which the Trustee shall have received directions from the Holder thereof in accordance with subparagraph (c) hereof not to purchase the same; or

(C) Series 18 Tender Bonds issued in exchange for or upon the transfer of Series 18 Tender Bonds referred to in the preceding subclauses (A) or (B).

(ii) In lieu of purchase from moneys held in the Debt Service Fund in accordance with Section 3.04(c) hereof, the purchase price of Series 18 Tender Bonds subject to purchase on the Adjustment Date may be paid from the proceeds of sale of the Adjusted Rate Bonds to a person or persons designated by the Remarketing Agent (who may but need not be the Tender Bond Remarketing Agent) at par plus accrued interest, if any. Adjusted Rate Bonds shall be sold to the person or persons designated by the Tender Bond Remarketing Agent if the purchase price in immediately available funds is delivered to the Trustee by 10:30 a.m., New York City time on the Adjustment Date. The Tender Bond Remarketing Agent, acting pursuant to the Tender Bond Remarketing Agreement, shall notify the Trustee in writing no later than the close of business on the third Business Day immediately preceding the Adjustment Date of the identity of the purchasers to whom the Adjusted Rate Bonds shall be remarketed as of the Adjustment Date, the names in which such Bonds are to be registered and addresses and tax identification number of such purchasers and the Principal Amount, denominations, maturity date or dates and interest rate or rates of the Adjusted Rate Bonds which shall be so purchased.

(A) Any Series 18 Tender Bond subject to purchase and not delivered to the corporate trust office of the Trustee (or to a depository previously approved by the Trustee) by 10:30 a.m., New York City time, on the Adjustment Date will be deemed tendered, and an Adjusted Rate Bond may be issued in place thereof and delivered to the purchaser thereof. Any Series 18 Tender Bond deemed tendered and purchased shall not bear interest from and after the Adjustment Date and shall not be entitled to any rights under, or be secured by the pledge of, the Resolution, but shall have only the right to receive the purchase price thereof.

(B) For all Series 18 Tender Bonds purchased as herein provided, the Trustee shall authenticate Adjusted Rate Bonds in the appropriate denominations and maturity and bearing interest at the Adjusted Interest Rate and, after receipt of the purchase price therefor, deliver the same to, and register the same in the name of, such person or persons as shall be designated by the Remarketing Agent. Any Series 18 Tender Bonds presented to the Trustee after the Adjustment Date for payment shall be paid from the aforementioned amounts set aside and shall be cancelled in accordance with Section 308 of the Resolution.

(iii) Any Holder of Series 18 Tender Bonds who has received notice that such Holder's Series 18 Tender Bonds will be exchanged for Adjusted Rate Bonds may direct in writing by mail or by telex or facsimile received by an officer in the Corporate Trust Division of the Trustee no later than 4:00 p.m. (New York City time) on the fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day), as specified in such notice, that all or any specified portion of such Holder's Series 18 Tender Bonds (which portion shall not be less than $5,000 and shall be in whole multiples of $5,000 in Principal Amount) not be purchased, provided that, except with respect to Series 18 Tender Bonds registered in the name of the Bond Depository or its nominee, in lieu of purchase, such person agrees to exchange such specified portion of such Series 18 Tender Bonds for an amount of Adjusted Rate Bonds equal in Principal Amount to the Series 18 Tender Bonds tendered for exchange and of the same maturity as the Series 18 Tender Bonds so exchanged. The Trustee and the Bond Depository may agree to other arrangements for evidencing the exchange of Series 18 Tender Bonds for Adjusted Rate Bonds in the case of Series 18 Tender Bonds registered in the name of the Bond Depository or its nominee. The Trustee shall notify the Remarketing Agent and the Agency by 5:00 p.m. (New York City time) on the Fifteenth (15th) day prior to the Adjustment Date (or if such day is not a Business Day, on the next succeeding Business Day) of the aggregate amount of Series 18 Tender Bonds with respect to which notices were so received and the maturity dates thereof.

(iv) Unless otherwise agreed to by the Trustee with respect to Series 18 Tender Bonds registered in the name of the Bond Depository or its nominee, the direction of a Holder of Series 18 Tender Bonds described in subparagraph (iii) of this Section 2.03(b) shall be substantially in the form of Exhibit A hereto and shall state:

(A) the maturity date or dates of the Adjusted Rate Bonds for which the Holder's Series 18 Tender Bonds are to be exchanged and the Principal Amount or Amounts applicable to such maturity date(s) but shall acknowledge that if the conditions described in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall occur, such Holder's Series 18 Tender Bonds shall be subject to mandatory redemption despite direction to the contrary; and

(B) that such person is the owner of the Series 18 Tender Bonds to be exchanged for Adjusted Rate Bonds.

(v) Series 18 Tender Bonds purchased with moneys on deposit in the Debt Service Fund pursuant to Section 2.03(b)(i) hereof shall be cancelled by the Trustee.

(vi) Notwithstanding anything herein to the contrary, the aggregate principal amount of Adjusted Rate Bonds may be in an amount which exceeds the aggregate principal amount of Series 18 Tender Bonds (which increased amount reflects the unamortized premium paid with respect to any Series 18 Tender Bonds) upon receipt by the Trustee and the Agency of an opinion of Bond Counsel to the effect that the remarketing of the Adjusted Rate Bonds in such amount will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series 18 Obligation.

Section 2.04. Redemption Provisions.

(a) The Series 18 Obligations shall be subject to optional redemption as set forth in the Series Certificate.

(b) All Series 18 Tender Bonds shall be subject to redemption prior to maturity in whole or in part on the Adjustment Date as provided in Section 2.03(a)(iv) and Section 2.03(a)(vii) hereof from moneys deposited in the Special Redemption Account pursuant to Section 3.04(b) hereof at a Redemption Price of par plus accrued interest to the redemption date.

(c) The Series 18 Bonds shall be subject to special redemption as set forth in the Series Certificate upon compliance with the provisions of Section 509 of the Resolution.

(d) If so provided in the Series Certificate, Series 18 Bonds maturing on the dates set forth in the Series Certificate shall be subject to redemption prior to maturity in part on the dates and in the amounts set forth in the Series Certificate through application of Sinking Fund Installments at a Redemption Price equal to the Principal Amount of each Series 18 Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

(e) Except as otherwise provided herein, notice of redemption of Series 18 Obligations, bearing, in addition to such other information as may be required by Section 405 of the Resolution, the "CUSIP" number of each Series 18 Obligation or portion thereof to be redeemed, the date and interest rate of such Series 18 Obligation or portion and the name and telephone number of a representative of the Trustee from whom information regarding such redemption can be obtained, shall be given by mailing a copy of such notice not more than 60 days and not less than 30 days prior to the redemption date to the registered owners of all Series 18 Obligations or portions thereof to be redeemed. Notwithstanding anything herein or in the Resolution to the contrary, notice of redemption of any Series 18 Obligations or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of Series 18 Obligations Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. Failure to mail any redemption notice as herein provided with respect to a Series 18 Obligation or any defect therein shall not affect the redemption of any other Series 18 Obligations for which the required notice of redemption shall have been given. Not less than two Business Days prior to the giving of any notice of redemption of Series 18 Obligations to the registered owners thereof, the Agency shall also give notice of such redemption to at least two national information services who customarily disseminate information concerning the redemption of bonds (provided failure to give such notice or any defect therein shall not affect the redemption of such Series 18 Obligations on the redemption date therefor). If any Series 18 Obligations called for redemption as provided herein are not presented for payment within 60 days of the redemption date, the Trustee shall mail an additional notice of the redemption of such Series 18 Obligations to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect the redemption of such Series 18 Obligations on the redemption date therefor.

Section 2.05. Sale of Series 18 Obligations.

(a) The Series 18 Obligations shall be sold to the Underwriters and any other direct purchasers of the Series 18 Obligations on the terms and conditions, and upon the representations set forth in the Purchase Contracts; provided, however, that in no event shall the Yield on the Series 18 Obligations exceed a Yield which would result in an interest rate on the zero point Mortgage Loans to be financed with the proceeds of the Series 18 Bonds in excess of 6.50% per annum nor may any Series 18 Bond mature later than November 1, 2035 or any Series 18 Notes mature later than May 1, 2006.

(b) The distribution of the preliminary Official Statement in a form comparable to the forms previously used by the Agency and acceptable to Counsel to the Agency is hereby authorized in all respects. The final Official Statement in substantially the form of the preliminary Official Statement, as modified and supplemented to reflect the pricing of the Series 18 Obligations, is hereby approved and the execution and delivery thereof to the Underwriters is hereby authorized in all respects.

(c) The Series 18 Obligations shall be delivered upon compliance with the provisions of Section 204 of the Resolution, at the time and place provided by the related Purchase Contract.

(d) The proceeds of the good faith check received by the Agency under any Purchase Contract shall be deposited with the Trustee in a special account established by the Agency and invested in Investment Obligations, subject to the terms of the related Purchase Contract.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF PROCEEDS OF SERIES 18 OBLIGATIONS

Section 3.01. Establishment of Funds and Accounts.

(a) In accordance with Section 502 of the Resolution, the Series 18 Loan Loss Claim Fund is hereby established to be held by the Trustee. The Series 18 Loan Loss Claim Fund shall be deemed to be Additional Security for the Series 18 Bonds within the meaning and with the effect given by Section 207 of the Resolution, and the Series 18 Loan Loss Claim Fund Surety Bond, if any, Investment Obligations and Series 18 Loan Loss Claim Fund Deposits held in such Fund shall be used for the purposes and as provided in Section 3.06 of this Twenty-Second Supplemental Resolution.

(b) There are hereby ordered to be established in the Program Fund one or more separate accounts to be designated as "Program Accounts" and "Premium Accounts" moneys in each of which shall be used for the purposes and as authorized by Section 504 of the Resolution and Section 3.03 of this Twenty-Second Supplemental Resolution. The actual number of such Program Accounts and Premium Accounts shall be set forth in the Series Certificate. There shall also be established within any Program Account relating to the Series 18 Bonds a separate subaccount designated the "Series 18 Tender Bonds Proceeds Subaccount," moneys in which shall be used solely for the purposes and as authorized by Section 3.04 hereof. Except as provided in Section 3.04 hereof, amounts on deposit in the Series 18 Tender Bonds Proceeds Subaccount shall be considered for all proposes of the Resolution as on deposit in the related Program Account for such Series 18 Bonds.

(c) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 18 Cost of Issuance

Account," moneys in which shall be used for the purposes and as authorized by Section 505(A) of the Resolution.

(d) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Program Fund designated the "Series 18 Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Section 505(B) of the Resolution.

(e) In accordance with Section 502 of the Resolution, a separate account is hereby established in the Redemption Fund to be held by the Trustee designated the "Series 18 Contingency Account," the amounts in which shall be used for the purposes and as authorized by Section 3.05 of this Twenty-Second Supplemental Resolution. The Series 18 Contingency Account shall be deemed to be Additional Security for the Series 18 Bonds within the meaning and with the effect given by Section 207 of the Resolution.

(f) There is hereby established in the Rebate Fund a separate account designated the "Series 18 Rebate Account," moneys in which shall be used for the purposes and as authorized by Section 510 of the Resolution and Section 3.07 of this Twenty-Second Supplemental Resolution.

Section 3.02. Application of Proceeds and Other Moneys.

(a) Upon the authentication and delivery of the Series 18 Obligations, the proceeds of sale of the Series 18 Obligations shall be deposited by the Trustee as provided in the Series Certificate.

(b) On or before the original delivery date of the Series 18 Obligations, the Agency shall deliver to the Trustee cash, the Series 18 Loan Loss Claim Fund Surety Bond or Series 18 Loan Loss Claim Fund Deposits, in an aggregate stated amount equal to the Series 18 Loan Loss Claim Fund Requirement, to be held by the Trustee for the credit of the Series 18 Loan Loss Claim Fund, as provided in Section 3.06 hereof.

(c) On or before the original delivery date of the Series 18 Bonds, the Agency shall deliver cash, the Series 18 Contingency Account Surety Bond or Series 18 Contingency Account Deposits to the Trustee in the amount provided in the Series Certificate. If a Series 18 Contingency Account Deposit is other than cash, the Series 18 Contingency Account Deposit shall have an initial term of at least five years from its date and shall be held by the Trustee for the credit of the Series 18 Contingency Account.

Section 3.03. Application of Certain Amounts in Series 18 Program Accounts.

(a) Notwithstanding anything in the Resolution to the contrary, except as hereinafter provided or as otherwise provided in the Series Certificate, amounts deposited in any Program Account created with respect to the Series 18 Bonds in accordance with the Series Certificate shall be applied solely to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing) as provided herein, in the Series Certificate and in Section 504 of the Resolution. Amounts deposited in any Program Account created with respect to the Series 18 Bonds as provided herein, in the Series Certificate or in the Resolution may be applied by the Agency to the purchase or making of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans provided that at or prior to the purchase or making of any such Loan (i) the Agency shall furnish to each Nationally Recognized Credit Rating Agency the form of purchase agreement, servicing agreement, operations manual and other Program instruments and guidelines pursuant to which such Loans will be purchased or made, and (ii) the Agency shall deliver to the Trustee a letter from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the purchase or making of such Loans will not cause such agency to lower, suspend or otherwise modify adversely the unenhanced credit ratings then assigned to any Bonds Outstanding. In connection with the purchase of Cooperative Housing Loans, Mortgage Loans for the construction of Residential Housing or Home Improvement Loans, if any, hereunder the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms of such Loans and any conditions to the purchase or making thereof and providing for any Additional Security therefor or for the Series 18 Bonds in accordance with Section 207 of the Resolution.

(b) Amounts on deposit in any Program Account allocable to the Series 18 Bonds shall be applied by the Agency to the purchase or origination of Loans bearing interest at rates not less than the rates set forth in the Series Certificate for each type of Loan authorized by the Series Certificate. Notwithstanding the foregoing, the Agency may purchase or make Loans with provisions differing from the foregoing restriction if at or prior to the purchase or making of such Loans the Agency delivers to the Trustee (i) a Projection of Revenues demonstrating that following the purchase or making of such Loans, expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, and (ii) an opinion of Bond Counsel to the effect that the purchase or making of such Loans will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 18 Obligations.

(c) Amounts, if any, of deposit in any Premium Account allocable to the Series 18 Bonds of the Program Fund shall be applied by the Agency to provide down payment and closing cost assistance to borrowers who elect to receive Downpayment Assistance Loans as described in the Series Certificate. Notwithstanding the foregoing, the Agency may use amounts on deposit in any Premium Account allocable to the Series 18 Bonds to purchase or make Loans which do not constitute Downpayment Assistance Loans if at or prior to the purchase or making of such Loans to the Agency delivers to the Trustee the Protection of Revenues and opinion of Bond Counsel described in clause (i) and (ii) of paragraph (b) of this Section 3.03.

(d) Amounts on deposit in any Program Account allocable to Series 18 Notes shall be retained therein and applied to the payment of principal and interest on the related Series of Series 18 Notes.

(e) Upon the mandatory tender of Series 18 Bonds pursuant to Section 2.03(b) hereof, the redemption of Series 18 Tender Bonds pursuant to Section 2.04(b) hereof or the redemption of Series 18 Bonds from unexpended proceeds pursuant to Section 2.04(c) hereof, amounts on deposit in the Series 18 Premium Account allocable to the initial issue premium, if any, paid with respect to the Series 18 Bonds, shall be transferred to the Series 18 Tender Bonds Proceeds Subaccount or the Special Redemption Account, as applicable, to pay a portion of the tender price or redemption price, as applicable, of the Series 18 Bonds.

Section 3.04. Application of Series 18 Tender Bond Proceeds Subaccount.

(a) Notwithstanding anything in Section 504 of the Resolution to the contrary, upon receipt by the Trustee of the certificate of an Authorized Officer described in Section 2.03(a)(ii) hereof to the effect that the Agency has elected to call a Principal Amount of Series 18 Bonds for exchange for or remarketing as Adjusted Rate Bonds on the Adjustment Date, the Trustee shall withdraw (i) from the Program Accounts allocable to the Series 18 Bonds and deposit in the Series 18 Tender Bonds Proceeds Subaccount an amount equal to the Principal Amount of Series 18 Bonds so certified and (ii) from any Premium Account allocable to the Series 18 Bonds and deposit in the Series 18 Tender Bonds Proceeds Subaccount an amount equal to the initial issue premium paid with respect to any Series 18 Tender Bonds. Until the Adjustment Date, the amount so deposited shall be applied solely as provided in Paragraph (b) and (c) of this Section 3.04.

(b) Notwithstanding anything in Section 504 of the Resolution to the contrary, if the conditions specified in Section 2.03(a)(iv) or Section 2.03(a)(vii) hereof shall have occurred, the Trustee shall transfer from the Series 18 Tender Bonds Proceeds Subaccount to the Series 18 Special Redemption Account in the Redemption Fund all or such portion of such funds on deposit in the Series 18 Tender Bonds Proceeds Subaccount as shall be directed by the Agency for application to the redemption of all Series 18 Tender Bonds in accordance with Section 2.04(b) hereof.

(c) Notwithstanding anything in Section 504 of the Resolution to the contrary, if on the Adjustment Date any Series 18 Tender Bonds have not been remarketed as Adjusted Rate Bonds in accordance with Section 2.03(b)(ii) hereof, the Trustee shall transfer from the Series 18 Tender Bonds Proceeds Subaccount to the Debt Service Fund an amount equal to the sum of (i) the Principal Amount of all such Series 18 Tender Bonds not so remarketed and (ii) the initial issue premium allocable to any Series 18 Tender Bonds issued with such premium not so remarketed. The amounts so transferred shall be applied on the Adjustment Date to the purchase of Series 18 Tender Bonds as provided in Section 2.03(b)(i) hereof.

(d) Notwithstanding anything herein to the contrary, on the Adjustment Date, but only upon compliance with Paragraph (b) and (c) of this Section 3.04, the Trustee shall return the entire balance then remaining in the Series 18 Tender Bonds Proceeds Subaccount to the related Program Account allocable to the Series 18 Bonds and any Premium Account allocable to the Series 18 Bonds, as applicable, for application thereafter as provided in Section 504 of the Resolution and Section 3.03 hereof.

Section 3.05. Application of Series 18 Contingency Account.

(a) Notwithstanding anything in the Resolution to the contrary, in connection with the purchase or redemption of Bonds with funds on deposit in a Special Redemption Account pursuant to Section 509(C) of the Resolution, the Agency may pay to the Trustee for deposit in the Revenue Fund amounts from the General Fund or from any other lawful source available to the Agency to the extent that the Projection of Revenues required by Section 509(G) of the Resolution shows that the balance to be on deposit and available for such purpose on the redemption date of such Bonds in all Funds and Accounts under the Resolution, other than the Rebate Fund, will be insufficient to satisfy the requirements of said Section 509(G) of the Resolution with respect to such purchase or redemption.

(b) The Trustee shall hold the cash deposited by the Agency, the Series 18 Contingency Account Surety Bond or the Series 18 Contingency Account Deposit, as applicable, for the credit of the Series 18 Contingency Account as security for the payment to the Trustee for deposit in the Revenue Fund of amounts, if any, necessary to satisfy the requirements of Section 509(G) of the Resolution upon any redemption of Series 18 Bonds (and, to the extent provided in the Series Certificate, any other Bonds of the Agency) as described in Paragraph (a) of this Section 3.05 and, to the extent provided in the applicable Supplemental Resolution and, if the Agency has provided a Series 18 Contingency Account Deposit, with the prior approval of the Series 18 Contingency Account Deposit Provider, upon the redemption of any other Series of Bonds Outstanding under the Resolution. The Agency hereby instructs the Trustee, as applicable, to withdraw funds on deposit in the Series 18 Contingency Account or to give notice to the Series 18 Contingency Account Deposit Provider and to draw upon the Series 18 Contingency Account Deposit in accordance with its terms to the extent that the amount on deposit and available therefor in all Funds and Accounts under the Resolution (other than amounts available under the Series 18 Contingency Account Deposit and amounts on deposit in or held for the credit of the Series 18 Loan Loss Claim Fund), after consideration of any other amounts deposited in the Revenue Fund pursuant to Paragraph (a) of this Section 3.05 or the related provision of any applicable Supplemental Resolution set forth in the Series Certificate is insufficient to enable the Agency to satisfy the requirements of Section 509(G) of the Resolution with respect to the purchase or redemption of Series 18 Bonds (and any other Bonds of the Agency set forth in the Series Certificate) as described in Paragraph (a) of this Section 3.05. Any such certificate shall include instructions to the Trustee to draw upon the Series 18 Contingency Account Deposit to the extent of such deficiency and otherwise in accordance with its terms and to deposit the amount so drawn in the Revenue Fund.

(c) At any time while a Series 18 Contingency Account Deposit is held under the Resolution for the account of the Series 18 Bonds, the Agency may direct the Trustee to reduce the stated amount thereof or to cancel the Series 18 Contingency Account Deposit and return it to the Series 18 Contingency Account Deposit Provider upon the filing with the Trustee of a certificate of an Authorized Officer to the effect that the Agency has informed each Nationally Recognized Credit Rating Agency of such reduction or cancellation and each such Agency has confirmed that such reduction or cancellation will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding. In the event the Agency has deposited cash with the Trustee in lieu of a Series 18 Contingency Account Deposit, the Agency may direct the Trustee to withdraw any or all funds on deposit in the Series 18 Contingency Account and return such funds to the Agency upon the same conditions as a reduction or cancellation of the Series 18 Contingency Account Deposit.

(d) If the Trustee shall receive a notice from the Series 18 Contingency Account Deposit Provider pursuant to the Series 18 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 18 Reimbursement Agreement and the Series 18 Contingency Account Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the stated and unpaid amount of the Series 18 Contingency Account Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 18 Contingency Account.

(e) Subject to the provisions of Paragraph (c) of this Section 3.05, not less than five Business Days prior to the date of expiration of the Series 18 Contingency Account Deposit the Agency shall deposit with the Trustee an extension thereof or a substitute Series 18 Contingency Account Deposit therefor (the deposit of which will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency) in a stated amount equal to the stated amount of the initial Series 18 Contingency Account Deposit. If the Agency shall fail to deposit such extension or substitute letter of credit, not less than three Business Days prior to the expiration date of the Series 18 Contingency Account Deposit the Trustee shall draw upon the Series 18 Contingency Account Deposit the full amount then available to be drawn thereunder and shall deposit such amount in the Series 18 Contingency Account. If at any time thereafter the Agency shall certify to the Trustee in accordance with Paragraph (c) of this Section 3.05 that all or a portion of the amount on deposit in the Series 18 Contingency Account is not required for the purposes of such account, the Trustee shall pay the surplus in the Series 18 Contingency Account (as determined by the Agency) or the entire balance therein, as appropriate, to the Agency.

(f) Withdrawals from the Series 18 Contingency Account pursuant to Paragraphs (b) or (c) of this Section 3.05 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 18 Contingency Account and *second*, from amounts drawn on any Series 18 Contingency Account Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 18 Contingency Account is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 18 Contingency Account not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 18 Contingency Account Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 18 Contingency Account Deposit.

(g) Interest or other income derived from the investment or deposit of moneys, if any, in the Series 18 Contingency Account shall be transferred by the Trustee to the Agency.

Section 3.06. Application of Series 18 Loan Loss Claim Fund.

(a) The Trustee shall deposit in the Series 18 Loan Loss Claim Fund (i) the amount, if any, set forth in the Series Certificate, (ii) all amounts drawn on the Series 18 Loan Loss Claim Fund Deposit, if any, in accordance with this Section 3.06, (iii) any amount deposited therein from the Revenue Fund pursuant to Section 3.08 of this Twenty-Second Supplemental Resolution, (iv) all interest and other earnings on investment or deposit of amounts on deposit in the Series 18 Loan Loss Claim Fund and (v) any other amounts (not required by the Resolution to be otherwise deposited), as determined by the Agency. Except as otherwise provided herein, amounts on deposit in the Series 18 Loan Loss Claim Fund, including, without limitation, amounts drawn on the Series 18 Loan Loss Claim Fund Deposit, shall be used solely for the purposes provided in Paragraphs (b) and (c) of this Section 3.06.

(b) Upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that a Loan Loss has been realized on a defaulted Loan allocable to the Series 18 Bonds and specifying the amount of such Loan Loss, the Trustee shall withdraw from the Series 18 Loan Loss Claim Fund and deposit in the Revenue Fund the amount of such Loan Loss as so specified, or such lesser amount as directed in such certificate. Upon deposit thereof in the Revenue Fund, each Loan Loss Claim Fund Withdrawal shall constitute Revenues for all purposes of the Resolution.

(c) Notwithstanding anything herein to the contrary, if at any time the conditions described in Section 3.05(b) hereof shall occur and the amount on deposit in or held for the credit of the Series 18 Contingency Account shall be insufficient for the purposes of such account, the Trustee shall give notice to the Series 18 Loan Loss Claim Fund Deposit Provider and shall draw the amount of the deficiency from the Series 18 Loan Loss Claim Fund provided following such drawing and application of the amount withdrawn to the redemption of Bonds as contemplated by Section 3.05(b) hereof the amount on deposit in the Series 18 Loan Loss Claim Fund, together with the stated and unpaid amount of the Series 18 Loan Loss Claim Fund Deposit, if any, shall be not less than the Series 18 Loan Loss Claim Fund Requirement. Any amounts withdrawn from the Series 18 Loan Loss Claim Fund in accordance with this Paragraph (c) shall be deposited in the Revenue Fund and shall be applied to the redemption of Bonds as contemplated by Section 3.05(b) hereof.

(d) Withdrawals from the Series 18 Loan Loss Claim Fund pursuant to Paragraphs (b) or (c) of this Section 3.06 shall be made by the Trustee, *first*, from cash and Investment Obligations, if any, on deposit in the Series 18 Loan Loss Claim Fund and *second*, from amounts drawn on any Loan Loss Claim Fund Deposit. If at the time of making any withdrawal the amount of cash and Investment Obligations on deposit in the Series 18 Loan Loss Claim Fund is less than the withdrawal to be made, the Trustee shall notify the Agency of the amount of the deficiency and, unless the Agency shall pay to the Trustee for deposit in the Series 18 Loan Loss Claim Fund not later than the close of business on the Business Day next succeeding the date which such notice is received by the Agency an amount equal to such deficiency, the Trustee shall draw on the Series 18 Loan Loss Claim Fund Deposit the amount of the deficiency (or such portion thereof that has not been funded by such a deposit by the Agency) or, if less, the full amount available under the Series 18 Loan Loss Claim Fund Deposit.

(e) Notwithstanding the foregoing provisions of this Section 3.06, nothing in the Resolution or this Twenty-Second Supplemental Resolution shall obligate the Agency to deposit in the Series 18 Loan Loss Claim Fund an amount which would cause the balance in the Series 18 Loan Loss Claim Fund, after application of amounts therein to Loan Loss Claim Fund Withdrawals notice of which has theretofore been received by the Trustee, to exceed the Series 18 Loan Loss Claim Fund Requirement. Unless otherwise directed by the Agency, no Loan Loss Claim Fund Withdrawal shall be made by the Trustee if the amount of such Loan Loss Claim Fund Withdrawal, together with the amount of all Loan Loss Claim Fund Withdrawals theretofore made by the Trustee, would exceed an amount equal to (i) 1.85% of the sum of (A) the aggregate original principal amount of all Loans purchased under the Resolution from amounts on deposit in any Program Account allocable to the Series 18 Bonds plus (B) the aggregate amount, if any, then held in any Program Account allocable to the Series 18 Bonds which may be applied to the purchase of such Loans, or (ii) such lesser amount as each Nationally Recognized Credit Rating Agency confirms to the Agency will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(f) Notwithstanding anything herein or in the Resolution to the contrary, at any time the Agency may direct the Trustee to withdraw from the Series 18 Loan Loss Claim Fund and pay to the Agency all or any part of the moneys on deposit in the Series 18 Loan Loss Claim Fund provided that prior to any such withdrawal the Agency shall deliver to the Trustee (i) one or more Reserve Deposits in an aggregate amount available to be drawn thereunder, together with any moneys to remain on deposit in the Series 18 Loan Loss Claim Fund following such withdrawal, equal to not less than the Series 18 Loan Loss Claim Fund Requirement, (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that such withdrawal will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding and (iii) an opinion of Bond Counsel to the effect that such withdrawal will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds Outstanding. In connection with any such withdrawal and the deposit of any Reserve Deposit with the Trustee, the Agency may adopt a Supplemental Resolution pursuant to Section 701 of the Resolution specifying the terms and conditions under which such Reserve Deposit is held for the credit of the Series 18 Loan Loss Claim Fund.

(g) Subject to Paragraph (h) of this Section 3.06, if at any time the amount of cash and Investment Obligations on deposit in the Series 18 Loan Loss Claim Fund exceeds the Series 18 Loan Loss Claim Fund Requirement, the Trustee, at the request of the Agency, shall withdraw the excess (or such portion thereof as directed by the Agency) and deposit it in the Revenue Fund.

(h) If at any time (i) the amount of cash and Investment Obligations in the Series 18 Loan Loss Claim Fund exceeds the Series 18 Funded Loan Loss Claim Fund Requirement, and/or (ii) the stated and unpaid amount of the Series 18 Loan Loss Claim Fund Deposit exceeds the Series 18 Loan Loss Claim Fund Requirement, the Agency may direct the Trustee to notify the Series 18 Loan Loss Claim Fund Deposit Provider of a reduction in the stated amount of the Series 18 Loan Loss Claim Fund Deposit; provided that if any such excess has resulted from a decrease in the Series 18 Loan Loss Claim Fund Requirement other than due to the payment of Loan Loss Claim Fund Withdrawals in accordance with this Section 3.06, the direction of the Agency shall be accompanied by letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) to the effect that the reduction of the Series 18 Loan Loss Claim Fund Deposit will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

(i) If the Trustee shall receive a notice from the Series 18 Loan Loss Claim Fund Deposit Provider pursuant to the Series 18 Reimbursement Agreement, if any, to the effect that an Event of Default has occurred and is continuing under the Series 18 Reimbursement Agreement and the Series 18 Loan Loss Claim Fund Deposit Provider has elected to direct the Trustee to make a drawing of an amount equal to the lesser of the Series 18 Loan Loss Claim Fund Requirement or the stated and unpaid amount of the Series 18 Loan Loss Claim Fund Deposit, the Trustee shall make such drawing and shall deposit the amount so drawn in the Series 18 Loan Loss Claim Fund.

(j) Not less than five Business Days prior to the date of expiration of the Series 18 Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of the Series 18 Loan Loss Claim Fund Deposit in a stated amount available to be drawn thereunder not less than the lesser of (i) an amount equal to the Series 18 Loan Loss Claim Fund Requirement calculated at such date less the aggregate amount of cash and Investment Obligations, if any, on deposit in the Series 18 Loan Loss Claim Fund at such date and (ii) the stated amount of the Series 18 Loan Loss Claim Fund Deposit at such date. If the Agency shall fail to deposit such extension of the Series 18 Loan Loss Claim Fund Deposit with the Trustee, not less than three Business Days prior to the expiration date of the Series 18 Loan Loss Claim Fund Deposit, the Trustee shall draw on the Series 18 Loan Loss Claim Fund Deposit and deposit in the Series 18 Loan Loss Claim Fund an amount sufficient to cause the Series 18 Funded Loan Loss Claim Fund Requirement to equal the Series 18 Loan Loss Claim Fund Requirement as of such date or, if less, the full amount then available to be drawn under the Series 18 Loan Loss Claim Fund Deposit.

(k) Notwithstanding anything herein or in the Resolution to the contrary, the Series 18 Loan Loss Claim Fund Requirement shall be reduced to zero if at any time the Agency shall file with the Trustee (i) a certificate of an Authorized Officer to the effect that the Agency then maintains or has caused to be maintained in full force and effect a policy or policies of insurance obtained by the Agency under which an insurance company qualified to do business in the State insures the Agency on a portfolio basis, for so long as any Series 18 Bonds are Outstanding under the Resolution, against loss arising out of default on Loans purchased or made from moneys on deposit in any Program

Account allocable to the Series 18 Bonds during the period of insurance eligibility specified in such policy up to such aggregate loss limit as the Agency shall determine in its discretion, and (ii) letters from each Nationally Recognized Credit Rating Agency (or other evidence satisfactory to the Trustee) confirming that the provision of such insurance and the reduction of the Series 18 Loan Loss Claim Fund requirement will not adversely affect the unenhanced credit ratings then assigned to any Bonds Outstanding.

Section 3.07. Series 18 Rebate Account.

(a) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall pay to the United States at least once every five years an amount determined in accordance with said Section 148(f) equal to the sum of (i) the excess of the amount earned on all Nonpurpose Investments (hereinafter defined) (other than investments attributable to an excess described in this clause) over the amount which would have been earned if such Nonpurpose Investments were invested at a yield equal to the Yield on the Series 18 Obligations, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amount to the United States, in a manner consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Series 18 Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the amount of such excess investment earnings and the Series 18 Rebate Requirement.

(b) Within 30 days of the end of each Bond Year, the Agency shall furnish to the Trustee a certificate of an Authorized Officer, upon which the Trustee may conclusively rely, setting forth the Series 18 Rebate Requirement for such Bond Year.

(c) Within 60 days after the close of the fifth Bond Year, and at least once in each five-year period thereafter, the Trustee shall pay from the Series 18 Rebate Account to the United States on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified and directed by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Within 60 days after the Series 18 Obligations have been paid in full, the Trustee shall pay to the United States from the Series 18 Rebate Account on behalf of the Agency the full amount then required to be paid under Section 148(f) as certified by the Agency in a certificate of an Authorized Officer delivered to the Trustee prior to the due date of such payment. Each such payment shall be filed with the Internal Revenue Service Center, 1600 W. 1200 S., Ogden, UT 84201 or any successor location specified by the Internal Revenue Service, accompanied by a copy (furnished to the Trustee by the Agency) of the Form 8038-T (or other similar information reporting form).

(d) In the event that, at the time of any required payment of the Series 18 Rebate Requirement, the amount in the Series 18 Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not pledged under the Resolution to the Bonds.

(e) In the event that on any Interest Payment Date of the Series 18 Obligations the amount on deposit in the Series 18 Rebate Account exceeds the Series 18 Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer, shall withdraw such excess amount and deposit it in the Revenue Fund.

(f) For purposes of this Section 3.07, the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at accreted value or market value, as appropriate for the purposes of this Section 3.07. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(g) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f) of the Code and shall retain such records for at least six years following final payment of the Series 18 Obligations.

(h) The purpose of this Section 3.07 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretations thereof. Accordingly, this section shall be construed so as to meet such requirements.

Section 3.08. Application of Certain Amounts in Revenue Fund.

(a) Notwithstanding anything in Section 506(B) of the Resolution to the contrary, on or before each Interest Payment Date of the Series 18 Obligations, after satisfying the requirements of Clauses (i) through (vii), inclusive, of Section 506(B), the Trustee shall apply any balance on deposit in the Revenue Fund attributable to the Series 18 Bonds to the Series 18 Loan Loss Claim Fund to the extent the amount therein is less than the Series 18 Funded Loan Loss Claim Fund Requirement calculated at such Interest Payment Date.

(b) Notwithstanding anything in Section 506(B)(7) of the Resolution, the amount of moneys in the Revenue Fund allocable to the Series 18 Obligations that may be applied to the payment or reimbursement of Program Expenses in any one Fiscal Year pursuant to such Section 506(B)(7) shall not exceed the sum of (i) $10,000 plus (ii) the sum of the fees and reimbursement amounts payable to the Series 18 Loan Loss Claim Fund Deposit Provider in connection with the Series 18 Loan Loss Claim Fund Deposit, the fees and reimbursement amounts payable to the Series 18 Contingency Account Deposit Provider in connection with the Series 18 Contingency Account Deposit, the expenses and reimbursements payable to the Bond Insurer in connection with the Municipal Bond Insurance Policy and the amount of the Municipal Bond Insurance Policy Premium, unless the Agency shall file with the Trustee a certificate of an Authorized Officer to the effect that the Agency has confirmed that a greater amount (specified in such certificate) will not adversely affect the unenhanced ratings then assigned to any Bonds Outstanding by any Nationally Recognized Credit Rating Agency.

(c) Notwithstanding anything in Section 506(B)(8) of the Resolution to the contrary, no amount on deposit in the Revenue Fund attributable to the Series 18 Obligations shall be transferred to the General Fund pursuant to such Section 506(B)(viii) unless (i) there are no amounts owed to the Series 18 Loan Loss Claim Fund Deposit Provider or the Series 18 Contingency Account Deposit Provider under any Series 18 Reimbursement Agreements and (ii) the Projection of Revenues filed with the Trustee in accordance with said Section 506(B)(viii) shows that on the date of such Projection of Revenues the unpaid balance of all Loans then held under the Resolution for the account of the Series 18 Obligations, plus the amount then held in all Funds and Accounts under the Resolution attributable to the Series 18 Obligations, other than amounts held in the Rebate Fund, the Series 18 Contingency Account and the Series 18 Loan Loss Claim Fund and the amounts attributable to the Series 18 Obligations then to be paid to the Agency in accordance with said Section 506(B)(viii), are at least equal to 101% of the Principal Amount of all Series 18 Obligations plus all interest accrued and unpaid thereon as of such date.

(d) The Agency hereby acknowledges and agrees that amounts payable under Series 18 Reimbursement Agreement constitute Program Expenses and shall be paid in accordance with Section 506(B)(7) of the Resolution and Section 3.08(b) hereof.

ARTICLE IV

FORM OF SERIES 18 OBLIGATIONS

Section 4.01. Form of Series 18 Obligations.

(a) All Series 18 Obligations authenticated and delivered hereunder prior to the Adjustment Date shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution or this Twenty-Second Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any Series 18 Obligations hereunder.

(b) The Adjusted Rate Bonds shall be in such form and shall bear such terms and conditions, not inconsistent with the Resolution and this Twenty-Second Supplemental Resolution, as the Chair, Executive Director or other Authorized Officer of the Agency shall determine and certify to the Trustee on or before the Adjustment Date.

ARTICLE V

MISCELLANEOUS

Section 5.01. Authorization of Officers. The Chair, Vice Chairman or any other Commissioner of the Agency, Executive Director, Treasurer, Chief Financial Officer, Chief of Program Operations, Director of Homeownership Programs and Secretary of the Agency are hereby authorized and directed to do all acts and things and to execute and deliver any all documents, certificates and other instruments necessary or desirable to effectuate the transaction contemplated by this Twenty-Second Supplemental Resolution, the Resolution, the Purchase Contracts, the Tender Bond Remarketing Agreement, the Continuing Disclosure Agreement, the Official Statement or any other document contemplated herein.

Section 5.02. Series Certificate. The Chair or Vice-Chairman and the Executive Director are hereby authorized to execute the Series Certificate in such form as shall be approved by Counsel to the Agency and to deliver the same to the Trustee.

Section 5.03. Reimbursement Agreement. The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Chief Financial Officer are hereby authorized to execute any Series 18 Reimbursement Agreement in such form as shall be approved by Counsel to the Agency and to deliver the same to the Series 18 Loan Loss Claim Fund Deposit Provider and the Series 18 Contingency Account Deposit Provider, as applicable.

Section 5.04. Purchase Contracts. The Purchase Contracts are hereby approved in substantially the forms presented to the Agency on the date hereof with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Purchase Contracts and, upon such execution, to deliver them to the related underwriters of the Obligations

Section 5.05. Tender Bond Remarketing Agent.

(a) The Tender Bond Remarketing Agent is hereby appointed by the Agency to serve as Tender Bond Remarketing Agent hereunder.

(b) Any corporation, association, partnership or firm which succeeds to the business of the Tender Bond Remarketing Agent (collectively, the "Agents") as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Agent under the Resolution. Such successor Agent shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and predecessor Agent shall from time to time execute, deliver, record and file such instruments as the incumbent Agent may reasonably require to confirm or perfect any succession hereunder.

(c) In the event that an Agent shall resign or be dissolved, or if the property or affairs of an Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Agency, by certificate of an Authorized Officer filed with the Trustee, shall appoint a successor. If in any such case the Agency shall fail to appoint a successor, the Trustee shall appoint a successor.

Section 5.06. Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form of the Continuing Disclosure Agreement attached as an Appendix to the Official Statement with such changes, omissions, insertions and revisions thereto as the Chair, the Executive Director or any other Authorized Officer executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of the approval thereof. The aforementioned officers of the Agency are, and each of them is, hereby authorized to execute the Continuing Disclosure Agreement and, upon such execution, to deliver it to the Continuing Disclosure Agent.

Section 5.07. Additional Documents and Agreements. The Chair, Vice-Chairman, or any other Commissioner, Treasurer, Executive Director or Chief Financial Officer are hereby authorized and directed to execute and deliver any other document, agreement or certificate contemplated by this Supplemental Resolution.

Section 5.08. Private Activity Volume Cap. The Agency hereby authorizes the use of its available private activity volume cap in an amount not to exceed $60,000,000 in connection with the issuance of the Series 18 Obligations. The actual amount of private activity volume cap to be utilized shall be set forth in the Series Certificate.

Section 5.09. Agency Contribution. The Agency is hereby authorized to contribute to the Resolution available funds of the Agency in an amount not to exceed two percent (2%) of the aggregate principal amount of the Series 18 Obligations for such purposes as shall be set forth in the Series Certificate, including, but without limitation, the payment of Costs of Issuance and capitalized interest.

Section 5.10. Effective Date. This Twenty-Second Supplemental Resolution shall take effect immediately.

ARTICLE VI

MUNICIPAL BOND INSURANCE POLICY

Section 6.01. Municipal Bond Insurance Policy. The Agency shall deposit the Municipal Bond Insurance Policy with the Trustee on the date of issuance of the Series 18 Obligations.

Section 6.02. Payment Procedures. Except as shall otherwise be provided in the Series Certificate, as long as the Municipal Bond Insurance Policy shall be in full force and effect, the Agency and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Resolution, moneys sufficient to pay the principal of and interest on the Series 18 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or facsimile of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 18 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 18 Bonds and the amount required to pay principal of the Series 18 Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(b) In the event the claim to be made is for a Sinking Fund Installment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Bondholders who surrender their Series 18 Bonds a new Series 18 Bond or Series 18 Bonds in the aggregate principal amount equal to the unredeemed portion of the Series 18 Bond surrendered. The Trustee shall designate any portion of payment of principal on Series 18 Bonds paid by the Bond Insurer, whether by virtue of Sinking Fund Redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 18 Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 18 Bond to the Insurer, registered in the name of the Bond Insurer or its designee, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 18 Bond shall have no effect on the amount of principal or interest payable by the Agency on any Series 18 Bond or the subrogation rights of the Bond Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Series 18 Policy Payments Account of the Debt Service Fund (which Series 18 Policy Payments Account is hereby created) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 18 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Series 18 Bonds referred to herein as the "Series 18 Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of the Series 18 Bonds and shall deposit any such amount in the Series 18 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Series 18 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 18 Bonds under the sections hereof regarding payment of Series 18 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the Series 18 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or of any other person or entity.

(f) Any funds remaining in the Series 18 Policy Payments Account following a payment date with respect to the Series 18 Bonds shall promptly be remitted to the Bond Insurer.

(g) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 18 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy.

Section 6.03. Notices to the Bond Insurer.

(a) While the Municipal Bond Insurance Policy is in effect, the Agency shall cause to be furnished to the Bond Insurer:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency and a copy of any audit and annual report of the Agency;

(ii) a copy of any notice to be given to the registered owners of the Series 18 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 18 Bonds, and any certificate rendered pursuant to the Resolution relating to the security for the Series 18 Bonds;

(iii) any notice or certificate given to a Nationally Recognized Credit Rating Agency;

(iv) notice of any draw upon the Bond Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Bond Reserve Requirement and (B) withdrawals in connection with a refunding of Bonds;

(v) notice of any default known to the Trustee within five Business Days after knowledge thereof;

(vi) prior notice of the advance refunding or redemption of any of the Series 18 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vii) notice of the resignation or removal of the Trustee, Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(viii) notice of the commencement of any proceeding by or against the Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(ix) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 18 Bonds;

(x) any data, cash flow schedules or other information relating to the Agency, the Resolution or the trust estate pledged under the Resolution as Financial Security may reasonably request;

(xi) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Resolution, the Twenty-Second Supplemental Resolution or any other document executed in connection with issuance of the Series 18 Bonds;

(xii) all reports, notices and correspondence with respect to the Series 18 Bonds to be delivered under the terms of the Resolution, the Twenty-Second Supplemental Resolution or any other document executed in connection with the issuance of the Series 18 Bonds;

(xiii) such additional information it may reasonably request; and

(xiv) all notices, documents and certificates furnished the Bond Insurer in accordance with this Section 6.03(a) shall be delivered to such address as shall be designated by the Bond Insurer. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The Trustee shall notify the Bond Insurer of any failure of the Agency to provide any notice, certificate or other document required under the Resolution.

(c) The Agency will permit the Bond Insurer to discuss the affairs, finances and accounts of the Agency or any information the Bond Insurer may reasonably request regarding the security for the Series 18 Bonds with appropriate officers of the Agency. The Trustee and the Agency will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 18 Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within 30 days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 18 Bonds.

(e) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 18 Bonds as required and immediately upon the occurrence of any Event of Default with respect to the Series 18 Bonds.

Section 6.04. Consent of the Bond Insurer. No modification, amendment or supplement to the Resolution, the Twenty-Second Supplemental Resolution or any other document executed in connection with the Series 18 Bonds that requires the consent of the owners of the Series 18 Bonds may become effective except upon obtaining the prior written consent of the Bond Insurer. Additionally, no amendment, modification or supplement to the Resolution or the Twenty-Second Supplemental Resolution shall be permitted unless the Bond Insurer receives a written confirmation from S&P and Moody's that, after giving effect to such amendment, modification or supplement, the Series 18 Bonds will be rated no less than "A+" and "A1" respectively (without giving effect to the Municipal Bond Insurance Policy). Copies of any modification or amendment to the Resolution, the Twenty-Second Supplemental Resolution or any other document executed in connection with the Series 18 Bonds shall be sent to each Nationally Recognized Credit Rating Agency at least 10 days prior to the effective date thereof.

Section 6.05. Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Series 18 Bondholders absent a default by the Bond Insurer under the Municipal Bond Insurance Policy.

Section 6.06. Rights of Bond Insurer. The Bond Insurer shall be deemed to be the sole holder of the Series 18 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 18 Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Resolution. The Trustee shall take no action with respect to the Series 18 Bonds pursuant to such Article IX and Article X except with the consent, or at the direction, of the Bond Insurer.

In addition, in the event the maturity of the Series 18 Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Series 18 Bonds shall be fully discharged.

Section 6.07. Defeasance of Series 18 Bonds. Notwithstanding anything in the Resolution to the contrary, in the event that the principal and/or interest due on the Series 18 Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Series 18 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners of the Series 18 Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.

Notwithstanding anything in Article XI of the Resolution to the contrary, only (a) cash and (b) non-callable direct obligations of the United States of America shall be authorized to be used to effect defeasance of the Series 18 Bonds unless the Bond Insurer otherwise approves. In addition, in order to accomplish a defeasance the Agency shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Series 18 Bonds in full on the Bond maturity and redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Series 18 Bonds are no longer "Outstanding" under the Resolution; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Agency, the Trustee and the Bond Insurer. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such opinions of counsel as may be required by the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow. The Series 18 Bonds shall be deemed "Outstanding" under the Resolution unless and until they are in fact paid and retired or the above criteria are met.

Section 6.08. Payment of Municipal Bond Insurance Premium; Expenses. Notwithstanding any provision of Section 506 of the Resolution to the contrary, amounts on deposit in the Revenue Fund and allocable to the Series 18 Bonds shall be used to pay the Municipal Bond Insurance Policy Premium prior to being deposited in the Bond Reserve Fund to replenish any deficiency therein as provided in Section 506(B)(2) of the Resolution.

In addition, the Agency shall pay or reimburse the Bond Insurer as a Program Expense pursuant to Section 5.06(B)(7) of the Resolution, but only to the extent of the trust estate pledged under the Resolution, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (a) the administration, enforcement, defense or preservation of any rights or security under the Resolution, this Twenty-Second Supplemental Resolution or any other document executed in connection with the issuance of the Series 18 Bonds; (b) the pursuit of any remedies under the Resolution, this Twenty-Second Supplemental Resolution or any other document executed in connection with the issuance of the Series 18 Bonds or otherwise afforded by law or equity, (c) any amendment, waiver or other action with respect to, or related to, the Resolution, this Twenty-Second Supplemental Resolution or any other document executed in connection with the issuance of the Series 18 Bonds whether or not executed or completed, (d) the violation by the Agency of any law, rule or regulation, or any judgment, order or decree applicable to it or (e) any litigation or other dispute in connection with the Resolution, this Twenty-Second Supplemental Resolution or any other document executed in connection with the issuance of the Series 18 Bonds or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Agency acknowledges that the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution, this Twenty-Second Supplemental Resolution or any other document executed in connection with the issuance of the Series 18 Bonds.

Section 6.09. Payments by Bond Insurer. The Bond Insurer shall be entitled to pay principal or interest on the Series 18 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 18 Bonds as a result of acceleration of the maturity thereof in accordance with the Resolution, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Section 6.10. Additional Bonds. No additional parity Bonds may be issued under the Resolution unless (a) the Bond Insurer receives written confirmation that the rating assigned to such bonds by S&P and Moody's shall be no less than "A+" and "A1" respectively (without giving effect to a municipal bond insurance policy or any other credit enhancement) and (b) the Bond Insurer receives a copy of the Projection of Revenues (as defined in the Resolution); provided, however, that failure to comply with this Section 6.10 shall not relieve the Bond Insurer of any of its obligations under the Municipal Bond Insurance Policy.

Section 6.11. The Bond Insurer as Beneficiary Hereof. To the extent that this Twenty-Second Supplemental Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 6.12. Parties Interested Herein; References to Ratings. Nothing in this Twenty-Second Supplemental Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 18 Obligations, any right, remedy or claim under or by reason of this Twenty-Second Supplemental Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Twenty-Second Supplemental Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Bond Insurer and the registered owners of the Series 18 Obligations.

Notwithstanding anything in the Resolution or this Twenty-Second Supplemental Resolution to the contrary, any reference in the Resolution or the Twenty-Second Supplemental Resolution with respect to the ratings maintained in the Series 18 Obligations by any Nationally Recognized Credit Rating Agency shall mean the unenhanced credit rating on the Series 18 Obligations.

[Remainder of page intentionally left blank]

EXHIBIT A

VERMONT HOUSING FINANCE AGENCY
SINGLE FAMILY HOUSING BONDS
Series 18 Tender Bonds Selected
For Tender on ______________

[Banknorth, N.A.]
Burlington, VT 05402-0409
Attention: Corporate Trust Department

Re: Election to Retain Adjusted Rate Bonds

Dear Sir or Madam:

We have received the Trustee's notification of the mandatory tender and proposed exchange of the above-mentioned Bonds for Adjusted Rate Bonds which will become effective on [________] (the "Adjustment Date").

In accordance with the information given in the Trustee's Notice dated [_________], we hereby give you irrevocable notice that we elect to retain $[_________] aggregate principal amount of Series 18 Tender Bonds and to exchange such Bonds for Adjusted Rate Bonds as described below.

The principal amount or amounts of Series 18 Tender Bonds which we have elected to retain in exchange for Adjusted Rate Bonds and the maturity date or dates thereof are listed below:

Series	Maturity	Amount

[Remainder of page intentionally left blank]

We acknowledge that if certain conditions described in the Agency's Twenty-Second Supplemental Single Family Housing Bond Resolution shall occur on or prior to the Adjustment Date, such Series 18 Tender Bonds will be subject to mandatory redemption on the Adjustment Date despite this direction to exchange such Bonds for Adjusted Rate Bonds.

CEDE & CO., a nominee of The Depository Trust Company

____
Signature

____
Name

VERMONT HOUSING FINANCE AGENCY

$32,080,000 Single Family Housing Bonds, Series 18A

COMPOSITE PURCHASE CONTRACT

October __, 2003

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401

Ladies and Gentlemen:

The undersigned UBS Financial Services, Inc., Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc. (collectively, the "Underwriters"), hereby offer to enter into this Composite Purchase Contract (the "Purchase Contract") with you (the "Agency") on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and the Underwriters. If this offer is not so accepted, it is subject to withdrawal by the Underwriters upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

The undersigned, Fannie Mae, hereby offers to enter into this Purchase Contract with you, the Agency, on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and Fannie Mae. If this offer is not so accepted, it is subject to withdrawal by Fannie Mae upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

This Purchase Contract shall be deemed to consist of separate purchase contracts between the Underwriters and the Agency and between Fannie Mae and the Agency and the same are set forth in composite form for the convenience of such parties and create no obligations or confer any rights as between Fannie Mae and the Underwriters.

1. This Purchase Contract relates to the sale of all (but not less than all) of $32,080,000 aggregate principal amount of your Single Family Housing Bonds, Series 18A (AMT) ("Series 18A Bonds"), as more fully described in the Official Statement dated October __, 2003 (the "Official Statement") of the Agency relating to the Series 18A Bonds and the Agency's $10,000,000 aggregate principal amount of its Single Family Housing Notes, Series 18B and $10,000,000 aggregate principal amount of its Single Family Housing Notes, Series 18C (collectively, the "Notes"). Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Official Statement.

(a) Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters, jointly and severally, hereby agree to purchase from the Agency and the Agency agrees to sell to the Underwriters the Series 18A Bonds (other than the Series 18A Bonds maturing _____________) at a purchase price of $____________, which price includes a premium of $_______ with respect to the Series 18A Bonds maturing ____________, less the Good Faith Deposit, to which reference is made in Section 3 hereof, payable in immediately available funds. $_________ represents the underwriting fee (including a fee with respect to the Notes) due UBS Financial Services Inc. The Series 18A Bonds to be purchased by the Underwriters are referred to herein as the "Underwritten Bonds". The aggregate principal amount of the Series 18A Bonds, the date of the Series 18A Bonds upon initial issuance, the dates on which and years in which the Series 18A Bonds mature, the principal amount of the Series 18A Bonds due on each maturity date, the initial interest rate for the Series 18A Bonds due on each interest payment date, and the dates upon which interest is to be paid shall be as set forth in the Official Statement.

(b) Upon the terms and conditions and upon the basis of the representations herein set forth, Fannie Mae hereby agrees to purchase from the Agency and the Agency agrees to sell to Fannie Mae, all (but not less than all) of the Series 18A Bonds maturing ____________________________ at a price of $_________, payable in immediately available funds at the Closing. The Series 18A Bonds purchased by Fannie Mae are referred to herein as the "Placed Bonds." UBS Financial Services Inc. has acted as placement agent (the "Placement Agent") with respect to the Placed Bonds.

The Series 18A Bonds shall be described in, and shall be issued and secured under and pursuant to, the Agency's Single Family Housing Bond Resolution adopted on September 20, 1990, authorizing the issuance and sale of its Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and the Twenty-second Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Series 18A Bonds, adopted by the Agency on October 9, 2003 (as supplemented by the Series Certificate of the Chairman and Executive Director of the Agency, the "Supplemental Resolution," and, together with the General Resolution, sometimes collectively referred to herein as the "Resolution"). The Underwriters agree to make a bona fide public offering of the Underwritten Bonds at prices or yields not in excess of the initial offering prices or yields set forth in the Official Statement; reserving, however, the right to change such initial offering prices or yields as the Underwriters deem necessary in connection with the offering of the Underwritten Bonds. The Underwriters also reserve the right to overallot or effect transactions that stabilize or maintain the market price of the Underwritten Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

2. Fannie Mae represents that it is duly authorized to execute this Purchase Contract. UBS Financial Services Inc. represents that it is authorized on behalf of the Underwriters to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters. The Agency and the Underwriters agree that any authority, discretion or other power conferred upon the Underwriters under any of the provisions of this Purchase Contract

may be exercised by UBS Financial Services Inc., and payment for, acceptance of, and delivery and execution of any receipt for the Underwritten Bonds and any other instruments upon or in connection with the Closing executed solely by UBS Financial Services Inc. on behalf of the Underwriters shall be valid and sufficient for all purposes and binding upon each of the Underwriters. No such action by UBS Financial Services Inc. shall impose any obligation or liability upon it or any other Underwriter, other than as may arise as expressly set forth in this Purchase Contract.

3. As security for the performance by the Underwriters of their obligation to accept and pay for the Underwritten Bonds at the Closing in accordance with the provisions of this Purchase Contract, the Underwriters herewith deliver to the Agency a certified or official bank check payable to the Agency's order in New York Clearing House funds, in the amount of $_______ (the "Good Faith Deposit"). Said check may be cashed and the proceeds thereof may be invested and held as such security until the Closing. Concurrently with the delivery of and payment for the Underwritten Bonds at the Closing, the amount of the Good Faith Deposit shall be applied in partial payment of the purchase price of the Series 18A Bonds. If the Agency does not accept this offer, or fails to deliver the Underwritten Bonds at the Closing, or is unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract (unless waived by the Underwriters), or if such obligations are terminated for any reason permitted by this Purchase Contract, the Agency shall immediately return the amount of the Good Faith Deposit to the Underwriters, and thereupon all claims and rights hereunder of the Underwriters against the Agency shall be fully released and discharged. If the Underwriters fail (other than for a reason permitted under this Purchase Contract) to accept and pay for the Underwritten Bonds at the Closing, the proceeds of the Good Faith Deposit and the investment earnings thereon shall be retained by the Agency as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and thereupon all your claims and rights hereunder against the Underwriters shall be fully released and discharged. Notwithstanding the foregoing, the respective obligations of the Agency and the Underwriters for the payment of expenses set forth in paragraph 10 hereof shall survive any such termination.

4. The Agency shall deliver or cause to be delivered to the Underwriters and Fannie Mae within five business days from the date hereof, a reasonable number of copies of the Official Statement of the Agency dated October __, 2003 with respect to the Series 18A Bonds and the Notes, substantially in the form of the Preliminary Official Statement of the Agency dated October 2, 2003 with respect to the Series 18A Bonds and the Notes (the "Preliminary Official Statement") with only such changes as have been approved by the Underwriters, signed on your behalf by the Executive Director of the Agency (such Official Statement, including the cover page and all appendices attached thereto being herein called the "Official Statement," except that if the Official Statement has been amended with the Underwriters' approval between the date thereof and the respective dates upon which the Underwritten Bonds are delivered to the Underwriters, the term "Official Statement" shall refer to the Official Statement as so amended). As soon as practicable after receipt thereof, the Underwriters shall deliver the Official Statement and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Underwritten Bonds and the placement of the Placed Bonds, and ratifies the use by the Underwriters and the

Placement Agent, prior to the date hereof, of the Preliminary Official Statement in connection with the public offering of the Underwritten Bonds and the placement of the Placed Bonds.

5. The Agency represents to and agrees with the Underwriters and Fannie Mae that:

(a) both as of the date of the Official Statement and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined) (i) the statements and information contained in the Official Statement (other than the public offering prices or yields of the Series 18A Bonds shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof, the information under the captions "Municipal Bond Insurance," and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers," and any other statements and information therein furnished in writing to the Agency by the Underwriters and statements and information relating to the book-entry system) are and will be true, correct and complete in all material respects and (ii) the Official Statement does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Series 18A Bonds shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof or the information under the captions "Municipal Bond Insurance," and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers"), in the light of the circumstances under which they were made, not misleading in any material respect;

(b) the Agency is and will be at the date of Closing duly created and established as a body politic and corporate having the powers and authority set forth in No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended, the same being Chapter 25 of Title 10 of the Vermont Statutes Annotated, as amended (the "Act");

(c) between the date of this Purchase Contract and Closing, the Agency will not, without the prior consent of the Underwriters, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement or otherwise disclosed to the Underwriters, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Official Statement and except as otherwise described in or contemplated by the Official Statement, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Official Statement;

(d) the Agency will undertake, pursuant to the Supplemental Resolution and the Continuing Disclosure Agreement, dated the date of the Closing, between the Agency and the Trustee (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain events if material. The form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth as an appendix to the final Official Statement;

(e) when delivered to and paid for by the Underwriters or Fannie Mae, as applicable, at Closing in accordance with the provisions of this Purchase Contract, the respective Series 18A Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Agency, in conformity with, and entitled to the benefit and security of, the Act, the General Resolution and the Supplemental Resolution;

(f) the adoption of the Resolution, the execution of this Purchase Contract, the Continuing Disclosure Agreement, the Mortgage Loan Origination and Purchase Agreements (the "Origination Agreements") and the Mortgage Loan Servicing Agreements (the "Servicing Agreements"), each as described in the Official Statement, and the execution of the Blanket Issuer Letter of Representation dated April 4, 1995 relating to certain bonds of the Agency, including the Series 18A Bonds (the "Representation Letter"), addressed to The Depository Trust Company ("DTC"), compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, does not and will not, in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or violate any existing law, ordinance, administrative regulation, court order or consent decree to which the Agency is subject; and

(g) if between the date of this Purchase Contract and a date 25 days following the End of the Underwriting Period (hereinafter defined) (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriters thereof, and (ii) if in the reasonable opinion of the Underwriters, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will supplement or amend the Official Statement so that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, that any such amendment or supplement shall be subject to the approval of the Underwriters and their counsel. The Agency will furnish to the Underwriters such number of copies of the Official Statement, as so amended or such supplement, as the Underwriters may reasonably request.

6. Prior to or simultaneously with the execution of this Purchase Contract, we shall have received from the Agency a copy of its notice to KPMG LLP as to the inclusion of the Agency financial statements in the Official Statement and the Preliminary Official Statement.

7. At 10:00 a.m. New York time on ______________, or at such other time or on such earlier or later date upon which we mutually agree (herein called the "Closing"), the Agency will deliver or cause to be delivered the Underwritten Bonds to the Underwriters' accounts at DTC and the Placed Bonds to Fannie Mae's account at DTC and the other documents

hereinafter mentioned to be delivered to the Underwriters and Fannie Mae at the offices of the Agency in Burlington, Vermont, or at such other place upon which the Agency and the Underwriters and Fannie Mae may mutually agree, provided that the Underwritten Bonds shall be available to the Underwriters for checking at least 24 hours prior to the Closing. The Underwriters will accept delivery of the Underwritten Bonds at the Closing and pay the purchase price thereof (less the amount of the Good Faith Deposit) by wire transfer payable in immediately available funds to the order of the Agency. Fannie Mae will accept delivery of the Placed Bonds at the Closing and pay the purchase price thereof by wire transfer payable in immediately available funds to the order of the Agency. The Series 18A Bonds shall be delivered as duly executed, fully registered bonds in definitive form and bearing CUSIP numbers. The Series 18A Bonds (one Bond for each maturity in the respective principal amounts equal to the aggregate principal amounts of the Series 18A Bonds for each maturity) will be typewritten and registered in the name of Cede & Co.

8. The Underwriters and Fannie Mae have entered into this Purchase Contract in reliance upon the representations and agreements of the Agency herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of Closing. The obligations of the Underwriters and Fannie Mae under this Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of the Closing, (i) the Official Statement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us, (ii) the proceeds of the sale of the Series 18A Bonds shall be applied as described in the Official Statement, and (iii) you shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of Kutak Rock LLP (herein called "Bond Counsel"), are necessary in connection with the transactions contemplated hereby;

(b) the Underwriters shall have the right pursuant to written notice given to the Agency to cancel their obligations to purchase the Underwritten Bonds, and Fannie Mae shall have the right pursuant to written notice given to the Agency to cancel its obligations to purchase the Placed Bonds if, between the date hereof and the Closing: (i) legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body, or upon interest on obligations of the general character of the Series 18A Bonds, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Underwriters (with respect to their obligation to purchase the Underwritten Bonds), affects materially and adversely the market for, or sale of, the Underwritten Bonds by the Underwriters at the contemplated offering prices or yields or in the reasonable opinion of Fannie Mae (with respect to its obligation to purchase the Placed Bonds), would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (ii) any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Underwriters or in the reasonable opinion of Fannie Mae, either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or (iii) there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriters, would affect materially and adversely the ability of the Underwriters to market the Underwritten Bonds; or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (v) a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or (vi) there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Series 18A Bonds or any securities of the general character of the Series 18A Bonds (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Underwriters would materially and adversely affect the market price of the Underwritten Bonds or the marketability of the Underwritten Bonds which in the Underwriters' judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Underwritten Bonds or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds; or (vii) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency or Court shall have been made or issued that would (A) make the Series 18A Bonds or any securities of the general character of the Series 18A Bonds subject to the registration requirements of the Securities Act of 1933 or (B) require the qualification of the General Resolution or the Supplemental Resolution under the Trust Indenture Act of 1939, as amended; or (viii) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Underwriters' judgment makes it impractical for the Underwriters to market the Underwritten Bonds; or, in the sole reasonable judgment of Fannie Mae, would materially adversely impair the marketability or materially adversely reduce the market price of the Placed Bonds;

(c) at or prior to the Closing, the Underwriters and Fannie Mae shall receive the following documents:

(i) the unqualified approving opinion of Bond Counsel, dated the date of the Closing, in substantially the form included as Appendix VI to the Official Statement, accompanied by a supplementary opinion thereto, dated the date of the Closing and addressed to the Agency, and to the Underwriters and Fannie Mae, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Official Statement and has duly approved or ratified, as applicable, the distribution of the Preliminary Official Statement; (iii) the statements contained in the Official Statement with respect to the Series 18A Bonds, the Act, the Agency, the Resolution, the Continuing Disclosure Agreement and federal income tax matters under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds," "The Series 18 Obligations," "Book Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Continuing Disclosure," "Tax Exemption," "Certain Federal Income Tax Matters", Appendix IV "Definitions of Certain Terms" and Appendix VII "Form of Continuing Disclosure Agreement" insofar as such statements are made with respect to the Agency or purport to summarize certain provisions of the Act, the Resolution, the Continuing Disclosure Agreement, the Series 18A Bonds and certain provisions of the Internal Revenue Code of 1986, as amended, are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Official Statement; (iv) the Resolution and the Series 18A Bonds conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official

Statement as of its date or as of the date of Closing contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial, operating and statistical data included in the Official Statement or the information contained under the heading "Underwriting", in the fourth paragraph of page "i" of the Official Statement or in Appendix V "Certain Information Regarding Credit Enhancement Providers"; (vi) under existing laws, the Series 18A Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Series 18A Bonds in accordance with the provisions of the Supplemental Resolution will not adversely affect the excludability of interest on the Series 18A Bonds from the gross income of the holders thereof.

(ii) the opinion of Elizabeth Mullikin Drake, General Counsel to the Agency, dated the date of the Closing and addressed to the Agency and the Underwriters and Fannie Mae, with respect to the Series 18A Bonds, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Official Statement; (ii) the Representation Letter has been duly authorized, executed and delivered by the Agency; (iii) the Continuing Disclosure Agreement, has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other party thereto, constitutes a valid and binding agreement of the Agency in accordance with their terms; (iv) this Purchase Contract, the Origination Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (v) the Agency has duly approved the Official Statement and has duly ratified or approved, as applicable, the distribution of the Preliminary Official Statement; (vi) the information in the Official Statement with respect to the Origination Agreements and the Servicing

Agreements is correct and does not omit any statement that, in her opinion, should be included or referred to therein, and the Origination Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Official Statement; (vii) based upon the examinations that she has made as counsel for the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to her attention that would lead her to believe that the Official Statement as of its date or as of the date of Closing (except for the information contained under the heading "Underwriting" or in the second paragraph of page "i" of the Official Statement or in Appendices I, II, IIA, V and VI as to which she need express no opinion) contains or contained any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion, counsel for the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Official Statement; (viii) under the Act, the Series 18A Bonds and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (ix) to the best of her knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Official Statement or the validity of the Resolution, the Series 18A Bonds, the Mortgage Loans, the Origination Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract; and (x) the adoption of the General Resolution, the Supplemental Resolution and the execution and delivery by the Agency of the Series 18A Bonds, the Origination Agreements, the Servicing Agreements, the Continuing Disclosure Agreement and this Purchase Contract, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, and the performance by the Agency of the transactions described in the Official Statement, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of her knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion counsel of the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (viii), need render no opinion as to the requirement of registration of the Series 18A Bonds under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of federal law;

(iii) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel for the Underwriters, dated the date of the Closing, and addressed to the Underwriters and the Placement Agent to the effect that (i) under existing laws, the Series 18A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Underwriters and their examination of certain documents referred to in the Official Statement, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriters in this matter that would cause them to believe that the Official Statement as of its date or as of the date of the Closing contains or contained any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Underwriters is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Official Statement or any information concerning the book-entry system for registration of the Series 18A Bonds, FSA, MBIA, AMBAC or DTC;

(iv) a certificate, dated the date of the Closing, signed by the Chairman and the Executive Director or the Chief Financial Officer of the Agency and in form and substance satisfactory to the Underwriters and Fannie Mae to the effect that (i) the representations, agreements and warranties of the Agency herein are true and correct in all material respects as of the date of

Closing; (ii) the Origination Agreements that have been executed and delivered as of the date thereof, the Representation Letter, the Continuing Disclosure Agreement and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iii) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 18A Bonds or the making of loans with the proceeds of the Series 18A Bonds, (b) in any way contesting or affecting any authority for the issuance or validity of the Series 18A Bonds, any proceedings of the Agency taken with respect to the issuance or sale of the Series 18A Bonds, the pledge or application of any money or security provided for the payment of the Series 18A Bonds or the validity of the Resolution, the Origination Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract, or (c) in any way contesting the existence or powers of the Agency; and (iv) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

(v) a copy of the notice from the Agency to KPMG LLP pursuant to paragraph 6 hereof;

(vi) two copies of the General Resolution and the Supplemental Resolution;

(vii) two certified copies of the Preliminary Official Statement, the Official Statement and this Purchase Contract;

(viii) a letter of Bond Counsel, dated the date of the Closing and addressed to UBS Financial Services Inc., on behalf of the Underwriters, and Fannie Mae to the effect that their final approving opinion on the Series 18A Bonds may be relied upon by the Underwriters and Fannie Mae to the same extent as if such opinion was addressed to the Underwriters and Fannie Mae;

(ix) a copy of the Act, certified by the Agency to be a true and complete copy of the Act as of the date of the Closing;

(x) a letter from Standard & Poor's Ratings Services to the effect that it has assigned a rating of "AAA" to the Series 18A Bonds;

(xi) a letter from Moody's Investors Service, Inc. to the effect that it has assigned a rating of "Aaa" to the Series 18A Bonds;

(xii) a copy of the Representation Letter;

(xiii) the Continuing Disclosure Agreement in the form included as Appendix VII to the Official Statement;

(xiv) a specimen copy of the municipal bond insurance policy and surety bonds issued by Financial Security Assurance, Inc. ("FSA") together with an opinion of counsel to FSA in form and substance satisfactory to the Underwriters and Fannie Mae; and

(xv) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters, Fannie Mae or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations of the Agency herein and in the Official Statement, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

(d) The Agency shall have simultaneously sold to UBS Financial Services Inc. and UBS Financial Services Inc. shall have purchased all (but not less than all) of the Notes.

If the Agency shall be unable to satisfy the conditions to the Underwriters' or Fannie Mae's obligations contained in this Purchase Contract with respect to the Series 18A Bonds or if the Underwriters' or Fannie Mae's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor Fannie Mae nor the Agency shall have any further obligation hereunder, except that the amount of the Good Faith Deposit shall be returned to UBS Financial Services Inc. and the respective obligations under paragraph 10 hereof shall continue.

9. At the Closing, contemporaneously with the receipt of the Underwritten Bonds, the Underwriters will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by UBS Financial Services Inc. on behalf of the Underwriters. At the Closing, contemporaneously with the receipt of the Placed Bonds, Fannie Mae will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by an authorized officer of Fannie Mae. On or before the date of the Closing, the Underwriters shall deliver to the Agency a certificate acceptable to Bond Counsel signed by UBS Financial Services Inc. on behalf of the Underwriters to the effect that (i) all of the Underwritten Bonds have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices no higher than, or at yields no lower than, those shown on the inside cover of the Official Statement and (ii) based on the Underwriters' records and other information available to them which they believe to be correct, a substantial amount (at least 10%) of each maturity of the Underwritten Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations

acting in the capacity of underwriters or wholesalers) at initial prices no higher than, or yields no lower than, those shown on the inside cover of the Official Statement.

10. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Official Statement and the Official Statement; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency.

The Underwriters shall pay: (i) all advertising expenses in connection with the public offering of the Underwritten Bonds; (ii) the cost of preparing the Blue Sky Memorandum and this Purchase Contract; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Underwritten Bonds, including the fees and disbursements of counsel retained by them; (iv) all expenses incurred by them in connection with their performance in the capacity of Underwriters for the Underwritten Bonds. and (v) the fees and expenses of ____________, counsel to Fannie Mae with respect to the Placed Bonds (in an amount not in excess of $_____). Fannie Mae shall pay all expenses incurred by it in connection with this financing except as set forth in (v) of the prior sentence.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to Sarah E. Carpenter, Executive Director, Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, Vermont 05401; such notice or other communication to be given to the Underwriters may be given by delivering the same in writing to UBS Financial Services Inc., 1285 Avenue of the Americas, New York, New York 10019, to the attention of Andrew F. Gurley and such notice or communication to be given to Fannie Mae may be given by delivering the same in writing to Fannie Mae, 3900 Wisconsin Avenue, N.W., Washington, D.C. 20016-2899, Attention: Public Finance Department.

12. This Purchase Contract is made solely for the benefit of the Agency, the Underwriters and Fannie Mae (including the successors or assigns of any of the Underwriters and Fannie Mae) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters or Fannie Mae and shall survive the delivery of and payment for the Series 18A Bonds. This Purchase Contract shall be enforceable in accordance with the laws of the State of New York.

13. For purposes of this Purchase Contract, the End of the Underwriting Period shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing to the contrary by the Underwriters on or prior to the day of such Closing, or (b) the date on which the "End of the Underwriting Period" for the Underwritten Bonds has occurred under Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Underwriters from time to time, and the Underwriters shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Underwritten Bonds has occurred under the Rule with respect to the unsold balances of the Underwritten Bonds that are held by any Underwriter for sale to the public within the meaning of the Rule. If there remains any unsold balance of Underwritten Bonds for sale to the public within the meaning of the Rule, then the Underwriters shall promptly notify the Agency in writing that, in their opinion, the End of the Underwriting Period for the Underwritten Bonds under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Underwritten Bonds, the date specified by the Underwriters in such notification.

14. The approval of the Underwriters when required hereunder shall be in writing signed by UBS Financial Services Inc. and delivered to you.

UBS FINANCIAL SERVICES INC.
CITIGROUP GLOBAL MARKETS INC.
A.G. EDWARDS & SONS, INC.

By: UBS FINANCIAL SERVICES INC.

By:______________________________
Managing Director

By:______________________________

FANNIE MAE

By:______________________________
Authorized Officer

Accepted by the
VERMONT HOUSING FINANCE AGENCY

By: ______________________________
Chief Financial Officer

VERMONT HOUSING FINANCE AGENCY

$10,000,000 Single Family Housing Notes, Series 18B
$10,000,000 Single Family Housing Notes, Series 18C

PURCHASE CONTRACT

October __, 2003

Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401

Ladies and Gentlemen:

The undersigned, UBS Financial Services Inc. (the "Underwriter"), hereby offers to enter into this Purchase Contract (the "Purchase Contract") with you (the "Agency") on the following terms and conditions. This offer is made subject to acceptance by the Agency prior to 5:00 p.m., Vermont time, on the date hereof, and upon such acceptance this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon both the Agency and the Underwriter. If this offer is not so accepted, it is subject to withdrawal by the Underwriter upon written notice delivered to the Agency at any time prior to acceptance hereof by the Agency.

This Purchase Contract relates to the sale of all (but not less than all) of $10,000,000 aggregate principal amount of your Single Family Housing Notes, Series 18B (the "Series 18B Notes"), and $10,000,000 aggregate principal amount of your Single Family Housing Notes, Series 18C (the "Series 18C Notes" and, together with the Series 18B Notes, the "Series 18 Notes"), all as more fully described in the Official Statement dated October __, 2003 (the "Official Statement") of the Agency relating to the Series 18 Notes and the Agency's $32,080,000 Single Family Housing Bonds, Series 18A (the "Series 18A Bonds"). The Series 18 Notes and the Series 18A Bonds are referred to collectively herein as the "Obligations". Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Official Statement.

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Agency and the Agency agrees to sell to the Underwriter all (but not less than all) of the Series 18 Notes at a purchase price equal to the aggregate principal amount thereof, $20,000,000, plus a premium of $________ (being $________ with respect to the Series 18B Notes and $________ with respect to the Series 18C Notes), payable in immediately available funds. The aggregate principal amount of the Series 18 Notes, the date of the Series 18 Notes upon initial issuance, the dates on which and years in which the Series 18 Notes mature, the principal amount of the Series 18 Notes due on each maturity date, the interest rate for the Series 18 Notes due on each interest payment date, and the dates upon which interest is to be paid shall be as set forth in the Official Statement.

The Series 18 Notes shall be described in, and shall be issued and secured under and pursuant to, the Agency's Single Family Housing Bond Resolution adopted on September 20, 1990, authorizing the issuance and sale of its Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and the Twenty-Second Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Obligations, adopted by the Agency on October 9, 2003, (as supplemented by the Series Certificate of the Chairman and Executive Director of the Agency, the "Supplemental Resolution," and, together with the General Resolution, sometimes collectively referred to herein as the "Resolution"). The Underwriter agrees to make a bona fide public offering of the Series 18 Notes at prices or yields not in excess of the initial offering prices or yields set forth in the Official Statement; reserving, however, the right to change such initial offering prices or yields as the Underwriter deems necessary in connection with the offering of the Series 18 Notes. The Underwriter also reserves the right to overallot or effect transactions that stabilize or maintain the market price of the Series 18 Notes at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.

2. [RESERVED]

3. As security for the performance by the Underwriter of its obligation to accept and pay for the Series 18 Notes at the Closing in accordance with the provisions of this Purchase Contract, the Underwriter herewith delivers to the Agency a certified or official bank check payable to the Agency's order in New York Clearing House funds, in the amount of $________ (the "Good Faith Deposit"). Said check may be cashed and the proceeds thereof may be invested and held as such security until the Closing. Concurrently with the delivery of and payment for the Series 18 Notes at the Closing, the amount of the Good Faith Deposit shall be applied in partial payment of the purchase price of the Series 18 Notes. If the Agency does not accept this offer, or fails to deliver the Series 18 Notes at the Closing, or is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract (unless waived by the Underwriter), or if such obligations are terminated for any reason permitted by this Purchase Contract, the Agency shall immediately return the amount of the Good Faith Deposit to the Underwriter, and thereupon all claims and rights hereunder of the Underwriter against the Agency shall be fully released and discharged. If the Underwriter fails (other than for a reason permitted under this Purchase Contract) to accept and pay for the Series 18 Notes at the Closing, the proceeds of the Good Faith Deposit and the investment earnings thereon shall be retained by the Agency as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter, and thereupon all your claims and rights hereunder against the Underwriter shall be fully released and discharged. Notwithstanding the foregoing, the respective obligations of the Agency and the Underwriter for the payment of expenses set forth in paragraph 10 hereof shall survive any such termination.

4. The Agency shall deliver or cause to be delivered to the Underwriter within five business days from the date hereof, a reasonable number of copies of the Official Statement of the Agency dated October __, 2003 with respect to the Obligations, substantially in the form of the Preliminary Official Statement of the Agency dated

October 2, 2003 with respect to the Obligations (the "Preliminary Official Statement") with only such changes as have been approved by the Underwriter, signed on your behalf by the Executive Director of the Agency (such Official Statement, including the cover page and all appendices attached thereto being herein called the "Official Statement," except that if the Official Statement has been amended with the Underwriter's approval between the date thereof and the respective dates upon which the Series 18 Notes are delivered to the Underwriter, the term "Official Statement" shall refer to the Official Statement as so amended). As soon as practicable after receipt thereof, the Underwriter shall deliver the Official Statement and any supplement or amendment thereto, to a nationally recognized municipal securities information repository. The Agency hereby authorizes the use of copies of the Official Statement and the Resolution in connection with the public offering and sale of the Series 18 Notes and ratifies the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with the public offering of the Series 18 Notes.

5. The Agency represents to and agrees with the Underwriter that:

(a) both as of the date of the Official Statement and at all times subsequent thereto up to and including a date 25 days following the "End of the Underwriting Period" (hereinafter defined) (i) the statements and information contained in the Official Statement (other than the public offering prices or yields of the Series 18 Notes shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof, the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers," and any other statements and information therein furnished in writing to the Agency by the Underwriter and statements and information relating to the book-entry system) are and will be true, correct and complete in all material respects and (ii) the Official Statement does not and will not omit any statement or information that is necessary to make the statements and information therein (other than the public offering prices or yields of the Series 18 Notes shown on the inside cover of the Official Statement, the stabilization clause on page "i" thereof or the information under the captions "Municipal Bond Insurance" and "Underwriting," and in Appendix V "Certain Information Regarding Credit Enhancement Providers"), in the light of the circumstances under which they were made, not misleading in any material respect;

(b) the Agency is and will be at the date of Closing duly created and established as a body politic and corporate having the powers and authority set forth in No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended, the same being Chapter 25 of Title 10 of the Vermont Statutes Annotated, as amended (the "Act");

(c) between the date of this Purchase Contract and Closing, the Agency will not, without the prior consent of the Underwriter, issue any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement, and, except in the ordinary course of its business of conducting its programs as described in or contemplated by the Official Statement and except as otherwise described in or contemplated by the Official Statement, will not incur any liabilities, direct or contingent, and there will not have been any adverse change of a material nature in the financial position or in the results of operations of the Agency as disclosed in the Official Statement;

(d) the Agency will undertake, pursuant to the Supplemental Resolution and the Continuing Disclosure Agreement, dated the date of the Closing, between the Agency and the Trustee (the "Continuing Disclosure Agreement"), to provide certain annual financial information and notices of the occurrence of certain events if material. The form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will also be set forth as an appendix to the final Official Statement;

(e) when delivered to and paid for by the Underwriter at Closing in accordance with the provisions of this Purchase Contract, the respective Series 18 Notes will have been duly authorized, executed, issued and delivered and will constitute valid and binding special obligations of the Agency, in conformity with, and entitled to the benefit and security of, the Act, the General Resolution and the Supplemental Resolution;

(f) the adoption of the Resolution, the execution of this Purchase Contract, the Continuing Disclosure Agreement, the Mortgage Loan Origination and Purchase Agreements (the "Origination Agreements") and the Mortgage Loan Servicing Agreements (the "Servicing Agreements"), each as described in the Official Statement, the execution of the Blanket Issuer Letter of Representation dated April 4, 1995 relating to certain bonds of the Agency, including the Series 18 Notes (the "Representation Letter"), addressed to The Depository Trust Company ("DTC"), and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, does not and will not, in any material respect conflict with or constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party or violate any existing law, ordinance, administrative regulation, court order or consent decree to which the Agency is subject; and

(g) if between the date of this Purchase Contract and a date 25 days following the End of the Underwriting Period (hereinafter defined) (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriter thereof, and (ii) if in the reasonable opinion of the Underwriter, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will supplement or amend the Official Statement so that the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided however, that any such amendment or supplement shall be subject to the approval of the Underwriter and its counsel. The Agency will furnish to the Underwriter such number of copies of the Official Statement, as so amended or such supplement, as the Underwriter may reasonably request.

6. Prior to or simultaneously with the execution of this Purchase Contract, we shall have received from the Agency a copy of its notice to KPMG LLP as to the inclusion of the Agency financial statements in the Official Statement and the Preliminary Official Statement.

7. At 10:00 a.m. New York time on November 5, 2003, or at such other time or on such earlier or later date upon which we mutually agree (herein called the "Closing"), the Agency will deliver or cause to be delivered the Series 18 Notes to the Underwriter's accounts at the Depository Trust Company, New York, New York ("DTC"), and the other documents hereinafter mentioned to be delivered to the Underwriter at the offices of the Agency in Burlington, Vermont, or at such other place upon which the Agency and the Underwriter may mutually agree, provided that the Series 18 Notes shall be available to the Underwriter at DTC for checking at least 24 hours prior to the Closing. The Underwriter will accept delivery of the Series 18 Notes at the Closing and pay the purchase price thereof (less the amount of the Good Faith Deposit) by wire transfer payable in immediately available funds to the order of the Agency. The Series 18 Notes shall be delivered as duly executed, fully registered bonds in definitive form and bearing CUSIP numbers. The Series 18 Notes (one instrument for each maturity in the respective principal amounts equal to the aggregate principal amounts of the Series 18 Notes for each maturity) will be typewritten and registered in the name of Cede & Co.

8. The Underwriter has entered into this Purchase Contract in reliance upon the representations and agreements of the Agency herein and the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the date of Closing. The obligations of the Underwriter under this Purchase Contract are and shall be subject to the following further conditions:

(a) at the time of the Closing, (i) the Official Statement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us, (ii) the proceeds of the sale of the Series 18 Notes shall be applied as described in the Official Statement, and (iii) you shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of Kutak Rock LLP (herein called "Bond Counsel"), are necessary in connection with the transactions contemplated hereby;

(b) the Underwriter shall have the right pursuant to written notice given to the Agency to cancel its obligations to purchase the Series 18 Notes, if, between the date hereof and the Closing: (i) legislation shall be introduced in or enacted by the Congress of the United States or enacted by the State of Vermont, or shall have been reported out of committee of either body of the Congress of the United States or be pending in committee of either body or be reported out of or pending in a joint committee of Congress or legislation pending in the Congress of the United States shall be amended, or a decision shall be rendered by a court of the United States or the State of Vermont, including the Tax Court of the United States, or a ruling shall be made or a regulation shall be proposed or made or a press release or other form of notice shall be issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or Vermont authority having jurisdiction, with respect to federal or Vermont taxation upon revenues or other income of the general character to be derived by the Agency or by any similar body, or upon interest on obligations of the general character of the Series 18 Notes, that may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or Vermont tax consequences of any of the transactions contemplated in connection herewith, and that, in the reasonable opinion of the Underwriter, affects materially and adversely the market for, or sale of, the Series 18 Notes by the Underwriter at the contemplated offering prices or yields; or (ii) any event shall have occurred, or any condition shall exist that, in the reasonable opinion of the Underwriter either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or (iii) there shall have occurred any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak, escalation, calamity or crisis on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Series 18 Notes or; or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; or (v) a general banking moratorium shall have been declared by federal or New York or Vermont authorities having jurisdiction and be in force; or (vi) there shall be established any new restriction on transactions in securities materially adversely affecting the market for the Series 18 Notes or any securities of the general character of the Series 18 Notes (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order that, in the reasonable judgment of the Underwriter would materially and adversely affect the market price of the Series 18 Notes or the marketability of the Series 18 Notes which in the Underwriter's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Series 18 Notes; or (vii) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency or Court shall have been made or issued that would (A) make the Series 18 Notes or any securities of the general character of the Series 18 Notes subject to the registration requirements of the Securities Act of 1933 or (B) require the qualification of the General Resolution or the Supplemental Resolution under the Trust Indenture Act of 1939, as amended; or (viii) an actual or imminent default or a moratorium in respect of payment of any U.S. Treasury bills, bonds or notes the effect of which in the Underwriter's judgment makes it impractical for the Underwriter to market the Series 18 Notes;

(c) at or prior to the Closing, the Underwriter shall receive the following documents:

(i) the unqualified approving opinion of Bond Counsel, dated the date of the Closing, in substantially the form included as Appendix VI to the Official Statement, accompanied by a supplementary opinion thereto, dated the date of the Closing and addressed to the Agency and to the Underwriter, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitutes a binding agreement of the Agency in accordance with its terms; (ii) the Agency has duly approved the Official Statement and has duly approved or ratified, as applicable, the distribution of the Preliminary Official Statement; (iii) the statements contained in the Official Statement with respect to the Series 18 Notes, the Act, the Agency, the Resolution, the Continuing Disclosure Agreement and federal income tax matters under the headings entitled: "Introductory Statement," "The Agency" (as to the subheading "Purpose and Powers" only), "Single Family Mortgage Purchase Program" (as to the first paragraph only under the subheading "Mortgage Insurance Requirements"), "Security for the Bonds," "The Series 18 Obligations," "Book Entry System" (as to the eighth and fourteenth paragraphs under such heading only), "Summary of Certain Provisions of the General Resolution," "Pledge and Agreement of the State," "Continuing Disclosure," "Tax Exemption," "Certain Federal Income Tax Matters", Appendix IV "Definitions of Certain Terms" and Appendix VII "Form of Continuing Disclosure Agreement" insofar as such statements are made with respect to the Agency or purport to summarize certain provisions of the Act, the Resolution, the Continuing Disclosure Agreement, the Series 18 Notes and certain provisions of the Internal Revenue Code of 1986, as amended, are correct and do not omit any matter that, in their opinion, should be included or referred to therein and that is not included elsewhere in the Official Statement; (iv) the Resolution and the Series 18 Notes conform as to form and tenor with the terms and provisions thereof as summarized and set out in the Official Statement; (v) based upon the examinations that they have made as Bond Counsel, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to their attention that would lead them to believe that the Official Statement as of its date or as of the date of Closing contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion Bond Counsel is not required to express an opinion with respect to financial statements and other financial, operating and statistical data included in the Official Statement or the information contained under the heading "Underwriting", in the fourth paragraph of page "i" of the Official Statement or in Appendix V "Certain Information Regarding Credit Enhancement Providers"; (vi) under existing laws, the Series 18 Notes may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended; and (vii) under existing law, the adjustment of the interest rate on all or a portion of the Series 18 Notes in accordance with the provisions of the Supplemental Resolution will not adversely affect the excludability of interest on the Series 18 Notes from the gross income of the holders thereof.

(ii) the opinion of Elizabeth Mullikin Drake, General Counsel of the Agency, dated the date of the Closing and addressed to the Agency and the Underwriter, with respect to the Series 18 Notes, to the effect that, with respect to matters of Vermont law only, (i) the Agency is a body politic and corporate of the State of Vermont, duly organized, validly existing and in good standing under the laws of the State of Vermont and has the power to enter into the transactions contemplated by the Official Statement; (ii) the Representation Letter has been duly authorized, executed and delivered by the Agency; (iii) the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Agency in accordance with their terms; (iv) this Purchase Contract, the Origination Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly authorized, executed and delivered by the Agency and, assuming due authorization, execution and delivery by the other parties to the same, constitute binding agreements of the Agency in accordance with their terms; (v) the Agency has duly approved the Official Statement and has duly approved or ratified, as applicable, the distribution of the Preliminary Official Statement; (vi) the information in the Official Statement with respect to the Origination Agreements and the Servicing Agreements is correct and does not omit any statement that, in her opinion, should be included or referred to therein, and the Commitment Agreements that have been executed and delivered as of the date thereof and the Servicing Agreements that have been executed and delivered as of the date thereof conform as to form and tenor with the terms, provisions and descriptions thereof as summarized and set out in the Official Statement; (vii) based upon the examinations that she has made as counsel to the Agency but without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to her attention that would lead it to believe that the Official Statement as of its date or as of the date of Closing (except for the information contained under the heading "Underwriting" or in the second paragraph of page "i" of the Official Statement or in Appendices I, II, IIA, V and VI as to which it need express no opinion) contains or contained any untrue statement of a material fact or omits or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, it being understood that in rendering such opinion, counsel to the Agency shall not be required to express an opinion with respect to financial statements and other financial data included in the Official Statement; (viii) under the Act, the Series 18 Notes and the interest thereon and the income therefrom are exempt from all Vermont taxation, franchise fees and special assessments of every kind, except for transfer, inheritance and estate taxes; (ix) to the best of her knowledge, there is no action, suit, proceeding, investigation at law or in equity before or by any court, judicial board or body, pending or threatened, against or affecting the Agency, wherein an unfavorable decision, ruling or finding would affect materially and adversely the transactions contemplated by the Official Statement or the validity of the Resolution, the Series 18 Notes, the Mortgage Loans, the Origination Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract; and (x) the adoption of the General Resolution, the Supplemental Resolution and the execution and delivery by the Agency of the Series 18 Notes, the Origination Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement and this Purchase Contract, and compliance with the terms and provisions thereof, under the circumstances contemplated thereby, and the performance by the Agency of the transactions described in the Official Statement, do not and will not in any material respect conflict with the by-laws of the Agency or any existing law, court order or consent decree to which the Agency is subject, and, to the best of her knowledge after due inquiry, such execution, delivery and compliance does not and will not constitute on the part of the Agency a breach of or default under any agreement or other instrument to which the Agency is a party; it being understood that in rendering such opinion counsel to the Agency is entitled to rely on the opinion of the Vermont Department of Taxes with respect to the opinion expressed in clause (viii), need render no opinion as to the requirement of registration of the Series 18 Notes under the Securities Act of 1933, as amended, or under the similar provisions of any state statute or regulation, and need render no opinion as to any matter of federal law;

(iii) the opinion of Orrick, Herrington & Sutcliffe LLP, New York, New York, counsel to the Underwriter, dated the date of the Closing, and addressed to the Underwriter, to the effect that (i) under existing laws, the Series 18 Notes are not subject to the registration requirements of the Securities Act of 1933, as amended; and (ii) without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their conferences with the representatives of the Agency, counsel for the Agency, Bond Counsel and the Underwriter and their examination of certain documents referred to in the Official Statement, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriter in this matter that would cause them to believe that the Official Statement as of its date or as of the date of the Closing contains or contained any untrue statement of a material fact or omits or omitted to state any material fact required to be stated therein or that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that in rendering such opinion counsel for the Underwriter is not required to express an opinion with respect to financial statements and other financial, statistical or numerical data included in the Official Statement or any information concerning the book-entry system for registration of the Series 18 Notes, FSA, MBIA, AMBAC or DTC;

(iv) a certificate, dated the date of the Closing, signed by the Chairman and the Executive Director or the Chief Financial Officer of the Agency and in form and substance satisfactory to the Underwriter, to the effect that (i) the representations, agreements and warranties of the Agency herein are true and correct in all material respects as of the date of Closing; (ii) the Origination Agreements that have been executed and delivered as of the date thereof, the Representation Letter, the Continuing Disclosure Agreement and the Servicing Agreements that have been executed and delivered as of the date thereof have been duly executed by the Agency and, assuming due execution by the other parties thereto, constitute binding agreements of the Agency that are in full force and effect; (iii) no litigation is pending or, to their knowledge, threatened (a) to restrain or enjoin the issuance, sale, execution or delivery of any of the Series 18 Notes or the making of loans with the proceeds of the Series 18 Notes, (b) in any way contesting or affecting any authority for the issuance or validity of the Series 18 Notes, any proceedings of the Agency taken with respect to the issuance or sale of the Series 18 Notes, the pledge or application of any money or security provided for the payment of the Series 18 Notes or the validity of the Resolution, the Origination Agreements, the Servicing Agreements, the Representation Letter, the Continuing Disclosure Agreement or this Purchase Contract, or (c) in any way contesting the existence or powers of the Agency; and (iv) to the best of their knowledge, no event affecting the Agency has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that is necessary to be disclosed therein to make the statements and information therein not misleading in any material respect;

(v) a copy of the Notice from the Agency to KPMG LLP, pursuant to paragraph 6 hereof;

(vi) two copies of the General Resolution and the Supplemental Resolution;

(vii) two certified copies of the Preliminary Official Statement, the Official Statement and this Purchase Contract;

(viii) a letter of Bond Counsel, dated the date of the Closing and addressed to the Underwriter to the effect that their final approving opinion on the Series 18 Notes may be relied upon by the Underwriter to the same extent as if such opinion was addressed to the Underwriter;

(ix) [RESERVED];

(x) a copy of the Act, certified by the Agency to be a true and complete copy of the Act as of the date of the Closing;

(xi) a letter from Standard & Poor's Ratings Group to the effect that it has assigned a rating of ["A+/SP-1+"] to the Series 18 Notes;

(xii) a letter from Moody's Investors Service, Inc. to the effect that it has assigned a rating of ["MIG 1/A1"] to the Series 18 Notes;

(xiii) a copy of the Representation Letter;

(xiv) the Continuing Disclosure Agreement in the form included as Appendix VII to the Official Statement; and

(xv) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Agency with legal requirements, the truth and accuracy, as of the time of the Closing, of the representations of the Agency herein and in the Official Statement, and the due performance or satisfaction by the Agency at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Agency.

(d) the Agency shall have simultaneously sold to UBS Financial Services Inc., Citigroup Global Markets Inc., and A.G. Edwards & Sons, Inc., and UBS Financial Services, Citigroup Global Markets Inc. and A.G. Edwards & Sons, Inc. shall have purchased, all (but not less than all) of the Series 18A Bonds.

If the Agency shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract with respect to the Series 18 Notes or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Agency shall have any further obligation hereunder, except that the amount of the Good Faith Deposit shall be returned to us and the respective obligations under paragraph 10 hereof shall continue.

9. At the Closing, contemporaneously with the receipt of the Series 18 Notes, the Underwriter will deliver to the Agency a receipt therefor, in form satisfactory to Bond Counsel, signed by the Underwriter. On or before the date of the Closing, the Underwriter shall furnish to you a certificate acceptable to Bond Counsel signed by the Underwriter to the effect that (i) all of the Series 18 Notes have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriter or wholesalers) at prices no higher than, or at yields no lower than, those shown on the inside cover of the Official Statement and (ii) based on the Underwriter's records and other information available to them which they believe to be correct, a substantial amount (at least 10%) of each maturity of the Series 18 Notes was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriter or wholesalers) at initial prices no higher than, or yields no lower than, those shown on the inside cover of the Official Statement.

10. The Agency shall pay any expenses incident to the performance of its obligations hereunder including but not limited to: (i) the fees and disbursements of Bond Counsel; (ii) the cost of preparing and printing the Preliminary Official Statement and the Official Statement; (iii) the fees of rating agencies; and (iv) the fees and disbursements of any other counsel, experts or consultants retained by the Agency.

The Underwriter shall pay: (i) all advertising expenses in connection with the public offering of the Series 18 Notes; (ii) the cost of preparing the Blue Sky Memorandum and this Purchase Contract; (iii) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Series 18 Notes, including the fees and disbursements of counsel retained by them; and (iv) all expenses incurred by them in connection with their performance in the capacity of Underwriter for the Series 18 Notes.

11. Any notice or other communication to be given to the Agency under this Purchase Contract may be given by delivering the same in writing to Sarah E. Carpenter,

Executive Director, Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, Vermont 05401; and such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to UBS Financial Services Inc., 1285 Avenue of the Americas, New York, New York 10019, to the attention of Andrew F. Gurley.

12. This Purchase Contract is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of any of the Underwriter) and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements of the Agency in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 18 Notes. This Purchase Contract shall be enforceable in accordance with the laws of the State of New York.

13. For purposes of this Purchase Contract, the End of the Underwriting Period shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing to the contrary by the Underwriter on or prior to the day of such Closing, or (b) the date on which the "End of the Underwriting Period" for the Series 18 Notes has occurred under Rule 18C2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule").

The Agency may request from the Underwriter from time to time, and the Underwriter shall provide to the Agency upon such request, such information as may be reasonably required by it in order to determine whether the "End of the Underwriting Period" for the Series 18 Notes has occurred under the Rule with respect to the unsold balances of the Series 18 Notes that are held by the Underwriter for sale to the public within the meaning of the Rule. If there remains any unsold balance of Series 18 Notes for sale to the public within the meaning of the Rule, then the Underwriter shall promptly notify the Agency in writing that, in their opinion, the End of the Underwriting Period for the Series 18 Notes under the Rule has occurred on a date which shall be set forth in such notification. The Agency shall be entitled to treat as the End of the Underwriting Period for the Series 18 Notes, the date specified by the Underwriter in such notification.

UBS FINANCIAL SERVICES INC.

By:______________________________
Managing Director

By:______________________________

Accepted by the
VERMONT HOUSING FINANCE AGENCY

By: ______________________________
Chief Financial Officer

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations

DATE: October 1, 2003

RE: **Review and Approval of Single Family Construction Loan Program**

SUMMARY OF REQUEST

Attached you will find a draft of the Single Family Construction Loan Program proposal for your review and approval. This is intended to be the next phase of our Housing Demonstration Project activities. The program requirements were initially based on the construction loan program offered by the Agency in 1994. We have updated this program to reflect more current lending practices and underwriting requirements. Funding for the program will be the sale of short-term taxable bonds. Discussions with the Fannie Mae Regional Partnership Office indicate their willingness to purchase VHFA Bonds for this purpose. It is our hope that the pricing of these bonds will allow the Agency to offer competitive rates and terms to Housing Developers entering this program.

As part of the Demonstration Project research, we found that the most appropriate roles for the Agency to play were advocacy and mitigation of risk through flexible financing options. Our Predevelopment Loan Program is still in its infancy but has seen interest with one loan closed, and another approved for closing in October. At public meetings held around the State and from discussions with several Vermont-based banks, we found that financing options for housing development are not readily available until most of the risk has been overcome and only after significant investment of financial resources. Small and mid-sized developers don't always have the resources needed to overcome the hurdles of predevelopment. Our Predevelopment Loan Program is an excellent start but we believe the Construction Loan Program is the next logical step.

Our goal with the Construction Loan Program is not to compete with conventional lenders, or to take on developers who can't perform. We believe that with sound underwriting, we will be able to provide greater financing flexibility to builders who need it. Some of the flexibility we propose in this program include loan-to-values of up to 95% for for-profit developers and 100% for non-profit housing developers. In addition, we are proposing that our financing will stay in the project longer than banks are typically willing to tolerate. Source of repayment of these loans will be from unit sales. Conventional construction financing is generally more restrictive in these two areas. Additionally, we hope there will be opportunities to participate on some of these construction loans with area community banks. This will allow us to stretch our resources further while creating an incentive for banks to lend on projects earlier in the process.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

Key issues regarding the implementation of the program are as follows:

- Pricing of these loans needs to be at least competitive with conventional construction financing and lower if possible lower. We are exposed to a limited market of investors willing to purchase short-term taxable bonds.

- Program and Underwriting requirements should not be any more onerous than with conventional financing.

- It is possible that we will need to create another Bond Resolution to house these loans. We will work with Bond Counsel to implement the program.

- You will note there is a list of Attachments at the end of the program description. These are not attached to the proposal. We will be modifying documents currently used for multifamily rental projects as Attachments "B" (Process for Disbursements) and "C" (Standard Approval Conditions), to suite the needs of the Single Family Construction Program.

- Since this is being recommended as a Pilot Program, we are recommending that the Board approve this program with an initial limit of no more than $10 million in loan balances outstanding at any time.

Board Action Requested:
To approve the resolution attached authorizing implementation of the Single Family Construction Loan Program.

VHFA SINGLE FAMILY CONSTRUCTION LOAN PROGRAM
A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project
Fact Sheet and Application (October 1, 2003)

Program Summary

The Vermont Housing Finance Agency (VHFA) was created in 1974 by the Vermont Legislature. VHFA's mission is to finance and promote affordable housing opportunities for low- and moderate-income Vermonters. The Single Family Construction Loan Program was developed by VHFA to increase the supply of affordable housing in communities in Vermont where a shortage of such housing exists. Financing is available for site acquisition, infrastructure development, and unit construction for owner occupied single family developments.

This program description details the features, guidelines, and requirements for the Single Family Construction Loan Program. Interested applicants are encouraged to call a Development Officer at VHFA to discuss a specific development proposal.

VHFA SINGLE FAMILY CONSTRUCTION LOAN PROGRAM REQUIREMENTS

Eligible Borrower

VHFA will consider applications from for-profit and not-for-profit developers who have demonstrated financial strength and experience in for-sale single family housing development consistent with the nature and scope of the proposed development.

Eligible Developments

VHFA will consider proposals for developments with a minimum of five units under this program. There is no maximum development size; however, VHFA may require that the construction of larger developments be phased. Eligible housing types include: single family detached units, single family attached units, including condominium and planned unit developments. Units may be stick-built, modular, panelized or manufactured housing. At least 51% of the units must be priced at or below VHFA's maximum purchase price limits and sold to homebuyers within VHFA's maximum income limits. (See Attachment A for detail on VHFA's purchase price and household income limits.) In addition, more than one half of each of (a) the total floor area and (b) the total development cost of the Development wil be allocated to dwelling units for persons and families of low and moderate income.

VHFA encourages coordination with local non-profit housing organizations and homeownership centers to facilitate perpetual affordability for some of the affordable units.

The Housing Developer must provide VHFA with information as to the tangible benefits that would be derived from VHFA's participation in the financing of the development, such as, enhanced affordability of units.

The project must be consistent with local and regional plans. Projects which demonstrate and employ smart growth characteristics and which are within targeted growth areas, downtowns or village districts will receive a priority for consideration. Among the smart growth characteristics of highest importance is the efficient use of existing infrastructure, including public services and access to public transportation.

The intent of the VHFA Single Family Construction Loan Program is to facilitate the creation of affordable homeownership opportunities. The Program therefore will not provide financing to projects in which there will be a significant concentration of non-owner occupied or seasonal dwelling units. The

Housing Developer must agree to provide sales documentation, upon request of the Agency that demonstrates at least 75% of the units in the development have been sold to owner occupants.

Maximum Loan Amount

The maximum construction loan amount is equal to: 95% for for-profit developers, 100% for non-profit developers of the lesser of total housing development costs or the appraised value. Housing development costs include all typical costs incurred in connection with the construction and sale of residential housing in Vermont. Land owned by the Housing Developer that was purchased less than two years prior to the date of the application will be included as equity at the lesser of its purchase price or appraised value less outstanding debt. Land owned by the Housing Developer for more than two years, will be included as equity at its appraised value less outstanding debt. For non-profit Housing Developers, grant funds or "soft" second mortgages will be considered as equity. Commitments and evidence that all funding sources are in place shall be required prior to the construction loan closing.

Term of Loan/Repayment Schedule

Funds are generally available for the projected build-out period of the development (or the phase, in the case of a multi-phase development). Interest will be payable monthly (and is an eligible development cost). Principal will be payable at the time of sale of each unit according to a schedule to be negotiated by the borrower and VHFA. Repayment of the loan will be made in accordance with a negotiated release schedule but not later than the sale of the last unit.

Loan Security

A valid first lien position on land and improvements is required as loan security along with a first priority security interest in construction materials and personal property. A shared first lien position may be considered by VHFA if another lender participates in the loan. VHFA will require a collateral assignment of all major contracts and subcontracts, and will require lien waivers from major contractors, subcontractors, and suppliers.

Interest Rate

The interest rate shall be determined at the time of closing based on the term of the construction loan, market conditions at that time, and the Agency's cost of funds.

Pre-Application Meeting/Loan Application Fee/Commitment Fee/Loan Origination Fee

VHFA Development staff will be available to schedule a pre-application meeting to discuss the proposed development and financing request. A non-refundable application fee of $250 is required at the time an application for financing is made and a loan origination fee of one percent (1%) of the loan amount is payable at closing. A commitment fee of: $1,000 for loans up to $500,000 or $5,000 for loans greater than $500,000, will be due from the Developer at time of approval and acceptance of the VHFA commitment letter. The commitment fee will be applied toward payment of the loan origination fee at the time of construction closing. If the loan does not close, this fee is non-refundable. In addition, all third party expenses such as appraisal fees, environmental assessments, market studies and construction inspections, will be paid by the Borrower, and are all eligible development expenses.

Priority for Funds

In the event that applications exceed the amount of funding available, priority will be given to developments that, in VHFA's sole discretion, are located in areas with the greatest need and which target the greatest number of households at or below 100% of the area median income.

Demonstrated Need and Market

VHFA's mandate is to finance the development of housing only if there is a demonstrated need for the housing. The Housing Developer must provide information satisfactory to VHFA that demonstrates a need for housing in the market area to be served by the proposed development, and a plan to market units. Information required may vary depending on the market area, the size of the development, whether or not phasing of the infrastructure development is possible, the number of units that are pre-sold, and other factors that may be known about the general market area. Information necessary includes current housing market conditions, general economic conditions, employment and wages, and information on units for sale within the market. The Housing Developer must provide VHFA with the projected demand and absorption period for the development based on the unit configuration and proposed price range. The Agency will require a Market Study that supports the demand and need for the project as prepared by a third party professional acceptable to the Agency.

Assurance of Completion/Personal Guarantees

VHFA will generally require from the Housing Developer or general contractor a performance and payment surety bond in the amount of 100% of the construction contract, a letter of credit equal to 25% of the construction contract, or other forms of additional security. Bond premiums and other fees to provide additional security are eligible development costs. A determination as to whether VHFA will require additional security will be based on the size and complexity of the proposed development and whether or not phasing of the infrastructure development is possible, the amount of the Housing Developer's equity in the development, the number of pre-sales, the strength of the market area, and other factors.

VHFA will require guarantees for completion of construction in form and substance acceptable to the Agency.

Financing for Home Buyers

VHFA anticipates that it will provide financing to qualified home buyers in the project. The Agency reserves the right to limit the number of units it will finance in a project. Housing Developers are encouraged to seek any necessary approvals from local lenders and government entities (i.e. Freddie Mac, Fannie Mae, USDA Rural Development, HUD and VA) to make the widest array of financing options available to home buyers.

Appraisal Requirements

VHFA requires an appraisal from an appraiser acceptable to VHFA of the site as permitted and as developed, and a sample unit appraisal for each unit type.

Energy Efficiency Requirements for Units

All homes must meet the State of Vermont's energy efficiency requirements.

Environmental Assessment

VHFA requires a Phase I Environmental Assessment of the site. If information on the Phase I Environmental Assessment indicates the potential for environmental hazards, a Phase II Environmental Assessment may be required. If a portion of the development involves demolition or rehabilitation of an existing structure, additional environmental review may also be required.

Other Requirements for VHFA Financed Projects

Whenever possible, an AIA contract form appropriate for the development should be used. Each construction contract must include a schedule of values which becomes the basis for all disbursements, retainage and certifications.

VHFA must also review and approve plans and specifications. The collective scope of work for each set of contracts must match the Plans and Specifications cited in the document "VHFA Acknowledgement of Plans and Specifications" signed at closing. VHFA may require review of the development plans and specifications by a qualified professional hired by the Agency at the Developer's expense. (An eligible development cost.)

Construction Inspections

VHFA or its agent will conduct periodic on-site inspections of the development throughout the construction period. Payment for VHFA's construction inspector will be the responsibility of the Developer and is an eligible development cost. VHFA construction inspections are not a substitute for developer, engineering, and architectural supervision of construction.

Disbursement Process/Retainage

Disbursement requests are processed monthly by VHFA unless other terms are agreed upon. The process for disbursements during construction and retainage requirements are outlined in Attachment B.

THE APPLICATION PROCESS

Application and Approval

All proposals for financing are reviewed first by VHFA staff and senior management. Proposals that are eligible for financing are recommended to VHFA's Board of Commissioners for approval. The VHFA's Board meets monthly. The Housing Developer is expected to attend the meeting to answer any questions the VHFA Board members may have.

VHFA requires the following information to complete an underwriting review of a proposal for financing. VHFA will not schedule a closing until all loan approval conditions are met, construction permits have been received, construction contracts have been signed, and all funding sources are in place or committed.

1. Development Team: Please provide the following information for each member of the development team: Name of organization or company, complete address, name(s) of contact person(s), telephone numbers and e-mail addresses. Development team members could include development partners, architects, engineers, consultants, attorneys, and general contractors, etc. The developer must submit a current personal and corporate financial statements with the loan application package.

2. Developer Experience: Please provide a list of projects in process and completed within the last 5 years that demonstrate experience and capacity to complete the proposed project. This may be waived at the discretion of the Agency by the Development Officer at the time of the initial interview if the Agency has had previous and favorable experience with the Housing Developer.

3. Project Information: Provide name and location of project. Describe the scope of the project, and why a Construction Loan is being requested of VHFA. Specifically describe how the project will benefit from this loan program. Please provide a listing of the unit types and design with price ranges for each unit type.

4. Site: Provide a narrative description of the site and attach site and topographic maps with relevant development features (buildings, roads, sewer lines, wetlands, etc.) Indicate current zoning. Describe any zoning changes or other regulatory approvals (including Act 250) needed to implement the proposed development project, along with the expected timetable for those approvals. Copies of local and state permit approvals will be required prior to closing.

5. Site Control: Provide the current status of ownership and provide a copy of documents that give site control to the applicant. These may include, but are not limited to, an in-force option agreement, a legally binding purchase and sale agreement, or a copy of current deed of record.

6. Project Appraisal: The Agency will require and will order directly at the time of application a project appraisal and sample unit appraisals. The project will need to be appraised as a permitted site, and as an "as completed" value.

7. Environmental Site Assessment: A Level I environmental site assessment will be required. A Level II and site mitigation will be required if adverse environmental issues associated with the site are indicated in the Level I report.

8. Project Plans and Specs: Provide preliminary (or final if available) project plans and specifications for infrastructure and housing units.

9. Community and Public Benefits of Project: Cite the expected specific neighborhood and community benefits of the project.

10. Proposed Development Schedule: Provide target dates for the following events: submission of financing applications; regulatory and zoning reviews and approvals; building permits; receipt of financing commitments; construction start and completion dates, with projected sale dates for each housing unit.

11. Market Demand: Provide an independent market study, or the name of the firm who will be providing the study if not completed, along with a copy of the scope of work.

12. Budget and Pro Forma: Provide the proposed project construction budget, including detailed sources and uses of funds (including rates and terms), construction schedule and proposed plan of repayment on VHFA provided format. Copies of bids from contractors must be provided prior to closing to support the final development budget.

13. Additional information requested by VHFA.

Loan Closing/VHFA Standard Conditions

At least 10 business days prior to the scheduled loan closing date, the Housing Developer shall provide VHFA with all information and documents necessary to satisfy standard and any special conditions. A pre-closing will be scheduled approximately one week before the scheduled closing date.

Attachment C provides standard conditions generally required by VHFA. These conditions may vary depending on the proposed development. Those that apply to a specific development would have to be satisfied prior to closing.

LIST OF ATTACHMENTS:

Attachment A:	VHFA Maximum Purchase Prices And Household Incomes
Attachment B:	VHFA Process for Disbursement
Attachment C:	VHFA Standard Conditions

VERMONT HOUSING FINANCE AGENCY

RESOLUTION RE: SINGLE FAMILY CONSTRUCTION LOAN PROGRAM
A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project

WHEREAS, the Agency has considered ways to expand the availability of single family homes for sale within the Agency's maximum purchase price limits;

WHEREAS, based on research and outreach, the Agency has determined that the availability of a construction loan program using VHFA's guidelines would be beneficial;

WHEREAS, the Agency wishes to implement a pilot program to provide construction loans to private sector and nonprofit developers who agree to provide no less than 51% of the units in the Project that will be priced for sale at or below VHFA's maximum purchase price limits and available to homebuyers within VHFA's maximum income limits, including a commitment of $10 million available for this purpose; and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated October 1, 2003, containing information and recommendations (the "Memorandum") and a program description entitled VHFA SINGLE FAMILY CONSTRUCTION LOAN PROGRAM: A Pilot Loan Program in conjunction with VHFA's Housing Demonstration Project, including the application requirements dated October 1, 2003 (the "Program Description");

WHEREFORE, it is hereby:

RESOLVED, that the recommendations with respect to the VHFA SINGLE FAMILY CONSTRUCTION LOAN PROGRAM contained in the Memorandum and the Program Description which is attached and incorporated by this reference be adopted, including a commitment of $10 million to be used to make construction loans to private sector and nonprofit developers for purposes of single family developments; and

RESOLVED, that the Executive Director is hereby authorized to take such actions as are necessary to implement the VHFA SINGLE FAMILY CONSTRUCTION LOAN PROGRAM based on the Program Description attached and incorporated by this reference.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: October 1, 2003

RE: Single Family Predevelopment Loan
The Hartland Group – Developers: Cornell Trading Building – Burlington

Name:	North Avenue Project	**Location:**	Burlington
Housing Type:	General Occupancy	**Unit Type:**	Townhouse & Flat style For-Sale Condominium Units
Total Units:	25	**Unit Sizes:**	Nine Three -BR Sixteen Two-BR One Commercial Unit
Total Cost:	$5,565,008	**Total Development Cost per square foot of residential/commercial**	$139
Loan Requested: SF Predevelopment Loan	$100,000	**Housing Credits:**	Not Applicable
Other Funding:	Construction Loan – J.P. Morgan Chase (in discussion) Owners Cash Equity		
Developers	The Hartland Group Community Developers and Consultants, LLC.		

The Hartland Group is owned and operated by Charles Lief and Miro Weinberger. Serving as President and Vice President of the Greystone Foundation in Yonkers NY, they have over 30 years of combined experience developing mixed-use buildings, historic structures, affordable housing, and economic development projects. Both have recently relocated to Vermont. Their résumé's and accomplishments as the administrators of the Greystone Foundation are impressive. Miro is originally from Woodstock, Vermont. His father is a long standing architect in Woodstock and is the architect for the proposed project.

The Developers entered into an Option Agreement in June 2003 with Chris and April Cornell, the current owners of the Cornell Trading Company Warehouse, located at 237 North Avenue in Burlington. The project involves conversion of an existing warehouse to twenty-five residential, for-sale condominium units and 2500 square feet that will remain commercial space. It is hoped that they will be able to attract a neighborhood restaurant or coffee shop for the commercial space. It is also their intent that of the twenty-five residential units, they will build three live/work townhouses utilizing a small 250 square foot ground floor room for an in-house office or studio. You will see from the pricing schedule attached that this is truly a mixed income project prices ranging from $150,000 to $285,000. High-end units are larger townhouse and flats style units with views of Lake Champlain. The lesser-priced units are smaller in size and do not have lake views. The Burlington Community Land Trust has expressed an interest in acquiring at least three of these units, priced at $150,000.

Staff feels the project meets the requirements of the VHFA Housing Demonstration Program. It is an adaptive use converting warehouse space to mixed-income and mixed-use residential housing. It is located in the densely populated North End of Burlington, served by public utilities, in close proximity to schools, recreation and shopping areas. Prices do vary widely in the project and are of some concern. The project was reviewed by the Loan Review Committee and it was agreed that we should approve the loan request up to the $100,000 requested, but limit initial disbursements to fund a market study, project appraisals and environmental assessments.

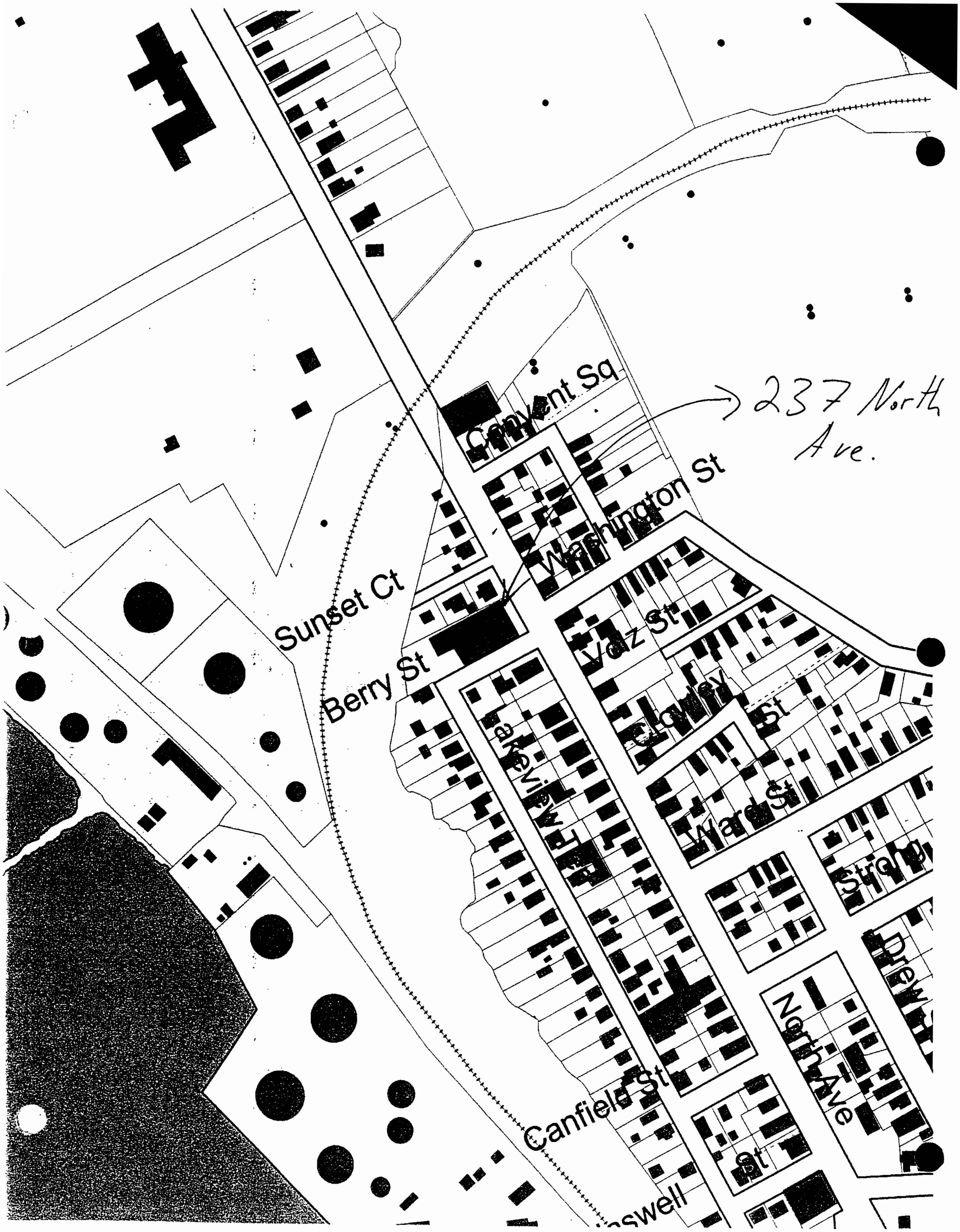
Board Action Requested: At the time the Single Family Predevelopment Loan Program was approved, the Board gave the staff the authority to approve these loans up to $100,000, but requested to be informed of projects under consideration. We are asking for a consensus of the Board that the North Avenue Project is appropriate for consideration under the Single Family Predevelopment Program and the Housing Demonstration Project.

Unit Sales Schedule

Unit #	Bldg. #	Phase #	Unit Type	Square Feet	# Bdrms	Buyer Name	Proposed Price
1			S-Facing T.H.	1,850	3+		275,500
2			S-Facing T.H.	1,850	3+		275,500
3			S-Facing T.H.	1,850	3+		275,500
4			N-Facing T.H.	1,600	3		216,000
5			N-Facing T.H.	1,600	3		216,000
6			N-Facing T.H.	1,600	3		216,000
7			Flat w/Lake View	1,500	2		285,000
8			Flat w/Lake View	1,500	2		285,000
9			Flat w/Lake View	1,500	2		285,000
10			Flat w/Lake View	1,500	2		285,000
11			Flat w/Lake View	1,500	2		285,000
12			Flat w/Lake View	1,500	2		285,000
13			Flat w/Lake View	1,500	2		285,000
14			Flat w/Lake View	1,500	2		285,000
15			Flat w/Lake View	1,500	2		285,000
16			Flat w/Mtn or Berr	1,250	2		206,250
17			Flat w/Mtn or Berr	1,250	2		206,250
18			Flat w/Mtn or Berr	1,250	2		206,250
19			Flat w/Mtn or Berr	1,250	2		206,250
20			Flat w/Mtn or Berr	1,250	2		206,250
21			Flat w/Mtn or Berr	1,250	2		206,250
22			Flat w/Mtn or Berr	1,250	2		206,250
23			Affordable flat	1,000	3		150,000
24			Affordable flat	1,000	3		150,000
25			Affordable flat	1,000	3		150,000
26			Commercial Unit	2,249			103,368
			Total	**37,849**			**6,036,618**

Total Dev Cost = **5,565,008**

Surplus/(Deficit) **471,610**



Convent Sq
237 North Ave.
Washington St
Sunset Ct
Berry St
Vaz St
Cowley St
Lakeview Ter
Ward St
Strong
Drew
North Ave
Canfield St
St

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Joe Erdelyi, Senior Development Officer

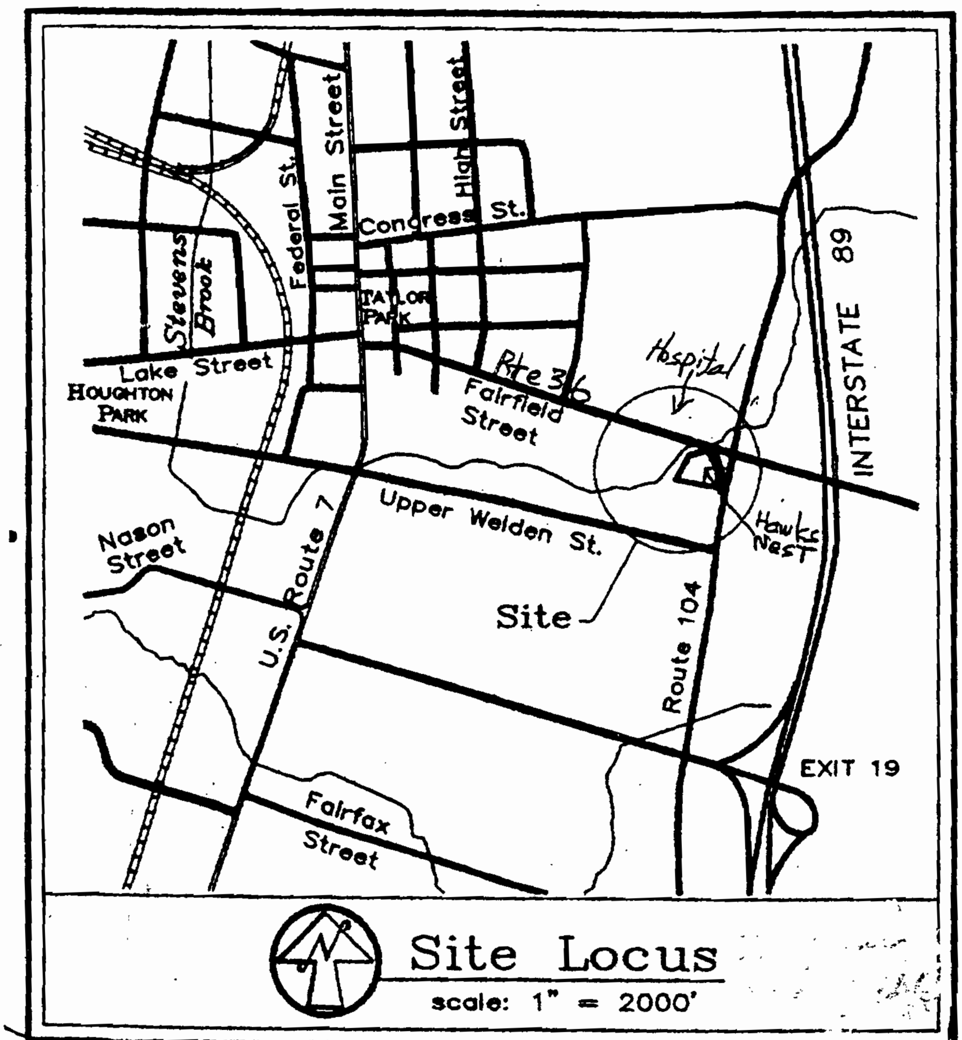
DATE: September 26, 2003

RE: Request for Construction & Permanent Loan

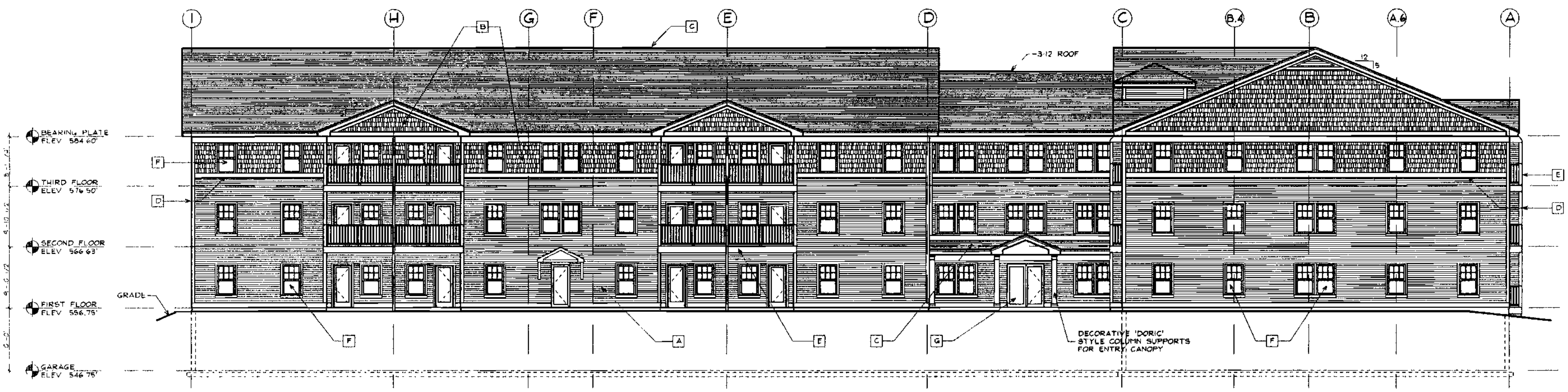
Name:	Hawk's Nest Senior Housing	**Location:**	St. Albans
Housing Type:	Elderly	**Unit Type:**	Flats
Total Units:	66	**Unit Sizes:**	44 1-BR @ 575 s.f. 22 2-BR @ 860 s.f.
Total Cost:	$5,137,915	**Per S.F. Acquisition & Construction Cost:**	$70.20 (on leased land)
Loans Requested:	$3,500,000 construction $3,275,000 permanent	**Housing Credits:**	$182,890 "automatic 4% credits"
Other Funding:	Developer fee loan, tax credit equity		
Sponsors:	Yandow/Dousevicz Construction		

The proposal is to build a single structure, with four-stories, an elevator and parking underneath, very similar to the Eagle Crest and Falcon Manor projects in Williston (both of which were also developed by Yandow/Dousevicz and financed by VHFA). The site is in St. Albans, adjacent to the Northwest Medical Center on Fairfield Street, and approximately two miles from the interstate exit. As with the two others, this development would be managed by Cathedral Square Corporation, and Mike Richardson of Capital Ideas is the development and syndication consultant. Staff have not yet reviewed an as-completed appraisal or a Phase I Environmental Site Assessment, and our loan would be conditioned upon satisfactory receipt and review. Our loan is also conditioned upon acceptable plans and specifications, which are currently under review. A market study was done by John Ryan of Development Cycles, and it required a substantial change in the unit mix and rent structure – the initial assumptions were similar to those of the Williston developments, and St. Albans is a different market. Forty-seven of the 66 units are shown as having project-based rental assistance from VSHA (staff will want a firm commitment since the feasibility of our financing is largely dependent on this subsidy being in place). Fifty-seven of the 66 units will be tax-credit restricted. Rents include utilities and parking. Optional amenities include laundry and cable, and the cost is comparable to other recent developments. The land will be leased from Jim Dousevicz to the partnership. Staff will require that the as-completed appraisal determines the value of the land, and that the present value of the lease does not exceed this appraised value. The project needs to utilize tax-exempt bond financing in order to get the accompanying tax credits, and this loan would be placed in VHFA's upcoming bond issue.

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



Hawk's Nest Site, St. Albans



SOUTH ELEVATION
SCALE 1/8" = 1'-0"

NORTH ELEVATION
SCALE 1/8" = 1'-0"

EXTERIOR MATERIALS LEGEND

- [A] SIDING TYPE-1. VINYL SIDING, 0.050 NOMINAL THICKNESS, DOUBLE 5" DUTCHLAP PROFILE WITH BRUSHED FINISH TEXTURE, "SAGEBRUSH DSDL" BY NORANDEX, COLOR. "CHAMPAGNE" OR EQUIVALENT AS SELECTED BY THE ARCHITECT
- [B] SIDING TYPE-2 VINYL SHINGLES, "ROUGH SAWN CEDAR" PATTERN BY NAILITE, COLOR· "ANTIQUE GRAY" OR EQUIVALENT AS SELECTED BY THE ARCHITECT.
- [C] ROOFING ARCHITECT GRADE ASPHALT SHINGLES OVER 15 lb ASPHALT IMPREGNATED FELT SHINGLES SHALL BE "IKO ARCHITECT 90", COLOR "DUAL BLACK" OR EQUIVALENT AS SELECTED BY THE ARCHITECT
- [D] EXTERIOR TRIM. ALL RUNNING AND STANDING TRIM SHALL BE EITHER PAINT GRADE #2 PINE, OR, CELLULAR PVC LUMBER "PERMA-TRIMBOARDS" OR "ROYAL WOOD" PRODUCTS COLOR SHALL BE WHITE
- [E] BALCONY / RAILINGS FRAMING AND DECKING FOR BALCONIES SHALL BE PRESSURE TREATED LUMBER WITH EXTERIOR TRIM BOARD FASCIA (WHITE) COVERING THE EXPOSED P.T. LUMBER FRAME RAILING ASSEMBLY SHALL BE STOCK PVC POST AND RAIL COMPONENTS, COLOR SHALL BE WHITE. (SEE NOTE ON SHT A-6)
- [F] WINDOWS OPERABLE WINDOWS SHALL BE EXTRUDED VINYL WITH APPLIED GRID PATTERN AS SHOWN GLAZING SHALL BE DOUBLE INSULATED CLEAR GLASS COLOR OF VINYL SHALL BE WHITE
- [G] EXTERIOR DOORS MAIN BUILDING ENTRY/EXIT DOORS, FRAMES AND FIXED SIDELITES SHALL BE EXTRUDED ALUMINUM STOREFRONT DOORS WITH MEDIUM STILE DESIGN AND FACTORY APPLIED FINISH COLOR SHALL BE AS SELECTED BY THE ARCHITECT
- [H] MISCELLANEOUS PROVIDE 26 GA G.I. PREFORMED DRIP EDGE @ ROOF PERIMETER ALL EXPOSED VENTS SHALL MATCH COLOR OF SIDING
- [I] FOUNDATION EXPOSED CONCRETE FOUNDATION WALL

REVISIONS	DATE
1 REVISED AS PER VO COMMENTS	5/20/03

ELEVATIONS
SCALE 1/8" = 1'-0"

ST. ALBANS
SENIOR HOUSING

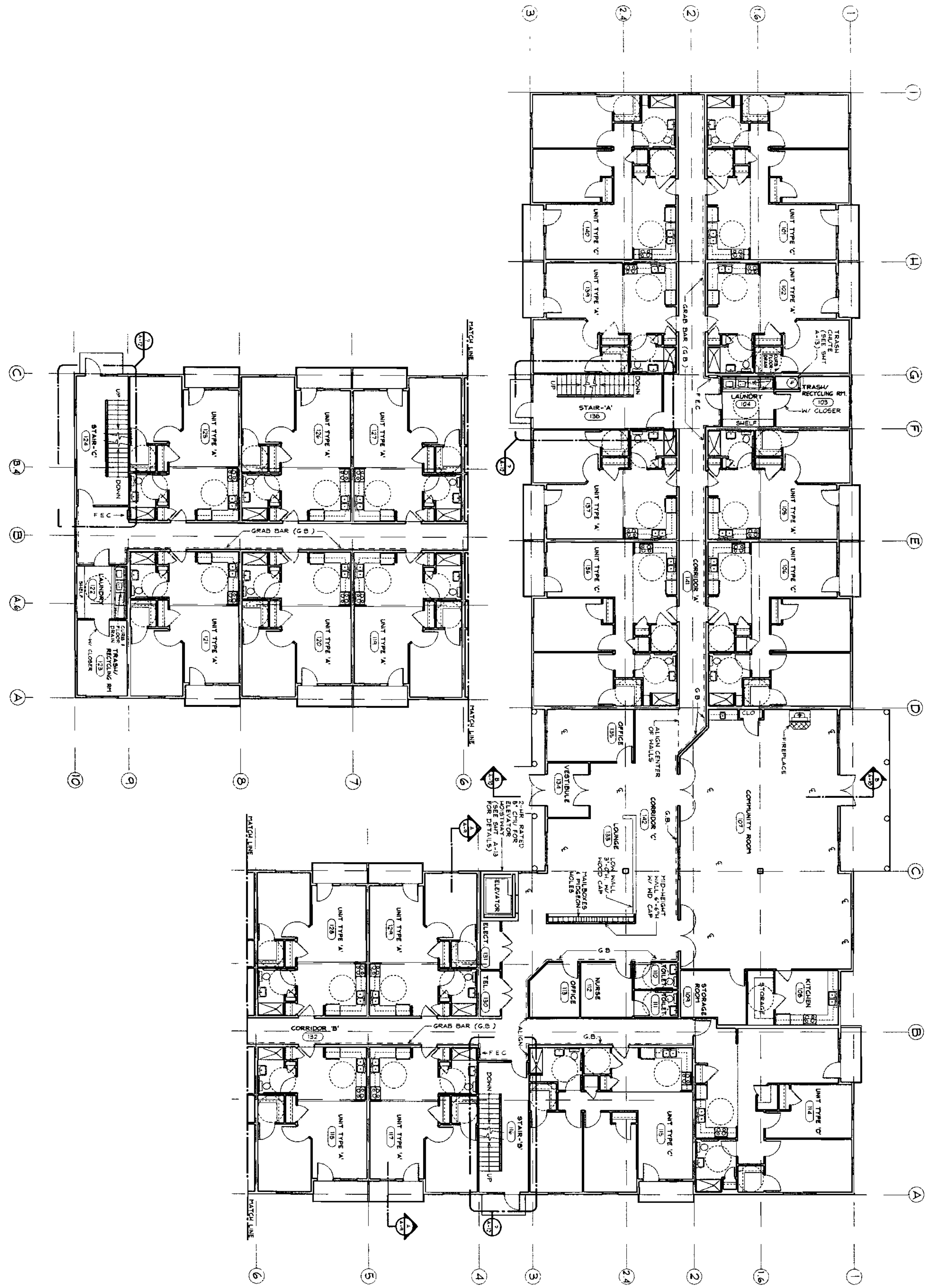
ST. ALBANS VERMONT

299 College Street
Burlington, Vermont 05401
Tel (802) 863-0222
Fax (802) 863-6407

SHEET NUMBER
A-7
DATE 5/2/03

0212-ST ALBANS SENIOR\0212-ELEVATIONS-4-7-03.DCS

Hawk's Nest, St. Albans



Hawk's Nest, St. Albans
First Floor

30-Sep-03 **Hawk's Nest Elderly Housing**

Total Residential Units:	66	Increase in Income from MKT Rental Units:	2.00%
Housing Credit Restricted Units:	57	Increase in income from LIHTC units	1.50%
Percent Restricted:	86.36%	Increase in Income from Commercial:	0.00%
Total Development Cost:	5,137,915	Expense increase:	3.00%
Total Development Cost per Unit:	77,847	Vacancy Rate:	5%
Total Development Cost Per SF:	92	Partner's Tax Rate:	35%
		Long Depreciation Schedule:	27.5 years
Max Credit Potential:	182,890	Short Depreciation Schedule:	7 years
Credit Amount Allocated:	182,890	Sponsor's Estimated Yield:	82.84%

LIHTC - 9%	0.00%	Oct 2003
LIHTC - 4%	3.44%	

SOURCES

		% of Total Development Cost	Interest Rate	Amortization	Term
First Mortgage-VHFA	3,275,000	63.74%	6.55%	40	30
Developer Loan	362,915	7.06%	3.38%	13	10
Tax Credit Equity/Partners Equity	1,500,000	29.19%	N/A	N/A	
TOTAL SOURCES	5,137,915	100.00%			
vhfa construction loan	3,438,000				

USES

Acquisition	7,500	0.15%
Construction Hard Costs	3,900,000	75.91%
Soft Costs	1,230,415	23.95%
TOTAL USES	5,137,915	100.00%
Gap	0	

PER UNIT COST LIMIT CALCULATION

	per unit limits		number of units			
0 Br	84,390		0	0		
1 Br	90,140		44	3,966,160		
2 Br	95,890		22	2,109,580		
3 Br	101,637		0	0		
4 Br	107,390		0	0		
Maximum cost allowed under the per unit cost limits			66	6,075,740		
Projected total cost, excluding cash accounts				5,067,915	Cost Overage %	120%
		(over)/under		1,007,825		

General Partner's Capital Contribution	0	1.00%
Limited Partner's Capital Contribution	1,500,000	99.00%
Total Equity	1,500,000	

APPLICABLE FRACTION CALCULATION

Tax Credit Restricted Units	57
Total Units	66
Unit Fraction	86.36%
Tax Credit Square Footage	36,480
Total Residential Square Footage	44,220
Square Footage Fraction	82.50%
Applicable Fraction	82.50%

form revision date: 2/27/97

30-Sep-03 **Hawk's Nest Elderly Housing**

		Budget	Acquisition Basis	Construction Basis	Residential Depreciation	Historic Credit Basis	Other
	ACQUISITION						
1	Land	0					
2	Purchase of Building	0					
3	Demolition (without replacement)	0					
4	Property Appraisal	2,500			2,500		
5	Legal - Title and Recording	5,000			5,000		
	Subtotal - Acquisition	7,500					
	CONSTRUCTION HARD COSTS						
6	Rehabilitation	0					
7	New Building(s)	3,404,000		3,404,000	3,404,000		
8	Accessory Buildings	0					
9	Sitework	350,000		350,000	350,000		
10	Commercial Space Costs (if any)	0					
11	General Requirements	0					
12	Contractor Overhead	0					
13	Contractor Profit	0					
14	Construction Contingency	100,000		100,000	100,000		
15	Construction Management	0					
16	Construction Bond Fee	0					
17	Hazardous Materials Abatement	0					
18	Off-Site Improvements	0					
19	Furnishings, Fixtures, & Equipment	46,000		46,000	46,000		
20	Other (______________)	0					
	Subtotal - Hard Costs	3,900,000					
	SOFT COSTS						
21	Architectural	45,000		45,000	45,000		
22	Engineering	15,000		15,000	15,000		
23	Legal/Accounting	8,000		8,000	8,000		
24	Relocation	0					
25	Environmental Assessment	0		0	0		
26	Energy Assessment	0					
27	Permits/Fees	95,000		95,000	95,000		
28	Independent Market Study	8,000		8,000	8,000		
29	Construction Period Insurance	14,000		14,000	14,000		
30	Construction Interest	200,000		200,000	200,000		
31	Construction Loan Origination Fee	51,600		51,600	51,600		
32	Taxes During Construction	0		0	0		
33	VHFA Inspector	5,000		5,000	5,000		
34	Marketing	10,000					
35	Tax Credit Fees	7,600		7,600	7,315		
36	Soft Cost Contingency	10,000		10,000	10,000		
37	Permanent Loan Origination Fee	0					
38	Lender's Counsel's Fee	6,000		6,000			
39	Other (ALTA Form of Survey)	3,500		3,500	3,500		
	SYNDICATION COSTS						
40	Organizational (Partnership)	8,000					
41	Bridge Loan Fees and Expenses	0					
42	Syndication Consultant	45,000					
43	Tax Opinion	0					
	DEVELOPER'S FEES						
44	Developer's Fees	620,715		620,715	620,715		
45	Other Partnership Fees	8,000		8,000	8,000		
46	Consultant Fees	0					
	RESERVES						
47	Working Capital	0					
48	Rent-up (Deficit Escrow) Reserve	0					
49	Other Operating Reserves	50,000					
50	Sinking Fund	0					
51	Replacement Reserves	20,000					
	Subtotal - Soft Costs	1,230,415					
	TOTALS	5,137,915	0	4,997,415	4,952,630	0	
LESS:	Amount of Non-qualified Financing						
LESS:	Adjustment for per unit cost limits	1		0			
LESS:	Historic tax Credit (Residential Portion)			40,036	0	20% Historic Credit Rate	
	Total Eligible Basis		0	4,957,379		0 Annual Historic Credit	
TIMES:	Adjusted for QCT/DDA	130.0%		6,444,593			
TIMES:	Applicable Fraction	82.50%	0	5,316,570			
	Total Qualified Basis		0	5,316,570	4,952,630	Long Term Depreciable Basis	
TIMES:	Applicable Percentage		3.44%	3.44%	27.5	Depreciation Schedule	
	Total Annual Credit Qualified		0	182,890	180,096	Annual Depreciation	

Total Tax Credits Requested	182,890
Estimated Net Syndication Proceeds (**excluding historic credit equity**)	1,500,000
Estimated Yield - Housing Credit Syndication	82.84%
Equity Gap	1,500,000
Credits Needed to fill Equity Gap	182,890

46,000 Short Term Depreciable Basis

7 Depreciation Schedule

6,571 Annual Depreciation

form revision date: 2/27/97

#	Item	Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land		0	0.00
2	Purchase of Building		0	0.00
3	Demolition (without replacement)		0	0.00
4	Property Appraisal	2,500	38	0.04
5	Legal - Title and Recording	5,000	76	0.09
	Subtotal - Acquisition	7,500	114	0.13
	CONSTRUCTION HARD COSTS			
6	Rehabilitation		0	0.00
7	New Building(s)	3,404,000	51,576	61.16
8	Accessory Buildings		0	0.00
9	Sitework	350,000	5,303	6.29
10	Commercial Space Costs (if any)		0	0.00
11	General Requirements		0	0.00
12	Contractor Overhead		0	0.00
13	Contractor Profit		0	0.00
14	Construction Contingency	100,000	1,515	1.80
15	Construction Management		0	0.00
16	Construction Bond Fee		0	0.00
17	Hazardous Materials Abatement		0	0.00
18	Off-Site Improvements		0	0.00
19	Furnishings, Fixtures, & Equipment	46,000	697	0.83
20	Other (________________)		0	0.00
	Subtotal - Hard Costs	3,900,000	59,091	70.07
	SOFT COSTS			
21	Architectural	45,000	682	0.81
22	Engineering	15,000	227	0.27
23	Legal/Accounting	8,000	121	0.14
24	Relocation		0	0.00
25	Environmental Assessment	0	0	0.00
26	Energy Assessment		0	0.00
27	Permits/Fees	95,000	1,439	1.71
28	Independent Market Study	8,000	121	0.14
29	Construction Period Insurance	14,000	212	0.25
30	Construction Interest	200,000	3,030	3.59
31	Construction Loan Origination Fee	51,600	782	0.93
32	Taxes During Construction		0	0.00
33	VHFA Inspector	5,000	76	0.09
34	Marketing	10,000	152	0.18
35	Tax Credit Fees	7,600	115	0.14
36	Soft Cost Contingency	10,000	152	0.18
37	Permanent Loan Origination Fee		0	0.00
38	Lender's Counsel's Fee	6,000	91	0.11
39	Other (ALTA Form of Survey)	3,500	53	0.06
	SYNDICATION COSTS			
40	Organizational (Partnership)	8,000	121	0.14
41	Bridge Loan Fees and Expenses		0	0.00
42	Syndication Consultant	45,000	682	0.81
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer's Fees	620,715	9,405	11.15
45	Other Partnership Fees	8,000	121	0.14
46	Consultant Fees		0	0.00
	RESERVES			
47	Working Capital		0	0.00
48	Rent-up (Deficit Escrow) Reserve		0	0.00
49	Other Operating Reserves	50,000	758	0.90
50	Sinking Fund		0	0.00
51	Replacement Reserves	20,000	303	0.36
	Subtotal - Soft Costs	1,230,415	18,643	22.11
	TOTAL DEVELOPMENT COSTS	5,137,915	77,847	92.31

30-Sep-03 **Hawk's Nest Elderly Housing**

HC Restricted Units Bedrooms	Type	Average Square Feet	Number	Average Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
1 Br		575	44	690	0	364,162
2 Br		860	13	762	0	118,906
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	36,480	57			483,067

Non-HC Restricted Units Bedrooms	Type	Square Feet	Number	Rent	Utilities	Total Annual Rent
0 Br		0	0	0	0	0
2 Br		860	4	775	0	37,200
2 Br		860	5	920	0	55,176
3 Br		0	0	0	0	0
4+ Br		0	0	0	0	0
	Totals	7,740	9			92,376
All Units						
	Grand Totals	44,220	66			575,443
common area sf:		11,440				
total sf		55,660				

Less Vacancy	5.00%	(28,772)
	NET RENT	546,671
OTHER INCOME		
Laundry		7,200
Parking		0
Commercial Space Income		
Other - Cable TV		2,976
	TOTAL INCOME	556,847

30-Sep-03

Hawk's Nest Elderly Housing

	Check all Applicable									A					B					
Building #	Unit #	HOME Unit	Lead Paint Unit	Project Based Assistance	Tax Credit Unit	VHCB Restricted	Accessible	Adaptable	Unrestricted	Number of Bedrooms	Proposed Square Footage	Proposed Rent	Utility Allowance for Tenant-Paid Utilities	Gross Rent (Rent + Tenant-Paid Utilities)	OCCUPIED BY: Income level of residents to be served:					
															<30%	<50%	<60%	<80%	<100%	>100%
1	1			1	1		1			1	575	690	0	690		1				
	2			1	1		1			1	575	690	0	690		1				
	3			1	1		1			1	575	690	0	690		1				
	4			1	1		1			1	575	690	0	690		1				
	5			1	1			1		1	575	690	0	690		1				
	6			1	1			1		1	575	690	0	690		1				
	7			1	1			1		1	575	690	0	690		1				
	8			1	1			1		1	575	690	0	690		1				
	9			1	1			1		1	575	690	0	690		1				
	10			1	1			1		1	575	690	0	690		1				
	11			1	1			1		1	575	690	0	690		1				
	12			1	1			1		1	575	690	0	690		1				
	13			1	1			1		1	575	690	0	690		1				
	14			1	1			1		1	575	690	0	690		1				
	15			1	1			1		1	575	690	0	690		1				
	16			1	1			1		1	575	690	0	690		1				
	17			1	1			1		1	575	690	0	690		1				
	18			1	1			1		1	575	690	0	690		1				
	19			1	1			1		1	575	690	0	690		1				
	20			1	1			1		1	575	690	0	690		1				
	21			1	1			1		1	575	690	0	690		1				
	22			1	1			1		1	575	690	0	690		1				
	23			1	1			1		1	575	690	0	690		1				
	24			1	1			1		1	575	690	0	690		1				
	25			1	1			1		1	575	690	0	690		1				
	26			1	1			1		1	575	690	0	690		1				
	27			1	1			1		1	575	690	0	690		1				
	28			1	1			1		1	575	690	0	690		1				
	29			1	1			1		1	575	690	0	690		1				
	30			1	1			1		1	575	690	0	690		1				
	31			1	1			1		1	575	690	0	690		1				
	32			1	1			1		1	575	690	0	690		1				
	33			1	1			1		1	575	690	0	690		1				
	34			1	1			1		1	575	690	0	690		1				
	35			1	1			1		1	575	690	0	690		1				
	36			1	1			1		1	575	690	0	690		1				
	37			1	1			1		1	575	690	0	690		1				
	38			1	1			1		1	575	690	0	690		1				
	39			1	1			1		1	575	690	0	690		1				
	40			1	1			1		1	575	690	0	690		1				
	41			1	1			1		1	575	690	0	690		1				
	42			1	1			1		1	575	690	0	690		1				
	43			1	1			1		1	575	690	0	690		1				
	44			1	1			1		1	575	690	0	690		1				
	45			1	1			1		2	860	920	0	920		1				
	46			1	1		1			2	860	920	0	920		1				
	47			1	1		1			2	860	920	0	920		1				
	48				1		1			2	860	715	0	715			1			
	49				1		1			2	860	715	0	715			1			
	50				1			1		2	860	715	0	715			1			
	51				1			1		2	860	715	0	715			1			
	52				1			1		2	860	715	0	715			1			
	53				1			1		2	860	715	0	715			1			
	54				1			1		2	860	715	0	715			1			
	55				1			1		2	860	715	0	715			1			
	56				1			1		2	860	715	0	715			1			
	57				1			1		2	860	715	0	715			1			
	58							1		2	860	775	0	775						1
	59							1		2	860	775	0	775						1
	60							1		2	860	775	0	775						1
	61							1		2	860	775	0	775						1
	62							1		2	860	920	0	920						1
	63							1		2	860	920	0	920						1
	64							1		2	860	920	0	920						1
	65							1		2	860	920	0	920						1
	66							1		2	860	920	0	920						1
Total # Units	66	0	0	47	57	0	8	58	0	Totals:	44,220	47,956		Total # Units:	0	47	10	0	0	9

form revision date: 2/27/97

30-Sep-03 **Hawk's Nest Elderly Housing**

	Annual	Monthly	Per Unit Per Month	
Administration				
Management Fee	31,680	2,640	40	
Supportive Services	20,000	1,667	25	
Audit/Accounting	4,000	333	5	
Legal	1,500	125	2	
Compliance Monitoring	2,736	228	3	
Marketing	5,000	417	6	
Other - On call presence	9,300	775	12	
Other - phone, trnng,office, salaries	18,837	1,570	24	
TOTAL ADMINISTRATIVE	93,053	7,754	117	
Utilities				
Electricity	30,500	2,542	39	
Fuel	16,000	1,333	20	
Water and Sewer	5,600	467	7	
Fire Alarm / Emergency	5,400	450	7	
Other		0	0	
TOTAL UTILITIES	57,500	4,792	73	
Maintenance				
Maintenance / Janitor Payroll	25,000	2,083	32	
Janitor Supplies	3,400	283	4	
Exterminating		0	0	
Trash Removal	3,060	255	4	
Snow Removal	5,000	417	6	
Grounds	2,000	167	3	
Repairs Material	500	42	1	
Repairs Contract	750	63	1	
HVAC Repairs / Maintenance	1,000	83	1	
Elevator Contract / Repairs	2,400	200	3	
Painting and Decorating	2,000	167	3	
Other	400	33	1	
TOTAL MAINTENANCE	45,510	3,793	57	pupm, excl ds and reserves 329.63
Real Estate Taxes	50,000	4,167	63	
Property Insurance	15,000	1,250	19	
Replacement Reserves	19,800	1,650	25	
Primary Debt Service	238,451	19,871	301	
Other "must pay" debt service		0	0	
Other		0	0	
Total	519,314	43,276	656	

30-Sep-03 **Hawk's Nest Elderly Housing**

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Operating Income																
Gross Rent		575,443	586,952	598,691	610,665	622,878	635,336	648,043	661,003	674,223	687,708	701,462	715,491	729,801	744,397	759,285
Other Income		10,176	10,329	10,484	10,641	10,800	10,962	11,127	11,294	11,463	11,635	11,810	11,987	12,167	12,349	12,534
Vacancy and other losses		(28,772)	(29,348)	(29,935)	(30,533)	(31,144)	(31,767)	(32,402)	(33,050)	(33,711)	(34,385)	(35,073)	(35,775)	(36,490)	(37,220)	(37,964)
Total Operating Income		556,847	567,933	579,240	590,773	602,535	614,531	626,767	639,247	651,975	664,958	678,199	691,704	705,478	719,526	733,855
Operating Expenses																
Total Expenses (excl. Reserves)		261,063	268,895	276,962	285,271	293,829	302,644	311,723	321,075	330,707	340,628	350,847	361,372	372,213	383,380	394,881
Reserves		19,800	20,196	20,600	21,012	21,432	21,861	22,298	22,744	23,199	23,663	24,136	24,619	25,111	25,613	26,126
Land Lease	3%	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
Total Operating Expense		290,863	299,391	308,171	317,210	326,516	336,097	345,961	356,117	366,573	377,339	388,422	399,833	411,582	423,679	436,133
Net Operating Income		265,984	268,542	271,069	273,563	276,019	278,434	280,806	283,130	285,402	287,619	289,777	291,870	293,895	295,848	297,722
Less Primary Debt Service		231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486	231,486
Less Secondary Debt Service		815	3,049	5,256	7,434	9,579	11,688	13,759	15,789	17,774	19,710	21,594	23,423	25,191	26,897	28,534
Annual Cash Flow		33,684	34,008	34,328	34,643	34,954	35,260	35,561	35,855	36,143	36,423	36,697	36,962	37,218	37,465	37,703
Operating Subsidies / Sinking Fund		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash		33,684	34,008	34,328	34,643	34,954	35,260	35,561	35,855	36,143	36,423	36,697	36,962	37,218	37,465	37,703
DCR		114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%	114.50%
Cumulative Cash Flow																
Beginning Balance		50,000	85,020	121,068	158,161	196,314	235,544	275,867	317,301	359,860	403,562	448,421	494,452	541,673	590,097	639,739
Deposits		33,684	34,008	34,328	34,643	34,954	35,260	35,561	35,855	36,143	36,423	36,697	36,962	37,218	37,465	37,703
Interest	2.0%	1,337	2,040	2,765	3,510	4,276	5,063	5,873	6,705	7,559	8,435	9,335	10,259	11,206	12,177	13,172
Withdrawals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		85,020	121,068	158,161	196,314	235,544	275,867	317,301	359,860	403,562	448,421	494,452	541,673	590,097	639,739	690,613
Cumulative Replacement Reserves																
Beginning Balance		19,800	40,046	60,994	82,663	105,072	25,322	47,727	70,908	94,886	119,682	33,812	58,636	84,319	110,884	138,352
Deposits		19,800	20,196	20,600	21,012	21,432	21,861	22,298	22,744	23,199	23,663	24,136	24,619	25,111	25,613	26,126
Interest	1.5%	446	752	1,069	1,398	1,737	544	883	1,234	1,597	1,973	688	1,064	1,453	1,855	2,271
Withdrawals		0	0	0	0	102,919	0	0	0	0	111,506	0	0	0	0	120,129
Ending Balance		40,046	60,994	82,663	105,072	25,322	47,727	70,908	94,886	119,682	33,812	58,636	84,319	110,884	138,352	46,620

RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR HAWK'S NEST SENIOR HOUSING, TOWN OF ST. ALBANS

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

WHEREAS, an application has been submitted to the Agency by Yandow/Dousevicz Construction (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or a related entity will be the general partner (the "Borrower") involving the construction of one (1) building containing a total of sixty-six (66) units of elderly rental housing in the Town of St. Albans (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Joe Erdelyi dated September 26, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction and permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Dave Adams, Chief of Program Operations

DATE: October 1st, 2003

RE: Single Family Construction Financing: Burlington Community Land Trust

South Burlington Neighborhood Housing

Name:	South Burlington Neighborhood Housing	**Location:**	South Burlington
Housing Type:	Single Family For-Sale General Occupancy	**Unit Type:**	Flat style condominium units
Total Units:	60	**Unit Sizes:**	See schedule attached
Total Cost:	$8,236,485	**Per S.F. Acquisition & Construction Cost:**	$123.61 (unit areas only)
Loan Requested: (Taxable)	$6,545,000 Construction	**Housing Credits:**	Not Applicable
Other Funding:	VHCB, VCDP, Neighborworks, Seller Financing, Deferred Developers Fees		
Housing Developer	Burlington Community Land Trust		

The Burlington Community Land Trust has signed a purchase and sale agreement with F&M Development Company (Eric Farrell and Dan Morrissey) to acquire a parcel of land (Lot #4) and to construct a 60 unit condominium project in the planned unit development known as O'Dell Parkway, in South Burlington. The parcel consists of 1.601 acres and is currently permitted to house a 95 room extended stay hotel. F& M Development Company is in the process of having the permits revised to allow the construction of the 60-unit condominium project. F & M will be the developer and will sell the project to the Burlington Community Land Trust on completion as a "turn-key" project. The Land Trust has acquired the services of Susan Cobb through Housing Vermont to review plans and specs and will hire a clerk of the works to monitor construction progress and quality. The Agency will contract with Dave Anderson to review all proposed building plans, specifications, construction cost and to oversee construction progress and requisitions.

We have been asked to provide construction financing of $6,545,000 with a build-out period of up to two years. An appraisal report has been provided by Steve Allen, MAI. Land value was appraised at $1,250,000, and the "as completed project" was given a value between $6,450,000 (two year build-out) and $6,600,000 (one year build-out).

A Market Study has been provided by Mad River Research and is favorable to the project. Unit prices of unsubsidized units will range from $113,000 to $149,900. Thirty-one of the sixty units will receive direct homebuyer subsidies of approximately $30,000.

These subsidies will be funded by grants from VHCB, VCDP and Neighborworks. We have underwritten the project cash flows using the lesser of the BCLT proposed prices or the appraised value as provided by Allen & Brooks which are more conservative for all units except the larger two-bedroom/two-bathroom units.

The schedule of sources and uses shows a funding gap of $231,485. Possible sources of funding for this may include an additional deferral of amounts due to F&M Development, Federal Home Loan Bank AHP funds, or additional grant funds from VHCB. Any acceleration of unit sales will also have a dramatic affect on interest carrying cost. In any event, we will not close until a source of gap funding has been committed. This gap will be significantly reduced if the Land Trust is able to sell the units at the prices they have submitted with their application. They have hired Bill Desautels (The Condo Guy) to help with unit design and to market the project.

Staff recognizes several issues as potential areas of concern: small unit size, single four-story building housing sixty units, in a dense neighborhood, adjacent to a large affordable housing project, with other new units scheduled for construction on a nearby lot. We believe that in spite of these concerns, the subsidized units will sell very quickly. We have used the more conservative appraised values of the unsubsidized units in our underwriting and therefore believe these units will also sell-out within the projected time frame. The location of the project with access to public transportation and a major shopping center are compensating factors to the density issues.

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

01-Oct-03 **BCLT South Burlington Neighborhood Housing**

Total Residential Units:		60
Subsidized Units		31
Percent of Units Subsidize		51.67%
Total Development Cost:	$	8,236,485
Total Development Cost per Unit:	$	137,275
Total Development Cost Per SF:	$	118

Project consist of 60 flat style condominium units to be sold individual unit owners. It is a separate phase of the project known as O'Dell Apartments in South Burlington. All units are located in a single building consisting of 4 stories with

SOURCES

		% of Total Development	Interest Rate	Amortization	Term
VHFA Construction Loan	6,545,000	79.46%	4.50%		2
Neighborworks Grant	300,000	3.64%			
VHCB - Grant	300,000	3.64%			
VCDP - Grant	350,000	4.25%			
Seller Financing	360,000	4.37%			
Deferred Developers Fees - BCLT	150,000	1.82%			
		0.00%			
Sales Proceeds from Units	see const cash flow		N/A	N/A	
TOTAL SOURCES	**8,005,000**	97.19%			

USES

Acquisition	1,536,500	18.65%
Construction Hard Costs	5,542,702	67.29%
Soft Costs	1,157,283	14.05%
TOTAL USES	**8,236,485**	100%

Gap **231,485**

South Burlington Neighborhood Housing
Construction Flow of Funds

SOURCES:	Original Budget	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Total
VHFA Construction Loan	6,545,000	919,012	118,800	582,987	1,228,334	345,792	618,964	561,025	465,171	532,770	520,723	365,596	260,071	(401,407)	(601,044)	(608,143)	(659,625)	(662,108)	(1,570,260)	########	(44,084)
Neighborworks Grant	300000	300,000																			300,000
VHCB - Grant	300000	150,000						150,000													300,000
VCDP - Grant	350000	350,000																			350,000
Seller Financing	360,000																90,000	90,000	90,000	90,000	360,000
Def. Dev Fees BCLT	150,000																50,000	50,000	25,000	25,000	150,000
Net Proceeds from Unit Sales		-	-	-	-	-	-	-	-	-	-	-	-	447,873	657,873	637,164	687,873	687,873	1,605,037	2,033,528	6,757,221
TOTALS:	**8,005,000**	**1,719,012**	**118,800**	**582,987**	**1,228,334**	**345,792**	**618,964**	**711,025**	**465,171**	**532,770**	**520,723**	**365,596**	**260,071**	**46,466**	**56,829**	**29,021**	**168,248**	**165,765**	**149,777**	**87,785**	**8,173,137**
USES:																					
Land Acquisiton	1,165,000	1,165,000																			1,165,000
Purchase of Building(s)	0																				-
Title Insurance	8,000	8,000																			8,000
Property Appraisal	3,500	3,500																			3,500
Selleres Develop Fees	360,000																90,000	90,000	90,000	90,000	360,000
Subtotal Acquisition Cost	**1,536,500**	**1,176,500**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**90,000**	**90,000**	**90,000**	**90,000**	**1,536,500**
Const Hard Costs																					-
New Building(s)	4,856,240		54,000	436,000	1,056,740	306,500	585,000	521,000	407,000	469,000	485,000	314,000	222,000								4,856,240
Sitework	385,000		30,000	110,000	130,000			85,000	30,000												385,000
Landscaping	30,000									30,000											30,000
Environmental Assessment	1,500	1,500																			1,500
Clerk of the Works	35,000		2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917							35,004
Construction Management	45,000		3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750							45,000
Arch/Engineering/Estimating	120,875	90,656	6,044	6,044	6,044	6,044	6,044														120,876
Bond	44,806	44,806																			44,806
Bulders Risk	24,281	24,281																			24,281
Contingency Allowance	0																				-
Subtotal Hard Costs	**5,542,702**	**161,243**	**96,711**	**558,711**	**1,199,451**	**319,211**	**597,711**	**612,667**	**443,667**	**505,667**	**491,667**	**320,667**	**228,667**	**6,667**	**0**	**0**	**0**	**0**	**0**	**0**	**5,542,707**
SOFT COSTS																					-
Legal/Accounting	45,000		11,250	11,250	11,250	11,250															45,000
Legal-organizational & sales	36,000		3,600	3,600	3,600		3,600	3,600		3,600	3,600		3,600	3,600	3,600						36,000
Permits & Fees	30,974	30,974																			30,974
Impact Fees	146,635	146,635																			146,635
Building Permits	9,313	9,313																			9,313
Construction Loan Interest	274,105	3,447	3,894	6,081	10,688	11,986	14,308	16,413	18,159	20,158	22,111	23,484	24,459	22,954	20,701	18,421	15,948	13,465	7,577	(150)	274,105
Construction Loan Expense	15,900	15,900																			15,900
Construction Lender Orig Fee	97,500	97,500																			97,500
Carrying Costs	19,196		1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600							19,200
Working Capital (Association	20,000														20,000						20,000
Soft Cost Contingency	21,468		1,745	1,745	1,745	1,745	1,745	1,745	1,745	1,745	1,745	1,745	1,745	1,745	528						21,468
Market Study	2,500	2,500																			2,500
Advertising/Marketing	77,092	-	-	-	-	-	-	-	-	-	-	-	-	5,400	7,500	7,600	7,800	7,800	18,200	22,792	77,092
Model/Office FF&E	18,100											18,100									18,100
Commissions/Sales Staff	43,500	-	-	-	-	-	-	-	-	-	-	-	-	4,500	4,500	3,000	4,500	4,500	9,000	13,500	43,500
Developmers Fees BCLT	300,000	75,000						75,000									50,000	50,000	25,000	25,000	300,000
Other Contingency																					-
Subtotal Soft Costs	**1,157,283**	**381,269**	**22,089**	**24,276**	**28,883**	**26,581**	**21,253**	**98,358**	**21,504**	**27,103**	**29,056**	**44,929**	**31,404**	**39,799**	**56,829**	**29,021**	**78,248**	**75,765**	**59,777**	**61,142**	**1,157,287**
TOTAL DEVELOPMENT	**8,236,485**	**1,719,012**	**118,800**	**582,987**	**1,228,334**	**345,792**	**618,964**	**711,025**	**465,171**	**532,770**	**520,723**	**365,596**	**260,071**	**46,466**	**56,829**	**29,021**	**168,248**	**165,765**	**149,777**	**151,142**	**8,236,494**
Funding Gap	**(231,485)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(63,357)**	**(63,357)**

	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Total
Construction Loan Balance	919,012	1,037,812	1,620,799	2,849,134	3,194,926	3,813,891	4,374,916	4,840,087	5,372,856	5,893,580	6,259,175	6,519,246	6,117,840	5,516,795	4,908,652	4,249,026	3,586,919	2,016,659	(44,084)	-
Construction Loan Interest	3,446	3,892	6,078	10,684	11,981	14,302	16,406	18,150	20,148	22,101	23,472	24,447	22,942	20,688	18,407	15,934	13,451	7,562	(165)	273,927
Bridge Interest (Cumulative)																				
Estimated Appraised Value	1,250,000	1,368,800	1,951,787	3,180,122	3,525,914	4,144,878	4,855,904	5,321,074	5,853,844	6,374,567	6,740,163	7,000,234	7,046,700	7,103,529	7,132,549	6,612,924	6,090,816	4,635,557	2,753,171	

South Burlington Neighborhood Housing
Unit Pricing/Subsidy Matrix

Unit #	Unit Type	Square Feet	# Bdrms	# Baths	BCLT Price	**Lessor of Price or Appr Value**	Subsidy	Listing Fee	Realtor Comm.	**Net Sales Price**
1	A	668	1	1	113,000	**90,000**	30,709	900		**59,291**
2	A	668	1	1	113,000	**90,000**		900	1,500	**90,000**
3	B	678	1	1	115,000	**90,000**	30,709	900		**59,291**
4	B	678	1	1	115,000	**90,000**		900	1,500	**90,000**
5	B	678	1	1	115,000	**90,000**	30,709	900		**59,291**
6	B	678	1	1	115,000	**90,000**		900	1,500	**90,000**
7	C	911	2	1	132,000	**125,000**	30,709	1,250		**94,291**
8	C	911	2	1	132,000	**125,000**		1,250	1,500	**125,000**
9	C	911	2	1	132,000	**125,000**	30,709	1,250		**94,291**
10	C	911	2	1	132,000	**125,000**		1,250	1,500	**125,000**
11	C	911	2	1	132,000	**125,000**	30,709	1,250		**94,291**
12	C	911	2	1	132,000	**125,000**		1,250	1,500	**125,000**
13	C	911	2	1	132,000	**125,000**	30,709	1,250		**94,291**
14	C	911	2	1	132,000	**125,000**	30,709	1,250		**94,291**
15	C	911	2	1	132,000	**125,000**	30,709	1,250		**94,291**
16	C	911	2	1	132,000	**125,000**		1,250	1,500	**125,000**
17	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
18	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
19	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
20	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
21	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
22	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
23	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
24	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
25	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
26	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
27	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
28	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
29	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
30	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
31	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
32	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
33	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
34	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
35	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
36	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
37	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
38	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
39	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
40	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
41	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
42	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
43	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
44	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
45	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
46	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
47	D	963	2	1	137,000	**130,000**	30,709	1,300		**99,291**
48	D	963	2	1	137,000	**130,000**		1,300	1,500	**130,000**
49	E	1,042	2	2	145,900	**140,000**	30,709	1,400		**109,291**
50	E	1,042	2	2	145,900	**140,000**		1,400	1,500	**140,000**
51	E	1,042	2	2	145,900	**140,000**	30,709	1,400		**109,291**
52	E	1,042	2	2	145,900	**140,000**		1,400	1,500	**140,000**
53	F	1,141	2	2	149,900	**149,900**	30,709	1,499		**119,191**
54	F	1,141	2	2	149,900	**149,900**		1,499	1,500	**149,900**
55	F	1,141	2	2	149,900	**149,900**	30,709	1,499		**119,191**
56	F	1,141	2	2	149,900	**149,900**		1,499	1,500	**149,900**
57	F	1,141	2	2	149,900	**149,900**	30,709	1,499		**119,191**
58	F	1,141	2	2	149,900	**149,900**		1,499	1,500	**149,900**
59	F	1,141	2	2	149,900	**149,900**	30,709	1,499		**119,191**
60	F	1,141	2	2	149,900	**149,900**		1,499	1,500	**149,900**
		57,270	114	72	8,172,800	**7,709,200**	951,979	77,092	43,500	**6,757,221**

RESOLUTION RE: SINGLE FAMILY CONSTRUCTION FINANCING FOR SOUTH BURLINGTON NEIGHBORHOOD HOUSING, SOUTH BURLINGTON

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

WHEREAS, an application has been submitted to the Agency by Burlington Community Land Trust (the "Borrower") involving the construction of one (1) building containing a total of sixty (60) units of for sale single family housing in the City of South Burlington (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated October 1, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

6. The Borrower is financially responsible and is a qualified 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 or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsors in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the Borrower for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the Agency, including the Single Family Construction Loan Program guidelines.

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake, General Counsel

RE: Ratification of Actions taken on October 8, 2003

DATE: November 13, 2003

Board Action Requested: Adopt the attached resolution.

Purpose of Resolution: The attached resolution merely ratifies and confirms the actions that the Board took in Hanover, New Hampshire on October 8, 2003. Having discussed the plan with the Attorney General's Office before the meeting, I am confident that there is no apparent reason why the Board could not take action outside the State of Vermont with only the temporary amendment of the Agency's Bylaws; however, to be absolutely sure, I recommend that the Board ratify those actions at this next meeting in the State of Vermont.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Vermont Housing Finance Agency

RESOLUTION RE: RATIFICATION OF ACTIONS TAKEN ON OCTOBER 8, 2003

WHEREAS, the Board of Commissioners met in Hanover, New Hampshire on October 8, 2003;

WHEREAS, the Board of Commissioners took action on several projects, including the Twenty-Second Supplemental Single Family Bond Resolution;

WHEREAS, the Board of Commissioners wishes to ratify and confirm its actions taken in the State of New Hampshire at this meeting taking place in the State of Vermont;

NOW, THEREFORE, it is RESOLVED,

1. That the Board of Commissioners hereby ratifies and confirms all actions taken at its meeting on October 8, 2003.

vhfa

Vermont Housing Finance Agency

VHFA Board Minutes
Templeton Court Apartments
95 Templeton Avenue
White River Junction, Vermont
Wednesday, October 8, 2003 at 10:30 a.m.

VHFA Board Members Present:
Lisa Randall - Chair, Thomas Candon, Paul Beaulieu, Gus Seelig

VHFA Board Members Absent:
Dagyne Canney, John Hall, Beth Pearce

Staff: Dave Adams, Sarah Carpenter, Elizabeth Mullikin Drake, Joe Erdelyi, Cindy Reid, Roger Schoenbeck

Chair Randall called the meeting to order at 10:25 a.m.

RESOLUTION

Mr. Seelig made a motion to approve the "Resolution Re: Temporary Amendment of Bylaws." Mr. Candon seconded the motion and the Board unanimously approved the resolution.

ADJOURNMENT

Mr. Seelig made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 10:30 a.m.

VHFA Board Minutes

Hanover Inn
Hanover, New Hampshire
Wednesday, October 8, 2003 at 11:00 am

Present: Chair Randall, Commissioners Mr. Beaulieu, Mr. Candon (Designee for Crowley), Ms. Canney, Ms. Pearce (Designee for Spaulding), Mr. Seelig, Mr. Hall arrived at 1:00 p.m. (Designee for Dorn)

Staff: Ms. Carpenter, Ms. Collins, Mr. Erdelyi, Ms. Reid, Mr. Schoenbeck, Ms. Loller, Ms. Drake

Guests: Mr. Mike Richardson (Capital Ideas), Mr. Paul Sisson (KPMG)

Chair Randall called the meeting to order at 11:15 a.m.

MINUTES

Mr. Seelig made a motion to approve the September 18, 2003 Board of Commissioners' meeting minutes with Mr. Candon seconding the motion. The minutes were approved unanimously with the exception of Mr. Beaulieu who abstained.

DEVELOPMENT

Hawk's Nest Senior Housing, St. Albans

Mr. Mike Richardson discussed the details of the request for a $3,500,000 construction loan and $3,275,000 in permanent financing for Hawk's Nest, which is a 66-unit senior housing development in St. Albans. Mr. Seelig asked about the impact if the Section 8 program suffers budget cuts – the current arrangement is annual renewals with a 10-year contract. It is estimated that if the federal program gets cut, it will mean a 2.5% cut across the state or 1.5 units at Hawk's Nest.

Mr. Seelig inquired about the right of first refusal for VHFA when the owners decide to sell in 20 – 30 years. The project must be kept affordable for 30 years, but there are currently no resale restrictions in place. Mr. Erdelyi will follow up with Jim Dousevicz (developer) to see if this could be added to the agreement.

Mr. Beaulieu made a motion to approve the "Resolution Re: Construction and Permanent Financing for Hawk's Nest Senior Housing, Town of St. Albans" with Ms. Canney seconding the motion. The motion was approved unanimously.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

FINANCE

Annual Audit Report
Mr. Sisson from KPMG discussed the results of the annual audit. Starting this year, VHFA is required to comply with GASB 34. This regulation necessitated that the Agency include a Management Discussion and Analysis report as part of the final audit package, in addition to the Independent Auditors report and the financial statements.

There were no material control weaknesses or reported conditions noted in the report. During the audit, KPMG staff reviews internal controls that are related to financial reporting. Should any weaknesses be identified during the course of the audit, they would be brought to management's attention and noted, as appropriate, in the audit report. Should any internal fraud be identified this, too, would immediately be brought to the CFO's attention, with the Executive Director being notified should the CFO be involved in the situation.

One accounting issue was noted regarding the accrual of interest on non-performing loans totaling approximately $82,000. The Agency's method for accruing interest on these non-performing loans is to ensure we receive payment for this interest upon the disposition of the property. Management believes that the effects of the uncorrected financial statement misstatement are immaterial to the financial statements taken as a whole. At this point in time, changing this practice would not be worth the investment involved. However, should this become an issue in the future, the Agency could make the necessary changes to accommodate the new process.

Mr. Candon made a motion to accept the annual audit report, with Ms. Pearce seconding the motion. The motion was approved unanimously.

DEVELOPMENT

Mr. Hall arrived

Single Family Construction Loan Program
Mr. Adams presented the details of the proposed single family construction loan program. After some discussion regarding the different allowable loan amounts for non-profits and for-profits, it was agreed that Mr. Adams would amend the program requirements to reflect a maximum loan amount of 95% loan-to-value for both for-profit and non-profit developers.

Ms. Canney asked how the Agency would monitor VHFA purchase price and income limits. Mr. Adams stated that the Agency would request post-sale documentation to see if goals were met, but since this would be "after the fact," VHFA will need to trust developers to make their best effort to meet the 51% test for purchase price and income limits. Achieving 51% of sales to households within the VHFA income limits was recognized as a challenge. After some discussion, it was agreed that the proposed program requirements would be amended to provide greater flexibility regarding income targeting, using 51% as a target, not a strict requirement.

Mr. Seelig made a motion to approve the "Resolution Re: Single Family Construction Loan Program," changing the total funding amount from $10 million to a target of $15 million, with the ability to add other criteria if the demand is high. Mr. Beaulieu seconded the motion. After additional discussion, the amendment was modified to reflect the 95% maximum loan-to-value for both for-profit and non-profit developers, and to add flexibility around the 51% income targeting requirements. The motion was unanimously approved.

Mr. Seelig also requested that the Board revisit its energy policy at a future meeting.

FINANCE

Series 18 SF Bond Financing
Mr. Schoenbeck reviewed the bond financing resolutions. The bonds were sold when the market was low, so we received a favorable rate which resulted in a 5.5% no points mortgage rate. However, the Boston FHLB, apparently sensitive to some management issues within New York FHLB, tightened their requirements for a liquidity facility and is not participating in the Series 18 financing, which eliminates SWAPs from the deal. The loss of the SWAP was approximately 20 basis points.

A discussion regarding the "right" rate to offer followed. Given the various regulations on spread, servicing fees and loan losses, different rate scenarios are possible. Ms. Drake will also look into the ability to differentiate rates in areas of the state with more expensive stock. Mr. Seelig requested that there be a future discussion regarding the Agency's rate philosophy.

Mr. Seelig made a motion to approve the "Twenty-Second Supplemental Single Family Housing Bond Resolution" with Mr. Beaulieu seconding the motion. The motion was unanimously approved.

DEVELOPMENT

Cornell Trading Building – The Hartland Group – Predevelopment Loan
This is the first project for the Single Family Predevelopment Loan Program for a for-profit developer. The Loan Review Committee is in favor of this project. The loan was presented to the Board for consensus on whether the project meets their vision of one appropriate for the VHFA Single Family Housing Demonstration Project.

After some discussion, no one on the Board had objections, but Mr. Candon requested that we continue with underwriting and ensure the project as a whole is viable. Mr. Seelig also mentioned that it would be good to have the 51% rule for purchase price, income limits and square footage be conditions for the loan. The Board also thought that obtaining personal guarantees was in order.

South Burlington Neighborhood Housing

This 60-unit condominium project is located on the site of the O'Dell development and is the first loan request under the new SF Construction Loan Program. BCLT is the borrower and has requested construction financing totaling $6,545,000. Changes to the approved maximum loan-to-value limits will require a reduction in the loan amount to $6,270,000. Staff will need to ensure the gap ($275,000) created by this change is adequately filled prior to moving forward. VHCB has committed $300,000 for this year and a possible additional $300,000 next year, pending funding availability.

Mr. Hall made a motion to approve the "Resolution Re: Single Family Construction Financing for South Burlington Neighborhood Housing, South Burlington," adjusting the loan amount to $6,270,000 and that commitments from other funding sources be received to fill any gaps between sources and uses. Mr. Adams was also asked to have BCLT verify that the units under 700 sq. ft. will qualify for Fannie/Freddie underwriting criteria. Mr. Seelig seconded the motion. The motion was unanimously approved.

In an additional discussion, Mr. Seelig recommended that we have a future discussion regarding the various risks involved in these types of loans given our responsibility to our bondholders.

Mr. Adams informed the Board that he has resigned as a member of the BCLT Board of Directors, due to his involvement in this project.

Tax Credit Allocation Plan

Mr. Erdelyi presented a brief overview of a draft copy of NCSHA's best practices and staff's recommendation for the tax credit allocation plan. Staff is recommending that the current Executive Orders be replaced with a new Executive Order that more accurately reflects current practices – VHFA as the formal allocating agency, with the Joint Committee on Tax Credits advising the VHFA Board on allocation policies and priorities. Staff is also recommending that the Board replace the tax credit rounds with an open process of approving tax credit allocations at monthly Board meetings as applications are received.

A lengthy discussion followed. Key points from the discussion included:

- It will be important to ensure all parties are in sync with the rolling process should this be implemented
- Public comment will be necessary to assist with the design of the rolling process
- Developers would be required to go to other funding sources to ensure there is a reasonable expectation of funding before a recommendation is made to the VHFA Board
- Volume will be somewhat self-limiting given the 2-3 years it takes to bring projects on line
- Expectations for projects/developers needs to be clearer
- Some thresholds need to be met prior to review by VHFA staff
- Exceptions for major re-development initiatives should be written into the plan

- Examine whether letters of commitment or letters of intent will be a useful tool going forward
- Inclusion of minimal design standards
- Need to look at developer fees – ensure consistency with other agencies
- Interagency communication/coordination is necessary to ensure resources used most effectively and, also, to streamline the process
- Consider giving the tax credit covenants priority over the loans - will make us accountable
- Implement a project review sheet, similar to one used for Act 250 and by VHFA staff for internal use
- Need to size pipeline a few times a year
- Staff should poll developers quarterly/semi-annually for projected activity – possibly utilize the website – could also have this be an interagency initiative
- Ensure developers that once they are on a wait list they won't be removed
- Need to determine change criteria/limits for having to return to the Board when substantial changes occur in the project
- Need to say "no" when appropriate – not good to string developer along or rubber stamp projects
- Consider a balance of geographic disbursement and need
- We need to make sure we are on the same page with the State's consolidated plan

In summary, staff will draft changes to the current plan document, incorporating discussion items for preliminary approval at the December Board meeting. A public hearing will be set up to obtain feedback from those working with the tax credit program. Ms. Drake will follow up with Ms. Young in the Governor's office regarding the reworking of the Executive Orders.

BOARD FUNCTION AND STRUCTURE DISCUSSION

Chair Randall initiated the discussion by stating that in recent years the Board meetings have been considerably more operationally focused, vs. innovative and visionary. She asked for suggestions on how to make a shift to more strategic discussions.

Consent Agenda, Timing and Flow of Meetings
Mr. Seelig suggested the implementation of a consent agenda for routine and/or straight forward agenda items. All items on this agenda would be approved as submitted by staff. Board members would have the opportunity prior to the meeting to remove an item(s) from the consent agenda if they would like to have some discussion on the item. Board members are also welcome to contact staff with questions and/or clarifications prior to the meeting. Suggested items for a consent agenda include: Executive Director's Report, Homeownership Monthly Activity Reports, straightforward development construction loans, quarterly financials, etc.

A consent agenda will be included with the November Board agenda. Staff will determine what goes on the consent agenda and Board members may request items come off the agenda up to the day before the meeting. An updated consent and full agenda will be sent electronically the day before the meeting if changes are requested.

Ms. Randall emphasized that in order for this process to work, all material on the consent agenda should be read prior to each meeting. To assist in reading the various reports, staff will highlight pertinent issues/changes with cover memos when appropriate. Ms. Pearce also requested that any recommendations be listed in the beginning of the memo. She also mentioned that bullet format memos allowed for faster reading.

It was also decided that staff would send information in electronic format where possible (making sure to number each attachment), in addition to paper copies. Board members commented that receiving the Board packet prior to the weekend was the preferred timing, as it allowed them the weekend for review. It was also decided that the current schedule of January through May meetings in Montpelier from 9:00 a.m. to 12:00 p.m. and meetings June through December in Burlington from 1:00 p.m. to 4:00 p.m. would continue to work for the Board.

It was discussed that the items earlier on in the meeting tend to get somewhat more attention than items later on the agenda. It was decided that strategic issues move to the top of the agenda. Staff will survey the Board on strategic initiatives to be included in these discussions.

Board Structure

There are two committees of the Board - Human Resources and Finance. Mr. Candon chairs the HR Committee with Ms. Canney and Ms. Pearce as members. Mr. Seelig chairs the Finance Committee with Mr. Hall and Mr. Beaulieu as members. A discussion followed regarding the need/desire for a Loan Review Committee. Mr. Seelig recommended that the Board revisit this possible need after utilizing the consent agenda for six to eight months.

Ms. Pearce suggested the development of a Policy Committee to discuss strategic initiatives. Given the proposed changes in meeting structure, this too will be revisited in six to eight months.

ADJOURNMENT

Ms. Pearce made a motion to adjourn the meeting. Mr. Beaulieu seconded the motion and the Board unanimously approved to adjourn the meeting at 4:40 p.m.

Strategic Planning Topics for Discussion

Suggestions from Gus Seelig

1. Weighing the relative advantage (or disadvantages) of cutting our spread on single family lending with a goal of increasing volume, market penetration and affordability
2. Should we put some funds at a high level of risk (perhaps outside the agency) to encourage single family development and what structure would accommodate best that risk, i.e. landbanking another Housing Vt., etc.
3. Given the financial condition of the federal government, what can we contribute strategically to the establishment of new federal resources, i.e. national trust fund Freddie/Fannie mandate?
4. I believe Mayland has developed a mortgage product that rewards "smart growth" purchases, i.e. housing located close to work. I don't know if they stretch the lending ratios because the borrower spends less on transportation but it might be worth looking at.

Suggestions from John Hall

I would like to discuss:

1. the "developer fees," the history and the basis of the fees, how they are determined and how they are used;
2. the long term financial sustainability of the non profits; and
3. the question, "What does the policy of perpetual affordability cost in up-front dollars?"

Suggestions from Lisa Randall

Visit Gus' question, "How much of a reserve do we need before we start additional ventures like Housing Vermont?" I think this is a key questions because most initiatives we consider will require capital and we need to agree on how much we might have available at any time.

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Allocation of Remaining and any Additional 2003 Private Activity Volume Cap and Carryforward Election

DATE: November 17, 2003

Recommended Board Action: To adopt the attached resolution to allocate \$25,000,000 of the Agency's 2003 State Allocation to the Winooski redevelopment project and the remaining \$19,000,000 of the Agency's 2003 State Allocation to Homeownership, to authorize the allocation of any additional 2003 State volume cap to Homeownership and to authorize the filing of the carryforward election of any unused volume cap with the IRS.

Status of Agency's Use of Private Activity Volume Cap

In January, the Agency was allocated \$44,000,000 by the State Emergency Board ("2003 State Allocation") with \$25,000,000 of the 2003 State Allocation expected to be earmarked for the Winooski redevelopment project.

Since January, the Agency has not allocated the 2003 State Allocation between Homeownership and Multifamily.

By the end of the year, the Agency will use a total of at least \$72,045,558 (\$53,370,058 for Homeownership bonds and \$18,675,500 for Multifamily bonds) in private activity bond volume cap. As the year end approaches, the remaining unallocated balance in the amount of \$19,000,000 should be allocated between Homeownership and Multifamily for carryover purposes. In addition, the Board should authorize the filing of the Carryforward Election with the IRS.

In the event that the Governor or Emergency Board decides to allocate any additional 2003 State volume cap to the Agency before the end of the 2003 calendar year, staff recommends that any new allocation be assigned to Homeownership.

The following chart shows the status of the Agency's anticipated available private activity volume cap before the recommended additional allocations:

	Total Volume Cap Available	Unallocated by VHFA	Allocated by VHFA Board: Homeownership	Allocated by VHFA Board: Multifamily
Carryforward from 2001/2002	115,096,135		69,922,135	45,174,000
2003 State Allocation	44,000,000	44,000,000		
VHFA Board Allocation				
2003 Private Activity Bonds Issued	(72,045,558)		(53,370,058)	(18,675,500)
Balance as of 11/13/03	87,050,577	44,000,000	16,552,077	26,498,500

The following chart shows the status of the Agency's anticipated available private activity volume cap after the recommended additional allocations:

	Total Volume Cap Available	Unallocated by VHFA	Allocated by VHFA Board: Homeownership	Allocated by VHFA Board: Multifamily
Carryforward from 2001/2002	115,096,135		69,922,135	45,174,000
2003 State Allocation	44,000,000	44,000,000		
VHFA Board Allocation/Winooski		(44,000,000)	19,000,000	25,000,000
2003 Private Activity Bonds Issued	(72,045,558)		(53,370,058)	(18,675,500)
Balance as of 11/13/03	87,050,577	-0-	35,552,077	51,498,500

Please feel free to call me at 652-3402 if you have any questions or comments about this information.

RESOLUTION RE: ALLOCATION OF 2003 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION AND ELECTION TO CARRYFORWARD 2003 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated a total of $44,000,000 in 2003 private activity bond volume cap by the State of Vermont Emergency Board ("2003 Allocation"); and

WHEREAS, the Agency desires to elect to utilize $25,000,000 of the 2003 Allocation for exempt facility bonds and $19,000,000 for qualified mortgage bonds and/or mortgage credit certificates; and

WHEREAS, the Agency wishes to accept any additional allocation of 2003 private activity volume cap from the State of Vermont and to designate its use for qualified mortgage bonds and/or mortgage credit certificates; and

WHEREAS, the Agency desires to carryforward 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 elects to allocate $25,000,000 of its 2003 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds.

2. The Agency elects to allocate $19,000,000 of its 2003 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing qualified mortgage bonds and/or mortgage credit certificates.

3. If the Agency is allocated any additional volume cap by the State of Vermont on or after November 20, 2003, it elects to allocate any additional volume cap for the purposes of issuing qualified mortgage bonds and/or mortgage credit certificates.

4. The Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes consistent with its allocation of such carryforward between exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates.

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

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Elizabeth Mullikin Drake

RE: Allocation of Remaining and any Additional 2003 Private Activity Volume Cap and Carryforward Election

DATE: November 17, 2003

Recommended Board Action: To adopt the attached resolution to allocate $25,000,000 of the Agency's 2003 State Allocation to the Winooski redevelopment project and the remaining $19,000,000 of the Agency's 2003 State Allocation to Homeownership, to authorize the allocation of any additional 2003 State volume cap to Homeownership and to authorize the filing of the carryforward election of any unused volume cap with the IRS.

Status of Agency's Use of Private Activity Volume Cap

In January, the Agency was allocated $44,000,000 by the State Emergency Board ("2003 State Allocation") with $25,000,000 of the 2003 State Allocation expected to be earmarked for the Winooski redevelopment project.

Since January, the Agency has not allocated the 2003 State Allocation between Homeownership and Multifamily.

By the end of the year, the Agency will use a total of at least $72,045,558 ($53,370,058 for Homeownership bonds and $18,675,500 for Multifamily bonds) in private activity bond volume cap. As the year end approaches, the remaining unallocated balance in the amount of $19,000,000 should be allocated between Homeownership and Multifamily for carryover purposes. In addition, the Board should authorize the filing of the Carryforward Election with the IRS.

In the event that the Governor or Emergency Board decides to allocate any additional 2003 State volume cap to the Agency before the end of the 2003 calendar year, staff recommends that any new allocation be assigned to Homeownership.

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

The following chart shows the status of the Agency's anticipated available private activity volume cap before the recommended additional allocations:

	Total Volume Cap Available	Unallocated by VHFA	Allocated by VHFA Board: Homeownership	Allocated by VHFA Board: Multifamily
Carryforward from 2001/2002	115,096,135		69,922,135	45,174,000
2003 State Allocation	44,000,000	44,000,000		
VHFA Board Allocation				
2003 Private Activity Bonds Issued	(72,045,558)		(53,370,058)	(18,675,500)
Balance as of 11/13/03	87,050,577	44,000,000	16,552,077	26,498,500

The following chart shows the status of the Agency's anticipated available private activity volume cap after the recommended additional allocations:

	Total Volume Cap Available	Unallocated by VHFA	Allocated by VHFA Board: Homeownership	Allocated by VHFA Board: Multifamily
Carryforward from 2001/2002	115,096,135		69,922,135	45,174,000
2003 State Allocation	44,000,000	44,000,000		
VHFA Board Allocation/Winooski		(44,000,000)	19,000,000	25,000,000
2003 Private Activity Bonds Issued	(72,045,558)		(53,370,058)	(18,675,500)
Balance as of 11/13/03	87,050,577	-0-	35,552,077	51,498,500

Please feel free to call me at 652-3402 if you have any questions or comments about this information.

REVISED 11/20/03

RESOLUTION RE: ALLOCATION OF 2003 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION AND ELECTION TO CARRYFORWARD 2003 PRIVATE ACTIVITY BOND VOLUME CAP ALLOCATION

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has been allocated a total of $44,000,000 in 2003 private activity bond volume cap by the State of Vermont Emergency Board ("2003 Allocation"); and

WHEREAS, the Agency desires to allow the Executive Director to determine the appropriate use of the 2003 Allocation; and

WHEREAS, the Agency wishes to accept any additional allocation of 2003 private activity volume cap from the State of Vermont and to allow the Executive Director to designate its use for either qualified mortgage bonds and/or mortgage credit certificates or exempt facility bonds or a combination of both; and

WHEREAS, the Agency desires to carryforward 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 authorizes the Executive Director to allocate its 2003 Allocation pursuant to Section 146 of the Internal Revenue Code of 1986 as amended for the purposes of issuing exempt facility bonds or qualified mortgage bonds and/or mortgage credit certificates or a combination of both.

2. If the Agency is allocated any additional volume cap by the State of Vermont on or after November 20, 2003, it authorizes the Executive Director to allocate any additional volume cap for the purposes of issuing exempt facility bonds or qualified mortgage bonds and/or mortgage credit certificates or a combination of both.

3. The Agency elects to carryforward all of its unused volume cap pursuant to section 146 of the Internal Revenue Code of 1986 for the purposes consistent with its allocation of such carryforward between exempt facility bonds and qualified mortgage bonds and/or mortgage credit certificates.

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

vhfa
Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller

DATE: November 13, 2003

RE: Pension Plan Minimum Distribution Amendment/Resolutions

Attached is the final resolution needed for the conversion of the Agency's new 401(k) Pension Plan. This resolution amends the plan to reflect the mandatory required minimum distribution requirements as stated in the Internal Revenue Code section 401(a)(9). The primary features affected were the factors to calculate the minimum distribution and timing of such distributions.

After reading through the amendment and resolution, please give me a call with any questions at 652-3425.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and that the Executive Director and the Trustees of the Plan are hereby authorized to take such actions as are necessary to adopt and implement the minimum distribution requirements.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

Vermont Housing Finance Agency

RESOLUTION RE: THE ADOPTION OF REQUIRED MINIMUM DISTRIBUTION MODEL AMENDMENT FOR 401(k) RETIREMENT PLAN

WHEREAS, the Agency wishes to finalize its change to a 401(k) Retirement Plan by adopting the Minimum Distribution Model Amendment as presented to the Board of Commissioners;

NOW, THEREFORE, be it RESOLVED:

1. That the form of the Model Amendment presented to this meeting is intended to be word-for-word identical to the Required Minimum Distribution Model Amendment intended to implement the Internal Revenue Service Final Regulations 1.401(a)(9)-1 through 1.401(a)(9)-8 published April 17, 2002.

2. That the proper employees of the Agency be, and they hereby are, authorized and directed to execute any and all such documents and to perform any and all such acts as may be necessary and proper to effect the foregoing.

ADOPTION AGREEMENT SUPPLEMENT

Vermont Housing Finance Agency 401(k) Retirement Plan

PENSION WORKS, INC. PROTOTYPE DEFINED CONTRIBUTION PLAN

Basic Plan 01

AMENDMENT MINIMUM DISTRIBUTION REQUIREMENTS.

(Check and complete Section 1 below if any required minimum distributions for the 2002 distribution calendar year were made in accordance with the section 401(a)(9) Final and Temporary Regulations.)

Section 1. Effective Date of Plan Amendment for Section 401(a)(9) Final and Temporary Treasury Regulations.

☒ Article 1, Minimum Distribution Requirements, applies for purposes of determining required minimum distributions for distribution calendar years beginning with the 2003 calendar year, as well as required minimum distributions for the 2002 distribution calendar year that are made on or after January 1st, 2003.

(Check and complete any of the remaining sections if you wish to modify the rules in Sections 2.2 and 4.2 of Article 1 of this Amendment.)

Section 2. Election to Apply 5-Year Rule to Distributions to Designated Beneficiaries.

☒ If the participant dies before distributions begin and there is a designated beneficiary, distribution to the designated beneficiary is not required to begin by the date specified in Section 2.2 of Article 1 of this Amendment, but the participant's entire interest will be distributed to the designated beneficiary by December 31 of the calendar year containing the fifth anniversary of the participant's death. If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to either the participant or the surviving spouse begin, this election will apply as if the surviving spouse were the participant.

This election will apply to:

☐ All distributions.

☒ For distributions made on or after : January 1st, 2003. (01/01/02 or later)

Section 3. Election to Allow Participants or Beneficiaries to Elect 5-Year Rule.

☒ Participants or beneficiaries may elect on an individual basis whether the 5-year rule or the life expectancy rule in Sections 2.2 and 4.2 of Article 1 of this Amendment applies to distributions after the death of a participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 2.2 of Article 1 of this Amendment, or by September 30 of the calendar year which contains the fifth anniversary of the participant's (or, if applicable, surviving spouse's) death. If neither the participant nor beneficiary makes an election under this Paragraph, distributions will be made in accordance with Sections 2.2 and 4.2 of Article 1 of this Amendment and, if applicable, the elections in Section 2 above.

Section 4. Election to Allow Designated Beneficiary Receiving Distributions Under 5-Year Rule to Elect Life Expectancy Distributions.

☒ A designated beneficiary who is receiving payments under the 5-year rule may make a new election to receive payments under the life expectancy rule until December 31, 2003, provided that all amounts that would have been required to be distributed under the life expectancy rule for all distribution calendar years before 2004 are distributed by the earlier of December 31, 2003 or the end of the 5-year period.

Employer:
Vermont Housing Finance Agency

X______________________
Sarah E. Carpenter
Executive Director

X______________
Date

THE GARDENS AT WILLIAMSTOWN SQUARE

A UNIQUE SENIOR LIVING COMMUNITY

PHASE II – PROJECT SUMMARY

The scope of the project is to add 21 new apartments – very similar to the existing units, but a different mix of bedrooms and slightly larger and improved in a variety of small details. The additional apartments will give the project a total of 51 units, 13 LIHTC, 14 VHFA income-restricted, and 24 Market apartments.

From the very beginning, we planned for the possibility of a future addition, so parking, mechanical equipment, utilities, stairs, etc. – all accommodate the new wing quite easily, and we believe construction can proceed efficiently and be staged with minimal disruption to residents.

We plan to enlarge dining and kitchen capacity with the addition of a "sun room" on the west side of the present dining room. We will create a second entrance and substantially enlarge utility and janitorial space. We have included an apartment for a future on-site, night supervisor and a lounge for staff. Additional amenities include convenient resident laundry spaces on all three floors, a glassed gardening room and woodworking shop on the first floor and a large "lounge" area for residents on the second floor. We envision this space as an afternoon/evening gathering place for wine & cheese parties, cards and games including pool, but large enough to accommodate our entire population for major social, musical and cultural events. We also want to build a garage/shop to house yard and repair equipment and a workshop.

We have run financial spreadsheets (with assistance from Andy Broderick at Housing Vermont) and with the larger number of units and assuming the same 4% tax credit program and VHFA financing, we can easily assume larger vacancy factors and support round-the-clock staffing and other program improvements.

At VHFA's request, we requisitioned a Market study that was very favorable to our development. Based on the marketing report, we have developed a new rental format to extend our demographic reach and create a more rational rent schedule. We will offer and advertise "Base Rents" with the option of adding services as needed. The new format will allow us to advertise more affordable and competitive rates and will increase our attractiveness to younger residents, increasing the average stay. We have lowered the rental cost for "Moderate" rents, LIHTC will rise as permitted by HUD, and Market rents will continue to rise at inflation rates.

Additionally, we have received six project-based vouchers for VSHA that will allow our lower-income applicants to purchase additional services. We will apply for additional vouchers to cover the remaining seven LIHTC units.

11/20/03	**Williamstown ALF Phase II**			
		Budget	Per Unit	Per s.f.
	ACQUISITION			
1	Land	0	0	0.00
2	Purchase of Building(s)	0	0	0.00
3	Demolition (without replacement)	0	0	0.00
4	Property Appraisal	1,500	71	0.08
5	Legal - Title and Recording	3,114	148	0.17
	Subtotal - Acquisition	4,614	220	0.25
	CONSTRUCTION HARD COSTS			
6	Rehab/Additions to Dining & Kitchen	150,000	7,143	8.18
7	New Building(s)	1,050,000	50,000	57.23
8	Accessory Buildings (maint.shop)	30,000	1,429	1.64
9	Sitework	50,000	2,381	2.73
10	Commercial Space Costs (if any)	0	0	0.00
11	General Requirements	60,000	2,857	3.27
12	Contractor Overhead & Profit	86,700	4,129	4.73
14	Construction Contingency	50,000	2,381	2.73
15	Construction Management		0	0.00
16	Bond Fee (in genl reqmts)		0	0.00
17	Hazardous Materials Abatement	0	0	0.00
18	Off-Site Improvements	5,000	238	0.27
19	Furnishings, Fixtures, & Equipment	50,000	2,381	2.73
20	Other (______________)		0	0.00
	Subtotal - Hard Costs	1,531,700	72,938	83.49
	SOFT COSTS			
21	Architectural	12,000	571	0.65
22	Engineering	8,000	381	0.44
23	Legal/Accounting	18,500	881	1.01
24	Relocation	0	0	0.00
25	Environmental Assessment	0	0	0.00
26	Energy Assessment	0	0	0.00
27	Permits/Fees	9,000	429	0.49
28	Marketing	20,000	952	1.09
29	Construction Period Insurance	4,000	190	0.22
30	Construction Interest	36,000	1,714	1.96
31	Construction Loan Origination Fee	22,000	1,048	1.20
32	Taxes During Construction	0	0	0.00
33	Clerk of the Works	0	0	0.00
34	Marketing Study	5,000		
35	Tax Credit Fees	1,000	48	0.05
36	Soft Cost Contingency	5,000	238	0.27
37	Permanent Loan Origination Fee		0	0.00
38	Lenders Building Inspector	2,000	95	0.11
39	Audit/Cost cert	4,000	190	0.22
	SYNDICATION COSTS			
40	Organizational (LLC)	5,231	249	0.29
41	Bridge Loan Fees and Expenses	0	0	0.00
42	Syndication Consultant		0	0.00
43	Tax Opinion		0	0.00
	DEVELOPER'S FEES			
44	Developer Fee	150,000	7,143	8.18
45	Development Consultant Fee	10,000	476	0.55
46	Consultant Fees	0	0	0.00
	RESERVES			
47	Working Capital	90,000	4,286	4.91
48	Rent-up (Deficit Escrow) Reserve	0	0	0.00
49	Other Operating Reserves		0	0.00
50	Sinking Fund		0	0.00
51	Replacement Reserves		0	0.00
	Subtotal - Soft Costs	401,731	19,130	21.90
	TOTAL DEVELOPMENT COSTS	1,938,045	92,288	106

			1	2	3	4	5	6	7	8
			THE GARDENS AT WILLIAMSTOWN SQUARE							
11/20/03 11:29 AM			**DEV PRO**	**2,001**	**2,002**	**2,002**	**2,003**	**2,003**	**2,004**	**FULL YR**
			FORMA	AUDIT*	BUDGET	AUDIT*	BUDGET	EST'D YE	BUDGET	**PHASE 2**
INCOME										
BASE RENTS			422,422	395,612	509,285	475,286	502,452	441,867	359,904	639,372
HAP / DOUBLE OCCUPANCY				304		5,134		9,924	10,800	19,200
SERVICE PACKAGES									141,000	200,400
VACANCY @									-24,045	-58,754
GUEST RMS/ EX.MEALS/ SERVICES			89,600	18,615	37,200	20,199	20,300	59,595	37,291	44,460
LAUNDRY/INTEREST			2,080	1,468	2,400	1,821	2,200	3,547	3,500	5,800
TOTAL INCOME			**514,102**	**415,999**	**548,885**	**502,440**	**524,952**	**514,933**	**528,450**	**850,478**
EXPENSES										
ADMINISTRATIVE										
	AUDIT		4,000	1,983	4,000	4,855	4,800	4,800	4,950	5,950
	ADMIN. SALARY						14,600	14,600	15,050	30,050
	LEGAL/CONSULT						762	0	500	1,000
	MANAGEMENT FEE		41,128	34,013	42,400	40,289	41,996	41,195	42,276	69,179
	NIGHT SUPERVISOR									7,500
	ADVERT/OTHER		7,000	2,035	6,000	5,452	900	4,500	5,100	8,000
		sub-total	**52,128**	**38,031**	**52,400**	**50,596**	**63,058**	**65,095**	**67,876**	**121,679**
UTILITIES										
	ELECTRICITY		10,500	17,206	15,600	15,642	15,000	15,600	12,000	18,000
	EMERG/FIRE&CABLE		2,400	533	4,600	559	1,200	550	550	1,987
	FUEL/GAS		8,000	8,036	9,700	12,619	12,000	13,200	13,600	20,400
	WATER & SEWER		7,500	3,474	3,400	5,928	3,100	5,100	5,250	8,250
	OTHER UTILITY		3,550	3,304	4,100	2,015	3,200	1,900	1,950	2,500
		sub-total	**31,950**	**32,553**	**37,400**	**36,763**	**34,500**	**36,350**	**33,350**	**51,137**
MAINTENANCE										
	MAINT. WAGES		0	0	500		8,320	13,000	12,350	22,800
	VMC			21,651		15,260	3,000	#REF!	0	0
	ALL OTHER		13,800	12,028	9,400	26,484	21,060	20,000	22,350	32,800
		sub-total	**13,800**	**33,679**	**9,900**	**41,744**	**32,380**	**#REF!**	**34,700**	**55,600**
REAL ESTATE TAXES			**25,000**	**16,326**	**32,400**	**34,346**	**36,500**	**35,700**	**36,000**	**54,750**
INSURANCE			**5,400**	**9,441**	**8,700**	**11,349**	**9,200**	**9,200**	**10,867**	**13,800**
PROGRAM EXPENSES										
	ACTIVITY DIR. WAGES						20,096	12,000	18,200	29,900
	ACTIVITY EXPENSES						3,600	5,100	3,682	5,962
	COOKS WAGES						33,072	37,000	42,000	43,900
	FOOD, KIT. SUPPLIES						45,500	33,200	35,350	50,720
	RESIDENT ASSIST WAGES						40,768	40,000	49,000	52,500
	JAN.&HSKPG SUPPLIES						500	800	850	1,275
	OTHER SERVICES						5,900	3,360	3,000	6,400
		sub-total	**95,751**	**65,921**	**88,540**	**73,395**	**149,436**	**131,460**	**152,082**	**190,657**
MISC. PAYROLL EXPENSES			105,121	85,880	98,127	104,613	24,981	0	0	
EQUIPMENT										
CAPITAL IMPROVEMENTS										
VHFA P&I			**151,401**	**138,767**	**151,400**	**151,342**	**151,400**	**151,400**	**151,400**	**281,010**
INT OTHER/CORP TAX				**250**		**430**		**425**	**0**	**0**
RESERVE DEPOSITS			**9,000**	**6,690**	**9,320**	**6,975**	**9,320**	**9,320**	**9,600**	**15,709**
TOTAL EXPENSES			**489,551**	**427,538**	**488,187**	**511,553**	**510,775**	**471,950**	**495,875**	**784,342**
PROFIT (LOSS)			**$24,551**	**-$11,539**	**$60,698**	**-$9,113**	**$14,177**	**$42,983**	**$32,575**	**$66,136**

THE GARDENS - 2004 BUDGETED INCOME - PHASE I & II 10/31/03

BASE RENTS		STUDIO	1BR	2BR	2BR DELUXE	UNIT TOTAL	MONTHLY	YEARLY
LTC	Rate	$462	$495					
	# units	8	5	0		13		
	Total	$3,696	$2,475				$6,171	$74,052
MOD	Rate	$700	$1,025					
	#units	7	7	0	0	14		
	Total	$4,900	$7,175				$12,075	$144,900
MKT	Rate	$1,025	$1,350	$1,700	$1,780			
	#units	1	15	6	2	24		
	Total	$1,025	$20,250	$10,200	$3,560		$35,035	$420,420
BASE RENT SUMMARY						51	$53,281	$639,372

Service Package

			MONTHLY	YEARLY
Mod/Mkt				
	Phase I	23 units @ 500 x 90%	$10,350	$124,200
	Phase II	15 new units @ 500 x 50%	$3,750	$45,000
LIHTC				
	Phase I	7 units @ 400 x 50%	$1,400	$16,800
	Phase II	6 units @ 400 x 50%	$1,200	$14,400
		PACKAGE ADD	$16,700	$200,400
Double Occupancy	4 @ $400		$1,600	$19,200
GROSS	RENTAL INCOME		$71,581	$858,972
		LIHTC VACANCY @ 3%	-$185	-$2,222
		MOD/MKT VACANCY @ 10%	-$4,711.00	-$56,532.00
Guest/Respite Room Rental		3 @ $1275 x 40% utilization	$1,530	$18,360
	Motel Room	$75 @ 20 day occupancy	$125	$1,500
Meals & Misc Service		$15,033 x 54/33 units	$2,050	$24,600
Laundry/Misc Income		$3,500 x 54/33 units	$483	$5,800
TOTAL INCOME				$850,478

Current Service Use

03Service	Package	Mod/Mkt	%	LIHTC	%
	!00%	$37,700		$6,067	
	03 Est'd	$36,320	96%	$4,367	43%

Meals/Misc Service	
03 Est'd	$15,033
04 Phase I&II	$24,599

2003 Proj'd Vacancy		30 Units	%
	GRP	$525,204	
	03 Est'd	$12,185	2.32%

Guest Rm	Proj'd Uti	%
GRP	$51,840	
03 Est'd	$30,257	58%

Laundry/Other Income	
03 Est'd	$3,547
04 Phase I&II	$5,804

Welcome to… THE GARDENS AT WILLIAMSTOWN SQUARE

The Gardens is housed in a fine, historic Federal-style brick colonial with a newly constructed wing of thirty private apartments. Located on five acres of landscaped lawns, gardens and fields, The Gardens combines the elegance and craftsmanship of the 1800's with the comfort, efficiency and security of today. Community living and activity spaces are tastefully decorated in traditional décor.

The Gardens provides the opportunity for older persons to live *independently* in a vital and healthful community, with the option of adding personal care and medical services whenever needed. As owner and managers, we are dedicated to promoting optimal wellness and fostering independence. Our goal is to encourage and assist residents to maintain and, in most cases, *improve* their health and quality of life. Excellent food and diet, many varied activities, movement and exercise, the caring attention of staff and the friendship of fellow residents – all are important elements in a more healthful life.

As part of our commitment to providing quality housing to all seniors regardless of income constraints, The Gardens offers a number of very affordable units.

The Gardens offers:

Choice of studio, one & two BR's

- private baths and kitchens
- individually controlled heat
- wall-to-wall carpet, tile kitchen
- attractive indirect lighting

Common facilities include

- gracious dining with linens
- living rooms, library, chapel
- hair salon, gift shop, laundries
- activity room, mobility room
- spa and whirlpool bath
- beautiful grounds & gardens

Services Include:

- three meals served daily
- weekly cleaning & linens
- personalized health plan
- social & recreation program
- transportation for shopping, banking and doctor's visits

Care & Nursing Services:

- initial & ongoing evaluation
- individualized care plans
- affordable service packages
- added assistance available on either short or long-term

THE GARDENS at Williamstown Square
2844 Vermont Route 14
Williamstown, VT 05679

The Gardens is owned and operated by Richard Dybvig and Mary Norman. Mary and Dick also manage two nearby senior housing projects, *Chelsea Court* and *Williamstown Square* - which adjoins **The Gardens.** Their twenty years of experience with housing for seniors has taught them the supreme importance of careful, daily attention to detail. As we get older, the everyday tasks of life often become more difficult. It can be a great reassurance to know that you can count on the compassion and integrity of folks who live nearby and have your interests at heart. Just ask the residents at Williamstown Square and Chelsea Court!

For more information, write Mary at:

2844 Route 14
Williamstown,
VT 05679

or call:

802-433-1600
fax: 889-9445
email: mnorman
@quest-net.com

THE GARDENS AT WILLIAMSTOWN SQUARE

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations

DATE: November 13, 2003

RE: **Request for Loan Approval – Colonial Apartments**

Name:	Colonial Apartments	**Location:**	Marble and Barnes Streets, West Rutland
Housing Type:	Elderly	**Unit Type:**	Flats
Total Units:	14	**Unit Sizes:**	12 1-BR @ 801 s.f. 2 2-BR @ 876 s.f.
Total Cost:	$918,514 $65,600/unit	**Per S.F. Acquisition & Construction Cost:**	$64.89
Loan Requested:	$200,000, 30yr @ 6.75% est. $175,000, 8yr @ 6.00% est. $100,000, 0%, deferred	**Sponsor:**	Rutland County Community Land Trust
Other Funding:	VHCB @ $350,000, REEP @ $35,000, Project Reserves $57,500		

Board Action Requested: That the VHFA Board of Commissioners pass the attached resolution granting approval of the three loans noted above and making the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

Purpose of Loan:

Acquisition Price	$520,000	Appraised Value	$520,000
Rehab Hard Cost	$254,152		
Soft Cost	$144,362		

Rehab work planned: Energy improvements based on recommendations from report Efficiency Vermont. The most extensive work will involve conversion of individual electric storage heating units to propane fired baseboard hot water heat provided by a central heating plant to serve all units in each of the four buildings.

Sellers: Colonial Apartments Limited partnership of Rutland, Chris Fucci. VHFA debt with current owner totals $256,800 and will paid off at closing.

Underwriting Issues: VHFA loan amounts requested anticipate a reduction in rents at the expiration of the current HAP Contract, which expires in 2011. Rents at that time are anticipated to be adjusted downward to Fair Market Rents, which we have trended at 2% per year. Loan amounts and terms above have been calculated to take this into account. Higher cash flows in the first eight years of the HAP contract are being used to retire a portion of the debt while achieving a 115% debt coverage ratio for year one. The longer-term debt has been sized to reflect the possible reduction in rents in 2012 to term. Cash flows and/or operating cash balances are maintained at acceptable levels throughout the term of the loans. Funding of replacement and operating account reserves meet current underwriting requirements. The project does not have repayment capacity for the VHFA Zero-Percent loan until all amortizing debt has been paid-off.

Staff Comments: We are highly supportive of the acquisition of this project by RCCLT. It is desirable to move the project into long-term stable ownership. This transaction also extends our current preservation agreement from expiring in eight years, to perpetual affordability at a total per unit cost of $65,500. Rehab hard cost and related soft cost seem high for a 14 unit project at $398,513 and requires a relatively sizeable investment of soft money which may or may not be fully funded. RCCLT would need to revisit the scope of work, seek alternative solutions to the energy conversion and/or look at this as a 4% tax credit transaction in the event full funding is not received.

RESOLUTION RE: PERMANENT FINANCING FOR COLONIAL APARTMENTS, WEST RUTLAND

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

WHEREAS, an application has been submitted to the Agency by Rutland County Community Land Trust, Inc. (the "Borrower") involving the permanent financing of fourteen (14) units of rental housing in the Town of West Rutland (the "Development"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower; and

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

WHEREAS, the application contemplates a mortgage loan for improvements for the Development with a 0% deferred loan in the amount of $100,000;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated November 13, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be incurred by the Borrower 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 Borrower undertaking the Development will increase the supply of well-planned, well-designed permanent, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a new mortgage loan to the Borrower for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Borrower of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Borrower or any other person for its refusal to do so.

5. A loan in the amount of $100,000 to the Borrower may be funded with excess yield zero percent pool funds.

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

COLONIAL

Tax Credit Scenario

Total Residential Units:		14
Housing Credit Restricted Units:		14
Percent Restricted:		1
Total Development Cost:	$	1,012,500
Total Development Cost per Unit:	$	72,321
Total Development Cost Per SF:	$	42
Max Allocated Credit		
Allocated Credits Requested		
Max Non-Allocated Credit	$	35,457
Out-Of Cap Credits Requested		
Total Amount of Credit	$	34,800
LIHTC - 9% (June 03)		3.41%
LIHTC - 4% (June 03)		3.41%

SOURCES

VHFA	$	200,000
VHFA	$	175,000
VHFA 0% loan	$	100,000
VHCB	$	200,000
REEP Grant (GP Cap Contrib)	$	35,000
Replacement reserves	$	14,500
residual receipts	$	43,000
Tax Credit Equity (LP Cap Contrib	$	245,000
TOTAL SOURCES	**$**	**1,012,500**

USES

Acquisition	$	526,400
Construction Hard Costs	$	286,264
Soft Costs	$	199,836
TOTAL USES	**$**	**1,012,500**
Gap	$	-

As Proposed to the Board

Total Residential Units:		14
Housing Credit Restricted Units:		0
Percent Restricted:		0
Total Development Cost:	$	918,513
Total Development Cost per Unit:	$	65,608
Total Development Cost Per SF:	$	76
Max Credit Potential:		
Credit Amount Allocated:		

SOURCES

First Mortgage - VHFA	$	200,000
VHFA Second Mortgage	$	175,000
VHFA 0% loan	$	100,000
VHCB (Not Yet Committed)	$	350,000
REEP (Increase to $35K pending)	$	35,000
Existing Replacement Reserves	$	14,500
Other - residual receipts	$	43,000
Tax Credit Equity (LP Cap Contril	$	-
.	**$**	**917,500**

USES

Acquisition	$	525,900
Construction Hard Costs	$	254,152
Soft Costs	$	138,462
TOTAL USES	**$**	**918,513**
Gap	$	1,013

TO: VHFA Board of Commissioners

FROM: Cynthia Reid, Multifamily Development Underwriter

DATE: November 19, 2003

RE: Highgate Additional Zero Percent Loan Request

Summary:
The first phase (there are five phases each involving 3-4 buildings) of construction at Highgate revealed some unanticipated building issues. Specifically, the proposed solution to replace the failed wooden trim proved unworkable. The composite board that had been specified proved to be very difficult to work with due to joints that were impossible to seal in a weatherproof manner. On a long-term basis, without adequate exterior siding and trim, moisture can get behind the trim and siding and thus cause damage (quickly). In addition, some site conditions as well as problems with existing wiring and plumbing are requiring more work than assumed. Following is a summary of the results:

Total Increases	$316,000	(siding, electrical, sitework, mechanical)
Total Savings	$136,000	(developer's fee, interior finishes, others)
Net Increase (Gap)	$180,000	

Housing Vermont has deferred 100% of their development fee. They also negotiated a contract with the Department of Corrections to provide interior painting of all units at a significant savings. Staff believes that closing this gap with amortizing debt makes the project financially infeasible over the long term. VHCB staff will request that their board forward commit $50,000 - $75,000 of HOME funds toward this gap. The Central Vermont Community Land Trust is applying to Neighborworks for $50,000. Staff is proposing that the Board approve up to $105,000 in additional zero percent funds to Highgate for re-siding of the buildings. (If Neighborworks request is received, the VHFA Zero Percent loan will be $80,000.)

Recommended Board Action:
Staff recommends that the VHFA Board authorize the Executive Director to approve up to $105,000 in additional zero percent funds for Highgate Apartments (see attached resolution).

Project	Zero Percent Loan	# Units in Project	Zero Percent Loan/ Unit	Type Project
Highgate	510,000	120	4,250	Rehab
McAuley	510,320	74	6,896	New
O'Dell Bond	350,000	80	4,375	New
Templeton	590,000	28	21,071	Existing/Workout
Winchester	1,496,709	166	9,016	Existing/Workout

THIRD RESOLUTION RE: CONSTRUCTION AND PERMANENT FINANCING FOR IMPROVEMENTS TO HIGHGATE APARTMENTS, BARRE

WHEREAS, the Board of Commissioners of Vermont Housing Finance Agency (the "Agency") has passed a Resolution Re: Improvement Financing for Highgate Apartments, Barre on June 13, 2002 for a $350,000 Zero Percent Loan, a Resolution Re: Construction and Permanent Financing for Improvements to Highgate Apartments, Barre on January 16, 2003 for a construction loan in the amount of $2,335,000 and a permanent loan in the amount of $165,000, and, a Second Resolution Re: Construction and Permanent Financing for Improvements to Highgate Apartments, Barre on June 12, 2003 for additional financing up to $155,000; and

WHEREAS, Highgate Housing Limited Partnership (the "Borrower") is working to obtain additional financing to cover construction costs in an amount up to $105,000 for the improvements to Highgate Apartments in Barre, Vermont (the "Development"); and

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 19, 2003, containing information and recommendations about the current status of the Development (the "Memorandum");

The actions taken by the Agency in its June 13, 2002, January 16, 2003 and June 12, 2003 resolutions are incorporated herein by reference and remain in full force and effect.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is hereby authorized to commit a loan in an amount up to but not to exceed $105,000 to the Borrower to be funded with excess yield zero percent pool funds.

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Director, Multifamily Programs

DATE: November 13, 2003

RE: **Homestead Mews – No. Bennington**

No Board action is currently requested on this item although a conference call may be needed before the end of the year to approve a debt restructuring including an additional advance under the existing mortgage of up to $250,000.

Homestead Mews is a 24 unit Section 8 elderly property in its 21st year of a 30-year loan and HAP Contract. General Partner Jack Heaton and Diane Binnick of Regional Affordable Housing Corporation (RAHC) have reached conceptual agreement whereby RAHC will replace 99% Ltd. Partner George Hadwen within the existing partnership in exchange for $200,000 in cash and a $150,000 charitable gift deduction. Jack will remain the 1% general partner and his company will retain property management rights. A Preservation Agreement with VHFA will place these units in the permanent affordable housing inventory and allow RAHC to eventually become the 100% owner. Diane is also looking to receive a preservation fee of up to $50,000 and access to the current $3,466 annual distribution that is available to the limited partner.

This property is now paying debt service on the original loan at a 14% rate and we envision reducing the rate to 7.31% and providing a new $250,000 loan with a 20-year term. Payments on the new loan will come from what has previously been Zero % excess yield that this property has been contributing to the pool. The loan balance is currently $587,000 and the property would need to appraise at a value of $937,000 ($39,041 per unit) in order for this plan to work. RAHC and Jack Heaton have begun working on an amendment to the partnership agreement that will meet their mutual objectives and allow us to move forward with this preservation transaction. HUD must also approve the transfer of ownership interest to RAHC.

mailing address P.O. Box 408, Burlington, VT 05402-0408 delivery address 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 fax (802) 864-5746 www.vhfa.org

EQUAL HOUSING OPPORTUNITY

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cindy Reid, Multifamily Development Underwriter CR

DATE: November 12, 2003

RE: Request for Permanent Loan

Name:	Richmond Terrace	**Location:**	Richmond
Housing Type:	Elderly	**Unit Type:**	Flats
Total Units:	15	**Unit Sizes:**	4 0-BR @ 420 s.f. 11 1-BR @ 550 s.f.
Total Cost:	$725,000	**Per S.F. Acquisition & Construction Cost:**	$85
Loan Requested:	$675,000 permanent, 25 year term; 6.75% rate (estimate)	**Sponsor:**	Richmond Housing Inc.
Other Funding:	REEP, Project Reserves		

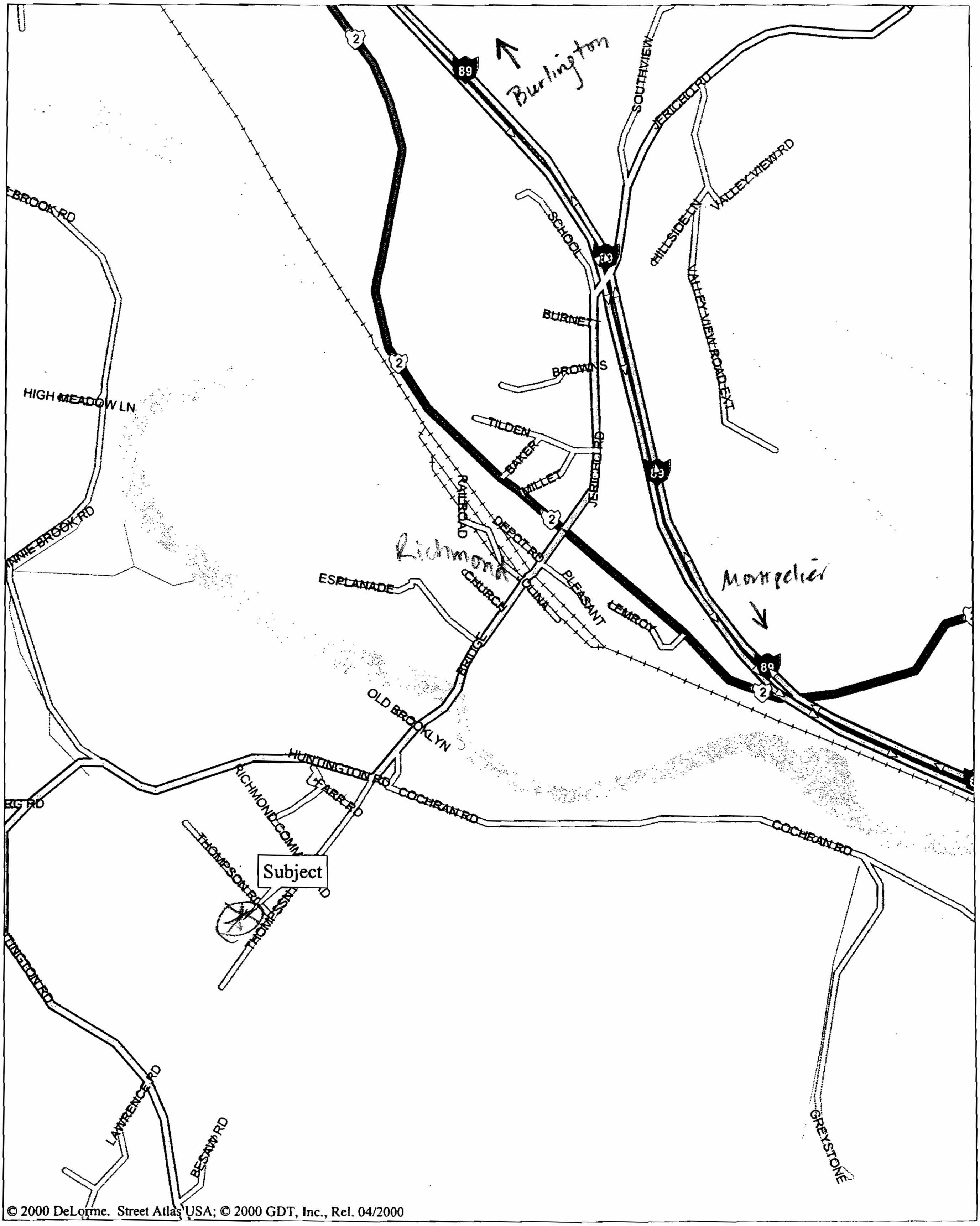
Richmond Terrace is a 15-unit senior housing development in Richmond developed in 1985 with funding from the HUD Section 202 program. The owner, Richmond Housing Inc., a 501(c)3 non-profit organization, has applied to VHFA to refinance their mortgage with HUD (the rate on the HUD mortgage is 9.25%). The sponsor is concurrently seeking approval from HUD to refinance in order to save on debt service and make funds available to use for capital improvements and supportive services. The owner is exploring the feasibility of adding a one-bedroom rental unit and converting an efficiency to an on-site office, which requires HUD approval. The project-based Section 8 rental assistance contract will be renewed as a part of HUD's approval and will be subject to appropriations. HUD requires that its "Use Agreement" which contains affordability requirements that continue for the term of the original 202 Mortgage (meaning, an additional 22 years from today), be in first position, so VHFA's loan would be subordinate. A thorough capital needs assessment has been completed and is being used in the capital improvement planning by the owner. The loan will be made contingent to a satisfactory appraisal and receipt of a Level I Environmental Site Assessment.

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

mailing address P.O. Box 408, Burlington, VT 05402-0408 **delivery address** 164 Saint Paul St., Burlington, VT 05401-4364
phone (802) 864-5743 **fax** (802) 864-5746 **www.vhfa.org**

Subject Location

Richmond Terrace, Richmond



**RESOLUTION RE: PERMANENT FINANCING
FOR RICHMOND TERRACE, RICHMOND**

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

WHEREAS, an application has been submitted to the Agency by Richmond Housing Inc. (the “Borrower”) involving the refinancing of fifteen (15) units of senior rental housing in the Town of Richmond (the "Development"); and

WHEREAS, the application contemplates a mortgage loan for the refinancing of its Section 202 financing for the Development with the interest rate to be determined by the Agency depending on the source of funds, but not to exceed 150 basis points above the Agency’s cost of funds; and

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated November 12, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

6. The Borrower is financially responsible and is a qualified housing sponsor within the meaning of the Act.

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Borrower in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

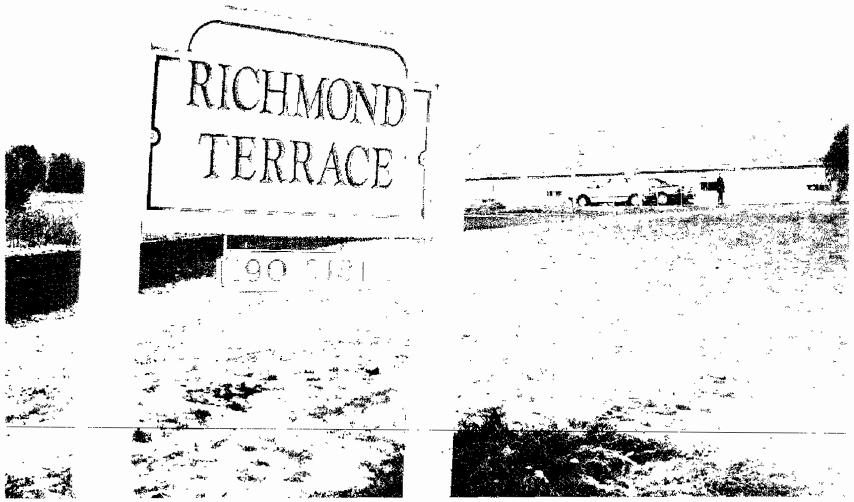
2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan(s) to the Sponsor for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

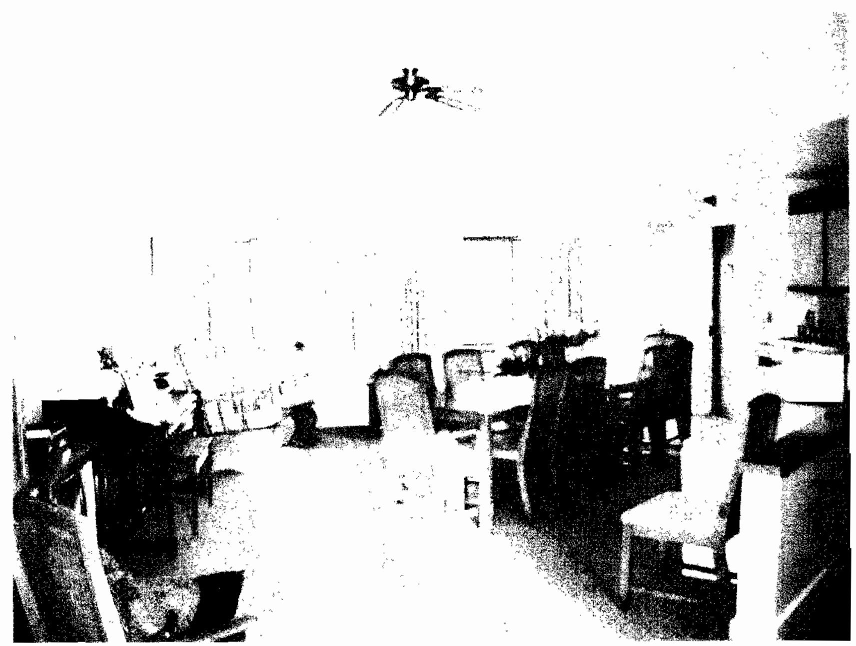
3. The Executive Director and the Loan Review Committee will establish the final source and amount of the loan for the Development, and such conditions and terms that are appropriate for the Development in accordance with all requirements of the Act, and the applicable regulations and policies of the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

Richmond Terrace

Richmond, Vt.
15 senior housing units

vhfa Vermont Housing Finance Agency





vhfa
Vermont Housing Finance Agency

VHFA Board Minutes
Vermont Housing Finance Agency Board Room
164 St. Paul Street
Burlington, Vermont
Thursday, November 20, 2003 at 1:00 p.m.

VHFA Board Members Present:
Lisa Randall - Chair, Paul Beaulieu, Thomas Candon (designee for Crowley), Dagyne Canney, John Hall (designee for Dorn), Beth Pearce (designee for Spaulding)

VHFA Board Member Absent:
Gus Seelig

Staff: Dave Adams, Sarah Carpenter, Pat Crady, Renee Couture, John Fairbanks, Sam Falzone, Becky Greenough, Pat Loller, Cindy Reid, Roger Schoenbeck

Guests: Richard Dybvig (Gardens II), Cathleen Gent (Richmond Housing Inc.), Jeff Kantor (J.D. Kantor, Inc.), Mary Norman (Gardens II), Kenn Sassorossi (Housing Vermont), Becky Vigneault (Richmond Housing Inc.), Rich Wickman (Housing Vermont), Amy Wright (Richmond Housing Inc.)

Chair Randall called the meeting to order at 1:05 p.m.

Mr. Beaulieu made a motion to approve the "Resolution Re: Ratification of Actions Taken on October 8, 2003." Mr. Candon seconded the motion and the resolution was unanimously approved.

MINUTES

Ms. Canney made a motion to approve the October 8, 2003 Board of Commissioners' meeting minutes for both the Vermont and New Hampshire meetings with Mr. Hall seconding the motion. Both sets of minutes were unanimously approved.

CONSENT AGENDA

Without removing the IORTA proposal from the Consent Agenda, Ms. Carpenter asked to relay a comment from Mr. Seelig about the proposed allocation of IORTA funds. Mr. Seelig wonders whether the proposal is written broadly enough to accommodate using some of the $140,000 in IORTA funds as matching funds for an application to the Federal Home Loan Bank's Affordable Housing Program. At this time, staff prefers to use the current IORTA funds available as proposed.

Chair Randall explained that the "Resolution Re: Allocation of 2003 Private Activity Bond Volume Cap Allocation and Election to Carryforward 2003 Private Activity Bond Volume Cap Allocation" was being removed from the Consent Agenda because Board members were handed a revised resolution as the meeting began.

Mr. Hall made a motion to approve all remaining items (as restated here) on the Consent Agenda:

- Single Family Series 18 Bond post sale memo (FYI only – nothing to approve)
- Multi-Family 2003 Series C Bond post sale memo (FYI only – nothing to approve)
- Homeownership Reports (FYI only – nothing to approve)
- ED Report (FYI only – nothing to approve)
- Allocation of up to $140,000 in IORTA funds to assist customers of the Homeownership Centers and other nonprofits with down payment and/or closing costs
- Resolution Re: The Adoption of Required Minimum Distribution Model Amendment for 401(k) Retirement Plan

Mr. Beaulieu seconded the motion and all items were unanimously approved.

FINANCE

Volume Cap

Mr. Schoenbeck explained the change in the "Resolution Re: Allocation of 2003 Private Activity Bond Volume Cap Allocation and Election to Carryforward 2003 Private Activity Bond Volume Cap Allocation." The revised resolution would authorize Ms. Carpenter to determine the allocation of the $44 million between single family and multifamily (which must be done by the end of the calendar year) as opposed to the Board approving the specific distribution. The reason for this request is that there are ongoing discussions with VSAC and other issuers in the State that may alter VHFA staff's recommendation. If VHFA needs to issue debt for Winooski, the mix may change.

Mr. Candon made a motion to approve the "Resolution Re: Allocation of 2003 Private Activity Bond Volume Cap Allocation and Election to Carryforward 2003 Private Activity Bond Volume Cap Allocation" with Ms. Canney seconding the motion. The Resolution was unanimously approved.

STRATEGIC PLANNING

Ms. Carpenter called the Board's attention to the handout that lists some of the Board members' suggested topics for strategic planning discussions. After making the following points, she asked for input as to how to approach this part of the Board meeting going forward:

- It will be difficult to discuss new initiatives without knowing where we are financially.
- Piper Jaffray just began looking at long-term cash flows; Mr. Al Hans has indicated that this information will be available in February or March of 2004.

There was much discussion, the outcome of which follows:

1. Instead of asking Jeff Carr, at this point in time, to update the Northwestern Vermont Housing Study completed in year 2000 (a study that quantified housing needs in the northwest region of Vermont over the next decade), Ms. Carpenter will invite Mr. Carr to the December or January 2004 VHFA Board Meeting to provide a review of any changes or trends that might change the recommendations of the 2000 report.
2. For a statewide analysis of the housing need, VHFA should utilize (could consider adding resources to help expedite) the work being done by DHCA. According to Mr. Hall, the needs assessment for the Consolidated Plan is expected in 2005. Mr. Hall explained that he is hoping

to enlist the help of the Regional Planning Commissions (RPCs). The goal is to have access to data that is always current.

3. The part of the Board meeting set aside for strategic planning would also be well spent on educational subjects such as:
    a. Presentation of the Administration's Management Capacity of the Nonprofit Housing Network study (anticipated by end of February);
    b. Guest speakers (e.g., from other agencies) to review innovative programs, financing mechanisms, etc.;
    c. Presentation by VHFA staff members who've attended conferences to share the information;
    d. Presentation of the history of housing programs and polices from the 70's to today; changes in tax laws and the resulting incentives related to building and managing vs. owning properties.
    e. Presentation of the final draft of Tom Dillon's report which looks at Section 8 and Tax Credit projects' levels of reserves and levels of resources today, how they were underwritten and funded, and a review of why/not they are successful in long term capital planning. This may help to address Mr. Hall's suggested strategic planning topic of perpetual affordability;
    f. Explanation of zero percent excess yield funds and the ramifications of reducing rates by restructuring debt;

Board members should let Pat Loller know of Strategic Planning ideas to be added to the list.

ACTION: Ms. Carpenter will ask Mr. Carr (NW Vermont Housing Study) to address the Board in December or January.

ACTION: Mr. Schoenbeck will ask Mr. Hans (Piper Jaffray) to address the Board in February or March.

Knowing the resources (Mr. Hans) and the needs (Mr. Carr) will better enable the Board to address strategic planning.

ACTION: Mr. Falzone will ask Polly Nichol of VHCB about the status of the final draft of Tom Dillon's report.

ACTION: VHFA staff will send to Board members a copy of the Vision Statement, Mission Statement, and Initiatives outlined in the last two years and progress of same.

ACTION: VHFA staff will also provide a notebook for documents relevant to strategic planning discussions.

ACTION: VHFA staff will provide an "Interesting Housing Fact" with each Strategic Planning session.

ACTION: VHFA staff will look into providing Board members online access to relevant Board documents via the Agency Extranet.

DEVELOPMENT

Gardens II

Mr. Dybvig and Ms. Norman, developers and owners of Gardens Phase I in Williamstown, plan to submit a loan application this winter for Gardens Phase II. The purpose of their visit today is to familiarize Board members with the project, a new housing model which Mr. Dybvig referred to as "assisted living light". Apartments, with meals, support services, transportation, and activities are provided. Health and personal care are not (they are paid for separately by residents and provided as needed by Central Vermont Home Health & Hospice).

Mr. Dybvig explained that the learning curve for managing this new model has been steep, a fact reflected in the first two years of the financials. However, the owners have learned through their operations and they anticipate a profit in 2003. In addition, the Board should know that economies of scale will work in favor of Phase II of the project. The owners have commissioned a market study, which is favorable.

Ms. Carpenter clarified for the Board that the owners will be looking for long-term, tax-exempt financing and 4 % (non-allocated) tax credits for Phase II. Pending a year-end audit and due diligence completed by Ms. Reid in the usual areas (construction budget, operating budget, underwriting criteria), development staff expects to bring Phase II back to the Board in the form of a loan proposal.

Board members requested that before giving preliminary approval they would like to see more complete 2003 year-end financials, Income and Expense Statements, and a summarized version of the market study (which staff has in hand.)

Colonial Apartments, Rutland

Mr. Adams informed the Board that, after his memo was written on November 13th, staff learned that VHCB would most likely not contribute the $350,000 anticipated, but instead would recommend $200,000. In addition, the cost of rehab has increased by $100,000. The only way to fill the $250,000 gap is with 4% tax credits, which will bring in about $245,000 in equity. Mr. Adams handed out a sources schedule comparing the figures presented to the Board in the memo with the figures based on the new information.

Mr. Kantor, a consultant on the project, explained the reasons for the $100,000 increase in costs; syndication, handicap accessibility, energy improvements and added soft costs of the tax credits.

Mr. Adams asked the Board to approve the loans outlined in the memo plus an additional amount of up to $225,000 in non-deferred loans (for a total of $600,000) for tax-exempt financing so that the 51% test is met thereby qualifying the project for 4% tax credits. The additional $225,000 being requested would be for construction financing only and would be paid off when permanent financing is obtained. Furthermore, these additional funds would be secured with a collateral assignment of tax credit equity and soft money.

Mr. Hall made a motion to approve the "Resolution Re: Permanent Financing for Colonial Apartments, West Rutland" with Mr. Beaulieu seconding the motion. The resolution was unanimously approved.

Richmond Terrace, Richmond

Ms. Carpenter explained to the Board that the Richmond Terrace loan application as described in the Board memo was not put on the consent agenda because it is the first HUD Section 202 project ever presented to the Board for refinancing. HUD's "Use Agreement" will stay in effect, in a superior position, for the term of the original 202 Mortgage (another 22 years) and does require that the property be used to serve low-income elderly. Ms. Carpenter also noted for the record that she had been involved in the development of this project

Ms. Gent described the tremendous community support for this project.

Ms. Canney made a motion to approve the "Resolution Re: Permanent Financing for Richmond Terrace, Richmond" with Mr. Hall seconding the motion. The resolution was unanimously approved.

Highgate, Barre
Ms. Reid reviewed her memo regarding Highgate's additional zero percent loan request. Mr. Wickman explained that the construction loan will close next week and that construction must finish by the end of next year in order to meet the tax credit requirements.

Ms. Canney asked about the mold problem to which Mr. Wickman replied that the most serious of the mold problems have already been resolved.

Mr. Candon made a motion to approve the "Third Resolution Re: Construction and Permanent Financing for Improvements to Highgate Apartments, Barre" with Mr. Beaulieu seconding the motion. The resolution was unanimously approved.

Homestead Mews, North Bennington
Mr. Falzone reviewed his memo and reiterated to the Board that a conference call may be needed before the end of the year to approve a debt restructuring including an additional advance.

To Mr. Candon's question about whether the proposal as discussed would be precedent setting, Mr. Falzone replied that it would be and that it is reasonable and favorable. On the downside, it will mean a loss of zero percent excess yield resources (about $2,000 per month). But, the gain is twenty-four units of perpetually affordable elderly housing, capturing and keeping in the public sector the public money spent over the years. Mr. Falzone explained that, although the focus is often on net new units, another equally important component to the affordable housing equation is the length of time a unit remains affordable.

Development Officer Position
Mr. Adams reviewed his memo in which he requests approval to hire an additional Development Officer. Ms. Carpenter added that a motion was needed as it will mean an amendment to the budget. She added that, if VHFA's role in the Winooski Redevelopment Project does not proceed, the need may be reassessed, although the current work with increased tax credit applications and additional portfolio loan restructuring really requires additional staff.

Mr. Candon made a motion to approve the requested to hire an additional Development Officer. Ms. Canney approved the motion and the Board unanimously approved the request.

Ms. Pearce left the meeting (4:00 p.m.).

FINANCE
Financial Reports
Mr. Schoenbeck first reviewed the Consolidated Financials for all funds for the first quarter of fiscal year 2004. Mr. Schoenbeck pointed out the "Surplus before change in investment market value" figure of $618,551. The target figure is one percent of loans, or $1.1 million per quarter. However, this quarter saw a reduction of $72 million in mortgage loan receivables (accounting for about $180,000 of the reduction in targeted surplus) and a $300,000 loss due to restrictions on the way money from paid off mortgages can be reinvested, which has been eliminated by debt reduction. Of significance is the

total contraction in assets of $100 million compared to this time last year; $30 million less in investments and $70 million less in mortgages. Debt has been reduced by about the same amount; $58 million in notes and $40 million in bonds. (Numbers are approximates.) This would become a serious problem if the trend were to continue.

Mr. Schoenbeck then reviewed the General Fund Budget Report. The numbers are very much as expected. Among the figures highlighted was the significant reduction in "Program Loan Losses."

There was some general discussion about VHFA's overall capital needs including ratings requirements, liquidity and special initiatives.

ACTION: In preparation for the Financial Advisor's (Piper Jaffray) financial study, and specifically in response to Mr. Hans request (he is seeking a directory of items of interest to be incorporated into the study), Mr. Schoenbeck will present to the Board at the December meeting the Strategic Planning topics submitted as the commencement of that list of items.

PUBLIC AFFAIRS

Mr. Fairbanks showed the 9.5 minute Vermont Housing Awareness Campaign Video, copies of which were distributed to Board members. A longer (20 minute) version is currently in the editing stages and will be shown on cable TV.

Mr. Fairbanks enlisted the Board members' assistance in getting the word out by keeping the video in mind when making presentations or hearing of others who will be doing so. He also noted that the videos/CDs are being widely distributed (to Regional Planning Commissions, Chambers, Legislators, anyone in housing, etc.)

OTHER

Ms. Loller called the Board's attention to the 30th anniversary dates; April 12, 2004 at the State House and June 4, 2004 at the Boat House.

Board members should let Becky know if they plan on attending the Holiday Luncheon on December 12th at the Inn at Essex.

ACTION: VHFA staff will send a revised 2004 Board Agenda highlighting which events Board members are requested to attend.

Ms. Carpenter alerted the Board to a meeting regarding Winooski and the timing of allocation of tax credits. This will take place at DHCA on December 1st.

ADJOURNMENT

Mr. Candon made a motion to adjourn the meeting. Ms. Canney seconded the motion and the Board unanimously approved to adjourn the meeting at 4:45 p.m.

vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: Cindy Reid, Multifamily Development Underwriter CR

DATE: December 11, 2003

RE: Request for Construction Loan – Cabot Senior Housing

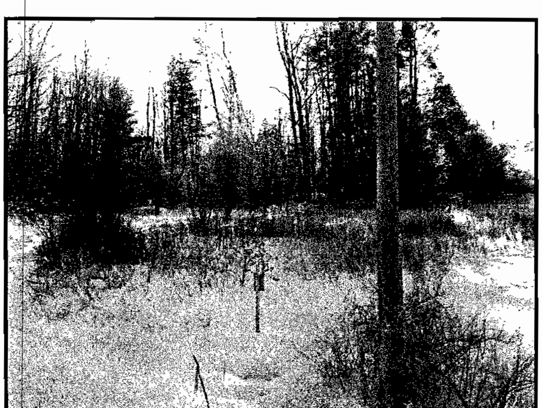
Name:	Cabot Senior Housing	**Location:**	Cabot
Housing Type:	Elderly	**Unit Type:**	Flats
Total Units:	8	**Unit Sizes:**	6 1-BR @ 650 s.f. 2 2-BR @ 800 s.f.
Total Cost:	$1,307,449	**Per S.F. Acquisition & Construction Cost:**	$156
Loan Requested: **Credits Requested:**	$760,000 (construction) $47,000 (4% credits)	**Sponsor:**	Cabot Commons Inc.
Other Funding:	VHCB, HOME, UDAG (Urban Development Action Grant), REEP, Bank Loan, Neighborworks, Local Fundraising		

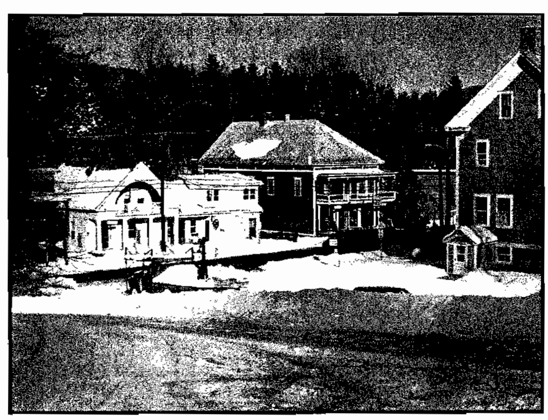
Recommendation: That the VHFA Board of Commissioners pass the attached resolution and make the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter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

Project Summary:
Cabot Commons Inc. (CCI) is a non-profit organization begun by Cabot citizens interested in developing housing options for elderly residents in their community. CCI acquired a parcel of 1.2 acres where it plans to construct a building consisting of eight units for senior housing. Seven units will be tax credit units - CCI has obtained project-based Section 8 vouchers for six of those units to serve very low income seniors - and one unit will be an unrestricted market unit. The site is one block from Main Street in the Village of Cabot, close to shopping, the post office, a church, the library, health center, and fire and rescue service. CCI has obtained all funding commitments. The project needs only a local permit. Consultants Norman Etkind and Mike Richardson have been working with CCI. The architect is Truex Cullins and Partners. Central Vermont Community Land Trust will manage the property once completed, and will also hold a right of refusal. The project has received significant community support; CCI is utilizing one-third of Cabot's UDAG funds for this project, which was approved by a town-wide vote, and CCI has also had success in raising local funds for the project. A phase 1 environmental site assessment was performed, which was clean, and an appraisal has been ordered. CCI plans to begin construction in the Spring and finish by the end of November. There are 22 households currently on CCI's waiting list.

Cabot Senior Housing

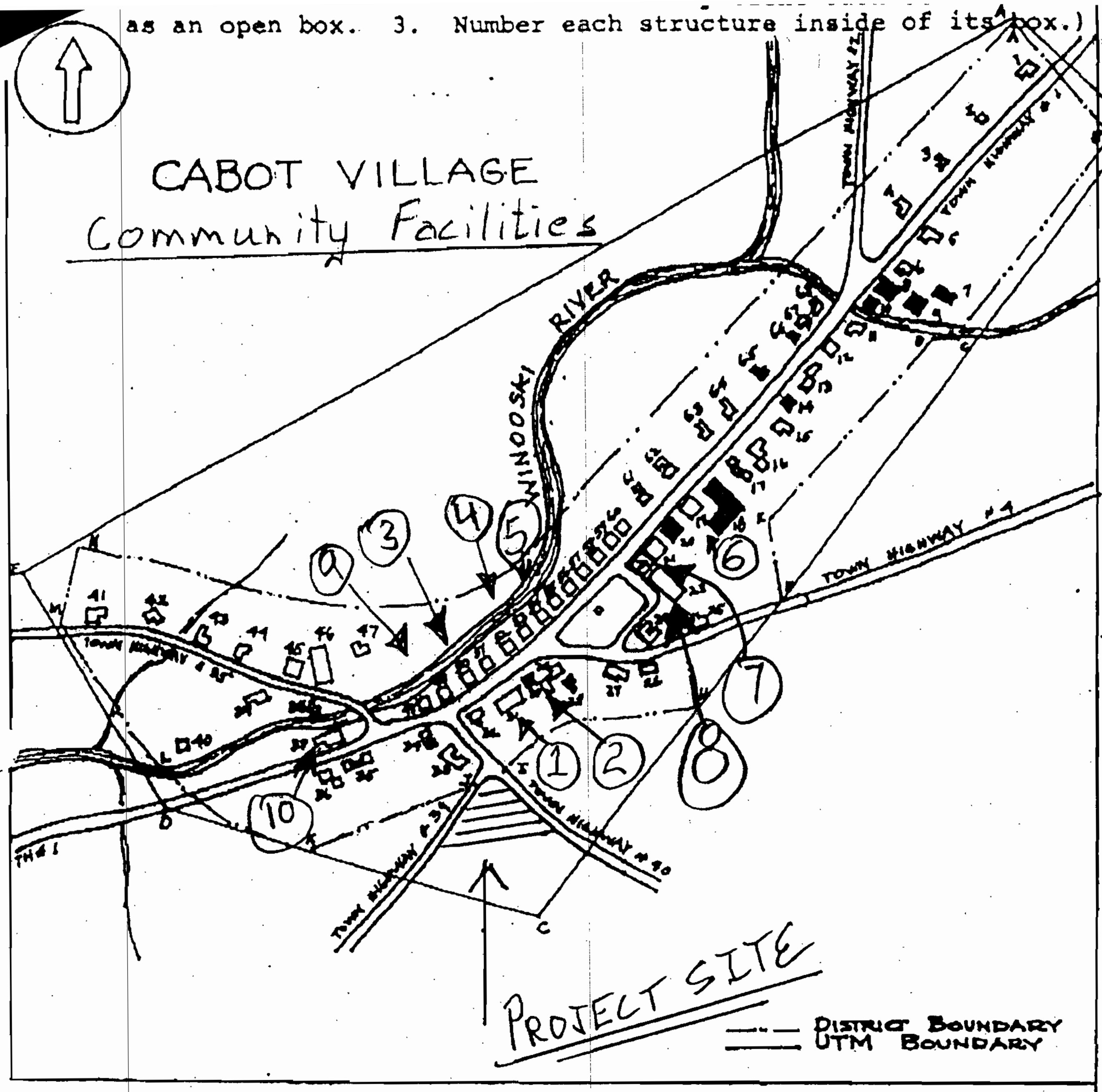
Corner of Whittier Hill and Glinka Roads



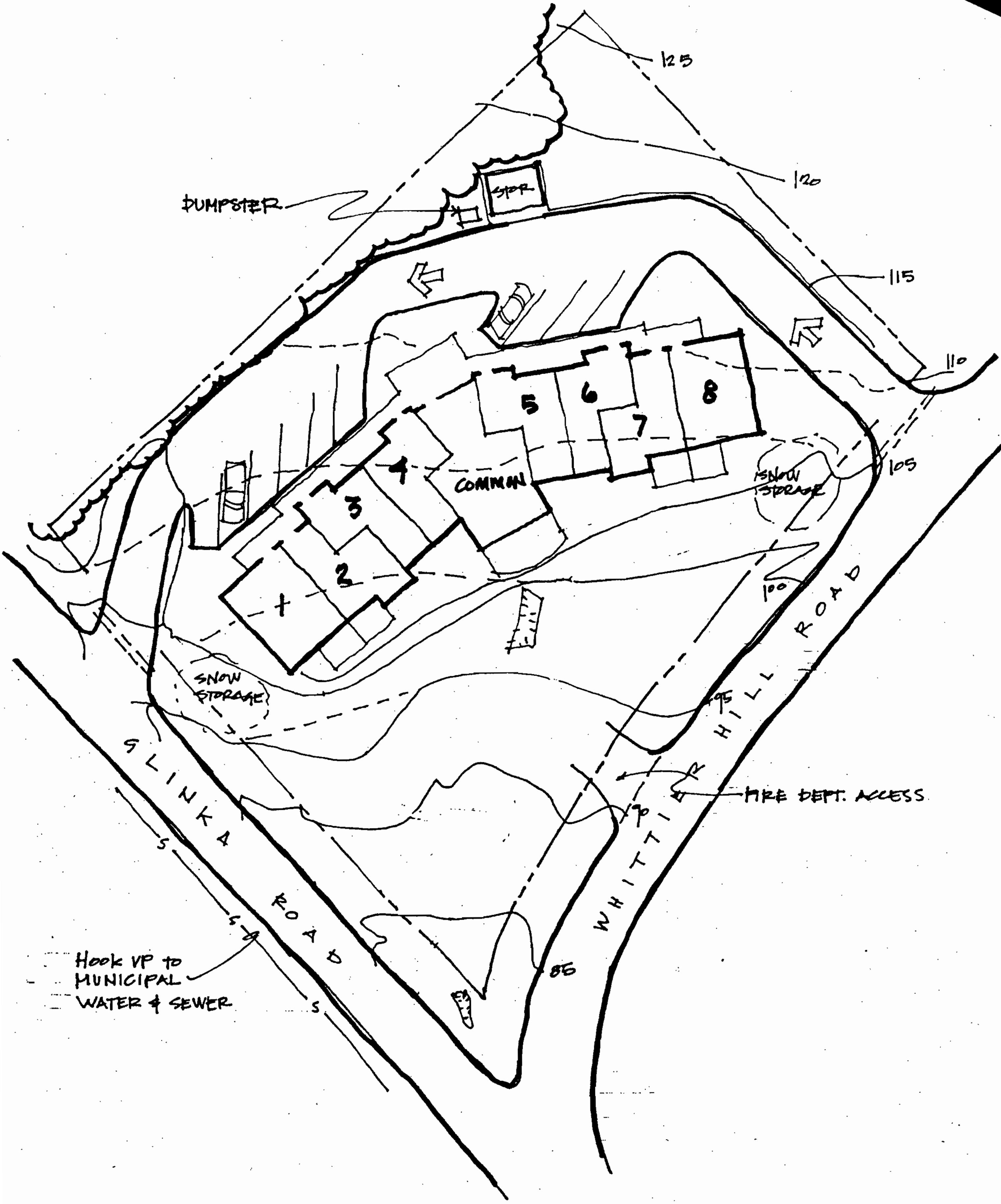


View of village from site

as an open box. 3. Number each structure inside of its box.)



1. Town Clerk's Office
2. Cabot Garage - Car Repair
3. Hardware Store + Fuel Pumps
4. General Store
5. Post Office - Debit Machine
6. Cabot School K-12
7. United Church of Cabot
8. Medical Clinic
9. Restaurant
10. Fire + Ambulance Station



CABOT SENIOR HOUSING

CABOT
SCALE 1" = 40'

CABOT COMMONS, INC.

VERMONT
FEBRUARY 19, 2003

TRUEX CULLINS & PARTNERS ARCHITECTS

RESOLUTION RE: CONSTRUCTION FINANCING
FOR CABOT SENIOR HOUSING, TOWN OF CABOT

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

WHEREAS, an application has been submitted to the Agency by Cabot Commons Inc. (the "Sponsor") on behalf of a to be formed limited partnership in which the Sponsor or a related entity will be the general partner (the "Borrower") involving the construction of one (1) building containing a total of eight (8) units of senior rental housing in the Town of Cabot (the "Development"); and

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

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Cynthia Reid dated December 11, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

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

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

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

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a mortgage loan to the limited partnership to be created by the Sponsor for the construction financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as a representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

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

vhfa

Vermont Housing Finance Agency

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia M. Loller

DATE: December 11, 2003

RE: **Flexible Benefit Plan Amendment**

Request: Approve the attached amendment to add "over-the-counter" drugs to the list of allowed reimbursable health care expenses under the flex spending plan.

The IRS amended Section 125 of the Internal Revenue Code in October of this year to allow the submission of "over-the-counter" drugs as qualified health care expenses under the Flexible Spending Health Care Reimbursement aspect of the Agency's Flexible Benefit Plan (VHFA Premium Only Plan). Many staff will benefit from this amendment, as it will increase the number of reimbursable pretax expenses allowed under the plan.

After reading through the attached amendment and resolution, please give me a call with any questions at 652-3425.

Recommendation: That the VHFA Board of Commissioners pass the attached resolution and that the Executive Director is hereby authorized to take such actions as are necessary to adopt and implement the inclusion of "over-the-counter" drugs to the allowable health care plan expenses.

AMENDMENT #5
TO THE
FLEXIBLE BENEFIT PLAN

The Vermont Housing Finance Agency Premium Only Flexible Benefit Plan is amended in the following respects to clarify coverage of medicine and drugs that do not require a physician's statement:

Section 2.1(q), the definition of Health Care Expense, is amended to add the following as a new paragraph at the end of the existing Section:

> The term "Health Care Expense" shall include medicine and drugs that do not require a physician's prescription, including antacids, allergy medicine, pain relievers and cold medicines. The term "Health Care Expense" shall not, however, include: (i) dietary supplements such as vitamins; (ii) illegally procured medicine and drugs; or (iii) toiletries, cosmetics or sundry items.

Section 6.5(a), relating to Reimbursement Procedures, is amended to add the following at the end of the existing Section:

> Claims for medicine and drugs that do not require a physician's prescription may be substantiated through itemized receipts indicating the medicine or drugs purchased.

Vermont Housing Finance Agency

RESOLUTION RE: THE ADOPTION OF AN "OVER-THE-COUNTER" DRUG AMENDMENT TO THE FLEXIBLE BENEFIT PLAN

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously established a Cafeteria Plan within the meaning of Section 125 of the Internal Revenue Code, as amended from time to time, to provide certain benefits to its Employees; and

WHEREAS, the Agency has determined that it is desirable to clarify the Plan's provision relating to non-prescription drugs and may do so according to Section 11.1 of the Plan;

NOW, THEREFORE, be it RESOLVED:

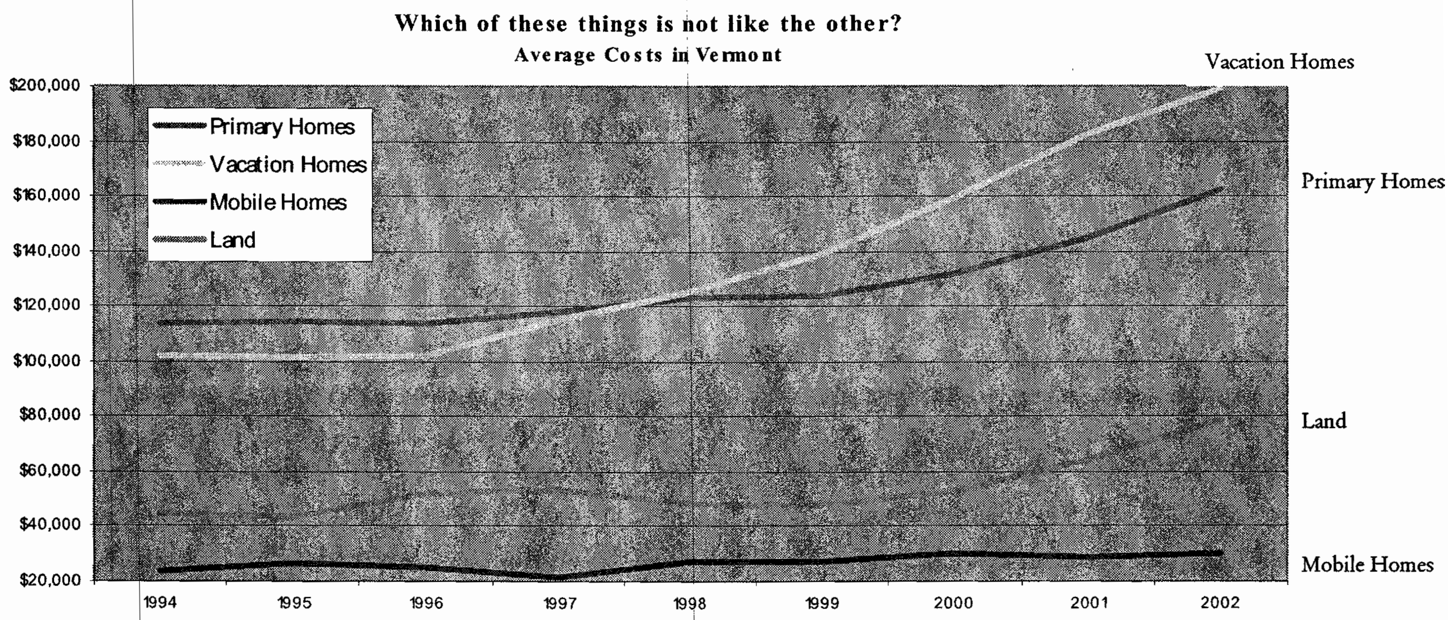
1. That the Plan be and hereby is amended as provided in Amendment #5 to the Vermont Housing Finance Premium Only Plan, attached hereto.

2. That the proper employees of the Agency be, and they hereby are, authorized and directed to execute any and all such documents and to perform any and all such acts as may be necessary and proper to effect the foregoing.

Interesting Housing Facts
Distributed at VHFA Board Meeting
December 18, 2003

Interesting Housing Fact # 1:
The Census Bureau looked at all young, single, and college educated people from 1995 to 2000 and looked at their migration patterns. When looking at the states that LOST the most people in this demographic, Vermont ranked 7th! Can they not afford the housing here and are being forced out by our high prices?

Interesting Housing Fact # 2:



vhfa

Vermont Housing Finance Agency

TO: VHFA Board of Commissioners

FROM: David Adams, Chief of Program Operations

DATE: December 11, 2003

RE: **Request for Loan Approval – Westminster Family Housing**

Name:	Westminster Family Housing	**Location:**	Westminster
Housing Type:	General Occupancy	**Unit Type:**	Converted Farmhouse, Main House and Barn
Total Units:	9	**Unit Sizes:**	1 @ 2-BR 900 s.f. 4 @ 3-BR 1100 s.f. 4 @ 4 BR 1300 s f
Total Cost:	$619,000 $68,778/unit	**Per S.F. Acquisition & Rehab Cost:**	$40.30
Loan Requested:	$275,000, 30yr @ 6.75% est. $115,000, 9yr @ 6.25% est. $115,000, 0%, deferred – new	**Sponsor:**	Housing Vermont
Other Funding:	REEP $25,000; VHFA Existing Zeros' $70,000, Existing Reserves $19,000		

<u>**Board Action Requested:**</u> That the VHFA Board of Commissioners pass the attached resolution granting approval of three loans noted above and making the required findings as outlined in the second section of the resolution ("It is hereby determined:"), and that the Board authorize the Executive Director to issue a Letter of Interest and/or a Commitment Letter to finance this development upon satisfactory completion of staff underwriting and due diligence.

<u>**Purpose of Loan:**</u> VHFA is the current owner of this property having accepted a Deed-in-Lieu of Foreclosure from the prior Borrower. Housing Vermont has agreed to purchase the property from the Agency for our outstanding balance and with additional funding for property improvements.

<u>**Rehab Work Planned:**</u> Conversion from tenant paid electric heat to oil fired hot water. Other rehab includes paving and other building repairs. Total rehab hard costs are $153,692, plus soft costs of $84,586. Soft costs include $30,000 dedicated to operating and replacement reserve accounts.

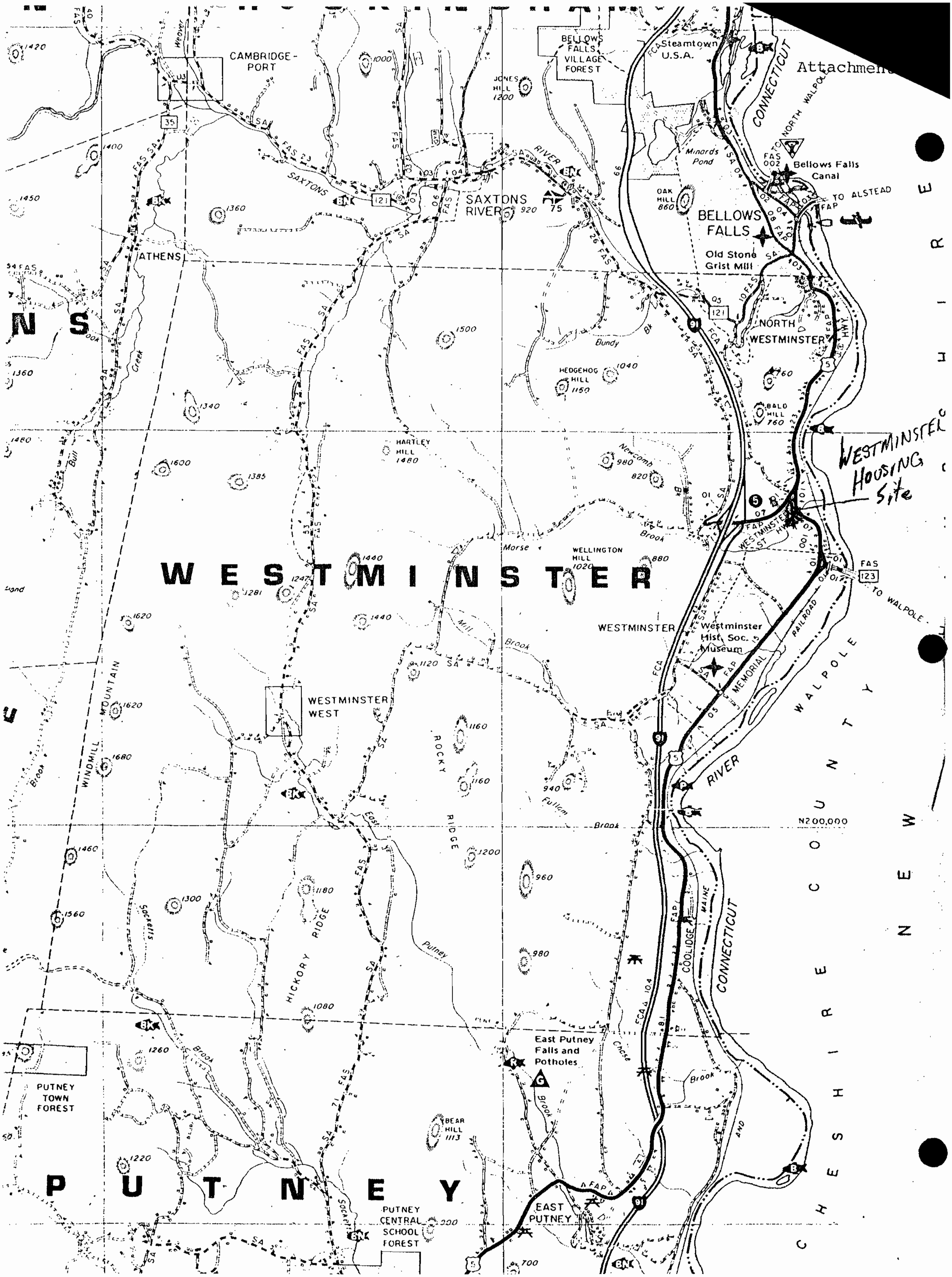
Paul Stewart Management Company has and will continue to provide property management services.

<u>**Acquisition Cost**</u> of $395,722 reflects total current debt owed to VHFA along with legal, title and recording fees.

<u>**Underwriting Issues:**</u> VHFA loan amounts requested anticipate a reduction in rents at the expiration of the current HAP Contract, which expires in 2012. Rents at that time may be adjusted downward to Fair Market Rents. The $115,000 loan is based on the higher cash flows in the first nine years of the HAP contract. Our intent is to retire as much debt as possible when the project can best afford it. The longer-term debt has been sized to reflect the possible reduction in rents in 2013. Cash flows and/or operating cash balances are maintained at acceptable levels throughout the term of the loans. Funding of replacement and operating account reserves meet current underwriting requirements.

<u>**Staff Comments:**</u> We have owned Westminster since March of this year. We have held discussions with a number of potential buyers throughout the year. These include negotiations with the prior owner, Paul Stewart, and several rounds of negotiations with HVT and RACLT. The project is being sold for what we are owed, and there is no increase in the amount of amortizing debt we are extending to the project. The only additional funding we are providing is $115,000 in deferred debt. The project will be in better physical and financial condition with stable non-profit ownership and perpetual affordability. Repayment of $115,000 in the first nine years significantly reduces our exposure at the time of the expiration of the HAP contract, and ensures long-term financial viability for the project.

WESTMINSTER HOUSING
WESTMINSTER



Attachment
WESTMINSTER HOUSING Site
CAMBRIDGE-PORT
BELLOWS FALLS VILLAGE FOREST
Steamtown U.S.A.
JONES HILL 1200
SAXTONS RIVER
SAXTONS
ATHENS
Minards Pond
OAK HILL 860
BELLOWS FALLS
Bellows Falls Canal
TO ALSTEAD
TO NORTH WALPOLE
CONNECTICUT
Old Stone Grist Mill
NORTH WESTMINSTER
Bundy Bk
HEDGEHOG HILL 1150
BALD HILL 760
HARTLEY HILL 1480
Newcomb Bk
Morse Brook
WELLINGTON HILL 1020
WESTMINSTER
TO WALPOLE
Westminster Hist. Soc. Museum
Mill Brook
MEMORIAL
RAILROAD
WALPOLE
WESTMINSTER WEST
ROCKY RIDGE
RIVER
Fullam Brook
N200,000
WINDMILL MOUNTAIN
HICKORY RIDGE
Putney
COOLIDGE
MAINE
CONNECTICUT
East Putney Falls and Potholes
PUTNEY TOWN FOREST
BEAR HILL 1113
EAST PUTNEY
PUTNEY CENTRAL SCHOOL FOREST
PUTNEY
CHESHIRE COUNTY
NEW HAMPSHIRE

RESOLUTION RE: PERMANENT FINANCING FOR WESTMINSTER FAMILY HOUSING, WESTMINSTER

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

WHEREAS, an application has been submitted to the Agency by Housing Vermont (the "Sponsor") involving the permanent financing of nine (9) units of rental housing in the Town of Westminster (the "Development"); and

WHEREAS, the Sponsor may be the Borrower or it may use another entity which is an affiliate or subsidiary of the Sponsor to purchase and own the Development (the "Borrower"); and

WHEREAS, the Agency desires to take "official action" for the purpose of, and to reimburse itself for any advances of its funds prior to, the issuance and sale of tax-exempt bonds (the "Bonds") to finance a loan to the Borrower; and

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

WHEREAS, the application contemplates a mortgage loan for improvements for the Development with a new 0% deferred loan in the amount of $115,000;

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

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

WHEREAS, the Board of Commissioners has been presented with a memorandum from Dave Adams dated December 11, 2003, containing information and recommendations about the Development (the "Memorandum");

THEREFORE, it is hereby DETERMINED:

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

2. The acquisition and rehabilitation costs to be 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, temporary, transitional or emergency housing for persons and families of low and moderate income.

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

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director or her designees may, in his or her discretion, issue one or more Letters of Interest declaring the Agency's interest in making a new mortgage loan to the Sponsor for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds and the satisfactory completion of such further requirements as the Agency may establish in each case. The Letter of Interest may be used by the Sponsor in support of applications for operating subsidies, mortgage insurance, or for other purposes with the consent of the Agency.

2. Upon the satisfaction of the conditions attached to the Letter of Interest, if any, and when deemed appropriate, the Executive Director or her designees may, in his or her discretion, issue one or more Commitment Letters for a new mortgage loan to the Sponsor for the permanent financing of the Development based on the recommendations in the attached Memorandum. The Commitment Letter may be issued to the Sponsor as representative of the Borrower. The Commitment Letter shall be conditioned on the satisfaction by the Sponsor of all requirements of the Act, the applicable regulations of the Agency, and such further requirements as the Agency may establish.

3. The issuance of the Bonds for the purpose of financing one or more loans to the Sponsor or the Borrower is hereby preliminarily approved, and, pursuant to Section 1:150-2 of the Internal Revenue Code Regulations, the Agency hereby states its intention to reimburse itself from Bond proceeds for any advances of Agency funds prior to the issuance of the Bonds.

4. The preliminary approval described in the preceding paragraph does not obligate the Agency to give final approval for the issuance of said Bonds. Final approval of the issuance of the Bonds can only be authorized by independent action, which may contain such conditions thereto as the Agency may deem appropriate. The Agency in its absolute discretion may refuse to finally authorize the issuance of the Bonds and shall not be liable to the Sponsor, the Borrower or any other person for its refusal to do so.

5. In addition to the outstanding zero percent deferred loans previously made to this Development, a new loan in the amount of $115,000 to the Borrower may be funded with excess yield zero percent pool funds.

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