VERMONT HOUSING FINANCE AGENCY

January 9, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board meeting on Thursday, January 19, 1989, at 12:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

/bp

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 13, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. A light luncheon will be served at 12:00 noon, and the meeting will begin at 12:30 p.m. on Thursday, January 19, 1989, at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier.

Attached is the agenda and board packet. If you need any further information regarding the upcoming Board meeting, please feel free to contact Roger or Barbara. I will be on vacation from January 5-16, but I look forward to seeing all of you in Montpelier on January 19.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

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

Thursday, January 19, 1988 at 12:30 p.m.

1. Review and approval of minutes of December 14, 1988

2. Executive Director's Report

   A. Northgate Update [**Hunt**]
   B. Fort Ethan Allen Update [**Hunt**]

3. Operations

   A. MOVE Update [**Lothrop//Enclosure**]

4. Development

   A. Discussion of Changes in Mortgage Plus Income and Purchase Price Limits [**Pond//Enclosure**]
   B. Report on 1988 Low Income Housing Tax Credit Utilization [**Pond//Enclosure**]

5. Finance

   A. Audit Management Letter [**Schoenbeck//Encl.**]
   B. FY 1989 Budget Report and Update [**Schoenbeck//Encl.**]

6. Legal

   A. Proposed Legislation [**Jarrett//Enclosure**]
      1. Enabling Statute
      2. Tax Exemptions
      3. Housing Subsidy Covenants
      4. Joint Housing Committee Proposals

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Wednesday, December 14, 1988

Present: Commissioners Shaw, Hebard, Babcock, Seelig, Hahn, Francis, Myette (via speakerphone).

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Mr. Lothrop, Ms. Hope, Ms. Pond, Mr. Baker, Mr. Koppelkam; Ms. Russell of VHMGB; Mr. Richardson of Housing Vermont; Mr. Kochman of F.L. Kochman, Inc.

Guests present included: Mr. Ruse, State Treasurer-Elect; Mr. Gurley of Drexel Burnham Lambert; Mr. Ingalls (formerly of Bank of Boston).

The meeting was called to order at 2:35 p.m.

Upon a motion duly made and seconded, the minutes of the November 17 meeting were unanimously accepted as written, with the correction that Ms. Babcock was not present at the meeting.

Mr. Lothrop reviewed the status of the 1988A program, as per the statistics included in the Board packet. According to Mr. Lothrop, the program is running slightly behind schedule but is still going strong. On a related topic, Ms. Babcock informed the Board that the Vermont Home Mortgage Guarantee Board (VHMGB) is rapidly approaching their guarantee limit of $55 million; a legislative proposal is being drafted to raise the limit, and Mr. Jarrett assured the Board that he would be available to help in the drafting of language or in any other way. Mr. Lothrop reviewed several alternatives which are under consideration for dealing with the issue, which should be cleared up by March; The Board will be kept informed of the status of this situation.

Several "Multi-Family Management Budget Amendments" were next reviewed by Mr. Lothrop, as per his memo to the Board dated December 8, included in the Board packet. Mr. Hahn asked if the budget expenditures had been anticipated or included in the original budget submitted to the Board, and Mr. Schoenbeck explained that they had been included as a contingency only, with no dollar amounts specified. However, Mr. Shaw reminded the Board that during the summer, when he met with staff and

representatives of the Robert Wood Johnson Grant, he had assured the staff that if there were additional budget considerations to be made, Board approval of those budget items would be forthcoming. Following a brief discussion, a motion was duly made and seconded, and it was unanimously agreed to accept the budget amendments as proposed.

Mr. Lothrop then presented a brief background of the reasons for "VHFA Condominium Procedure" changes, as per his memo of December 8, included in the Board packet. After a discussion of the changes as proposed and their implications, a motion was duly made and seconded and it was unanimously agreed to accept the policy as presented.

The "Marketing Efforts - VHFA Homeownership Programs" were presented by Ms. Hope, as per her memo dated December 8 and included in the Board packet. According to Ms. Hope, marketing efforts have resulted in increased loan volume, an increased share of the market, and over 6,000 calls have been received on the toll-free "Hotline." Additionally, nearly 400 borrowers participated in home buyer workshops held in seven counties during 1988. Mr. Hunt emphasized that lenders should be encouraged to incorporate explanations of our programs in their brochures, rather than relying solely on brochures provided by VHFA. Mr. Hahn and Mr. Shaw each commended Ms. Hope and the staff on a job well done, and Mr. Seelig urged Ms. Hope, Mr. Hunt and Mr. Lothrop to meet to determine the degree to which to extend the goal to serve Vermonters below 80% of the median income. Ms. Hope further informed the Board that the forthcoming Annual Report would focus on the people of VHFA, including borrowers as well as staff.

Mr. Hunt advised the Board that Mr. Schoenbeck had observed his sixth anniversary with VHFA as of December 13, and the Board extended their congratulations. Mr. Schoenbeck then led a discussion of his three memos dated December 7, "Reserve Fund Requirements," "Funds Availability," and "General Fund Loan Commitments." Mr. Seelig expressed his appreciation for the explanation offered to the Board. Mr. Schoenbeck pointed out to the Board that VHFA is close to the comfortable lending limit of its General Fund until other resources become available, such as commitments dropping away or loans being paid off. Mr. Hahn emphasized to the Board that being close to the comfort level shows VHFA is meeting the commitments in the Mission statement, and should be no real cause for alarm. Mr. Schoenbeck suggested that for further details, Board members review his memo dated October 12, 1987, "Agency Wide Cash Flow Analysis" (copy attached to these minutes).

After a brief recap by Mr. Jarrett of his memo dated December 8 and included in the Board packet, "Private Activity Bond Volume Cap Carryforward Election..." a motion was duly made, seconded and unanimously carried to accept the recommendation as presented, and to authorize the Executive Director to file the required forms with the Internal Revenue Service.

The Board next turned to the "Draft Legislation" attached to Mr. Jarrett's memo of December 8, included in the Board packet. A motion was duly made and seconded to accept Sections 1 and 2 of this draft legislation, with the understanding that any substantive changes to the draft would be reviewed by the Board prior to presentation to the Legislature; the motion passed, with Ms. Babcock voting against it. A lengthy discussion followed on the tax exemption issue, as detailed in the draft legislation, during which several Commissioners expressed their dissatisfaction with the legislation as drafted, and Mr. Hunt cautioned that this legislation would be critical to various projects which are at risk, including Northgate. A motion was duly made, seconded and unanimously accepted to defer consideration of the Tax Provisions (Sections 3 through 7 of the draft presented) until the January Board meeting, when staff will provide an analysis of alternative wording and projected revenue impact as per the at risk housing list distributed to the Board previously; Board members are to receive such revisions with sufficient time allowed for review prior to the Board meeting. Additionally, Mr. Seelig urged that Mr. Hunt review the draft legislation with the Governor's office and the tax commissioner.

Mr. Hunt then presented his Executive Director's report, advising the Board that many problems have arisen in the "Northgate" negotiations, as detailed in his memo dated December 8, included in the Board packet, and that the financing gap could be as much as $6 million. Mr. Seelig assured the Board that both he and Mr. Hahn would be available to offer any help they could during the negotiation process. The Board will be kept advised of the status of negotiations.

Turning next to his memo of December 8, "Possible Purchase of Section 8 Projects," included in the Board packet, Mr. Hunt explained to the Board that it would not be possible to apply 1988 Low Income Housing Tax Credits (LIHTC) to these projects, as originally proposed. However, Mr. Hunt remained encouraged by the owner's interest in selling his projects, and assured the Board that staff was projecting the successful usage of all available LIHTC's for 1988.

As a further "Fort Ethan Allen Update," since his memo of December 8, included in the Board packet, Mr. Hunt then

distributed to the Board a copy of a letter and resolution from the University of Vermont. According to Mr. Hunt, a building by building survey of the Fort would need to be conducted, and a coordinator would need to be hired, as in-house personnel would not be available. Mr. Hunt suggested to the Board that an office layout, estimate of rehabilitation costs and structural engineer review could be performed on the one building at the Fort which is proposed for office use, at a cost of $4,000. Design and renovation of all buildings would need to happen prior to the sale of the units to the individual occupant(s). Following a motion duly made, seconded and approved, with Mr. Francis and Mr. Hahn abstaining, the Executive Director was authorized to spend up to $25,000 to enable staff to assure the Board that rehabilitation of the Fort is feasible and advisable. Mr. Shaw appointed Mr. Myette, Mr. Seelig, Mr. Hahn and the Executive Director as a subcommittee of the Board to study and recommend further action on the Fort to the rest of the Board.

Mr. Shaw then acknowledged that this would be Mr. Hebard's last attendance as a member of the Board, and introduced the State Deputy Treasurer and Treasurer-Elect, Paul Ruse, to the Board. Ms. Babcock proposed formal recognition of Mr. Hebard, thanking him for his service and wisdom as a member of the Board over the years; this was seconded and unanimously approved.

The next Board meeting was scheduled for Thursday, January 19, 1989 in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 5:05.

Respectfully submitted,

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: AGENCY WIDE CASH FLOW ANALYSIS

DATE: OCTOBER 12, 1987

Attached please find a worksheet relating to projections of funds available for the next five year period, based on a conservative cash flow basis. The assumptions listed below are critical in assessing the viability of meeting or exceeding the projections presented.

GENERAL

The Agency's mode of operation is generally to take earnings generated from Bond programs into the General Fund on a semi-annual basis to subsidize operating expenses. This is done based on a review of each programs' ability to pay after the required payments to bondholders and maintenance of certain reserve funds. Before we are allowed to transfer funds to the General Fund, we must prove that we have the ability to meet all future payments to the Bondholders and maintain reserve funds until all the bonds are paid. The prescribed method for doing this is by providing a cash flow based on somewhat conservative assumptions as to future events, which indicates the ability of the program to payout the necessary funds. One of the main assumptions being a computed reinvestment rate of 5.5% on new funds.

TAKEOUT ASSUMPTIONS

The major assumption that we use in structuring the takeouts is that the amount drawn from the programs should be an amount that can be drawn annually until the Bond program terminates (meaning all bondholders are paid in full). This is assumed because the theory is that the Agency will be in operation for that period of time and will require continued subsidy to pay for general operating expenses. The annual takeouts, as indicated on the attached worksheet, basically assume that the amounts stated can be drawn until the program terminates. An alternative calculation is to take a large one-time takeout and use it for some special purpose. That amount is indicated on the worksheet and calculated in today's dollars. This method puts us at substantial risk if general assumptions about the program are not met and would jeopardize the ability to fund future annual operating expense requirements. Due to the fact that certain conservative assumptions may be exceeded, most of the cash flows indicate a substantial balance still available after the annual draws and all the bondholders are paid off. Another restriction on the ability to draw funds from the programs is the cash-on-cash test, meaning that because of certain fluctuations we must always show enough cash on hand to pay the then-current period debt. This has the effect of limiting the annual draws in some cases.

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CURRENT PROGRAM PERSPECTIVES

Each program currently in operation and the special provisions thereof, which will result in transfers to the General Fund as indicated on the worksheet, is described in the following paragraphs.

***** AS IN ALL PROGRAMS, BUT ESPECIALLY RELEVANT IN SINGLE FAMILY PROGRAMS, PREPAYMENT ACTIVITY IS CRITICAL!! GENERALLY THE BEST INVESTMENT A PROGRAM CAN HAVE IS A MORTGAGE LOAN. IF MORTGAGES PREPAY FASTER THAN EXPECTED THEY WILL ALMOST ALWAYS HAVE A NEGATIVE EFFECT ON THE CASH FLOW, MEANING LOWER THAN EXPECTED EARNINGS AND AVAILABLE DRAWS.*****

1. **Loans to Lenders.** This Program only has one of the original three series of Bonds outstanding and is scheduled to be paid in full in October of 1989. Since earnings are being estimated at 5.5% there may be some additional excess to be drawn of approximately $30,000-50,000 at termination.

2. **Shawmut Mortgage Purchase.** Also known as the Insured Mortgage Purchase Program, series of bonds issued in 1976-77, with mortgage rates of 6.95 and 7.85%. We have commited 2.5 million dollars to the Farmers Home Program under this resolution to make additional mortgage loans.

3. **Howard Mortgage Purchase.** This program is the big earner from pre-tax reform days. Covers four series of bonds from 1978-82, are single family issues and **require pool insurance.** The critical feature of this program is that the 1978-79 series of bonds assumed that prepayments for the first 10 years would be completely recycled into new mortgage loans. If this assumption is not met it will have a substantial impact on the available earnings. This is the program where the New Homes funds are coming from. Mortgage rates on recycled loans will be either 7.75% or 8.25% depending on the recycled series.

4. **Howard Home Mortage Purchase.** This is the Resolution that we are currently operating under and includes six series of bonds issued between 1983 and the present. The last two series of bonds contemplate recycling at rates of 9.7 and 10% for ten years. This has been the most volatile program and prepayments have run rampant for the last year and a half. Expected draws from this program have been kept especially conservative because of the real possibility of additional contributions being needed to maintain a positive cash flow in the various series. This program is also starting to age to the point where some real losses might be recognized on foreclosed mortgages. It is expected and calculated that an additional $100,000 may have to be contributed to the 1987 program based on slow delivery of mortgages and the negative arbitrage resulting.

5. **Howard Multi-Family.** These bonds were the first series of bonds financing multi-family Section 8 units from 1977-79 and also the South Meadow project of 1986. Pre-tax reform rules also have made this program a significant contributor. Prepayment and conversion concerns are a consideration for this program because of the fact that non-prepayment periods are expiring and some healthy reserves are being accumulated which are recoverable by the owners upon payoff of their loans.

6. Connecticut Multi-Family. This program financed Multi-Family Section 8 projects between 1981-83 and is so named because the Connecticut National Bank is the Trustee. Earnings from this program basically come from fees earned from HUD, which are constantly under attack, and also from the payback of loans originally funded from the General Fund.

GENERAL FUND EARNINGS

The General Fund of the Agency receives the majority of its earnings from transfers from the Programs as shown above. In addition, fees are generally collected on financings of single and multi family loans. We recently have given up a portion of those fees from single family programs and there has been little activity on the multi-family side to generate fees. The cash flow assumes that fees will be collected at the rate of $250,000 annually, with the biggest share coming from new projects financed with the assistance of the proposed Non-Profit. The other source of earnings is from investment income, which is calculated at an expected return rate of 6%, resulting from the investment of the Agency's available fund balance either from loans or alternative investment vehicles.

EXPENDITURES

Operating Expenses

Operating expenses were estimated using the current year budgeted amounts and increasing those at the rate of 7.5% annually each year indicating some growth and also an inflation hedge factor.

Single Family Subsidy

The current year subsidy relates to the 1987 Series A Bond Issue and the contribution for the Loan Loss Claim Fund of $375,000 additional contributions for cost of issuance of $115,500 and an additional $100,000 for the late delivery of mortgage loans projected, as stated above. Future year subsidies are estimated at lower amounts based on a new financing vehicle to be developed or as future contributions to existing programs that run into trouble. Based on recycling of funds, it is conceivable that new issues may not be feasible or necessary.

Multi-Family Subsidy

The $400,000 figure that is proposed is in tangent to the amount requested for the Non-Profit and accumulates to $2,000,000 over the five year period.

CONCLUSIONS

The information provided herein is the most important data on a macro basis that the Finance Department has ever provided. It is imperative that we all understand the implications of the possible resources, choices, and ramifications of uses of funds. One negative point that can be drawn from the enclosed information is that based on these projections the General Fund balance will be decreasing starting in FY 6/90, which is not a good measure from the Rating Agencies perspective. This may be a moot point if we do not do further tax exempt bonding. This could also be mitigated by a one-time or somewhat higher annual transfers from the Programs. It is also apparent that VHFA can not continue to fund both single and multi-family programs without new revenue sources.

AGENCY WIDE CASH FLOW
VERMONT HOUSING FINANCE AGENCY
FOR THE PERIODS

	FYE 6/30/88	FYE 6/30/89	FYE 6/30/90	FYE 6/30/91	FYE 6/30/92	YEAR PROGRAM TERMINATES	PRESENT VALUE BALANCE REMAINING
RESOURCES							
LOANS TO LENDERS	150,000	150,000	155,500	0	0	1989	0
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	100,000	100,000	1998	2,200,000
HOWARD MTG PURCHASE	750,000	750,000	750,000	750,000	750,000	2004	11,000,000
HOWARD HOME MTG PURCH	250,000	250,000	240,000	230,000	220,000	2017	555,000
HOWARD MULTI-FAMILY	430,000	382,000	402,000	412,000	398,000	2010	0
CONN NATL MULTI-FAMILY	180,000	180,000	180,000	180,000	180,000	2012	450,000
FEE INCOME	382,000	250,000	250,000	250,000	250,000		
INVESTMENT EARNINGS	230,000	240,000	250,000	245,000	225,000		
TOTAL RESOURCES	2,472,000	2,302,000	2,327,500	2,167,000	2,123,000		
EXPENDITURES							
OPERATING EXPENSES	1,574,400	1,692,480	1,777,104	1,865,959	1,959,257		
SINGLE FAMILY SUBSIDY	590,500	0	250,000	250,000	250,000		
MULTI-FAMILY SUBSIDY	400,000	400,000	400,000	400,000	400,000		
TOTAL EXPENDITURES	2,564,900	2,092,480	2,427,104	2,515,959	2,609,257		
EXCESS RESOURCES (EXPENDITURES)	(92,900)	209,520	(99,604)	(348,959)	(486,257)		
AVAILABLE FUND BALANCE BEG FISCAL YEAR	4,148,230	4,055,330	4,264,850	4,165,246	3,816,287		
AVAILABLE FUND BALANCE END FISCAL YEAR	4,055,330	4,264,850	4,165,246	3,816,287	3,330,030		

STATISTICAL REPORT PROGRAM ID: 88A
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 01/11/89

Total Number of Loans:	246
Total Loan Amount:	$13,237,192
Average Loan Amount:	$53,809

EXISTING:	$10,309,503	80.8%	199 Loans
NEW CONSTRUCTION:	$2,927,689	19.1%	47 Loans
NEW DETACHED HOUSING:	$1,652,422	56.4%	27 Loans
NEW CONDOMINIUM:	$1,275,267	43.5%	20 Loans

Total Insured or Guaranteed Loans:	235
Loans Guaranteed by VHMGB:	231

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$58,288	$62,465	$59,511
Avg. Loan Amount	$52,502	$56,967	$53,809
Avg. Borrower Income	$26,903	$28,457	$27,358
Avg. Housing Debt-Income Ratio	24.3%	25.4%	24.6%
Avg. Total Debt	$731.90	$795.54	$750.52
Avg. Total Debt-Income Ratio	32.5%	33.5%	32.8%
Total No. of Loans	174	72	246
First Time Homebuyers	83.3%	100.0%	88.2%
% Loans with 2 or more Wage Earners	53.4%	52.7%	53.2%
% of Total Loan Amount	69.0%	31.0%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	2.0%	$223,863	5,115	5.7%	3.7-
Bennington	10	4.1%	$478,288	6,538	7.3%	3.2-
Caledonia	19	7.7%	$882,366	4,500	5.0%	2.7
Chittenden	42	17.1%	$2,625,820	17,415	19.4%	2.3-
Essex	1	0.4%	$49,332	1,455	1.6%	1.2-
Franklin	30	12.2%	$1,637,702	5,798	6.5%	5.7
Grand Isle	1	0.4%	$45,600	932	1.0%	0.6-
Lamoille	16	6.5%	$862,425	3,234	3.6%	2.9
Orange	9	3.7%	$504,625	4,221	4.7%	1.0-
Orleans	24	9.8%	$962,216	4,149	4.6%	5.2
Rutland	21	8.5%	$1,136,347	10,051	11.2%	2.7-
Washington	38	15.4%	$2,180,388	9,282	10.3%	5.1
Windham	16	6.5%	$920,101	6,944	7.7%	1.2-
Windsor	14	5.7%	$728,119	10,120	11.3%	5.6-
TOTAL	246	100.0%	$13,237,192	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
CACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: January 11, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: New Purchase Price and Income Limits for Mortgage Plus Program

In October 1988 the Board voted to continue the Mortgage Plus Program after December 31, 1988, by electing to use a portion ($20,000,000) of our 1988 qualified mortgage bond authority for the mortgage credit certificates. The ninety day notice period for this election will be completed on February 17th, 1989.

In order to have the purchase price and income limits consistent with our MOVE Program limits, and to avoid confusion in the market place, we would like to make the changes now so that the required 10-day public notice can be met prior to February 17, 1989. Please refer to the attached sheet for the existing and proposed limits.

Recommended Action:

Approve proposed purchase price and income limits.

MP635/njw
Attachment

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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VHFA Proposed Purchase Price Limits for Mortgage Plus

	Existing	Proposed	% Increase
New Property	$80,000	$93,000	16%
Existing Property	$75,000	$85,000	13%

VHFA Proposed Income Limits for Mortgage Plus

	Existing Limit	Proposed Limit	Maximum Allowable Limit *
ADDISON	$29,095	$31,500	$31,510
BENNINGTON	30,360	32,500	32,545
BURLINGTON MSA	37,720	38,000	40,940
CALEDONIA	33,320	33,500	38,360
CHITTENDEN	35,880	38,000	38,870
ESSEX	31,360	31,500	38,360
FRANKLIN	34,580	35,000	38,360
GRAND ISLE	26,220	31,500	31,510
LAMOILLE	34,580	35,000	38,360
ORANGE	32,060	32,500	38,360
ORLEANS	31,360	31,500	38,360
RUTLAND	37,380	37,500	40,040
WASHINGTON	36,260	36,500	39,060
WINDHAM	36,120	37,500	38,780
WINDSOR	32,085	34,000	34,720

* Maximum allowable income limit based on HUD published medians.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 12, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: UTILIZATION OF 1988 LOW INCOME HOUSING TAX CREDITS (LIHTC)

Attached please find a report of the usage of the LIHTC out of Vermont's 1988 credit authority.

Although our goal in early 1988 was to allocate one-third of our 1988 $685,000 allocation, we succeeded in allocating 100% by the end of the year. This was largely the result of the passage of the Technical Corrections Bill in late October which allowed for a new provision to carry over credits from our 1988 allocation for projects for which at least 10% of the taxpayer's "reasonably expected basis" had been incurred before December 31, 1988.

The interest in the credits was so high by early December that we had a competition in order to respond to the requests in a fair and uniform process. This is reflected in the attached report.

This new provision ensures that 100% of both 1988 and 1989's allocations will be utilized, a situation which leverages the limited federal resource and produces more affordable units. We anticipate that nationally great lobbying pressure will be put on Congress to authorize an extension of the Low Income Housing Tax Credit, due to the increased usage and eventual success of the tax mechanism as an incentive.

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[redacted] Housing Finance Agency
Low Income Housing Tax Credit Program
1988 Allocation Report

January 3, 1989

1988
LIHTC Allocations/Reservations

Project Name/ City	Sponsor	# of LIHTC/ Total Units	% Credit & Type	Reservation Request/ Reserved	Reservation Counting To State Cap	Source of Financing	Fee Due/ Paid	Fee Still Owed/ To Be Refund	Reservati Approved
Depot Sq Apartment	Berezin	54	9.12%	$178,290		mod rehab	$0	$0	No
St Johnsbury	Depot Square Assoc	54	rehab	$0	$0		$7,038	$7,038	Reserv
Dogwood Glen I		32	3.91%	$30,881		FmHA	$0	$0	No
Northfield	HFI	32	acquis/reh	$0	$0		$200	$200	Reserv
Armory Square	Berezin	74	9.12%	$276,686		mod rehab	$4,480	$0	Yes
Windsor	Armory Square Asso	74	rehab	$224,000	$224,000		$10,922	$6,442	Carry-Ov
Eaglewood Apts	McNatt	24	3.91%	$49,045		FmHA 515	$940	$940	Yes
St Albans	Eaglewood Apts Ltd	34	new constr	$47,015	$47,015		$0	$0	Carry-Ov
Enosburg/Merchants	Merchants Bank	24	3.91%	$44,253		FmHM 515	$858	$0	Yes
Enosburg Falls	Housing Vermont	24	new constr	$42,907	$42,907		$1,811	$953	Carry-Ov
Heineberg	Carpenter	42	9.22%	$198,907		VHFA	$1,200	$0	Yes
[redacted]lington	H.V. Heineberg Inc	82	new constr	$198,907	$198,907		$1,200	$0	Carry-Ov
Hooper-Barre	Hooper	21	9.12%	$55,541		HUD 312	$1,076	$1,076	Yes
Barre		21	rehab	$53,790	$53,790		$0	$0	Carry-Ov
Lane Shops	DeBrul	40	3.91%	$12,495		Reserves	$224	$224	Yes
Montpelier	Lane Shops Associa	40	rehab	$11,220	$11,220		$0	$0	Alloc
Morrisville	Moore	8	9.14%	$39,342		conventio	$400	$0	Yes
Morrisville	Lowell House Nomin	8	rehab	$39,341	$39,341		$400	$0	Alloc
Riverside	Richardson	36	3.95%	$108,966		VHFA	$1,200	$0	Yes
Burlington	Riverside Housing	80	new constr	$108,966	$67,799		$1,200	$0	Carry-Ov

Total Number of Reservation Requests:	10	Total Number of LIHTC Units:	355
Total Number of Approved Reservation Requests:	8	Total Number of Units:	449
Total Amount Available for 1988:	$685,000	Total Fees Due:	$10,379
Total Amount of Reservation Requests:	$994,406	Total Fees Paid:	$22,771
Total Amount of Approved Reservations:	$726,146	Fees Still Owed:	$2,241
Total Amount of State Cap Eligible Reservations:	$684,979	Fees To Be Refunded:	$14,633
Amounts Requested for 1988 But Not Approved:	$227,054		

01/03/89

1988 LIHTC Allocations

Koppelkam

Total 1988 Vermont LIHTC Allocation: $685,000.

PHASE ONE ALLOCATION DECISIONS

Project Name	Owner Last Name	# Units	# LIHTC Units	Project Cost	Credit Type 1	Amount of Ann Credit Approved	Amount Requested	Credit %	Qualif Basis	Tax Crdt $ Approved/ LIHTC Unit
Morrisville	Moore	8	8	708,504	rehab	39,341	39,341	9.14	430,433	4,918
Riverside	Richardson	80	36	6,692,627	new construct	108,966	108,966	3.95	2,758,634	3,027
(minus tax exempt portion not counting against state cap)						(41,167)	(41,167)			
Heineberg	Carpenter	82	42	3,829,951	new construct	198,907	198,907	9.22	2,157,339	4,736
		170	86			306,047	306,047	RESERVED/ALLOCATED PHASE ONE		
						378,953	378,953	LIHTC REMAINING		

PHASE TWO

FINAL ALLOCATION DECISIONS

Project Name	Owner Last Name	# Units	# LIHTC Units	Project Cost	Credit Type 1	Amount of Ann Credit Approved	Amount Requested	Credit %	Qualif Basis	Tax Crdt $ Approved/ LIHTC Unit	LongTerm Commitment	Rental Commitment
Depot Sq Apart	Berezin	54	54	2,309,467	rehab	0	163,471	9.12	1,792,442		22 Units/15 Yr	15 Yr
Armory Square	Berezin	74	74	3,914,000	rehab	224,000	250,300	9.12	2,744,512	3,027	37 Units/15 Yr	15 Yr
Enosburg	Merchants Bank	32	28	1,131,795	new constr	42,907	44,253	3.91	1,131,795	1,532	32 Units/5 Yr	0 Yr
Dogwood Glen I	HFI	32	28	1,081,138	acquis/rehab	0	30,881	3.91	789,806		N/A	
Hooper-Barre	Hooper	21	21	609,000	rehab	53,790	55,541	9.12	609,000	2,561	5 Units/15 Yr	15 Yr
Lane Shops	DeBrul	40	40	319,559	rehab	11,220	12,495	3.91	319,559	281	13 Units/10 Yr	10 Yr
Eagle Wood	McNatt	34	27	1,700,000	new construct	47,015	49,045	3.91	1,254,353	1,741	N/A	
		287	272			378,932	605,986	TOTAL PHASE TWO RESERVATION REQUESTS				
							227,033	DEMAND IN EXCESS OF AVAILABILITY				

Total Approved 1988 Allocations (incl Carry-Over): $684,979

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: AUDITOR MANAGEMENT LETTER

DATE: JANUARY 13, 1989

Attached is the management letter received from our auditors, Peat Marwick Main & Co., prepared in connection with the audit for the fiscal year ended June 30, 1988. This service is a standard component of the audit process. I would like to address the comments that the auditors raise in the accompanying letter.

Computer Documentation. The Finance Department has spent a great deal of time in the past year involved in the implementation of updated software packages to enable better, more professional and timely accounting/budget reports and vendor payments. The reorganizational and business plan work also involved changes to our internal systems. All these new procedures have not yet been categorized in one manual. One of our goals is to accomplish this in the current fiscal year.

Preparation for the Annual Audit. Time constraints based on working on three different bond financings during the course of the audit, along with staffing and procedural changes, made timely completion uncomfortably tight for the last audit. We are working with the auditors on a specific program timeline for the upcoming year to ensure continued compliance with the required September 30th due date.

Prior year comments. The hiring of the accounts payable clerk and the investment officer as planned and mentioned in last year's comments has been extremely helpful in keeping up with the new and expanding programs of the Agency.

If you have any questions or comments on the management letter, I would be happy to discuss them with you at your convenience.

Requested Board Action: Acceptance of the management letter.

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

Management Letter

June 30, 1988

KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
One Church Street
P.O. Box 564
Burlington, VT 05402

October 31, 1988

The Commissioners
Vermont Housing Finance Agency:

We are presenting, for your consideration, our comments and recommendations regarding internal control. These came to our attention during the course of our examination of the financial statements of Vermont Housing Finance Agency for the year ended June 30, 1988, which we reported upon on September 30, 1988.

As a result of our examination, we did not identify any condition that we believed to be a material weakness in internal accounting controls. This information, however, should be considered in light of Exhibit II which describes the purpose of our study and evaluation of internal accounting controls as part of our examination, and such information is intended solely for the use of your management in assessing the control environment.

The comments and recommendations presented in Exhibit I are intended to improve the system of internal accounting control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with the management personnel responsible for each area so as to obtain their concurrence prior to the development of our recommendations for improvement.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the Agency during the course of our examination.

Very truly yours,

Peat Marwick Main & Co.

Exhibit I

VERMONT HOUSING FINANCE AGENCY
Comments and Recommendations

I. COMPUTER DOCUMENTATION

The substantial growth of the Agency over the last several years has increased the workload and simultaneously has increased the use of personal computers by the staff, which has improved the efficiency of management's ability to receive and generate information.

As we have noted in the past, the Agency needed to implement a policy to provide written documentation of the computer programs and of the accounting functions. We are cognizant of the fact that documentation now exists for computer programs and also that job descriptions for accounting positions exist which includes job functions. We recommend that this documentation be consolidated into a comprehensive accounting manual.

II. PREPARATION FOR THE ANNUAL AUDIT

While we have been pleased with the quality of the assistance we have received from the finance department, there have been some delays in recent years in receiving all of the information necessary to complete the audit when requested. We realize this is not entirely the Agency's fault and would like to work together to resolve this. For the audit to be completed by September 30th each year, we recommend that a formalized audit plan be developed jointly by Peat Marwick and finance department personnel to establish a realistic timetable.

III. FOLLOW-UP ON PRIOR YEAR'S COMMENTS

Last year we made mention of the Agency's intention to have an additional employee in the accounting department. A cash disbursements clerk is now working in accounting.

We also noted the need for a full-time investment officer due to the increase in the Agency's portfolio. Such an officer has been hired, allowing Roger Schoenbeck, the Director of Finance, additional time to handle other relevant matters.

Exhibit II

As part of an examination of financial statements, we perform a study and evaluation of an organization's system of internal accounting control to the extent we consider necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation is to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on an organization's financial statements. Our study and evaluation is more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

An organization's management is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments made by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

A study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, an expression of an opinion on the system of internal accounting control taken as a whole cannot be made.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: FISCAL YEAR JUNE 1989 BUDGET

DATE: JANUARY 13, 1989

Attached is the budget performance report for the first half of the fiscal year ending December 31, 1988. In addition to discussing the results of the report, I will also be capsulizing the approved changes to the budget thus far through the Board meetings and finally asking for approval of changes necessary at this point for the balance of the fiscal year.

BUDGET PERFORMANCE REPORT AT DECEMBER 31, 1988

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

INCOME. Other than the collection of sizeable fees for at-risk projects related to the Multi-Family fee income category, all other items seem to be on track. Faster than expected uses of General Fund cash balances have more than offset higher than anticipated reinvestment rates.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. The dedication of contributions to new programs makes the picture appear more dismal than actually is the case.

EXPENSES. Total expenses after excluding the Subsidy accounts mainly relating to Housing Vermont are equal to 45.86% of the annual amounts. Other than the items discussed below, the expenses are in line with expectations.

APPROVED BUDGET CHANGES FISCAL YEAR TO DATE

As a reminder, following is a summary of Board action taken which has adjusted the budget from what was originally approved for this fiscal year.

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NEW BOND PROGRAMS. The contribution for the 1988A Single Family program was anticipated in the budget. The contribution for the $67,100,000 1988B Single Family program for $900,000 was not originally budgeted. The contribution for the Riverside (Multi-Family) issue of $80,000 was not originally budgeted.

CONSULTING. Related to the Fort Ethan Allen project, $25,000 was approved for the hiring of consultants to assist with feasibility studies.

ROBERT WOOD JOHNSON GRANT. The Board approved a budgeted amount of $50,136 related to this grant. This is being distributed by charging direct costs of $15,000 to the Subsidy account, $21,792 to Salaries, $1,637 to Payroll Taxes and $3,207 to Insurance. Capital budget items of $8,500 are also included. Since the original budget had included $75,000 for the Robert Wood Johnson grant, that amount has been deleted from the budget.

BUDGET ADMENDMENT REQUESTS

At this point in the fiscal year there are only four items which either were not included in the original budget or have come to light since the budgetary process was completed.

Advertising. A marketing program for the Vermont Energy Investment Corporation in the amount of $7,500 was overlooked in the preparation of the original budget.

Consulting. The Northgate and related "Gates" projects required assistance in attempting to identify and quantify necessary physical and energy improvements, cost and performance analysis. The cost relating to this work is $26,500.

Dues. The National Council of State Housing Agencies increased their assessment by $2,000 for legislative activity.

Rent. Based on the increased staffing and consulting requirements as well as the Robert Wood Johnson grant, the Agency is now occupying space previously being rented by Housing Vermont. This is expected to add $6,000 for the balance of the fiscal year.

The total of all the above amendment requests would add $42,000 to the expenses for the year.

If you have any questions or need clarification of any of these items, contact me at your convenience.

Requested Board Action: Approval of the budgetary requests.

BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
DECEMBER 31, 1988

	ORIGINAL BUDGET FYE 6/30/89	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 12/31/88	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	233,500	233,500	136,931	58.64%
MULTI-FAMILY FEES	506,400	506,400	128,486	25.37%
PROJECT ADMIN FEES	115,000	115,000	61,958	53.88%
INTEREST INCOME	320,000	320,000	149,268	46.65%
MISCELLANEOUS	16,500	16,500	7,876	47.73%
TOTAL INCOME	1,191,400	1,191,400	484,519	40.67%
FUND TRANSFERS				
LOANS TO LENDERS 76-79	150,000	150,000	150,000	100.00%
SF-INS MTG PROG 76-77	100,000	100,000	50,000	50.00%
SF-MTG PUR PROG 78-82	1,250,000	1,250,000	500,000	40.00%
SF-HOME MTG PROG 83-88	(25,000)	(925,000)	(975,570)	105.47%
MF-MTG PROG 77-79/86-88	430,000	350,000	200,000	57.14%
MF-HOUS PROG 81-83	65,000	65,000	39,310	60.48%
MF-DIR PLAC PROG 85-86	10,000	10,000	10,000	100.00%
TOTAL TRANSFERS	1,980,000	1,000,000	(26,260)	-2.63%
TOTAL INC & TFRS	3,171,400	2,191,400	458,259	20.91%
EXPENSES				
ADVERTISING & PROMOTION	45,150	45,150	10,754	23.82%
AUDIT	21,000	21,000	20,000	95.24%
ANNUAL REPORT	12,000	12,000	30	0.25%
COMMISSIONERS EXPENSES	4,000	4,000	2,207	55.18%
CONSULTING FEES	46,300	71,300	32,926	46.18%
DUES & SUBSCRIPTIONS	19,500	19,500	12,029	61.69%
INSURANCE	90,000	93,207	41,347	44.36%
INTEREST EXPENSE	3,400	3,400	1,641	48.26%
LEGAL	50,000	50,000	15,566	31.13%
MISCELLANEOUS	5,000	5,000	610	12.20%
OFFICE EXPENSES	28,000	28,000	13,944	49.80%
PENSION PLAN	80,000	80,000	38,156	47.70%
POSTAGE	20,000	20,000	8,976	44.88%
RENT	68,000	68,000	35,473	52.17%
REPAIRS & MAINTENANCE	33,000	33,000	14,398	43.63%
SALARIES & WAGES	896,100	917,892	421,891	45.96%
STAFF TRAVEL & TRAINING	86,575	86,575	23,361	26.98%
SUBSIDY-HVT, ERH, RWJ	1,600,000	1,540,000	1,452,688	94.33%
TAXES-PAYROLL	65,000	66,637	32,008	48.03%
TELEPHONE	33,000	33,000	11,748	35.60%
TRUSTEE & CREDIT FEES	210,000	210,000	102,611	48.86%
DEPRECIATION	60,000	60,000	32,067	53.45%
TOTAL EXPENSES	3,476,025	3,467,661	2,324,431	67.03%
SURPLUS (DEFICIT)	(304,625)	(1,276,261)	(1,866,172)	146.22%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: January 12, 1989

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

RE: PROPOSED LEGISLATION

Attached please find two proposed bills. The first is a revision of the tax exemption legislation that was discussed at last month's Board meeting. The other is a draft of a bill that would establish a clear cut legal method for imposing long-term rent and occupancy restriction on subsidized housing.

I. Legislation to exempt affordable housing from certain taxes.

The legislation has been rewritten to provide for the commissioner of the department of housing and community affairs, instead of the VHFA Board, to certify housing developments for exemptions from capital gains tax, property transfer tax, land gains tax, and sales and use tax. The bill has been set up to try to include a broad spectrum of affordable projects, such as federally assisted projects like Northgate and the other Gates, Section 8 projects, Low Income Housing Tax Credit eligible projects, and projects financed with tax-exempt bonds. Provisions have been made for qualified limited partnerships with general partners that are nonprofit organizations or wholly owned subsidiaries of such organizations and for limited equity cooperatives to be included.

In order to be eligible for the exemptions, projects would have to fall within the descriptions of eligible projects and certify to the commissioner under penalties of perjury that (1) there are deed restrictions, covenants, agreements or other legal documents that restrict the development's usage; (2) that the restrictions will be in place for at least the minimum period of time required by the applicable tax provision, or the period established by the department of regulation; and (3) that the funds that would have been necessary to pay the taxes from which exemption is sought are being used to reduce the purchase price, construction cost and/or rehabilitation cost of the development.

As requested at the December Board meeting, the staff has estimated the fiscal impact of these proposed tax exemptions. These estimates necessarily depend on assumptions about the

number of developments that are acquired and constructed. We have assumed that in 1989 700 units will be acquired at an average price of $40,000 per unit, and in 1990 and 1991 350 units will be acquired each year at the same price. We have estimated that 360 units will be constructed in 1989 at an average price of $55,000 per unit and 200 units will be constructed in each of the two subsequent years. (The higher activity in 1989 is projected because of the scheduled expiration of the Low-Income Housing Tax Credit program). The assumptions in this analysis are liberal, that is, they probably overestimate the revenue loss.

The taxes that would be applicable in the event of acquisitions would be the capital gains and the property transfer taxes. For capital gains purposes, we have assumed that the state capital gains tax would be 7% of the gain (25% of the federal maximum 28% rate) and that the basis of all the projects would be zero. Thus, we have assumed that the total gain from all projects sold would be $56 million and the exemption (7%) would be worth a total of $3.92 million over three years. The property transfer tax of 1.25% would yield $700,000 over the three years.

For new construction projects, the sales and use, property transfer, and land gains taxes may be applicable. We have assumed land costs of $5000 per unit that is included in the $55,000 per unit total cost. The total development costs of the 760 units over the three years would be $42 million, of which $3.8 million would be land. The remaining cost of development would be $38.2 million and we have assumed that materials would represent 27% of the total development cost, or $10.31 million. The 4% sales and use tax would result in revenue of $412,400 over the three year period. The property transfer tax of 1.25% of the land cost of $3.8 million would result in revenue of $47,500 over the three years. For the land gains tax, we have assumed that 50% of the units would be constructed on land that is not liable for the land gains tax, i.e., leased land, free land, or land held by the seller for more than 6 years. We have further assumed that of the land held for less than 6 years that is subject to the tax, the average holding period would be 3 years and that the appreciation rate would be 5% per year, or 15% over 3 years. Given these assumptions, the revenues from the land gains tax over three years would be approximately $37,000.

Thus, the total revenues foregone over the three years are estimated to be $5.12 million.

II. Legislation to provide convenient means of establishing and enforcing long-term restrictions on the use of affordable housing developments.

The importance of this proposed legislation is to establish a convenient method for imposing long-term rent and occupancy restrictions on subsidized housing. The effectiveness of the restrictions is not dependent on the survival of any particular financing or program, the content of the restrictions is flexible, the restrictions are voluntary and established at the outset of the effective period, which is a definite period. Fifty years is not a magic number, but some reasonable finite period is important to decide upon, since "perpetual" and "permanent" are not precise terms and have proven nearly impossible to work with in legal documents.

DRAFT

Subject: Housing, tax exemptions

Statement of purpose: This bill proposes to exempt the transfer of qualified housing projects benefiting low and moderate income persons and families from the payment of capital gains, property transfer, and land gains taxes and the construction of such housing from the sales and use tax in order to increase the affordability of the housing.

AN ACT RELATING TO TAX EXEMPTIONS FOR AFFORDABLE HOUSING PROJECTS

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

Sec. 1. 3 V.S.A. § 2477 is added to read:

(a) The commissioner may certify a housing development in Vermont as a "qualified housing project" for the purposes of certain tax exemptions if the development meets the criteria set out in this section.

(b) As used in this section, the following terms shall have the meanings indicated, unless the context otherwise requires:

(1) Commissioner means the commissioner of the department of housing and community affairs;

(2) Families means persons or families of low and moderate income, as that term is defined in 10 V.S.A. § 601(11);

(3) Housing development means residential housing units designed primarily to provide principal dwelling accomodations whether on a permanent or temporary basis for persons and

families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient in connection with the residential housing;

(4) Limited equity cooperative means a cooperative housing corporation organized in accordance with 11 V.S.A. § 1598;

(5) Qualified partnership means a limited partnership in which a general partner is a qualified corporation or a qualified nonprofit organization;

(6) Qualified corporation means any corporation if 100% of the stock of such corporation is held by 1 or more qualified nonprofit organizations at all times during the period such corporation is in existence;

(7) Qualified nonprofit organization means any organization that is described in paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986 or any successor statute and is exempt from tax under section 501(a) of the Internal Revenue Code and one of the exempt purposes of such organization includes the fostering of low-income housing.

(c) In order to be eligible for certification for tax exemptions, a development must be defined in this subsection and both the transferor and transferee, or, in the case of the exemption provided in 32 V.S.A. § 9743, the owner, must comply with subsection (d) of this section. The following types of property are eligible for certification for tax exemptions:

(1) Property used or to be used exclusively for housing and related facilities for families and financed or assisted by the federal government or the state of Vermont and owned and operated

by a qualified nonprofit organization, limited equity cooperative, or qualified partnership;

(2) Property used or to be used exclusively for rental housing and related facilities primarily occupied by families and owned and operated by a qualified nonprofit organization, limited equity cooperative, or qualified partnership;

(3) Property financed with the proceeds of exempt facility bonds within the meaning of section 142(a)(7) of the Internal Revenue Code of 1986 or any successor statute.

(4) Property that has been allocated or has otherwise qualified to receive low-income housing credits within the meaning of section 42 of the Internal Revenue Code of 1986 or any successor statute;

(5) Property that is the subject of a new construction, moderate rehabilitation or substantial rehabilitation "Housing Assistance Payments Contract" pursuant to section 8 of the United States Housing Act of 1937, as amended by Public Law 93-383 (42 U.S.C. § 1437), or any other housing subsidy provided by the federal government or the state of Vermont.

(d) In order to be eligible for certification for tax exemptions under the procedure set out in this section, the transferor and the transferee, or in the case of a requested exemption from the sales and use tax, the owner, of the housing development must certify to the commissioner under penalties of perjury:

(1) That there is a deed restriction, covenant, agreement, or other legal document that restricts the development's usage and

that provides that the units designated for use by families are available to or occupied by such families at rents that do not exceed 30 percent of 80 percent of the applicable area median income, adjusted for family size, in accordance with federal standards generally accepted at the time of certification and comparable to standards of the United States Department of Housing and Urban Development existing at the time this statute was enacted;

(2) That the deed restriction, covenant, agreement,or other legal document is effective for at least the minimum period of time required by any applicable provision of the Internal Revenue Code of 1986, or, if no such provision is applicable, then at least the minimum period of time that the department of housing and community affairs determines by regulation is appropriate for such restrictions; and

(3) That all the funds that would have been necessary to pay the taxes from which exemption is sought are being used to reduce the purchase price, construction costs, and/or rehabilitation costs of the development.

Sec. 2. 32 V.S.A. § 5823 is amended as follows:

(a) For any taxable year, the Vermont income of a resident individual, estate or trust is the adjusted gross income of the taxpayers for that taxable year less:

(1) Income exempted from state taxation under the laws of the United States; and

(2) Military pay for full-time active duty with the armed services;

(3) In the case of an individual (or either one o*[r]*f two persons filing a joint income tax return under this chapter) who has attained the age of 65 before the last day of the taxable year, the first $1,000.00 of the amount by which the net long-term capital gain exceeds the net short-term capital loss of the taxpayer to the extent that such amount is included in the adjusted gross income of the taxpayer for that taxable year; and

(4) In the case of an individual (or either one of two persons filing a joint income tax return under this chapter) who has attained the age of 65 before the last day of the taxable year, any capital gain from the sale of real property which is a homestead or real property adjacent thereto held in excess of ten years to the extent that such amount is included in the adjusted gross income of the taxpayer for that taxable year*[.]* ; and

(5) That portion of wages which is required to be included as adjusted gross income as provided in section 280C*[(c)]* of the United States Income Tax Code which relates to federal tax credit incentive work programs*[.]* ; and

(6) Any capital gain from the sale or exchange of real property, which in the hands of the buyer shall constitute a qualified housing project certified pursuant to 3 V.S.A. § 2477.

(b) For any taxable year, the Vermont income of a nonresident individual, estate or trust is the sum of the following items of income to the extent they are required to be included in the adjusted gross income of the taxpayer for the taxable year:

(1) Rents and royalties derived from the ownership of property located within this state;

(2) Gains from the sale or exchange of property located

within this state, except capital gains from the sale or exchange of real property, which in the hands of the buyer shall constitute a qualified housing project certified pursuant to 3 V.S.A.§ 2477;

* * *

Sec. 3. 32 V.S.A. § 5834 is amended as follows:

(a) For the purpose of ascertaining gain or loss from the sale or other disposition of property, real, personal or mixed, acquired before January 1, 1931, the taxpayer may, in lieu of the adjusted basis prescribed by the applicable United States Internal Revenue Code, use the fair market value of such property as of the above date, adjusted for the period subsequent thereto. In all other respects the gain or loss of the sale or other disposition of property shall be ascertained as prescribed by such Code.

(b) Notwithstanding any other provision of this subchapter, the capital gain on the sale or exchange of real property, which in the hands of the buyer shall constitute a qualified housing project certified pursuant to 3 V.S.A. § 2477, shall be exempt from tax under section 5832 of this title.

Sec. 4. 32 V.S.A. § 9603 is amended as follows:

The following transfers are exempt from the tax imposed by this chapter:

* * *

(20) Transfers *[made to organizations qualifying under section 501(c)(3) of the Internal Revenue Code of 1986 or to a wholly-owned subsidiary corporation of such an organization provided one of the stated purposes of the transferee is to acquire property in order to preserve housing for low-income families and provided that the property transferred will be held by the transferee for this purpose.]* of real property, which in the hands of the buyer shall constitute a qualified housing project certified pursuant to 3 V.S.A. § 2477, or upon which a qualified housing project shall be built. The person acquiring land to be used for a qualified housing project must certify to the commissioner of taxes that building will begin within one year of the date of purchase and the qualified housing project will be completed within three years from the date of purchase. Upon evidence that the property is not in compliance with the requirements of 3 V.S.A. § 2477, the commissioner may impose a lien equal to the amount of property transfer tax exempted by this subsection until such time as all conditions of 3 V.S.A. § 2477 have been met. Any lien imposed by the commissioner pursuant to this subsection shall be subordinate to mortgages of record.

* * *

Sec. 5. 32 V.S.A. § 9743 is amended as follows:

Any sale, service or amusement charged by or to any of the following or any use by any of the following are not subject to the sales and use taxes imposed under this chapter:

* * *

(4) Sales of building materials and supplies to be used in the construction, reconstruction, alteration, remodeling or repair of: (A) any building structure, or other public works owned by or held in trust for the benefit of any governmental body or agency mentioned in paragraphs (1) and (2) of this section and used exclusively for public purposes; (B) any building or structure owned by or held in trust for the benefit of any organization described in paragraph (3) and used exclusively for the purposes upon which its exempt status is based; *[and]* (C) any building or structure owned by a "development corporation" as defined in section 202(4) of Title 10 and any "local development corporation" as defined in section *[222(4)]* 212(10) of Title 10, and used exclusively for the purposes authorized in chapter *[11A]* 12 of Title 10; and (D) any qualified housing project certified pursuant to 3 V.S.A. § 2477; provided, however, that the governmental body or agency, the organization, *[or]* the development corporation, or the owner has first obtained a certificate from the commissioner stating that it is entitled to the exemption and the vendor keeps a record of the sales price of each separate sale, and the number of the certificate. In the case of qualified housing projects under (D), the certification of the department of housing and community affairs shall be conclusive evidence for the issuance of the certificate by the commissioner. In this paragraph the words "building materials and supplies" shall include all materials and supplies consumed, employed or expended in the

construction, reconstruction, alteration, remodeling, or repair of any building, structure, or other public work as well as the materials and supplies physically incorporated therein.

Sec. 6. 32 V.S.A. § 10002 is amended by adding subsection (l) as follows:

* * *

(l) Also excluded from the definition of land is any land, which in the hands of the buyer shall constitute a qualified housing project certified pursuant to 3 V.S.A. § 2477, or any land to be used for a qualified housing project. The person acquiring land to be used for a qualified housing project must certify to the commissioner of taxes that building will begin within one year of the date of purchase and the qualified housing project will be completed within three years from the date of purchase. Upon evidence that the property is not in compliance with the requirements of 3 V.S.A. § 2477, the commissioner may impose a lien equal to the amount of property transfer tax exempted by this subsection until such time as all conditions of 3 V.S.A. § 2477 have been met. Any lien imposed by the commissioner pursuant to this subsection shall be subordinate to mortgages of record.

Sec. 7. This act shall take effect from passage.

DRAFT

PROPOSED STATUTORY PROVISION FOR ASSURING EFFECTIVENESS OF COVENANTS ENTERED INTO IN CONSIDERATION FOR HOUSING SUBSIDIES

Section 1: Purpose and Policy. It is the policy of this state to encourage the expansion and retention of affordable housing for lower income persons through a variety of public subsidies. The purpose of this Act is to provide a convenient means of establishing and enforcing long-term restrictions on the use of residential real property the acquisition, development, or rehabilitation of which is accomplished in whole or in part through public subsidies, regardless of the mechanism employed.

Section 2: 27 V.S.A. §610 is added to read as follow

§610. Housing Subsidy Covenants to Run with the Land

(a) For the purposes of this section, "housing subsidy covenant" means a a declaration of covenants separately set forth in a distinct document and executed by the owner of real property as a condition of:

(1) an allocation of "low income housing tax credits" pursuant to regulations of the agency of development and community affairs;

(2) a grant or loan made by the Housing and Conservation Board;

(3) a grant, loan, or contract made by Vermont Housing Finance Agency; or,

(4) a grant, loan, or contract made by any agency, instrumentality, or political subdivision of this state.

(b) A housing subsidy covenant may include restrictions on the use of real property or any number or percentage of the residential units included therein, including the following:

(1) provisions restricting the use of the property to rental housing and/or ;

(2) provisions establishing maximum income limits for tenants thereof, or a formula for such purpose;

(3) provisions establishing maximum rents or a formula for such purpose;

(4) provisions establishing a period of time, not exceeding fifty years, during which such restrictions shall remain in effect; and

(5) provisions for monitoring and enforcing compliance with such restrictions by any agency, instrumentality, or political subdivision of this state.

(c) Notwithstanding any rule of the common law to the contrary, a housing subsidy covenant, when executed, acknowledged and recorded in the manner provided by law for the execution and recording of deeds, shall run with the land and shall be enforceable in accordance with its terms against the declarant and the successors in interest of the declarant.

(d) A housing subsidy covenant which sets forth no effective period of duration shall be effective for fifty years from its date of recording.

DRAFT

Report of the

HOUSING STUDY COMMITTEE

January 1989

Draft 5

DRAFT

Rev. 1/12/89

JOINT HOUSING STUDY COMMITTEE

MEMBERS

Sen. Mary Just Skinner, Chairman

Rep. Donald Hooper, Vice-Chair

Sen. John Finn, Clerk

Sen. Vincent Illuzzi

Rep. Carmel Babcock

Rep. Robert Kinsey

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I. INTRODUCTION.

The Joint Housing Committee was created by the General Assembly for one year beginning on July 1, 1988. It was directed to review the affordable housing situation in Vermont, assist and advise other committees, and to report at least annually to the General Assembly on the results of its review and deliberations.

Accordingly, the committee met five times during the Summer and Fall of 1988. We reviewed the report of the 1987 Summer Study Committee on Housing and relevant legislation passed by the 1987-88 General Assembly; took testimony from professional housing advocates, developers, realtors, government officials, landlords, tenants and others; and reviewed numerous documents and papers concerning the topic of affordable housing.

In this report we will update the January, 1988 report of the Summer Study Committee on Housing. The problem remains largely the same as described by that committee. Here, we will restate the problem, describe the numerous accomplishments of the 1988 Legislature in the field of affordable housing and offer an agenda for the 1989 General Assembly.

I. a. The Problem.

The committee concurs with and wishes to underscore the conclusion of the 1987 committee that Vermont has a serious housing crisis. As stated in the 1987 report,

> "Housing costs are rising faster than incomes and Vermonters are being squeezed downward in the housing market. Many middle income people who might prefer to buy a home are forced to rent instead; lower income people are being forced to use increasingly larger portions of their earnings for rental units, leaving little for other necessities such as food, clothing and health care; and the number of people who can no longer afford to rent and are therefore left homeless is increasing at an alarming rate.

"At the same time, programs set in place to provide affordable housing are losing federal funding so that very little new low income housing is being built. In addition, existing affordable units are being converted to market rate units and are therefore becoming unaffordable to low income Vermonters. The affordable housing stock is thus decreasing at the same time that housing costs are rising out of reach for an increasing number of Vermonters."

I. b. Committee Approach.

The committee has essentially spent its time building on the work of the 1987 committee. In this report, therefore, we will review and report to the General Assembly on each of its recommendations. In some areas such as mobile home park sales we identified a problem requiring immediate action and made detailed recommendations. In other areas, for example long-range planning, we found that considerable strides had been made since the January, 1988 report and recommend little immediate action. And in others, such as enforcement of the rental health code, we found an immediate problem that requires more information before we can make a recommendation.

The committee wishes to thank the following people who provided the committee with valuable testimony:

Gar Anderson, Vermont Association of Realtors and Stowe Planning Commission; David Atkins, mobile home park owner and member of Governor's Task Force on Mobile Homes; Stuart Bennett, President of the Vermont Apartment Owners Association; William Billado, Vermont Apartment Owners Association; Craig Buchanan, Farmers Home Administration; John Caulo, Northshore Development, Inc., Vermont Homebuilders Association; Peter Clavelle, Director, Burlington Community Economic Development Office; Ann-Marie Dennis, Northgate Tenants Association; Nile Duppstadt, Vermont Homebuilders

Association; Nancy Eldridge, Housing Specialist, Department of Housing and Community Affairs; Jeff Francis, Agency of Development and Community Affairs; Greg Gallagher, Vermont Housing Managers Association; Frank Guillot, Vice-President, Vermont Chapter of the American Institute of Architects; Ann Harroun, Realtor, Developer; Tim Hayward, Vermont Bankers Association; Steve Holmes, Commissioner of Housing and Community Affairs; Allan Hunt, Director, Vermont Housing Finance Agency; Glenn Jarrett, General Counsel, Vermont Housing Finance Agency; Marty Lavin, Mobile Home Park Owner; Jim Libby, Director of Housing and Law Project; Karen Long-Dwight, Stowe Planning Commission; Jane Milner, Affordable Housing Coordinator, Greater Burlington Industrial Corporation; Avram Patt, Department of Social Welfare; Carol Presley, Director of Research and Communications, Vermont Chamber of Commerce; Cheryl Rivers, Low Income Advocacy Council; Gus Seelig, Director, Vermont Housing and Conservation Trust Fund; Caryl Stewart, Burlington Ecumenical Action Ministry; Don Tarinelli, apartment owner; Brendy Torpy, Vermont Housing Finance Agency; Gary Warner, Vice-President, Pizzagalli Construction; and Dick Williams, Director, Vermont State Housing Authority.

II. HELPING PEOPLE TO OBTAIN AND KEEP SHELTER.

The 1987 committee found, and we agree, that there are three different categories of people who are in need of assistance to obtain and keep shelter. Many families at middle income levels look forward to buying a house and could do so with a moderate amount of assistance. Their goal is to build equity, stabilize their housing costs and perhaps save for a better house in the future. Those in lower income categories expect to remain as renters as long as they

can find affordable units. Those at the lowest end of the scale are the homeless who need immediate shelter and services provided for them. A fourth category of problem, common to all three categories above, includes discrimination and tenant rights, particularly for families with children and people receiving public assistance.

Each of these categories of people has very different problems requiring very different solutions. The General Assembly must find ways to deal with all of them, particularly the problem of homelessness. Much crisis work is being done at the community level but much more needs to be done and legislative assistance is required.

II. a. Encouraging Home Ownership.

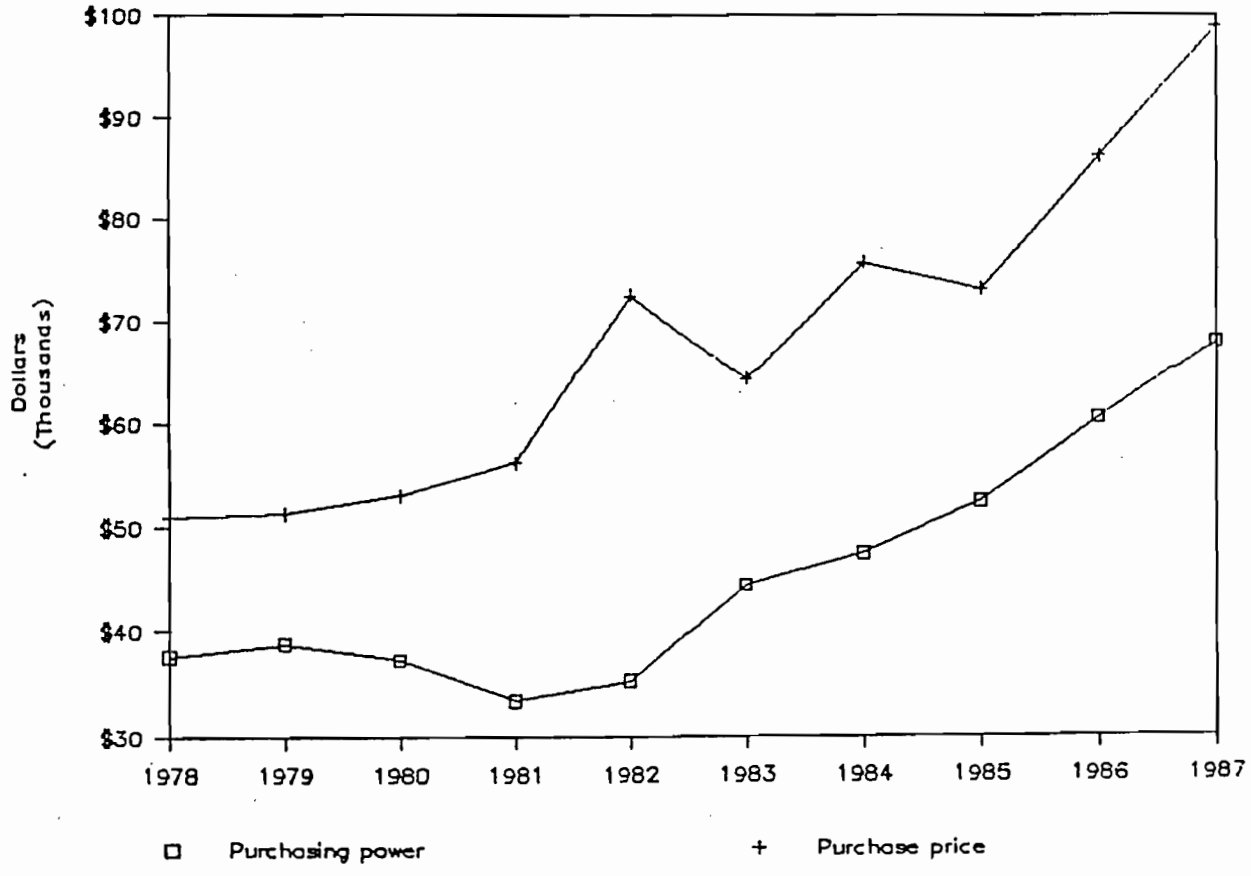
Home ownership is fast moving out of reach of most Vermonters. According to figures gathered by the Vermont Housing Finance Agency (see Chart 1 and Table 1), in 1985 a Vermont family earning the median Vermont income of $25,002 could not finance the average priced home of $73,300. Banks would refuse financing to this family for a home costing more than ~~$50,000~~. Since then, average housing prices have risen 35% to approximately 98,900 while the median income rose only 7% to 26,750. Thus, the affordability gap is increasing and fewer Vermonters are able to own their own homes.

The committee believes that the majority of Vermonters would prefer to own their own homes. This is not to diminish our concern and respect for people who, for a variety of reasons, may prefer to rent. We felt, however, that unless we take the time to consider programs that will move people up in the housing market, we will always be dealing with a crisis situation.

AVERAGE PURCHASE PRICE OF VERMONT HOMES

and

PURCHASING POWER OF VERMONT HOUSEHOLDS WITH MEDIAN INCOMES



Data and Sources Shown in Table 1

Chart 1

MEDIAN VERMONT HOUSEHOLD INCOME
HOME PURCHASING POWER OF MEDIAN INCOME HOUSEHOLDS, AND
AVERAGE HOME PRICE IN VERMONT FROM 1978 TO 1987

Year	Median Income/1	Average Mortgage Interest Rate/2	Purchasing Power/3	Average Purchase Price/4
1978	15,000	9.38%	37,555	51,000
1979	16,478	10.11%	38,759	51,300
1980	18,893	12.36%	37,259	53,100
1981	21,483	15.92%	33,442	56,300
1982	21,483 *	15.06%	35,262	72,600
1983	23,159	12.71%	44,526	64,300
1984	23,994	12.28%	47,597	75,800
1985	25,002	11.52%	52,517	73,300
1986	25,002 *	9.78%	60,471	86,200
1987	26,759	9.20%	68,064	98,900

* HUD did not publish a median income update for these years

1. Source: U.S. Department of Housing and Urban Development
2. Source: Federal Home Loan Bank Board
3. Assumes 25% of income available for mortgage payments, 10% downpayment, and 30 year term.
4. Source: Federal Home Loan Bank Board; includes all units purchased, including primary and secondary homes

Prepared by Vermont Housing Finance Agency and Vermont Legislative Council

Table 1

II. a. (1) Maintain Funding for the Housing and Conservation Trust Fund.

Since the federal government has eliminated virtually all programs that directly add, through new construction or rehabilitation, to the stock of housing available to lower income households, it is now up to the state to help these people find and keep shelter. It is not possible for the state to replace the federal programs. The Vermont Housing and Conservation Trust Fund is currently our only state funded program designed to provide affordable homes for sale and rent through grants and loans to developers and non-profit organizations. The architects and administrators of the Trust Fund have learned from the mistakes of th federal government and have designed it to maintain the affordability of that housing in perpetuity.

Last year, the General Assembly appropriated twenty million dollars to the fund and gave it a permanent source of funding in the form of a portion of the property transfer tax. This latter is expected to raise between three and four million dollars a year. The committee has found that the fund has administered the dispension of these monies exceptionally fairly and efficiently. During the last year and a half the fund has loaned or given over two and one-half million dollars to help in the construction, rehabilitation or preservation of over 300 affordable housing units. In addition, it has provided over $200,000 to housing non-profit organizations for organizational development and staffing. We find this to be a very wise use of the taxpayers' money and note that if the fund continues its excellent work it will shortly need more funding.

We wish, however, to express one note of concern for the General Assembly to keep in mind. In its need to administer its limited funding efficiently, the fund may be awarding small loans, or loans instead of grants, when a deeper subsidy would enable the provision of housing for even lower income Vermonters. If this is the case, the General Assembly should consider greater funding which will be necessary to help our lowest income citizens, those in the greatest danger of joining the homeless. In the long run, provision of subsidized housing for these people will be less costly than caring for them once they lose their homes.

II. a. (2) Provide assistance for implementation of the cooperative housing legislation.

Last session, the Legislature passed a cooperative housing bill which enabled formation of limited equity cooperative housing.

A cooperative is a hybrid between renting and owning. Coop tenants join together to form a corporation which owns the building. The tenant members buy shares in this corporation and rent their units from it. Thus, like homeowners, they have some control over their homes, stabilized housing costs and some equity without the high costs associated with single family home ownership. Limited equity cooperatives allow members a limited return on their investments in order to preserve the affordability of the building for future residents.

This enabling legislation will be particularly important as tenants of federally subsidized low income rental projects and mobile home parks begin to organize themselves to buy those projects that the owners have decided to sell at market rate. In many cases

the project will only be kept affordable if either a non-profit organization or the tenants themselves form a cooperative and buy the project.

The coop housing legislation is an excellent first step in helping to preserve these low income projects. However, as discussed in more detail in Section II. b. (1), Save existing affordable rental units, more is needed. Tenants need time to organize themselves to buy the units that come onto the market; technical assistance to set up the legal mechanisms, obtain financing, and negotiate with the owner; and financial assistance. We will make detailed recommendations in Section II. b.(1) on page 21.

II. a. (3) Remove a portion of the sales and use tax on mobile homes.

The 1987 committee identified two tax situations that the Legislature probably never intended when it set up the current structure. The first is the sales tax on manufactured housing which is a relatively low cost shelter and therefore affordable to some Vermonters who could not otherwise own a home. The committee heard estimates that 40 percent of the cost of manufactured housing is the labor required to assemble it. Vermonters do not pay a sales tax on any other form of housing or on other kinds of labor. The committee feels that this tax should be decreased and therefore recommends passage of a bill which exempts 40% of the cost of manufactured housing from the sales and use tax.

The second tax, a property transfer tax applied to non-profit organizations that buy property in order to provide affordable housing, was removed by the Legislature during the last session.

II, a, (4) Support the creation of a Vermont secondary mortgage market.

Currently, banks that sell mortgages on the secondary market are unable to do so for those properties that do not meet the strict national secondary market standards. The banks must therefore keep those loans in their own portfolio. "Non-conforming" mortgage loans may include homes on dirt roads, on steep hills, that use wood as a sole source for heat or loans made to self-employed or seasonally employed individuals. Nationally, some of these conditions are considered a bad risk.

Clearly some of these national standards should not apply in Vermont. In Vermont a dirt road or wood stove does not necessarily reduce the desirability of a home. Further, Vermonters themselves are traditionally a good credit risk. Vermonters pay their debts.

In 1987, the Vermont Housing Finance Agency told the summer study committee that it would develop a system to package such loans for sale to investors. A representative of the Vermont Home Mortgage Guarantee Board testified that the board may be able to insure these mortgages, the administrator of the Vermont pension funds testified that he would consider investing in a portion of these mortgages. Those Vermont banks that sell mortgages to VHFA would then be able to replenish some of their loan funds, and perhaps more banks would be able to make such loans.

In view of the difficulties average Vermonters are having in trying to purchase homes, the 1987 committee strongly supported the efforts of VHFA, VHMGB, Vermont banks and Vermont pension funds to develop this nontraditional secondary mortgage market.

The committee understands that these organizations are continuing their efforts to develop this program and we add our strong support to that of the 1987 committee.

II. a. (5) Preserve existing mobile home parks at affordable rent levels and encourage development of more parks.

For an increasing number of low and moderate income Vermont families, a manufactured home is the only affordable form of homeownership. The majority of these families, while in a position to purchase a home, are not in a position to acquire land and do the necessary site work and utility development to set the home on it. They therefore need a lot in a park to make it work.

Unfortunately there is a shortage of such parks. According to the report of the Act 200 study committee, the vacancy rate in mobile home parks is estimated at less than one percent. Almost no new parks have been built in Vermont during the last five years.

In this context, owners of mobile home parks have a captive audience. When lot rents are raised, home owners do not have many options, except try to live with the increase. There is usually no other place in which to move their home, and the value of the home is very much related to its siting on a lot.

Thus, current park owners face little risk of vacancy problems when raising lot rents. Prospective park purchasers see parks as attractive investments and are willing to pay top dollar because they can subsequently raise lot rents with little fear of loss of tenants.

The committee recommends that the General Assembly consider and study ways to keep rents in mobile home parks affordable and to encourage development of new parks. We offer the following suggestions:

a) Help tenants to form cooperatives and buy parks. The legislature took the first step toward implementing this recommendation when it passed the cooperative housing bill last session. In addition, Act 252 (H.53) of 1988 provided a helpful tool by requiring owners to offer the park to tenants or a non-profit organization prior to a private sale. Unfortunately, the 90-day time frame provided in Act 252 is often not enough to enable the tenants to organize, negotiate and acquire financing. In addition, as with all affordable housing development and preservation programs, a financing source which provides monies at below-market rates or on a grant or deferred payment basis is essential to enable low income tenants to purchase a park.

We therefore recommend:

1) Make technical changes to the enabling statute for the Vermont Housing Finance Agency to allow it to make low interest loans available to mobile home park residents who wish to purchase their mobile home parks.

2) Extend the 90-day deadline for tenant action on an offer of sale of a mobile home park. More study is needed to determine the correct time frame. The committee has, however, drafted a bill that will require a six-month period as this is the time frame suggested in last year's bill to require an owner of a federally subsidized rental project to negotiate with tenants before selling. We intend the six-month recommendation as a starting point for discussion.

3) Increase professional assistance to low income tenants of mobile home parks. The committee strongly supports the concept of state assistance to professional housing advocates operating at the local level. Such professionals usually work for local housing authorities or other non-profit organizations which depend on project grants for a large portion of their funding. In order to train and keep good staff, these groups need a more stable source of funding. The committee supports legislation that appropriates $500,000 to the Department of Housing and Community Affairs. The money is to be awarded to non-profit housing organizations for the purpose of supporting staff and overhead costs.

We also wish to encourage the continuing efforts of the Vermont Housing and Conservation Board and the Vermont Housing Finance Agency in this direction. In 1988, both these organizations have begun to make capacity grants and seed money loans available to non-profit housing organizations that help low income Vermonters find and keep housing. We applaud these efforts and encourage more in the future.

We would also like to express our appreciation to the Vermont Housing Authority which has dedicated some of its resources to helping mobile homeowners keep their places in parks. Their efforts have been extremely helpful to mobile home tenants.

We further applaud the recent efforts of the Department of Housing and Community Affairs on behalf of mobile home park tenants. In 1988 the legislature gave the department a new full-time housing specialist who has provided invaluable assistance to mobile home park tenants in danger of having their rents raised to unaffordable levels.

b) Consider disincentives to rapid resale of mobile home parks. The committee is concerned that implementation of its recommendations may increase the market for mobile home parks and will encourage rapid resale. At this time the committee is unprepared to make a specific recommendation concerning how to control this but would like to suggest two approaches for further study.

The first is a speculation tax, similar to a land gains tax, on parks that are resold within a few years at a large profit. The second suggestion is that the legislature create a tax incentive by paying all or part of the property taxes on parks in which rents are kept affordable.

c) Encourage the development of more mobile home parks. We suggest that the legislature study ways to develop programs and state government policies which foster the development of new mobile home parks and, thus, address the supply and demand imbalance. An active development program would not only provide housing opportunities for families who are now shut out of homeownership due to the lack of available lots, but could provide relocation opportunities to those now in high rent parks. Creation of a buyer's market could force park owners to keep rents affordable.

d) Review design standards for sewer and water systems in mobile home parks. Current standards require that systems be designed for an occupancy rate of six people per mobile home. According to several committee witnesses, these standards are excessive as mobile homes tend to have occupancy rates of two or three people. If they are correct, more realistic standards could reduce the cost of constructing a mobile home park.

II. b. Helping Renters

A host of problems now plagues Vermont's rental housing supply:

1) At least some federally subsidized housing projects, the most affordable component of rental housing, may be "at risk" of being converted to market rents or sold as condominiums.

2) There are no new federal funds for increasing the supply of affordable housing.

3) Rents in unsubsidized apartments are rising so rapidly that they consume an ever greater portion of a family's budget.

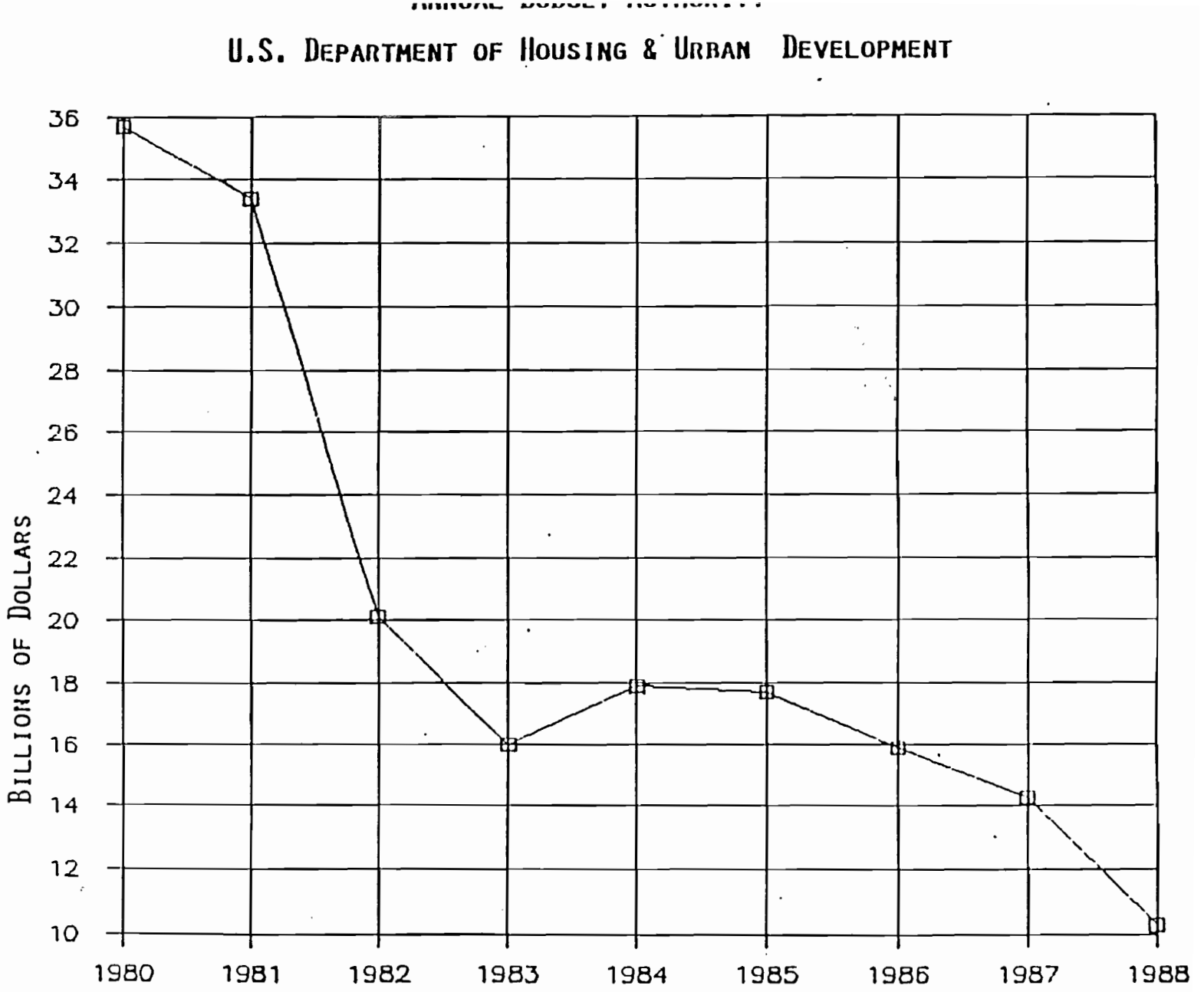
4) Renters who would like to buy a home are spending so much on rent that they are unable to save up a downpayment.

Vermont is beginning to lose its existing affordable rental units. Most low income rental housing was built by private developers using low interest loans from the Farmer's Home Administration, and the Vermont Housing Finance Agency or loan guarantees from the Federal Housing Administration. Although most of the loans were for 30 to 50 years and were accompanied by subsidy contracts for 30 years or more, many of them contained provisions allowing owners to prepay their loans or terminate their subsidy contracts after only 20 years. As the owners of these units pay off their loans they are free to convert the units to market rate condominiums or rental units. This has already happened to a number of units in Vermont and could happen to as many as 2,000 more in the next few years.

There have been several federal funding programs and tax structures set in place to subsidize and stimulate production of affordable rental housing and to help low income families pay for their rents. Currently no state or local funds are allocated for this purpose with the exception of a portion of the newly created Vermont Housing and Conservation Trust funds.

However, federal funds and tax incentives to support housing programs have been reduced drastically from their 1980 levels. Nationally, budget authority for HUD dropped from $36 billion in 1980 to $10 billion in 1988. (See Chart 2) In Vermont, these cutbacks include a reduction in the Farmers Home Administration Section 515 loans, which provide financing for new construction and substantial rehabilitation of rental housing, from $5.5 million to $1.8 million; a 4 percent reduction in community development funds allocated to the Vermont Department of Housing and Community Affairs; a total elimination of Section 8 funding for new construction and substantial rehabilitation to the Vermont State Housing Authority (see Chart 3); and funding and regulatory changes that are diminishing the ability of the ten local public housing authorities to support their existing housing. As a result, the number of assisted rental units built each year has steadily decreased since 1979. (See Chart 4.)

Changes in the federal tax structure have made private investment in affordable rental housing less attractive. New tax laws lengthen depreciation schedules, increase the capital gains tax and allow investors to take only a $25,000 loss against other income. Housing experts fear that this will cause higher income people to turn to other types of investments.



Prepared by the Vermont Housing Finance Agency

Chart 2

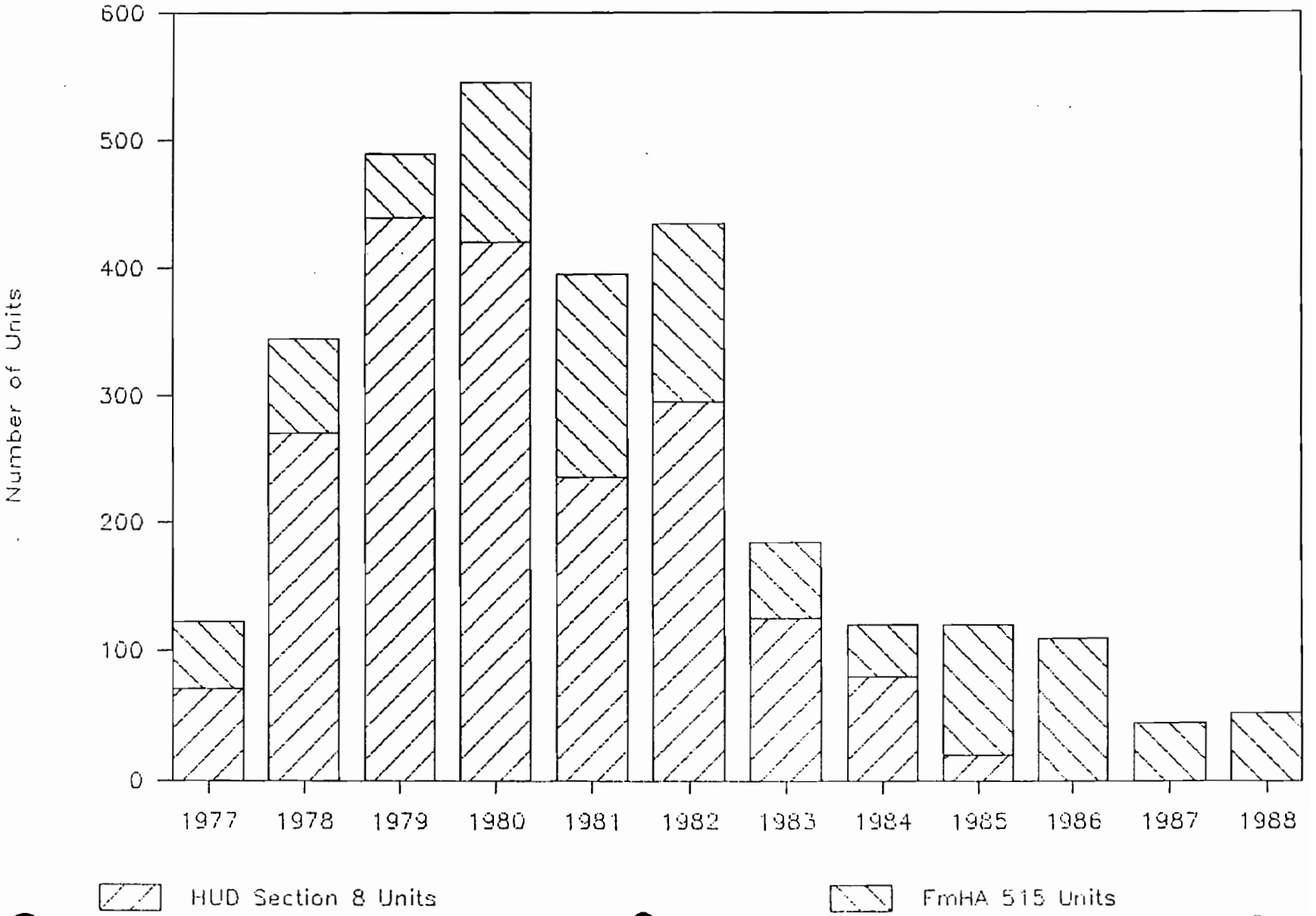
SECTION 8 SUBSIDY ALLOCATION TO VERMONT

Prepared by the Vermont Housing Finance Agency

Chart 3

HUD Section 8 & FmHA 515 Production

in Vermont



Source: Vermont Housing Finance Agency and Farmer's Home Administration

Chart 4

The Vermont Housing Finance Agency, which issues tax-exempt bonds for housing, is also threatened by proposed tax changes. New federal laws require, for example, that at least 20 percent of all new units be rented to families earning less than 50 percent of median income, subject all bonds to an alternative minimum tax, and make the cost of issuance higher. Housing experts fear that this will make income from such projects too low to attract investors.

In 1985, a couple, each employed 40 hours a week at minimum wage, could not afford the average rent of a two-bedroom apartment in Vermont. Like housing prices, rents have increased faster than incomes since 1985. Witnesses told the 1987 committee of single parents and others who paid 50 to 60 percent or more of their incomes for rent and who were denied bank mortgages when they tried to buy homes because their monthly payments would exceed 28% of their incomes. Thus, those who would like to leave the rental market, build equity and stabilize their housing costs are unable to do so. If their rents continue to rise faster than their incomes, they will be able to afford fewer and fewer other necessities and many will soon find themselves among Vermont's increasing number of homeless.

While the programs described in the section on homeownership above will help some renters to become homeowners, those at the lower end of the income scale, and those for whom ownership responsibilities would not be convenient, will remain renters and as rents rise more and more of them will lose their housing altogether. If the public does not act now to keep rents affordable, the eventual public cost will be far greater than the cost of keeping rental units affordable today. In addition to the

direct cost of shelters for displaced people, which are more costly than rent subsidies, the public will be faced with increased demands on the education and human services systems. Witnesses told the 1987 committee of families who lost their homes and were forced to move between homeless shelters, parks where they camped for a time, and various rental units several times over a period of a few years. The children were moved into and out of several school systems and for periods of time did not attend school at all. Obviously the psychological stress on such children can not be measured. Those children who have special needs suffer acutely under these conditions.

II. b. (1) Save existing affordable rental units.

The 1987 committee considered the potential loss of existing rental units a priority issue. We concur. Cutbacks in federal funding and changes in tax laws make it unlikely that the affordable rental units that will be lost through prepayment of loans will be replaced under current housing assistance programs. If the state wishes to provide housing assistance, it will find saving these units less costly than replacing them.

We therefore recommend that the General Assembly consider and pass a bill that imposes a one-year notice period before prepayment of mortgages on federally subsidized housing, gives an option to purchase to tenants, non-profits and local governments, and enables the Department of Housing and Community Affairs to provide grants to assist potential purchasers. This bill also requires the owner to pay a tax on any gain from sale of the project, if the project is not kept affordable.

Although the committee supports the intent of such a bill, we feel that additional study of the tax portion is needed. VHFA has begun negotiating with the owners of some of these subsidized projects to keep the projects affordable. If this effort is successful the taxing portion of the legislation may be unnecessary and even act as a disincentive to participation by developers in future subsidy programs. While the committee hopes for voluntary compliance, we feel that the legislature should not yet rely on the success of these negotiations but should actively continue to monitor the situation.

In particular, the Legislature should monitor the progress of negotiations between the tenants and owner of the Northgate Apartments in Burlington. This project contains 336 units that were built with financial help from HUD. The owner could prepay the loan in 1989 and convert units to market rate rentals or condominiums. The owner of the project and the director of the Vermont Housing Finance Agency told the committee that they would, by the end of 1988, negotiate and announce a settlement that would enable the tenants to remain in the units at affordable rents. As of this writing in January, 1989, the committee has not heard from the participants in the negotiations. We therefore encourage the General Assembly to monitor this situation and to intercede if necessary to keep these units affordable.

II. b. (2) Create more affordable rental units.

In addition to losing subsidized housing, Vermont is losing unsubsidized but affordable rental housing to gentrification, demolition, and conversion to condominiums or commercial use. Due

to a shortage of affordable units, currently a family that is eligible for rental assistance from the Burlington Housing Authority, for example, must wait two and a half to three years to get assistance for a three bedroom rental unit. In the face of increasing need and decreasing supply, without more public intervention to ensure development of more affordable units, this situation can only get worse.

The committee therefore recommends passage of a bill that appropriates $2 million for a state-funded rental assistance program administered by the Vermont State Housing Authority to allow low-income families to pay approximately 30 percent of their adjusted income for rent.

During the course of its work the 1987 committee became aware that the University of Vermont intended to sell a 30 acre parcel of land including residential buildings at Fort Ethan Allen in Colchester. The residences and parade ground are of historic significance. Furthermore the potential exists to provide 80 or more units of affordable housing while maintaining the parade ground as a public recreational space.

The committee took a formal position by sending President Coor a letter expressing its conviction that the University as a public institution has a moral responsibility to ensure that this housing is perpetually affordable. Former Chairman Bongartz and members of the administration met with UVM officials to urge that its invitation to developers be withdrawn so that non-profit housing development could be planned, consistent with the state housing policy.

Following the meeting the University decided to withdraw its request for proposals from developers and offered the Town of Colchester an opportunity to develop a plan for the site.

We understand that negotiations are still underway and that the current proposal calls for 72 affordable units. The committee heartily applauds the participants in these negotiations.

II. c. Homelessness.

Counting the number of homeless is an extremely difficult, if not impossible, task as homeless people do not necessarily appear at a given place. The Vermont Office of Economic Opportunity attempted to gather a number in the summer of 1988 when it surveyed people using the food shelves. Based on that data, the office guess that there could be over 10,000 homeless in Vermont. The Vermont Department of Social Welfare reports that in 1988 at least 4,000 people used the homeless shelters. The department guesses that most homeless people stay with friends or relatives or live at campsites or in their cars and are therefore not among this 4,000.

Many of the homeless are children. According to testimony of several people who run shelters for the homeless, the number of homeless single people has been increasing rapidly in the last few years, and the number of homeless families is increasing dramatically. Families that receive ANFC are particularly at risk of becoming homeless since the amount allotted for housing by the Department of Social Welfare ($220 in Chittenden County, $170 for the rest of the state in 1988) is far below the state average for a two-bedroom apartment. (As of 1985 this was $400 a month, according to the Vermont Housing Needs Analysis.)

The 1988 General Assembly helped to alleviate this situation by appropriating $140,000 to the Department of Social Welfare to pay up to two months back rent for families who were faced with the loss of their shelter through no fault of their own. Further, under 1987 regulations, the families had to lose their housing and become homeless before they were eligible for assistance. In 1988 the department adopted regulations allowing families to receive assistance before they were evicted. The committee recommends that the 1989 General Assembly continue to fund this rental assistance program at its current level or greater.

The committee further recommends that the health and welfare committees of the Vermont General Assembly gather data on the size and components of the homeless population. We need to understand who the homeless are and how many they are in order to ascertain how best to help them.

Finally, this committee recommends that the McKinney Fund authorized by Congress to provide funding for homeless shelters be reauthorized at a higher level. The McKinney Fund consists of four programs designed to help the homeless. One, the Emergency Shelter Grants Program, allocates money for rehabilitation, social services and operating expenses for existing shelters. In 1987 Vermont received $114,000, in 1988 we got $15,000 and in 1989 we will receive $89,000.

The Supplemental Assistance to Facilities to Assist the Homeless (SAFAH) is a very flexible program that provides money to facilities to assist the homeless. In 1987 Vermont received approximately $232,000 which went to five communities to fund innovative

approaches to helping homeless people. This year the program was zero funded.

A third program, the Supportive Housing Program, provides funds for transitional housing and permanent housing for the handicapped. The regulations have made competition for this money difficult as they require control of the proposed site for the facilities. The application process takes about six months, and most organizations find it too expensive to hold a site vacant for that period of time, particularly when they are unsure of receiving the funding at the end of that period. Fortunately, under the recent reauthorization, the regulations have relaxed this requirement and Vermont organizations now plan to apply for SHP funding. Unfortunately, the program was not fully funded and we expect the applications to be competitive.

The fourth program offers funding for moderate rehabilitation of Single Resident Occupancy facilities (SRO's). This program is highly competitive and Vermont applications have never been funded. More funding is needed for this program.

We feel that all these programs require more funding and have written a letter to the Vermont delegation to encourage their support for this.

II. d. Homeowner and Tenant Protections.

Housing discrimination is still a serious problem in Vermont, particularly for single mothers, ANFC recipients, and other families with children. Although Vermont law prohibits landlord discrimination for these and other reasons, the 1987 committee received testimony that convinced it that the law is largely ignored

due to lack of enforcement. The Attorney General's office testified that it received numerous complaints but did not have the personnel to deal with most of them effectively.

The 1987 committee recommended that the enforcement section of the housing discrimination law be strengthened and procedures clarified and that protection against discrimination be extended to residents of mobile home parks. The 1988 Legislature responded by passing Act 252 (H.53) regarding rental agreements for mobile homes and Act 253 (H.420) relating to discrimination in housing. However, both bills contain language which appears to allow discrimination against families with children. We therefore recommend that the General Assembly pass a bill that amends the language in 9 V.S.A. § 4508(b) and § 4503(c) to disallow such discrimination.

In addition, the 1988 Legislature revitalized the previously created but inactive Human Rights Commission. The Commission was given funding, four full-time staff members, enforcement powers and jurisdiction over housing discrimination issues. The Commission has only recently begun work. It is our hope that it will be able to effectively end housing discrimination in vermont.

Unfortunately, immediately following passage of the Human Rights Commission bill the federal government amended its Fair Housing Law in a way that created two problems for Vermont's Fair Housing Program. First, when the Legislature created the Human Rights Commission it had intended to become eligible to receive twenty to thirty thousand dollars of federal enforcement funds by crafting the bill to ensure that our Fair Housing law was "substantially equivalent" to the federal Fair Housing Law. Our law is not,

however, "substantially equivalent" to the amended federal law and we are ineligible to receive these funds. If we do not revise our law this session, we will have to wait at least two years before we can apply for and receive funding.

Second, the new federal law supercedes our law and is written in such a way as to make several provisions of our law unenforceable, for example, the language in 9 V.S.A. § 4508(b) and § 4503(c) mentioned above. We therefore recommend that the Legislature pass a Fair Housing Bill that makes our law substantially equivalent to Federal Fair Housing Law this session.

The 1987 committee recommended study of the potential for developing an administrative procedure for enforcement of the Rental Health Code. The Vermont Rental Housing Health Code sets out basic requirements for all rental housing in Vermont. Town health officers are often volunteers and are responsible for numerous tasks, including but not limited to enforcing the code. Town health officers are required to make inspections when requested, issue orders when a landlord or tenant is in violation of the code, and arrange for enforcement of their orders. These town health officers often do not have the time, expertise or inclination (due to the fact that they may be citing a neighbor) to follow through on the requirements of their jobs. This committee was unable to thoroughly study a legislative proposal that appropriates $500,000 to provide 16 environmental technicians to help municipalities enforce the Rental Health Code--but we do recommend that the Legislature give this proposal serious consideration.

II. e. Weatherization.

Energy costs can be a significant portion of a housing budget. Unfortunately, fuel and energy costs are often highest for those least able to afford them since they lack the capital to make energy efficiency improvements. The committee is concerned about the loss of federal Low Income Home Energy Assistance Program (LIHEAP) money that is used for supplemental and emergency fuel and weatherization assistance. Vermont's share of LIHEAP funding decreased from $12.3 million in 1987 to $9.1 million in 1988. Nationally, LIHEAP funding will decrease another 7% in 1989. In 1988 the Vermont Legislature authorized expenditure of a portion of oil overcharge monies for weatherization and emergency fuel assistance. This money has been spent.

This session, the Legislature will determine how to spend another $1.5 million oil overcharge money. In addition we expect to receive approximately $1.2 million over the next five years. This committee strongly recommends that a large portion of that money be used for low income weatherization and emergency fuel assistance.

The committee thanks the Vermont utilities that have participated in the "Warmth" and "Share Heat" programs. The "Warmth" program is a group of twelve electric and gas companies and fuel dealers that ask their customers to donate money to a fund that will be given to the Community Action Agencies for emergency fuel assistance. "Share Heat", which is a program of the Central Vermont Public Service Corporation, is similar to Warmth except that the shareholders match the customer dollars. The committee is very appreciative of such private sector concern for the public good.

We are however extremely concerned about the lack of funding for weatherization. Decline of the LIHEAP funding is likely to mean that most of this money will be used for fuel assistance and not for the more long-term gains that weatherization can provide. We are happy to hear that the Public Service Board intends to open an investigation on this topic shortly and recommend that members of the General Assembly who are interested in housing issues follow the investigation. Meanwhile, we believe that General Fund revenues should be used to provide enhanced weatherization.

II. f. Building More Affordable Housing.

Both private and non-profit developers try to build housing which is affordable to low and middle income home owners and renters. In this section, we will recommend legislative action that will stimulate or facilitate development of rental units and units for sale.

1) Provide funding for administrative functions of non-profit housing organizations. As discussed above in Section II. a. (5), professionals that work for community land trusts and other non-profit housing organizations depend on project grants for most of their funding. In order to train and keep good staff, these groups require a more stable funding source. We recommend that the Legislature pass a bill that appropriates $500,000 to the Department of Housing and Community Affairs. DHCA would award grants to non-profit housing organizations for staffing and overhead.

2) Provide professional assistance to help developers of affordable units through the financing and regulatory system. Many witnesses told our committee of the expenses resulting from delays,

confusion and contradictions as one works through the regulatory process. We feel that the public would be well served by creation of several positions whose function is to act as advocates for low income housing developers as they work through the regulatory maze and recommend that the Legislature support the Governor's budget request for funding of a "First Stop" program.

3) Issue tax-exempt bonds for construction or preservation of affordable housing. Housing that is kept perpetually affordable for future generations of Vermonters is a community resource much like roads, bridges, parks, and schools. It could be funded much like those other public investments are funded, by public borrowing. This spreads the cost of the investment into the future in which the resource will be used. This committee would like to consider several options for the use of bond funds for affordable housing, including the following:

(a) General obligation bonds issued by the state, the proceeds of which could be distributed by the Housing and Conservation Board to non-profit developers of perpetually affordable housing, such as community land trusts. Some of the distribution could be in the form of grants and some in loans, and a portion of the bonds could be paid off by loan repayment proceeds.

(b) General obligation bonds issued by municipalities, and the proceeds again distributed to non-profit developers of perpetually affordable housing. Interest payments could be subsidized and principal payments guaranteed by the state.

(c) Mortgage revenue bonds issued by Vermont Housing Finance Agency but with some form of credit enhancement, such as a state

guaranteed reserve fund (the "moral obligation" that was popular in the 1970s) or a state subsidy to lower the interest cost, tied to either recapture of the subsidy upon resale or to a limited appreciation formula that would preserve affordability for future buyers.

III. ENSURING LONG-RANGE PLANNING FOR FUTURE HOUSING NEEDS

The 1987 Summer Study Committee spent considerable time studying underlying problems that contribute to Vermont's housing crisis. It concluded that Vermont needed to develop a long-range planning structure that enables regional and local communities to work together to project housing needs and design strategies to meet them, and that requires state government to respect these plans when they build projects in the regions and towns.

This committee finds that Act 200 has put such a structure into place. While we do not yet know how well the process set up in Act 200 will work, we feel strongly that we must give Vermont citizens some time to find out.

We do find, however, that the Act did not go far enough in offering towns tools they need to provide affordable housing. We therefore recommend the following:

a) Pass legislation enabling towns to provide density bonuses to developers of affordable housing.

b) Pass legislation enabling towns to pass inclusionary zoning ordinances.

c) Study the possibility of allowing towns to reduce permit fees for affordable housing projects and to exempt affordable projects from certain subdivision regulations.

d) Study the possibility of requiring towns to exempt affordable housing projects from impact fees.

In addition, we would like the 1989 General Assembly to study the implications of creating a new criterion in Act 250 that would require provision of affordable housing as part of a development project. Such a proposal was recommended by the 1987 committee. Unfortunately, this committee did not have time to study the idea but we believe that it deserves serious consideration. For example, "linkage" proposals would require any construction that would create a demand for labor to include housing affordable by employees who would work at the development, whether it be a factory, shopping center, or other commercial facility. Likewise, "inclusionary zoning" proposals would require developers of market rate housing also to provide affordable housing.

IV. BUILDING LEGISLATIVE EXPERTISE

Housing problems have traditionally been dealt with at the federal level and Congress therefore has standing subcommittees on housing. The withdrawal of the federal government from housing programs, at the same time that the economic situation is exacerbating the problem, has thrown housing issues into the lap of state government. We must reorganize to meet this new challenge.

Housing issues are complex, requiring a knowledge of existing subsidized housing programs, real estate finance, tax law, lending practices, housing tenure, human service agencies, and construction practices. The current committee organization in the Vermont Legislature is such that housing bills are assigned to a variety of committees. Housing bills can be assigned to committees on Finance,

Commerce, Natural Resources, Health and Welfare, Judiciary, General Affairs, or Municipal Corporations. Thus, in addition to other issues assigned to these committees, members of at least 11 committees may have to educate themselves on these complicated issues.

The 1987 committee recommended that the Vermont Legislature create a single body of housing expertise among its members. The 1988 General Assembly responded by creating this Joint Housing Committee which sunsets in July 1989.

We recommend that each house of the 1989 General Assembly designate a specific standing committee to deal with housing issues, and that the General Assembly amend the legislation that created this committee to make it permanent.

V. CONCLUSION

Unfortunately, the problems of providing adequate housing for all Vermont citizens will not be accomplished with passage of one or even a few pieces of legislation. We are convinced that, like environmental or economic development issues, these are issues that we must continue to work on from many angles and over a long period of time. In this section we will therefore lay out our recommended agenda for the 1989 General Assembly.

V. a. Priority Action.

In 1989 the Legislature should:

1) Create a body of housing expertise in each house by assigning a standing committee to deal with housing issues and extending the life of the Joint Housing Committee.

2) Pass legislation that will appropriate $2 million to provide rental assistance to low income renters and housing projects.

3) Extend the 90-day deadline for tenant action on an offer of sale of a mobile home park.

4) Appropriate $500,000 to the Department of Housing and Community Affairs to provide administrative capacity grants to non-profit housing organizations.

5) Support the Governor's budget request for funding for a "First Stop" program in the Department of Housing and Community Affairs and several people in regional offices that will help developers of affordable housing through the permit process.

6) Pass a bill amending Vermont's Fair Housing Law to make it substantially equivalent to the Federal Fair Housing Law.

7) Make technical changes to the enabling statute of the Vermont Housing Finance Agency to allow it to make low interest loans available to mobile home park residents who wish to purchase their parks.

8) Pass bills to require owners of subsidized low income housing projects, and owners of mobile home parks, to provide a one-year notice before pre-payment of their mortgages, gives tenants an option to purchase, perhaps tax gains if the project is not kept affordable, and provides funding to assist potential purchasers.

9) Fund the Department of Social Welfare housing assistance at its current level or greater.

10) Enable municipalities to offer a density bonus to developers of low income housing and to pass inclusionary zoning ordinances.

11) Remove the sales tax on the 40 percent of the cost of manufactured housing that is attributable to labor.

V. b. Immediate Consideration.

The 1989 Legislature should also seriously consider:

1) Revising the design standards for septic and water systems in mobile home parks to reflect more realistic demands on them.

2) Funding a low income weatherization program.

3) Appropriating funds to provide environmental technicians to help municipalities enforce the rental health code.

4) Issuing or subsidizing tax exempt bonds for perpetually affordable housing.

V. c. Further Study.

During the 1989 session the Legislature should review and study:

1) The homeless to find out how many and who they are.

2) The need for more funding for the Housing and Conservation Trust Fund in order to enable deeper subsidies.

3) Disincentives to rapid resale and rapid rental increases in mobile home parks.

4) Techniques for encouraging development of more mobile home parks.

5) A reduction in permit fees for affordable housing projects.

6) Exemption of affordable housing projects from impact fees.

7) The potential for creating a statewide linkeage or inclusionary zoning program by making provision of affordable housing a criterion in Act 250.

V. d. Issues to Monitor.

The following require no immediate action but should be followed by the 1989 Legislature:

1) Funding of administrative capacity in local housing non-profit organizations by statewide organizations such as the Housing Conservation Trust Fund and the Vermont Housing Finance Agency.

2) Creation of a Vermont secondary mortgage market by the Vermont Housing Finance Agency, Vermont Home Mortgage Guarantee Board, Vermont banks and the Vermont Pension Fund administrator.

3) Progress of negotiations on the sale and development of the residential units in the Fort Ethan allen complex in Colchester.

4) Progress of negotiations on the maintenance of the Northgate Apartments as affordable units.

5) Reauthorization of the federal McKinney Fund for homeless shelters.

2533k

VERMONT HOUSING FINANCE AGENCY

February 7, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, February 16, at 1:30 p.m., here at the office, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: February 9, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners' meeting has been confirmed. The meeting will begin at 1:30 p.m. on Thursday, February 16, here at the VHFA office in Burlington.

Attached is the agenda and board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on February 16.

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

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, February 16, 1989 at 1:30 p.m.

1. Review and approval of minutes of January 19, 1989

2. Executive Director's Report

   A. Business Plan **[Hunt//Encl.]**
   B. Northgate Update **[Hunt//Encl.]**
   C. Fort Ethan Allan Update **[Hunt//Encl.]**

3. Operations

   A. MOVE Update **[Lothrop//Encl.]**

4. Development

   A. Vermont Secondary Market Status **[Crady//Encl.]**

5. Communications

   A. Home Buyer Day Participant Profile **[Hope]**

6. Legal

   A. Legislative Update **[Jarrett//Encl.]**

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, January 19, 1989

Present: Commissioners Shaw, Ruse, Babcock, Seelig, Hahn, Francis, Myette (via speakerphone).

VHFA Staff: Mr. Hunt, Mr. Schoenbeck, Mr. Jarrett, Mrs. Parker, Ms. Pond, Mr. Richardson of Housing Vermont

Guests present included: Trevor Underwood and Jack Kendrick of Shearson Lehman Hutton.

The meeting was called to order at 12:45 p.m.

As the first order of business, Mr. Shaw re-introduced Mr. Ruse to the Board, and welcomed him as the new State Treasurer and as a member of the Board.

Upon a motion duly made and seconded, the minutes of the December 14 meeting were unanimously accepted as written.

Mr. Hunt reviewed the MOVE program, as updated in Mr. Lothrop's memo, included in the Board packet. According to Mr. Hunt, nearly $5.5 million in reservations have been received to date. Brochures for the latest MOVE program were distributed to the Board, and have also been distributed to lenders and realtors throughout Vermont. Mr. Myette suggested that a notation appear in the Burlington Free Press "Business Monday" section indicating that there are certain limitations on fund availability; such a notation might help to lower the number of calls from people who would not qualify for VHFA programs.

The "New Purchase Price and Income Limits for Mortgage Plus Program" were reviewed next, as detailed in Ms. Pond's memo dated January 11, included in the Board packet. After a brief discussion, a motion was duly made, seconded and unanimously approved to adopt the income limits as presented.

Ms. Pond reported to the Board that 100% of the Low Income Housing Tax Credits available for 1988 wer allocated, and reminded the Board that this was the third year of a three-year program. The creation of Housing Vermont, as well as the passage of the Technical Corrections Bill, were helpful in allowing the allocation of all credits. No Board action was necessary.

The "Auditor Management Letter," as included in the Board packet along with Mr. Schoenbeck's memo of January 13, was reviewed next. As there was no action necessary, Mr. Shaw recommended that the letter be placed on file.

Mr. Schoenbeck turned next to his memorandum, "Fiscal Year June 1989 Budget," dated January 13 and included in the Board packet. According to Mr. Schoenbeck, the actual expenditures appear to be consistent with budget expectations. Expenses are at 67%, but this figure is distorted by the creation of Housing Vermont and their full yearly amount being drawn already; eliminating the expenditure for Housing Vermont would set the budget at 46% for the halfway point in the fiscal year. Mr. Schoenbeck further emphasized that some budget amendments had already been approved at prior Board meetings, and indicated to the board that the total budget adjustment requested was only 1.5%. Mr. Hunt further reminded the Board that a large portion of the budget adjustment is tied up in the "Gates" architectural study, and these funds could be recovered if the "Gates" purchase occurs. In response to a question from Mr. Ruse, Mr. Schoenbeck explained that the $1.2 million deficit is directly related to the creation of Housing Vermont, and reflects an accounting necessity rather than a cash difference. Upon a motion duly made and seconded, the budget amendments as presented were unanimously approved.

Mr. Jarrett led a review of the "Proposed Legislation," as presented to the Board in his memo dated January 12, included in the Board packet. According to Mr. Jarrett, the "enabling" legislation is pending signature and presentation.

Mr. Hahn then commended Mr. Jarrett for his efforts at re-drafting the legislation, but expressed his opinion that the tax exemption proposal was ill-conceived, as it repeats the mistakes of Section 8 and much of the language appears to be unenforceable. A lengthy discussion followed, during which some members of the Board expressed a desire for a resolution on the tax exemption issue, in order to allow staff to respond to any inquiries in accordance with Board opinion. Mr. Richardson suggested a change to the proposal whereby the tax exemption would be applied only to a "bargain sale." A motion was duly made, seconded, and unanimously adopted to table the discussion until a future Board meeting, with the understanding that a special Board meeting might be held, if necessary, in order for the Board to vote on a firm position on the issue of tax exemption. Mr. Hahn further urged that item 5.b be written in a manner that would test the definitions of "perpetual" and "permanent," and that this be discussed further at the next Board meeting. A brief discussion of the remaining portions of the proposed legislation followed, during which Mr. Jarrett

indicated that Mr. Kochman had drafted the "Housing Subsidy" covenant section and he would discuss the comments with him.

The Executive Director's report was presented by Mr. Hunt. There has been some progress on Northgate, and Housing Vermont is involved in extensive negotiations with Northgate Nonprofit. There is an operating gap of $1.5 million and a purchase price gap of $2.5 million, assuming a purchase price of $11 million, a lower price on Northgate by paying $32,000 each for all 700 units, and with the Vermont Housing and Conservation Trust Fund contributing $10,000 per unit on the Northgate project.

Mr. Hunt next informed the Board that Emily Wadhams has been retained as a consultant for three months to review the feasibility of Fort Ethan Allen. A draft of the proposed agreement with the University of Vermont (UVM) was distributed to the subcommittee and Mr. Shaw for their review. This agreement includes a set-aside for UVM faculty and staff of up to 25% of the units, as well as a means for protecting the integrity of the buildings and the parade grounds. No firm purchase price has been determined, but Mr. Francis assured the Board that there may be room for movement on UVM's part and urged that Mr. Hunt be encouraged to work out the best deal possible.

The Agency has been approved as a single and multi-family lender by Fannie Mae (Federal National Mortgage Association); according to Mr. Hunt, this approval is important in the plans for a Secondary Market in Vermont. The former Fannie Mae director of low and moderate income programs, Lynne Ballew, has been hired as a consultant for the next six months, to help facilitate the Secondary Market and multi-family FNMA/VHFA programs.

A full staff retreat has been scheduled for February 2 to discuss business and organizational issues.

According to Mr. Hunt, Senator Edgar May has expressed some interest in creating a program of state bonds and buydowns (involving a property transfer tax) which could be substituted for mortgage revenue bonds (MRB's) should they sunset at the end of the extension period (December 1989). The senator is also exploring a deferred loan property tax program for the elderly, which would be tied into the rebate program.

Mr. Hunt further advised the Board that he would be discussing plans with the Housing Roundtable for a legislative luncheon to be held in late February or early March. This luncheon would be hosted jointly by the Agency of Development and Community Affairs and the Vermont Housing and Conservation Trust Fund.

The next Board meeting was scheduled for Thursday, February 16, 1989 in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 2:45.

Respectfully submitted,

Allan S. Hunt
Secretary

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: February 9, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: BUSINESS PLAN

Attached please find the finalized Business Plan for the fiscal year 1988-1989. This plan was implemented by the staff in August, 1988, after having been reviewed by the Board in a preliminary draft stage.

Currently, we are revising and refining the plan in anticipation of the coming fiscal year, and will have proposed revisions for the Board's review at the Board meeting in March.

Attachment

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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BUSINESS PLAN

VERMONT HOUSING FINANCE AGENCY

FOR THE FISCAL YEAR 1988-1989

August, 1988

MISSION STATEMENT

The mission of the Vermont Housing Finance Agency is found in the Declaration of Policy and Purpose, located in the legislation creating the Agency:

> "It is the policy of this State to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs through the creation of a State Housing Finance Agency."
>
> 1973, No. 260 (Adj. Sess.)

Since that time, the Agency has financed over 10,500 mortgage loans and nearly 2,000 rental units, all affordable to low and moderate income Vermonters. Through the years, a number of goals have emerged that have oriented the Agency on its current path. These goals are as follows:

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

2. To target low cost mortgage financing to those persons who are not able to qualify for conventional financing.

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

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

ANNUAL OUTLINES AND SUMMARIES

The following are outlines and summaries for VHFA for the next three years.

The outlines are merely brief, one-line descriptions of planned or ongoing activities, programs, or initiatives. However, each brief description in the outline should be supported by a more detailed paragraph in the summary.

The summaries have more detailed explanations of each program or activity. Departmental responsibility for each activity at that point in time is indicated by the name of the department(s), underlined, at the beginning of each paragraph detailing "Responsibility and Explanation/Comments." The department(s) listed would have primary, secondary, tertiary, etc., responsibility in the order they are listed.

New, existing, or affiliated entities will be identified as "Affiliated Entities," with an additional notation for the department that will have oversight.

Some programs will be the responsibility of more than one department. The lead department will be indicated in capitals and the supporting department(s) in upper and lower case (e.g.: FINANCE, Development).

Any activity involving all departments will be indicated by "All."

The business plan assumes the implementation of all the programs researched the previous year. In practice, some will be delayed or dropped as a result of the research and evaluation process; the plan must be amended at least once annually. The internal activities become annual activities to maintain goal oriented focus. The results of this evaluation will affect program implementation schedule. As activities shift, so must human resources, necessitating staffing changes.

Major emphasis in the first six months of 1988 will be placed on completing the transition to the new organizational structure, especially forming the new Development and Communications Departments. Throughout 1988 the staff will continue to improve internal communication.

In future years, the staff will continue to review progress against business plan on a regular basis.

VERMONT HOUSING FINANCE AGENCY
BUSINESS PLAN
PROGRAM/ACTIVITY OVERVIEW

FOR FISCAL YEARS AS INDICATED

PROGRAM/ACTIVITY	FUTURE ANALYSIS			TO BE IMPLEMENTED			ONGOING PROGRAM		
	88-89	89-90	90-91	88-89	89-90	90-91	88-89	89-90	90-91
Affordable Housing Demonstration Program				X				X	
Affordable Subdivision Program				X					
At Risk Projects: Refinancing Options	X			X				X	
Bonds: Credit Enhancements to Make Saleable	X								
Co-Insurance: Housing and Urban Development (HUD)						X			
Energy Conservation Programs &/or Technical Demos					X				
Energy Efficient Mortgage							X	X	
Home Energy Improvement Loan Program (HEI/LP)							X	X	
Housing Cooperatives Blanket & Share Loan Financing	X				X				X
Housing Information Center	X				X				X
Housing Market Analysis: Create Capacity In House	X								
Housing and Urban Development (HUD) 202	X				X				X

VERMONT HOUSING FINANCE AGENCY
BUSINESS PLAN
PROGRAM/ACTIVITY OVERVIEW

FOR FISCAL YEARS AS INDICATED

PROGRAM/ACTIVITY	FUTURE ANALYSIS			TO BE IMPLEMENTED			ONGOING PROGRAM		
	88-89	89-90	90-91	88-89	89-90	90-91	88-89	89-90	90-91
Low Income Housing Tax Credits (LIHTC)							X	X	X*
Manufactured Housing Program		X				X			
Mobile Home Financing Alternatives	X								
Mortgage Delivery/Servicing System	X				X	X			X
Mortgage Plus Program							X	X	X*
Mortgage Purchase Program: New or Continued	X	X		X	X	X		X	X
Mortgage Revenue Bond (MRB) Extension Campaign							X		
Mortgages for Vermonters (MOVE - 1987A)							X		
Multi-Family: New Programs				X				X	X
New Homes Program							X		
Portfolio: Proactive Servicing of Loans	X				X	X	X	X	X
Revolving Loan Fund (Nonprofit)				X				X	X

*If Authorized

VERMONT HOUSING FINANCE AGENCY
BUSINESS PLAN
PROGRAM/ACTIVITY OVERVIEW

FOR FISCAL YEARS AS INDICATED

PROGRAM/ACTIVITY	FUTURE ANALYSIS			TO BE IMPLEMENTED			ONGOING PROGRAM		
	88-89	89-90	90-91	88-89	89-90	90-91	88-89	89-90	90-91
Rural Vermont Mortgage Program							X	X	
Secondary Mortgage Market	X							X	X
Single Family Mortgage Programs: Targeting	X				X				X
Special Needs: Housing Demonstrations						X			
Special Needs Housing: Research Alternatives	X								
Tax Credits: Facilitate Sale (VT Equity Fund)				X					
Underwriting: Increase Automation	X								

FISCAL YEAR 1988-89

ONGOING PROGRAMS

Mortgage Revenue Bond (MRB) Extension Campaign
Mortgages for Vermonters (MOVE - 1987A)
New Homes Program
Mortgage Plus Program
Low Income Housing Tax Credits (LIHTC)
Home Energy Improvement Loan Program (HE/ILP)
Rural Vermont Mortgage Program
Portfolio: Service Existing Loans
Energy Efficient Mortgage

PROGRAMS TO IMPLEMENT (Prioritized)

Multi-Family: New Programs
Tax Credits: Facilitate Sale (Vermont Equity Fund)
Revolving Loan Fund (Nonprofit)
At Risk Projects: Refinancing
Affordable Housing Demonstration Program
Mortgage Purchase: New Program
Affordable Subdivision Program

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Prioritized)

Housing Cooperatives Blanket and Share Loan Financing
Secondary Mortgage Market
Housing and Urban Development (HUD) 202
Single Family Mortgage Programs: Targeting
Underwriting: Increase Automation
At Risk Projects: Discover Options
Bonds: New Financial Instruments to Make Bonds Saleable (Credit Enhancements)
Housing Information Center
Mobile Home Financing Alternatives
Mortgage Delivery/Servicing Systems: Research Alternatives; Feasiblity/Impact
Housing Market Analysis: Create capacity for (long range) in house
Portfolio: Proactive Servicing of Loans
Mortgage Purchase Program

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

Integrate Financial Research
Expand Computer Capacity
Evaluate 1987A Bond Issue
Conduct Further Market Research
Expand Development Department Resources
Maintain High Profile
Participate in New Federal and State Housing Policies
Expand Consumer Outreach
Housing Cooperatives Education
At Risk Task Force
Evaluate New Programs for Transfer to Operations
Evaluate Cost of New Programs to Agency
Analyze Alternative Cash Flow Preparation Programs
Technical Assistance to Nonprofits

1988-89 ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Revenue Bond (MRB) Extension Campaign	COMMUNICATIONS, Operations, Executive Director: Congressional authority to issue MRBs sunsets December, 1988. A comprehensive grassroots education campaign will be developed and implemented this year to save MRBs. Ongoing effort to promote continuation of Mortgage Revenue Bonds.
Mortgages for Vermonters (MOVE - 1987A)	OPERATIONS: This mortgage purchase program was initiated July 2, 1987. To date (03/04/88) 315 loans have been purchased or committed to be purchased. It is anticipated that approximately 500 Vermont families will be afforded the opportunity to purchase a home through this program. The estimated completion date for this program is September 1, 1988.
New Homes Program	OPERATIONS: The New Homes program was designed to encourage and stimulate the construction of single family housing in the State of Vermont. To date (03/04/88) 167 new homes have obtained permanent financing through this program. We expect to finance an additional 100 homes. This program is an example of the use of funds from previous mortgage purchase programs to help meet the housing needs of Vermont.
Mortgage Plus Program	OPERATIONS: The Mortgage Plus program is different from any program previously offered the public by VHFA. It represents a tax credit against federal tax liability, with the reduction in taxes to be used to make a mortgage payment. This credit may be used with any permanent mortgage financing offered by the borrowers' lender of choice. In 1987, 8 Mortgage Plus certificates were issued. It is believed that the use of this program will increase as it gains market understanding.
Low Income Housing Tax Credits (LIHTC)	DEVELOPMENT: Tax Credit program will be expanded and refined as the regulations are known. Credits will be utilized to support Housing Vermont projects as well as to promote small nonprofit and for-profit developments.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Home Energy Improvement Loan Program (HE/ILP)	AFFILIATED ENTITIES, Operations: This pilot program was initiated to demonstrate the cost effectiveness of energy saving home improvements and the ability of non-bank originations of loans. As of 03/04/88, 59 loans have been made with the anticipation that at the conclusion of the pilot it will become an ongoing statewide program.
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: Under this program VHFA funds are used in conjunction with FmHA funds to expand the supply of mortgage money available to low income borrowers. As of 03/04/88, 2 loans have been made, with 3 in the underwriting process. We expect this program to last through 1989, with a review late in 1988. This program is basically a direct servicing portfolio which will be tracked and monitored internally.
Portfolio: Service Existing Loans	OPERATIONS, Finance: VHFA presently has approximately 5,000 Single Family and 90 Multi Family mortgage loans. Servicing activities vary between programs, but require ongoing analysis and action on the part of staff. One of the most important functions of the Finance department is to monitor, balance, and analyze the collections on existing loans. This process enables the required payments to bondholders, transfers of funds to support the budget and provide resources for future programs.
Energy Efficient Mortgage	AFFILIATED ENTITIES, Operations: This pilot program encourages energy efficiency improvements to a home at the time of purchase. Incentives and stretched ratios are being used to encourage borrower participation to quantify the energy savings vs. increase in mortgage payment. As of 03/04/88, 4 loans have been made with funds for energy improvements included in the mortgage.

1988-89 PROGRAMS TO IMPLEMENT

ACTIVITY		RESPONSIBILITY AND EXPLANATION/COMMENTS
Multi-Family: New Programs		AFFILIATED ENTITIES, Finance, Development: Coordinate the creation of Housing Vermont, a nonprofit housing development corporation. Finance will monitor funding agreement with Housing Vermont. Development will engage in research to determine future viability of multi-family mortgage financing.
Size of Program	$25,000,000	
# Units	500	
Additional Staff	None	
Subsidy	$1,400,000*	
Potential Revenue	$80-250,000	
Tax Credits: Facilitate Sale (VT Equity Fund)		AFFILIATED ENTITIES, Finance: The companion entity to Housing Vermont is the Vermont Equity Fund, that will utilize the LIHTC credits to pull equity into housing development through Housing Vermont. Finance will oversee the collection, disbursement, and monitoring of the program.
Size of Program	$4,000,000	
# Units	Range	
Additional Staff	None	
Subsidy	None	
Potential Revenue	$8,000	
Revolving Loan Fund (Nonprofit)		DEVELOPMENT, Finance: Development will produce the program specifications and implement by May 1988. A technical assistant will be hired to run the Revolving Loan Fund. Finance will service the loan collections and analyze availability of funds.
Size of Program	$250,000	
# Units	150-300	
Additional Staff	1*	
Subsidy	$7,500*	
Potential Revenue	None	
At Risk Projects: Refinancing		FINANCE, Operations, Development: Working with Bond Counsel and Underwriters, VHFA will encourage the prepayment and refinancing of low interest multi-family loans, in exchange for possible relaxing of regulatory restrictions. Refinancing may be done with taxable debt. The low interest money will then be available for use in the new deals anticipated to be in the pipeline.
Size of Program	$11,000,000	
# Units	1,175	
Additional Staff	None	
Subsidy	None	
Potential Revenue	$150-400,000	
Affordable Housing Demonstration Program		DEVELOPMENT: This program, in conjunction with the Affordable Subdivision program, will combine new building technology and perpetual affordability to create new energy efficient housing for lower income Vermonters.
Size of Program	$1,500,000	
# Units	20	
Additional Staff	None	
Subsidy	None	
Potential Revenue	$7,400	

*Previously approved by VHFA Board of Commissioners

1988-89 PROGRAMS TO IMPLEMENT (Continued)

ACTIVITY		RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Purchase:		
New Program		FINANCE, Development, Communications, Operations: Finance will interpret the feasibility of a new single family financing based on Development's analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.
Size of Program	$25,000,000	
# Units	400	
Additional Staff	None	
Subsidy	$100,000	
Potential Revenue	$25,000	
Affordable Subdivision Program		DEVELOPMENT: This program will utilize recycled 1979A prepayments to set-aside funds for developers of affordable subdivisions.
Size of Program	$9,500,000	
# Units	130	
Additional Staff	None	
Subsidy	None	
Revenue/Fee Income	$47,600	

1988-89 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Housing Cooperatives Blanket and Share Loan Financing	DEVELOPMENT, Finance: Development must begin research into the structures for blanket and share loan financing for cooperatives. Additional program support for limited equity cooperatives should also be researched in conjunction with the financial products.
Secondary Mortgage Market	DEVELOPMENT, Finance: An initiative is under review whereby VHFA would purchase nonconforming mortgages from Vermont banks in order to free up more Vermont mortgage money. Bonding and alternative financing strategies will be examined.
Housing and Urban Development (HUD) 202	DEVELOPMENT: Development will negotiate with HUD to be a Vermont contractor for this program. This role will support our technical assistance work with nonprofits to access very low-income housing for elderly and disabled Vermonters.
Single Family Mortgage Programs: Targeting	DEVELOPMENT, Operations, Finance: Through its marketing studies, Development will work with Operations and Finance to develop targeted single family mortgage programs that meet specific Vermont needs.
Underwriting: Increase Automation	OPERATIONS, Finance: With the new data processing component, Operations will research electronic underwriting systems and how, in general, automation can save the VHFA money in servicing ongoing programs and products.
At Risk Projects: Discover Options	DEVELOPMENT, Operations, Finance: Development will coordinate an in house At Risk Task Force to examine the level of risk in our portfolio of Section 8 projects, and to recommend options to reduce or eliminate that level of risk.
Bonds: New Financial Instruments To Make Bonds Saleable (Credit Enhancements)	FINANCE, Development: Coinsurance for use with future multi-family projects can be researched in coordination with Development. Research into new and existing financing methods will be studied for applicable VHFA use.

1988-89 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Housing Information Center	COMMUNICATIONS: Communications has laid the groundwork for a housing resource center with the information hotline established in 1987. Based on further understanding of the housing needs of Vermonters, and depending upon our ability to provide services and programs to meet the identified needs, the information service may be expanded and more formalized in the future.
Mobile Home Financing Alternatives	DEVELOPMENT, Finance: Development and Finance will research financing options available for mobile homes.
Mortgage Delivery/Servicing Systems: Research Alternatives; Feasibility/Impact	DEVELOPMENT, Operations, Finance: Development will examine the alternatives to our current mortgage delivery/servicing system and, with Operations, evaluate their relevance to Vermont. Finance will assist in analysis of the appropriateness of direct servicing of new and/or existing loans. Currently all of our single family mortgage programs are offered through private lenders (except the Rural Vermont Mortgage Program with Farmers' Home Administration).
Housing Market Analysis: Create Capacity For (Long Range) In House	DEVELOPMENT: Development will coordinate with all departments to determine the extent of in house research capacity needed to improve our database and knowledge of Vermont housing market reality and needs.
Portfolio: Proactive Servicing of Loans	FINANCE, Operations: Further computerization of single family portfolios will be undertaken and exploration of a billing program to the lenders will be studied.
Mortgage Purchase Program	DEVELOPMENT: The projected effectiveness of future mortgage programs will be researched by a team coordinated by Development and recommendations made.

1988-89 INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Integrate Financial Research	FINANCE, Development: A new priority for Finance, beginning with the hiring of an investment officer, will be to develop financial strategies to maintain the fiscal health of the Agency while supporting Development activity.
Expand Computer Capacity	OPERATIONS: In cooperation with all departments, research new uses for automation and make the most and best use of our computer capability.
Evaluate 1987A Bond Issue	COMMUNICATIONS, Development, Operations, Finance: All departments will do an evaluation of effectiveness (successes and areas for improvement) of 1987A, from market, operational, financial perspectives. Development should take this information into account for future programs.
Conduct Further Market Research	COMMUNICATIONS, Development: Surveys are being designed and conducted to review mortgage purchase program effectiveness from two perspectives: potential borrowers and participating lenders. The data will be analyzed as part of future program development and targeting of marketing efforts.
Expand Development Department Resources	DEVELOPMENT: Development will expand to include a research analyst, a technical assistant, and an administrative assistant to adequately perform our responsibilities.
Maintain High Profile	COMMUNICATIONS, Development, Executive Director: Over the last two years we have actively worked to establish the VHFA in the hearts and minds of Vermonters as a caring and responsive provider of affordable housing opportunities. By developing communications goals with each department, creating programs that work effectively, increased community involvement (outreach), and by routinely publicizing our activities we will strive to maintain a highly visible presence.

1988-89 INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS (Continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Participate in New Federal and State Housing Policies	DEVELOPMENT, Communications, Executive Director, Legal: A special Task Force led by Senators Cranston and D'Amato has been convened at the federal level to develop housing solutions for the future. VHFA will keep abreast of these developments and participate, as appropriate, in cooperation with other state housing agencies.
Expand Consumer Outreach	COMMUNICATIONS: Expand the role of recently hired field representatives to provide consumers better access to VHFA information and programs, through education and local involvement in housing issues.
Housing Cooperatives Education	DEVELOPMENT, Communications, Legal: Upon passage of the Housing Cooperative Enabling Legislation (S.160), the next step will be to create a campaign to educate the lending community and general public of the merits of housing cooperatives.
At Risk Task Force	DEVELOPMENT, Operations: An in-house task force will examine the issues comprised in "at risk" housing and to develop strategies to deal with "at risk" projects.
Evaluate New Programs for Transfer to Operations	DEVELOPMENT, Operations: Project teams, comprised of members from all departments involved, will evaluate new program status prior to transfer to Operations.
Evaluate Cost of Programs	FINANCE, Operations, Development, Communications: A cost benefit analysis and analysis of staffing needs must be part of this process.
Analyze Alternative Cash Flow Preparation Programs	FINANCE: A study of the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.
Technical Assistance to Nonprofits	DEVELOPMENT: Development will provide hands on technical assistance to nonprofit housing groups to assist in their production of affordable housing.

FISCAL YEAR 1989-90

ONGOING PROGRAMS

Multi Family: New Programs
Low Income Housing Tax Credits (LIHTC)
Mortgage Plus Program
Home Energy Improvement Loan Program (HE/ILP
Energy Efficient Mortgage
Portfolio: Service Existing Loans
Rural Vermont Mortgage Program
Revolving Loan Fund (Nonprofit)
Secondary Mortgage Market
At Risk: Refinancing Projects
Affordable Housing Demonstration Program
Mortgage Purchase Program: 1989

PROGRAMS TO IMPLEMENT (Not Prioritized)

Housing and Urban Development (HUD) 202
Housing Cooperatives Blanket and Share Loan Financing
Single Family: Targeted Mortgage Programs
Housing Information Center
Mortgage Delivery/Servicing System: Alternative Pilot Program
Mortgage Purchase: New Program
Portfolio: Proactive Servicing of Loans

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Not Prioritized)

Special Needs Housing (e.g. elderly): Research Alternatives
Manufactured Housing: Ongoing Analysis
Mortgage Purchase Program

INTERNAL ACTIVITIES IN SUPPORT OF 1989 PROGRAMS

Evaluate New Programs for Transfer to Operations
Evaluate Cost of New Programs to Agency
Capacity for Ongoing Housing Market Analysis In House
Technical Assistance to Nonprofits

1989-90 - ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Multi-Family: New Programs	DEVELOPMENT, Finance, Affiliated Entities: These groups will coordinate the development of new multi-family programs. The Housing Vermont program will be evaluated, and VHFA will examine alternative vehicles.
Low Income Housing Tax Credits (LIHTC)	DEVELOPMENT, Operations, Finance: This program is federally authorized through 1989. Development will continue to administer the program unless it is decided to transfer it to Operations.
Mortgage Plus Program	OPERATIONS: It is anticipated that this program will remain as a continuous program as long as it is allowed under federal law (presently due to expire in 1989) and VHFA determines that it is an effective method of helping Vermonters afford homeownership.
Home Energy Improvement Loan Program (HE/ILP)	AFFILIATED ENTITIES, Operations: If additional funding for this program can be obtained, we expect to expand this program from a pilot to an operating statewide program.
Energy Efficient Mortgage	AFFILIATED ENTITIES, Operations: Continue the expansion of this program to encompass a larger portion of the state.
Portfolio: Servicing Existing Loans	OPERATIONS, Finance: Continue the servicing activities on the loan portfolio and monitor the need to expand this area as new programs are added and work load increases. The function of the Finance department is to monitor, balance and analyze the collections on existing loans. This process enables the required payments to bondholders, transfers of funds to support the budget and provide resources for further programs.
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: Continue this program if the review indicates the program is progressing well. Research the possibility of its continuation past 1989. This program is basically a direct servicing portfolio which will be tracked and monitored internally.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Revolving Loan Fund (Nonprofit)	DEVELOPMENT, Finance: Development will administer this fund and support nonprofits with technical assistance. Finance will service the loan collections and analyze availability of funds.
Secondary Mortgage Market	DEVELOPMENT, Finance: Applicability of replication, continuation or supplemental programs will be examined.
At Risk: Refinancing Projects	OPERATIONS, Development, Finance: Operations' project management staff will have primary responsibility for implementing this program, in cooperation with Development and Finance as needed. Development will use the recycled proceeds from the low interest prepaid loans to finance the deals they have in the pipeline. Operations will handle currently held loans, while Development will handle new loans.
Affordable Housing Demonstration Program	DEVELOPMENT: This program will combine new building technology with a limited equity provision to reach lower income Vermonters.
Mortgage Purchase Program: 1989	FINANCE, Development, Communications, Operations: Finance will interpret the feasibility of a new single family financing based on Development's analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.

1989-90 - PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Housing and Urban Development (HUD) 202	DEVELOPMENT: As a contractor for services, VHFA will provide technical assistance to nonprofits creating housing for the elderly through the HUD 202 program. Should be staffed by technical assistant to nonprofits with support from the underwriter.
Housing Cooperatives Blanket and Share Loan Financing	DEVELOPMENT, Finance: VHFA, pending supporting research, will implement a share financing program and a blanket financing program, focusing on limited equity cooperatives.
Single Family: Targeted Mortgage Programs	OPERATIONS, Finance, Communications: Based on marketing and financial research of 1988.
Housing Information Center	COMMUNICATIONS: Communications will implement this program as a pilot in 1989. The objective will be to provide low- and moderate-income Vermonters with information and referral on a variety of housing issues, beyond programs specific to the VHFA.
Mortgage Delivery/Servicing System: Alternative Pilot Program	DEVELOPMENT, Operations: Development will implement an alternative to our current system of originating loans through participating lenders.
Mortgage Purchase: New Program	OPERATIONS, Finance, Development, Communications: Based on the experience of the past mortgage purchase programs and the needs that have arisen, Development will coordinate the research effort to fine tune a new program in all areas including targeting of borrowers and delivery systems. Finance will interpret the feasibility of mortgage revenue bond financing based on analysis of the financial marketplace. Communications will provide market information and will coordinate the marketing plan. Operations will act as team leader and have primary responsibility for administering the program once it begins.
Portfolio: Proactive Servicing of Loans	FINANCE, Operations: Pilot program on a lender-by-lender basis of billing direct from our computer database, with the lenders reporting on an exception-only basis.

1989-90 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Special Needs Housing (e.g., Elderly): Research Alternatives	DEVELOPMENT, Finance: Financial instruments like reverse equity mortgages, and housing alternatives such as ECHO housing units, "granny flats," and elderly cooperatives will be evaluated as potential solutions to this special group's housing needs.
Manufactured Housing: Ongoing Analysis	DEVELOPMENT: Development will work with other state agencies to facilitate the development and financing of manufactured housing and mobile homes.
Mortgage Purchase Program	DEVELOPMENT: The projected effectiveness of future mortgage programs will be researched by a team coordinated by Development and recommendations made.

1989-90 INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Evaluate New Programs for Transfer to Operations	DEVELOPMENT, Operations: Project teams, comprised of members from each department involved, will evaluate new program status prior to transfer to Operations.
Evaluate Cost of Programs	FINANCE, Development, Operations: A cost benefit analysis and analysis of staffing needs must also be part of this process.
Capacity for Ongoing Housing Market Analysis (Long Range) In House	DEVELOPMENT: Development will coordinate with all departments to determine the extent of in house research capacity needed to improve our database and knowledge of Vermont housing market reality and needs.
Technical Assistance to Nonprofits	DEVELOPMENT: Development will provide hands on technical assistance to nonprofit housing groups to assist in their production of affordable housing.

FISCAL YEAR 1990-91

ONGOING PROGRAMS

Mortgage Plus Program [IF AUTHORIZED]
Low Income Housing Tax Credits (LIHTC) [IF AUTHORIZED]
Portfolio: Service Existing Loans
Secondary Mortgage Market
Revolving Loan Fund (Nonprofit)
Multi-Family: New Programs
Housing and Urban Development (HUD) 202
Housing Cooperatives Blanket and Share Loan Financing
Single Family: Targeted Mortgage Programs
Housing Information Center
Mortgage Delivery/Servicing System: Alternative Pilot Program
Mortgage Purchase Program

PROGRAMS TO IMPLEMENT (Not Prioritized)

Mortgage Delivery/Servicing System: Expansion of Alternative Program
Energy Conservation Programs and/or Other Technical Demonstrations
Special Needs: Housing Demonstrations
Manufactured Housing Program
Co-Insurance: Housing and Urban Development (HUD)
Portfolio: Proactive Servicing of Loans
Mortgage Purchase: New Program

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

[To be determined]

INTERNAL ACTIVITIES IN SUPPORT OF 1990 PROGRAMS

Conduct Evaluation of New Programs for Transfer to Operations
Evaluate Cost of New Programs to Agency
Evaluate VHFA Role in New Federal State Housing Programs
Increase Capacity for Ongoing Housing Market Analysis In House
Technical Assistance to Nonprofits

1990-91 - ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Plus Program [IF AUTHORIZED]	AFFILIATED ENTITIES, Operations: Continuation of program with addition of new uses such as home improvement loans and rehabilitation loans.
Low Income Housing Tax Credits (LIHTC) [IF AUTHORIZED	DEVELOPMENT, Finance: Low Income Housing Tax Credits will continue to be used as a primary source of funding for affordable housing production. Finance will oversee the collection, disbursement and monitoring of the program.
Portfolio: Service Existing Loans	OPERATIONS, Finance: Operations will be responsible for monitoring delinquent loans and all servicing functions not related to the actual transfer of collections from lenders. Finance will monitor, balance and analyze collections made by lenders, to support the payments to bondholders, our budget, and resources for future programs.
Secondary Mortgage Market	DEVELOPMENT, Finance: Applicability of replication, continuation or supplemental programs will be examined.
Revolving Loan Fund (Nonprofit)	DEVELOPMENT, Finance: Development will administer this fund and support nonprofits with technical assistance. Finance will service the loan collections and analyze availability of funds.
Multi-Family: New Programs	DEVELOPMENT, Finance, Affiliated Entities: The Housing Vermont program will be evaluated, and Finance will continue to examine alternative vehicles.
Housing and Urban Development (HUD) 202	DEVELOPMENT: As a contractor for services, VHFA will provide technical assistance to nonprofits creating housing for the elderly through the HUD 202 program. Should be staffed by technical assistant to nonprofits with support from the underwriter.
Housing Cooperatives Blanket and Share Loan Financing	DEVELOPMENT, Finance: VHFA will continue a share financing program and a blanket financing program, focusing on limited equity cooperatives.

1990-91 - ONGOING PROGRAMS (Continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Single Family: Targeted Mortgage Programs	OPERATIONS, Finance, Communications: Based on marketing and financial research of 1989.
Housing Information Center	COMMUNICATIONS: The objective of this program is to provide low- and moderate-income Vermonters with information and referral on a variety of housing issues, beyond programs specific to the VHFA.
Mortgage Delivery/Servicing System: Alternative Pilot Program	OPERATIONS: The pilot alternative mortgage delivery/ servicing system implemented in 1989 will be handled by Operations. Switch direct servicing of problem lender(s) loans to VHFA.
Mortgage Purchase Program	OPERATIONS, Finance, Development, Communications: Based on the experience of the past mortgage purchase programs and the needs that have arisen, Development will coordinate the research effort to fine tune a new program in all areas including targeting of borrowers and delivery systems. Finance will interpret the feasibility of mortgage revenue bond financing based on analysis of the financial marketplace. Communications will provide market information and will coordinate the marketing plan. Operations will act as team leader and have primary responsibility for administering the program once it begins.

1990-91 PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Delivery/Servicing System: Expansion of Alternative Program	OPERATIONS, Finance, Development: Based on the findings of the pilot program initiated in 1989, continue to research and expand where appropriate. Calculation of cost benefit relationship of system.
Energy Conservation Programs and/or Other Technical Demonstrations	DEVELOPMENT or Affiliated Entities: These will be implemented in Development, or through one of the Affiliated Entities. For example, an energy conservation innovation may be demonstrated by ERH or VEIC.
Special Needs: Housing Demonstrations	DEVELOPMENT, Finance: A working program developed from alternatives and instruments analyzed in 1989 will be put into place.
Manufactured Housing Program	DEVELOPMENT, Operations: Development will implement a program to target affordable manufactured housing options.
Co-Insurance: Housing and Urban Development (HUD)	DEVELOPMENT, Finance: Pilot program developed based on financing techniques determined.
Portfolio: Proactive Servicing of Loans	FINANCE: Expansion of pilot program to balance of lending community.
Mortgage Purchase: New Program	OPERATIONS, Finance, Development, Communications: Based on the experience of the past mortgage purchase programs and the needs that have arisen, Development will coordinate the research effort to fine tune a new program in all areas including targeting of borrowers and delivery systems. Finance will interpret the feasibility of mortgage revenue bond financing based on analysis of the financial marketplace. Communications will provide market information and will coordinate the marketing plan. Operations will act as team leader and have primary responsibility for administering the program once it begins.

1990-91 - INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Evaluate New Programs for Transfer to Operations	DEVELOPMENT, Operations: Project teams, comprised of members from each department involved, will evaluate new program status prior to transfer to Operations.
Evaluate Cost of New Programs to Agency	FINANCE, Development, Operations: A cost benefit analysis and analysis of staffing needs must also be part of this process.
Evaluate VHFA Role in New Federal and State Housing Programs	OPERATIONS, Development, Finance, Communications: Focus this year should be on preparation for new federal and state programs.
Increase Capacity for Ongoing Housing Market Analysis In House	DEVELOPMENT, Communications: VHFA will build upon its research capacity to develop sophisticated housing market data as a resource to all of Vermont. This capacity will greatly enhance our ability to serve Vermonters with timely and responsive programs.
Technical Assistance to Nonprofits	DEVELOPMENT: Development will provide hands on technical assistance to nonprofit housing groups to assist in their production of affordable housing.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: February 9, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: THE "GATES"

As a result of an extensive analysis done by Housing Vermont staff this past month, it now appears feasible to consider a purchase of all of the Gates at $32,000 per unit, a price the owners have offered if all the projects are purchased as a block. There are many caveats to this, including getting HUD to extend the term of the subsidy, which may run out in the next several years. The deal will need $5.3 million from the Housing and Conservation Trust Fund ($3.3 million for Northgate, the balance for the other Gates projects).

The owner is in the process of checking with the limited partners to see if they will agree to the price. Once we have an agreement on price, the other "terms" will need to be negotiated.

I have asked the owners to attend our February 16 Board meeting to discuss where we are at first hand. As always, please treat this information in strictest confidence!

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

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

DATE: February 9, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: DALTON DRIVE, FORT ETHAN ALLEN UPDATE

Things are moving rapidly, to say the least. After receiving proposals from Engelberth Construction, Inc. (copy enclosed) and Kessel/Duff Construction Co., Emily Wadhams and I selected Engelberth for Phase I, which involves a building-by-building cost analysis in conjunction with the architect (Scott Brown of Alexander Truex de Groot Inc.) and a preservation consultant (Towney Andersen). This analysis is critical to determine the "true" cost of the units, and should be completed by March 6.

Additionally, we hired Chip Hart of Hart-Smith Associates to do a marketing study to determine the marketability of the proposed units. His work should be completed by the February Board meeting.

Emily and I met with the Town of Essex Selectmen to discuss their concerns (see enclosure). The meeting went well, with a pledge of general support as long as we didn't ask them to maintain the parade grounds! Their principle concern was making sure the renovation work was done well and with integrity. I believe we were able to reassure them in this area.

A draft agreement was revised and sent to UVM last week. We have not received any feed back at this time.

The architects have begun work on the feasibility study for office space. Preliminary work indicates it may be necessary to consider two buildings in order to accommodate us and the VHMGB.

Sizeable issues remain that must be clarified:

a. How is the parade ground going to be handled so as not to be a financial burden to the unit owners?

b. What assurances are we going to be able to give to potential purchasers on the use of the remaining property in the Fort?

c. Will a mixed income approach make market rate sales difficult/impossible?

d. Are we prepared to take the marketing risk on this project?

We will need to make some difficult decisions at our March Board meeting!

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

TOWN OF ESSEX
VERMONT
81 MAIN STREET, ESSEX JUNCTION, VERMONT 05452 • 802/879-0413

DAVID C. BELL
Town Manager

JAN 13 1989

January 12, 1989

Mr. Alan Hunt
Vermont Housing Finance Agency
One Burlington Square
P. O. Box 408
Burlington, VT 05402-0408

Dear Mr. Hunt:

At the request of the Essex Board of Selectmen, we organized a group of private sector individuals to review the Department of Community Affairs' report on Dalton Drive. The group, composed of housing advocates, builders, developers and citizens at large thoroughly reviewed the report and documented their conclusions. They agreed with the report that it was important to maintain the historic buildings on Dalton Drive but felt that it would be more cost effective to sell the units at market rate and build affordable housing elsewhere in the Fort. Knowing this may not occur, the group decided to offer constructive comments about the study's proposals.

Enclosed is a copy of the group's final comments for your review. Please do not hesitate to call should you have any questions.

Sincerely,

David C. Bell
Town Manager

DCB/dmt
Encl.

M E M O R A N D U M

TO: Town of Essex Board of Selectmen

FROM: Ad Hoc Committee on the Dalton Drive Affordable Housing Feasibility Study

RE: Comments and recommendations regarding the Dalton Drive Affordable Housing Development Feasibility Study, November 17, 1988

DATE: December 29, 1988

==========

Committee Purpose

On December 12, 1988, David Bell, Town Manager, was directed by the Essex Select Board to select 8-10 individuals outside of local government to review a study coordinated by the State of Vermont, entitled, "Dalton Drive Affordable Housing Development: A Feasibility Study". The task of this committee was to comment on the study and to provide the Board with input on the implications of the goals and findings of this report if accomplished without modifications.

On three occasions the committee met to discuss their thoughts of the study. The following individuals attended: Peg Franzen, Sheri Larsen, Nile Duppstadt, Rod Whittier, Alden Walcott, Allen Katz, Greg Morgan, Tom Weaver, Bill Adams and staff members David Bell, Dawn Francis and Debra Sachs. The following is a summary of the Committee's discussions and findings specific to the study.

SUMMARY OF FINDINGS

A general consensus was reached by this Committee -- these buildings and the parade ground area fronting the units should be preserved as an historic part of the Vermont landscape. In addition, action must be taken as quickly as possible to avoid further deterioration of these buildings and higher renovation costs. The Committee members agreed that new construction of affordable units elsewhere within Fort Ethan Allen and the additional revenue generated by the market rate sales of the twenty-one units on Dalton Drive would not only better achieve the objectives outlined in the State's proposal, but would create more affordable housing than currently proposed. However, since the flow of events over the last year has made the private sector wary of any project in the Fort and it appears the State is willing to heavily subsidize this project, the Committee felt that constructive recommendations concerning the State's study were in order.

This Committee believes that the Dalton Drive project is a small piece of the affordable housing puzzle. We encourage the Board of Selectmen to continue the dialogue on this issue by establishing an affordable housing task force made up of area residents and homebuilders to recommend alternatives, programs and solutions that can be implemented as the framework for developing and sustaining affordable housing in the Town of Essex.

BACKGROUND

For the past few years the Town of Essex Board of Selectmen has been concerned with the availability of affordable housing in Essex. This concern was intensified as their attention focused on the destiny of the former Officers' Row buildings on Dalton Drive at Fort Ethan Allen. Several studies were undertaken to enable selected public entities to evaluate the future of this area. The Study recently coordinated by the Vermont Agency of Development and Community Affairs entitled, "Dalton Drive Affordable Housing Development: A Feasibility Study" concluded that "the creation of affordable housing at Dalton Drive is not only feasible, but provides the public with a unique opportunity to safeguard a historic part of the Vermont landscape." The State's committee responsible for preparing this report further concluded that the following goals could be met: 1) historic preservation; 2) mixed-income home ownership; 3) open space preservation; 4) compensation to the University; and 5) consistency with local planning objectives.

According to the Study, only six and a half of the 21 buildings on Dalton Drive are located in the Town of Essex, with the remainder of the buildings located in Colchester. Building 600 is located in both towns and was originally built as an officer's club. Modifications and additions to this building over time have destroyed its historical and functional characteristics. Therefore, the cost of rehabilitation precludes its conversion into affordable housing units. The State's report recommended that other potential uses be considered for this building.

Of the six buildings located in Essex, the following breakdown of units by type and number of bedrooms was proposed by the State's study:

	1-bedroom	2-bedroom	3-bedroom townhouse
Building 601	4	2	
Building 602	4	2	
Building 603	2	4	
Building 604			2
Building 605			2
Building 606			2
TOTALS	10	8	6

These six buildings are located on 2.10 acres. The Parade Grounds are a separate parcel and make up 13.94 acres within the Town of Essex or approximately 80% of the total Parade Ground acreage.

DISCUSSION

The Committee raised several concerns about the issue of affordable housing in Essex and elsewhere. It is an issue that requires additional measures (i.e., education, establishing an affordable housing task force, additional research, etc.). The Committee's brief study of this issue has led them to believe that there is a direct correlation between subsidies and the extent to which housing can be made affordable. Therefore, any subsidies that are invested in housing should be spent as efficiently and wisely as possible in order to gain as much housing for the number of dollars granted and expended. In the Committee's opinion, new construction offers the greatest potential for this to be achieved. Therefore, the competitive process should have been used to allow private industry to bid for the purchase of the Dalton Drive buildings and new construction of affordable housing units should have been done elsewhere within the Fort. The Committee feels that this would have been the most prudent route for achieving the preservation of this very important area while at the same time providing more affordable housing units than the State's proposal will achieve. The question left in this Committee's mind was, "Is this project worth this much subsidy (public dollars) for these many units?"

It is important to recognize that the evolution of this project and other outside/unrelated events has led this Committee to conclude that the option of new construction and the rehabilitation of the Dalton Drive buildings by the private sector may no longer be possible. Earlier this year the University withdrew their request for proposals from the local development community. This has created a negative climate for the development community to participate in carrying out this project. The tremendous scrutiny of this project has caused significant obstacles of which some may be real and others only perceived. But clearly, the State of Vermont's involvement has served to scare the private development community from being potential owners of the project. In addition, there has been a downward trend in sales of new construction causing the development community to be much more cautious than one year ago.

Furthermore, this Committee agrees that federal and state programs such as the Housing and Conservation Trust Fund, Vermont Community Development Program and the Section 8 program were specifically established for special projects such as this one. However, the public must be made aware that deep subsidies are needed to make this project viable and perpetually affordable. In other words, the public dollars invested in this project are for historic preservation reasons because this is a unique piece of Vermont's landscape - it is not to create cost effective or significantly more affordable housing units.

As a result, we wish to clarify that our support for the restoration of Dalton Drive and this project is centered on our belief that the historical significance of these buildings and their unique character will be preserved by recognizing the Vermont Housing Finance Agency as a significant player. Therefore, the Committee's willingness to support this project through the use of significant state subsidies is mainly based on the fact that this is a necessary one-of-a-kind situation. There remains a serious concern that such a historical piece of Vermont is being compromised as we experiment with resolving the issue of affordable housing. Therefore, the Committee's support for this project is conditioned upon resolving the following concerns.

Specific Findings

In order for this project to work, all of the identified players (i.e., the State, the University of Vermont, the Vermont Housing Finance Agency, the Towns and the private sector) must come together in a cooperative effort and make certain concessions. The following recommendations include the actions needed by these entities.

I. PERPETUAL AFFORDABILITY -- It should be recognized that someone has to pay (subsidize) to keep these units affordable. In this case, public dollars are being used in this project to accomplish this and the public must be aware of same. The Committee has serious questions about whether buyers of these units are willing to enter into a limited equity agreement and whether this limitation will allow them to buy their next home. The professional marketing staff associated with the Vermont Housing Finance Agency must evaluate this element of the project.

II. MUNICIPAL ISSUES -- The Town must recognize that certain concessions are needed in order to make any project viable. These include: a zoning change to allow a higher density of units, waiving impact fees if these units are to be affordable, consideration of a tax stabilization plan and an evaluation of whether the Town's parking requirements are unnecessarily stringent given the occupancy mix. With regards to the parking issue, the Committee feels strongly that parking along Dalton Drive and/or developing a parking lot on a portion of the Parade Grounds are not viable options. Therefore, further research is necessary to determine whether parking is adequate at the rear of the Dalton Drive buildings. Finally, the Committee concurs that a transfer of development rights, as envisioned by the study, is unnecessary if the Town agrees to treat this as a special zoning district which allows a higher density of units.

III. VHFA/PRIVATE SECTOR COOPERATION -- The Vermont Housing and Finance Agency is the most appropriate entity to coordinate this project given their experience in these types of ventures and their access to capital. However, VHFA must consult with the private sector about the feasibility of this project. The project should be carried out with the help of the private sector. Several omissions in the report illustrates that the skills of the private sector should be enlisted. In this regard we believe that the selection of the developer for the project should be done on the basis of interview and assessment of capability as opposed to a strictly financial bid process since a significant amount of state dollars has been expended on planning to date.

IV. HOUSING MIX -- Will a mixture of unit prices work? Although it seems clear that the more expensive units are not priced such that the higher price would subsidize the lower priced units, we have a concern about such a mix. Forcing a mix of housing raises several marketability concerns. The Committee is uncertain that some of the higher priced units are marketable at the prices which have been attributed to them. Who is going to pay $125,000 for a third floor unit? It might be necessary to redesign the project to achieve a larger number of affordable units. The project will not be served well if a forced social mix is attempted in so fragile and difficult a project. This aspect will also be extremely important in our view as it relates to how much subsidy is required of the Housing and Conservation Trust Fund and other sources. Some members felt that all units must be affordable or all conveyed as market price units.

V. SUSTAINED MAINTENANCE AT AN AFFORDABLE LEVEL -- Long term management and maintenance of units might be difficult if held at an affordable level. The Committee questions whether past maintenance costs have been evaluated for determining the feasibility of sustaining an affordable status. Some additional subsidies will probably be needed because these buildings will require more and higher priced maintenance than other forms of housing. Therefore, a significantly higher common fee (Association dues) is needed for these units than proposed by the study. Thus, the Committee recommends that the Association dues be reevaluated to assure the proper maintenance and upgrade of the units.

VI. PUBLIC EDUCATION -- VHFA must define what constitutes affordable housing and convey to the public that subsidies are needed to make this project work. It is important the public realize the direct correlation between affordability and subsidy.

VII. UVM PROPERTY TRANSFER -- The Committee understands the fiscal needs of the University are great, but it is important to recognize that the number of dollars that the University receives for the Dalton Drive buildings are in fact tax payer dollars since the University received these buildings from the federal government. The Committee further recognizes the University's right to recapture dollars invested in Dalton Drive over the years. However, the Committee questions whether 1.5 million dollars is absolutely necessary especially with the efforts underway to establish affordable housing. A lower acquistion price for these buildings is the key to making this project viable and will perhaps eliminate the need for more subsidies and the sweat equity concept.

VIII SWEAT EQUITY -- The Committee has concerns regarding the homesteading aspect of this project. The ultimate prices of these units must be very low if the buyer is going to be expected to do a significant amount of work while limiting his/her equity. The Committee also recognizes that there will be great disparities in the quality of renovation by future buyers. No level of supervision will guarantee high quality finish work on the interiors of these historic and architecturally significant buildings. Therefore, the Committee recommends that all units be completely finished providing additional subsidies are available.

IX. FURTHER DELAYS -- Finally, the Committee raised significant concern over the delays of this project. Action must be taken as quickly as possible to avoid further deterioration of these buildings and higher renovation costs.

engelberth construction, inc.

1700 Hegeman Avenue, Fort Ethan Allen, Winooski, VT 05404-1196 802-655-0611
Telefax: 802-655-4882
NH Office: 603-448-2597

SAMPLE

PRELIMINARY CONSTRUCTION AGREEMENT

BETWEEN OWNER AND GENERAL CONTRACTOR

Dated: January 25, 1989

For

VT HOUSING FINANCE AGENCY

DALTON DRIVE AFFORDABLE HOUSING

SKILL RESPONSIBILITY INTEGRITY

SAMPLE

PRELIMINARY CONSTRUCTION AGREEMENT BETWEEN OWNER AND GENERAL CONTRACTOR

DATE: January 25, 1989

THIS AGREEMENT IS BY AND BETWEEN

VERMONT HOUSING FINANCE AGENCY
(hereinafter referred to as "Owner")

And,

ENGELBERTH CONSTRUCTION, INC.
(hereinafter referred to as "General Contractor")

General Contractor agrees to work with the Owner as a "Team" throughout design and construction/renovations of 72 housing units (Dalton Drive Affordable Housing) located in Colchester, Vermont, which shall be hereinafter referred to as the "PROJECT".

****

1.) SERVICES:

The Owner engages the General Contractor to provide estimating, scheduling, and value engineering services, develop a final budget when working drawings are substantially complete, and procure the order and delivery of any long lead items necessary to maintain the project schedule. Preparation/Solicitation of Bid Documents and the bid is also included. The General Contractor will assist the Owner in coordinating the permit process.

2.) DESIGN TEAM:

The Owner is responsible for contractually retaining and coordinating the professional services of the Architects and the Engineers for implementation of the Project's design. Furthermore, the Owner shall retain the Lead Architect to perform periodic on-site inspections during construction, and to perform the shop drawing review/approval process during construction so as to insure compatibility of all systems and specified materials and consistency of same with all revised plans and specifications. Such Architects and Engineers shall be fully licensed and registered to do business in the State of Vermont.

LEAD ARCHITECT: Alexander-Truex-De Groot, Inc.
Burlington, Vermont

NOTE: If it is determined to be in the best interest of the Project this Agreement can be amended to include Design/Build, Mechanical, Electrical, and Sprinkler Subcontractors hired by the General Contractor. Prior to retaining Design/Build Subcontractors the Owner, Architect, and General Contractor shall execute a Change Order amending this Agreement.

3.) LONG LEAD ITEMS:
In order to meet the construction schedule, and upon the Owner's approval, the General Contractor shall procure the order and delivery of certain Long Lead Items. Prior to ordering, the cost of such Long-Lead Items will be agreed to by both parties either by Change Order to this Agreement (specifically amending Article 9, Payment), or by entering into the final Construction Contract. General Contractor's mark-up for long-lead item change orders shall be eight percent (8%). Owner shall demonstrate financial assurance in a form satisfactory to General Contractor prior to proceeding with long-lead items.

4.) PROCEDURES: (UPON SIGNING THIS AGREEMENT, THE OWNER AND GENERAL CONTRACTOR SHALL PROCEED AS OUTLINED BELOW)
Throughout the design phase the General Contractor shall provide Cost Estimates with such Alternates, Options and Allowances as are necessary for the Owner and Design Team to proceed with their decision making processes. General Contractor will provide computerized project schedules which will be closely monitored and updated throughout design and construction. The General Contractor shall also provide value engineering services, conduct job meetings on either a weekly or biweekly basis, take and distribute job meeting minutes, and assist Owner in coordinating the permit process.

Upon completion of Working Drawings and Specifications and Owner's approval of the final budget, General Contractor will proceed with the bid process.

--> Portions of the work to be bid will be divided into bid packages for competitive pricing among prequalified subcontractors and suppliers (Refer to Exhibit "A"). All bid documents and the bid shall be subject to the approval of the Owner, General Contractor, and Lead Architect.

--> Once the bid results have been approved by Owner, General Contractor, and Lead Architect the fixed Lump Sum Cost-of-Construction will be established and trade contracts awarded. The Owner and General Contractor will then enter into a formal construction contract as per Article 12.

5.) FEE:
For budget purposes and actual construction costs the General Contractor will fix its Fee at eight percent (8%) of the Cost-of-Construction (Refer to attached "Fee Structure").

6.) OWNER'S RESPONSIBILITIES AND REPRESENTATIONS:

A.) The Owner shall provide full information regarding its requirements for the Project.

B.) The Owner has designated Emily Wadhams to be the "OWNER'S REPRESENTATIVE". Emily Wadhams shall be fully acquainted with the Project, and have authority to approve changes in the scope of the Project, render decisions promptly, and furnish information expeditiously and in time to allow the Project Schedule to proceed as set forth in Article 10, SCHEDULE.

C.) The Owner shall furnish for the site of the Project all necessary surveys describing the physical characteristics, soil reports and subsurface investigations, legal limitations, utility locations, and a legal description.

D.) If the Owner becomes aware of any fault or defect in the Project or non-conformance with the Drawings or Specifications, it shall give prompt written notice thereof to the General Contractor.

E.) PERMITS: The Owner is responsible for securing and paying for all necessary permits, approvals, easements, assessments and charges required for the construction, use, or occupancy of permanent structures or for permanent changes in existing facilities.

F.) REPRESENTATIONS:

(1) Owner is duly organized and existing under the laws of the jurisdiction where the Work is to be done, is in good standing, and has full power and authority to enter into this transaction, and all necessary action to authorize this Agreement has been duly and validly taken.

(2) Owner is the legal Owner of the Property and Project, and the state of the Title is such that there are no prohibitions, impediments, easements or restrictions which would in any way interfere with the performance of the Work.

(3) Prior to executing the final Construction Contract, Owner will firmly commit all of the funds necessary to pay for the performance of the Work and all other items necessary in connection with the development herein contemplated. The source of said funds shall be a Construction Loan Agreement by and between the Owner and the "Lender". Said Construction Loan Agreement shall provide for not less than the Construction Contract Sum, being allocated solely and exclusively for the payment to Contractor for the performance of the Work.

G.) The services and information required by paragraphs A. through G. inclusive shall be furnished with reasonable promptness at the Owner's expense and the General Contractor shall be entitled to rely upon the accuracy and the completeness thereof.

7.) INSURANCE:

A. GENERAL CONTRACTOR'S INSURANCE: The General Contractor shall maintain throughout the duration of this Agreement and the construction contract, limits of insurance as follows:

Type	Amount	Bodily Injury & Property Damage
General Liability	$1,000,000	Split Limits
Automobile Liability	$1,000,000	Combined Single Limits
Workmen's Compensation	$ 100,000	(Statutory)
Umbrella Excess Liability	$1,000,000	Combined Single Limits

General Liability shall include comprehensive form, premises- operations, explosion and collapse hazard (excluding blasting),under-ground hazard, products/completed operations hazard, contractual, broad form property damage, independent contractors, and personal injury. Automobile Liability shall include comprehensive form, owned, hired and non-owned. Owner to be in receipt of such certificate before an exposure to loss can occur.

B. OWNER'S INSURANCE: The Owner shall be responsible for purchasing and maintaining its own Liability, and Owner's Protective insurance.

C. **BUILDER'S RISK INSURANCE:** The Owner shall be responsible for obtaining "All-Risk" Builders Insurance in a form acceptable to General Contractor prior to construction commencement and/or an exposure to loss.

D. **LABOR & MATERIAL PAYMENT AND PERFORMANCE BONDS:** Labor & Material Payment and Performance Bonds shall be furnished by the General Contractor upon the Owner's request, at a cost not-to-exceed 1.15% of the final contract sum including contract change orders. Unless specifically requested by the Owner, the cost of such bonds will not be included in budgets, estimates, or the final cost-of-construction.

8.) TAXES AND FEDERAL WAGE RATES:
Owner will notify General Contractor prior to signing this Agreement of any federal wage rates or tax exemptions relative to this Project.

9.) PAYMENT: For Phase I - Preconstruction Services
A. **In-house Labor:** at the following Time and Material rates which include Direct Labor Burden, Overhead and Profit.

Project Manager	$45.00/hour
Estimator	$40.00/hour
Scheduler	$40.00/hour
Administrative Assistant	$20.00/hour

NOTE: In-house Labor Rates include Direct Labor Burden, Overhead and Profit, in addition to incidentals such as telephone, computer costs, and travel within 60 miles of Engelberth's home office.

B. **Long-lead Items** as approved by Owner shall be added by Change Order to this Agreement, at cost plus eight percent (8%) as per Article 3.

If construction commences on or before September 1, 1989 with Engelberth Construction, Inc. costs pursuant to this Agreement will be invoiced on the first requisition of the Construction Contract.

10.) SCHEDULE:
General Contractor will provide preliminary and final computerized project schedules which will be closely monitored and updated as design and construction progresses.

The estimates and lump sum amount will be based upon the following construction schedule:
- Commence construction on or before September 1, 1989
- Bid all Work Packages on or before August 15, 1989
* - Substantial Completion....._____, 1989

* General Contractor will make its best effort to develop a construction schedule which meets the Owner's desired Substantial Completion date, however the scope of work is not yet defined enough to commit to such a date. General Contractor agrees to diligently pursue all work through to completion.

11.) TERMINATION:
In the event that this Agreement is terminated because the Owner chooses not to proceed with the Project, or the Project does not go forward with Engelberth Construction, Inc., that the Owner shall pay all documented direct costs incurred by the Contractor to the date of termination. Item 9-A not to exceed $13,500. This cost will be carried as a separate line item in all budgets and the final Lump Sum Construction Amount. Remittance is due within 30 days of invoice date. Owner must advise General Contractor in writing of its intentions not to proceed.

12.) THE CONSTRUCTION CONTRACT:
As soon as reasonably possible the General Contractor will submit a formal construction contract for the Owner's review. Prior to commencement of any construction or upon completion of this Agreement, which ever occurs first, the Owner and General Contractor shall enter into a formal Construction Contract based upon A.I.A. document No. A101 Standard Form Agreement Between Owner and Contractor and A.I.A. A201 General Terms and Conditions. If a form of construction contract cannot be agreed to between the parties, either party shall have the right to terminate this Agreement as to future obligations.

****

THE AFOREMENTIONED IS MUTUALLY AGREED TO BY:

OWNER:

VERMONT HOUSING FINANCE AGENCY

_____

_____

_____, Duly Authorized Repres

Date:_____ Witness:_____

AND,

GENERAL CONTRACTOR:

ENGELBERTH CONSTRUCTION, INC.
1700 Hegeman Avenue
Winooski, Vermont

_____

Otto A. Engelberth, President and Duly Au
Representative

Date:_____ Witness:_____

E N D O F A G R E E M E N T

EXHIBIT "A"

BID PACKAGE DISTRIBUTION

The scope of work will be divided into bid packages similiar to the following for bid among qualified subtrades or suppliers.

This bid process will assure you of qualified subcontractor and supplier coverage and a competitive price.

Upon the Owner's approval of bid results, the fixed "Cost of Construction" will be developed.

SUBTRADE BID PACKAGES:

Demolition
Sitework and Landscaping
Concrete
Masonry
Miscellaneous Metals
Roofing
Insulation
Damproofing and Caulking
Drywall
Painting
Flooring
HVAC and Plumbing
Sprinkler
Electrical

WORK TO BE PERFORMED BY ENGELBERTH CONSTRUCTION

General Conditions
Rough and Finished Carpentry
Doors, Windows, and Hardware
Specialties

"FEE STRUCTURE"

PHASE I: PRECONSTRUCTION SERVICES

The Fee:

A. Engelberth Construction, Inc. Labor: Lump Sum $4,000.00 through March 15, 1989 and $7,000.00 from March to September, 1989.

B. Any long-lead items ordered during Phase I will be added to the Preliminary Construction Agreement by Change Order at cost plus 8% overhead and profit.

C. [illegible]

Note:

1. If construction proceeds during the month of September, 1989 all cost pursuant to this Phase will be invoiced on the first construction requisition.

2. Phase I costs will be carried as a separate line item in all budgets and the final Lump Sum Construction Contract Amount.

3. In the event the project does not go forward with Engelberth, then Owner will reimburse General contractor for all material, equipment and consultant costs as noted above, and all labor costs at the following rates:

Project Manager	$45./hour
Scheduler	$35./hour
Estimator	$35./hour
Administrative Assistant	$20./hour

PHASE II: CONSTRUCTION SERVICES

The Fee:

A. General Contractor's markup shall be six percent (8%) of the Cost-of-Construction.

STATISTICAL REPORT PROGRAM ID: 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 02/08/89

Total Number of Loans:	50
Total Loan Amount:	$3,233,238
Average Loan Amount:	$64,664

EXISTING:	$2,596,463	84.0%	42 Loans
NEW CONSTRUCTION:	$636,775	16.0%	8 Loans
NEW DETACHED HOUSING:	$574,775	90.2%	7 Loans
NEW CONDOMINIUM:	$62,000	9.7%	1 Loans

Total Insured or Guaranteed Loans:	50
Loans Guaranteed by VHMGB:	49

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$59,874	$81,633	$70,319
Avg. Loan Amount	$55,255	$74,857	$64,664
Avg. Borrower Income	$25,945	$31,352	$28,540
Avg. Housing Debt-Income Ratio	25.6%	28.5%	27.0%
Avg. Total Debt	$737.53	$909.62	$820.14
Avg. Total Debt-Income Ratio	34.5%	35.1%	34.8%
Total No. of Loans	26	24	50
First Time Homebuyers	92.3%	100.0%	96.0%
% Loans with 2 or more Wage Earners	57.6%	62.5%	60.0%
% of Total Loan Amount	44.4%	55.6%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	1	2.0%	$80,000	5,115	5.7%	3.7-
Bennington	1	2.0%	$72,100	6,538	7.3%	5.3-
Caledonia	1	2.0%	$41,500	4,500	5.0%	3.0-
Chittenden	22	44.0%	$1,644,485	17,415	19.4%	24.6
Essex	0	0.0%	$0	1,455	1.6%	1.6-
Franklin	3	6.0%	$209,910	5,798	6.5%	0.5-
Grand Isle	0	0.0%	$0	932	1.0%	1.0-
Lamoille	4	8.0%	$213,550	3,234	3.6%	4.4
Orange	0	0.0%	$0	4,221	4.7%	4.7-
Orleans	5	10.0%	$177,140	4,149	4.6%	5.4
Rutland	3	6.0%	$198,400	10,051	11.2%	5.2-
Washington	9	18.0%	$534,153	9,282	10.3%	7.7
Windham	1	2.0%	$62,000	6,944	7.7%	5.7-
Windsor	0	0.0%	$0	10,120	11.3%	11.3-
TOTAL	50	100.0%	$3,233,238	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
CACI, 1988 County Sourcebook

STATISTICAL REPORT PROGRAM ID: 88A
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 02/08/89

Total Number of Loans:	250
Total Loan Amount:	$13,396,871
Average Loan Amount:	$53,587

EXISTING:	$10,540,057	81.6%	204 Loans
NEW CONSTRUCTION:	$2,856,814	18.4%	46 Loans
NEW DETACHED HOUSING:	$1,581,547	55.3%	26 Loans
NEW CONDOMINIUM:	$1,275,267	44.6%	20 Loans

Total Insured or Guaranteed Loans:	238
Loans Guaranteed by VHMGB:	234

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$58,039	$62,314	$59,304
Avg. Loan Amount	$52,201	$56,883	$53,587
Avg. Borrower Income	$26,847	$28,465	$27,326
Avg. Housing Debt-Income Ratio	24.3%	25.3%	24.6%
Avg. Total Debt	$729.30	$794.29	$748.54
Avg. Total Debt-Income Ratio	32.5%	33.5%	32.8%
Total No. of Loans	176	74	250
First Time Homebuyers	84.0%	100.0%	88.8%
% Loans with 2 or more Wage Earners	53.9%	52.7%	53.6%
% of Total Loan Amount	68.6%	31.4%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	2.0%	$223,863	5,115	5.7%	3.7-
Bennington	10	4.0%	$478,288	6,538	7.3%	3.3-
Caledonia	19	7.6%	$882,366	4,500	5.0%	2.6
Chittenden	43	17.2%	$2,688,306	17,415	19.4%	2.2-
Essex	1	0.4%	$49,332	1,455	1.6%	1.2-
Franklin	30	12.0%	$1,637,654	5,798	6.5%	5.5
Grand Isle	1	0.4%	$45,600	932	1.0%	0.6-
Lamoille	15	6.0%	$792,339	3,234	3.6%	2.4
Orange	9	3.6%	$504,625	4,221	4.7%	1.1-
Orleans	25	10.0%	$995,466	4,149	4.6%	5.4
Rutland	21	8.4%	$1,136,201	10,051	11.2%	2.8-
Washington	39	15.6%	$2,227,616	9,282	10.3%	5.3
Windham	17	6.8%	$961,919	6,944	7.7%	0.9-
Windsor	15	6.0%	$773,296	10,120	11.3%	5.3-
TOTAL	250	100.0%	$13,396,871	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
CACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady, PC Development Coordinator

SUBJECT: Status of Development of the Vermont Secondary Market

DATE: February 9, 1989

Since my verbal update late last fall, progress has been made toward our development of a Vermont Secondary Market for non-conforming mortgage loans.

After a meeting with Fannie Mae, a joint meeting between bankers, VHFA and Shearson Lehman Hutton produced a survey that was mailed to all VBA member banks providing basic information about their loans and indicating an interest in either selling loans from their portfolios or selling newly originated loans. An analysis of this data is in progress. We also contracted with Lynne Ballew, formerly with Fannie Mae, to assist us in the development and structuring of this program. Lynne brought to this project a fresh perspective and extensive knowledge of secondary market operations and Fannie Mae.

Attached is a summary prepared by Lynne outlining two options for the structuring of a Vermont Secondary Market. At the present time we favor option #1, which more closely approximates VHFA's customary way of doing business with Vermont lenders, and due to Fannie Mae's enthusiasm to develop an innovative program combining taxable bonds and Fannie Mae's credit enhancement which could be replicated with other HFA's. Using option #1 will make it easier and quicker to gain the waivers that will be needed from Fannie Mae to purchase the types of loans currently in bank portfolios. Fannie Mae officials have already approved in broad outline the types of non-conforming features frequently characteristic of these loans. Option #2 utilizes an existing Fannie Mae program available to us on subsequent deals involving loans originated under guidelines that will be established for the Vermont Secondary Market.

Further analysis of our options including gathering additional data on the loan portfolios will be necessary before a recommendation can be made. We will keep you informed of our progress.

pc616/ak

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

VERMONT SECONDARY MARKET PROGRAM

OPTION 1
TAXABLE BONDS

1. Origination of nonconforming loans by Vermont lenders; seasoning period
2. VHFA sale of taxable bonds to Vermont investors (institutional/individual; public/private offering)
3. Fannie Mae credit enhancement of bonds to AAA rating through pledging of MBS as collateral
4. VHFA use of bond proceeds to purchase nonconforming loans from Vermont lenders
5. Vermont lenders use sales proceeds to originate new loans to low- and moderate-income Vermont families, in accordance with loan guidelines of Fannie Mae's low- and moderate-income lending program
6. VHFA purchases subsequent packages of these loans from Vermont lenders and delivers them to Fannie Mae through its normal MBS program

ADVANTAGES

1. More closely approximates VHFA's customary way of doing business with its lenders
2. Primarily a Public Finance deal rather than a Credit Policy deal; quicker negotiations

OPTION 2
FANNIE MAE MBS

1. Origination of nonconforming loans by Vermont lenders; seasoning period
2. VHFA purchase of nonconforming loans from Vermont lenders and pooling them for sale to Fannie Mae through its current MBS program
3. VHFA negotiation of waivers with Fannie Mae concerning variances from its published underwriting guidelines
4. Fannie Mae issuance of MBS to VHFA in exchange for pools of nonconforming loans
5. VHFA sale of MBS to Vermont investors (institutional/individual; public/private offering)
6. VHFA use of MBS proceeds to pay Vermont lenders for loan purchases
7. Vermont lenders use sales proceeds to originate new loans to low- and moderate-income Vermont families, in accordance with loan guidelines of Fannie Mae's low- and moderate-income program
8. VHFA purchases subsequent packages of these loans from Vermont lenders and delivers them to Fannie Mae through its normal MBS program

ADVANTAGES

1. Utilizes an existing program with waivers rather than creating a new model
2. Eliminates costs of a bond issuance

The costs of these two alternatives remain to be estimated and compared and may prove to be the deciding factor.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, GAJ General Counsel

Re: Legislative Update

Date: February 9, 1989

Attached to this memorandum are two important pieces of proposed legislation. The first, S. 47, is an at-risk housing bill similar to last year's S. 279. The other is a proposal from Sen. Edgar May that would provide new housing opportunities for Vermonters.

S. 47

As most of you remember from last year, S. 279 was a bill that received a great deal of attention, especially in the Senate General Affairs Committee. The bill would have required owners of federally insured or subsidized multi-family rental housing projects to either voluntarily comply with an agreement to keep the project affordable or to impose restrictions on the prepayment of the mortgage or termination of a subsidy contract. The bill passed the Senate, but died in the House Commerce Committee after that committee heard testimony from the owner of the Gates and Allan that VHFA was negotiating for the purchase of the four Gates. Senators Finn and McCaffrey of the General Affairs Committee, along with Senators Skinner and Ready, have introduced a bill that appears to be almost identical to the final draft of last year's S. 279, with the addition of a tax on gains from the sale of a affordable housing project.

There was a tax in early drafts of S. 279 last year, but it was removed early in the discussion of the bill. The tax proposed in S. 47 is so high that it raises concerns that it might be seen as confiscatory. For example, for a project that had been held for 20 years, regardless of the percentage gain the owner was realizing, the tax would be 42% of the gain.

To briefly review the bill, it applies to all subsidized multi-family rental projects placed in service after the effective date of the bill and retroactively to all 221(d)(3) and 236 projects (of which there are six in the State). In order to preserve the affordability of subsidized multi-family rental housing, the bill would restrict the ability of owners of such housing projects to prepay their mortgage loans or to terminate any subsidy arrangements. First, the bill would require any owner of a subsidized project to give at least 395 days notice of any proposed prepayment or subsidy termination. During this

period the State would have an opportunity to find a "qualified buyer" (one willing to maintain the project as affordable housing) for the project. If such a buyer is found within a certain time period, the owner is required to offer the project for sale to this buyer at a price no greater than "fair market value" as determined under the bill. This determination would be made through appraisals or, if necessary, arbitration. However, if no qualified buyer has been found within 210 days of the notice of intent to prepay, the owner could sell the project to any buyer.

Second, the bill would require any owner who prepays a loan or terminates a subsidy contract without selling the project to demonstrate that at least 80 percent of the units will be "affordable" for the term of the original loan or subsidy contract to the same proportions of very low, lower and moderate income persons and families as resided in the project one year prior to prepayment or termination of the subsidy. If the owner cannot meet this requirement, the owner must execute a housing replacement agreement pursuant to which the owner will agree to replace any units that become unavailable or unaffordable by either creating new units or by contributing to the Housing and Conservation Trust Fund. The bill also imposes certain penalties for failure to comply with its provisions. The bill has been assigned to the General Affairs Committee, which is being renamed the General Affairs and Housing Committee.

Edgar May proposals

Senator Edgar May has proposed several new programs in what is called the Omnibus Housing Act of 1989. The bill would establish a Vermont Homestart program to provide an interest subsidy to low and moderate-income first time homebuyers. It would also establish a seniors' property tax deferral program permitting those homeowners over 62 years of age with household incomes of less than $20,000 to defer all property taxes up to $1,000 per year with repayment due at the time of sale of the house or the death of the surviving spouse of the household. In addition, the bill would direct the Agency of Natural Resources to develop a simplified permit process for individual single family homes, exempt from the sales and use tax 40 percent of the price of prefabricated and manufactured housing and allow VHFA to issue bonds that are guaranteed by the full faith and credit of the State as well as bonds backed by the general or special obligation of the Agency.

The homestart program would be administered by the Agency and would use the revenues from an increase in the property transfer tax on commercial property from 1.25 to 1.5% and on second homes from 1.25 to 2.00% to fund an interest rate subsidy. This subsidy would be a maximum of three years at the greater of five percent or three percent below the current agency rate, three years at the greater of six percent or two percent below the current agency rate, and three years at the greater of seven percent or one percent below the current agency rate. People would not necessarily get nine years of subsidy; their need and

their income while receiving the subsidy would determine how long of a subsidy and at what level the subsidy would be. The amounts used for the subsidy would accrue interest at a rate of seven percent per year and the subsidy amounts plus accrued interest would be repayable from the appreciation of the house upon sale. The maximum amount of appreciation subject to repayment would be 50 percent.

The Senior's property tax deferral program would enable seniors over 62, whose income was less than $20,000 per year to defer whatever portion of the property tax on their homestead, up to $1,000, that was not rebated under the existing property tax rebate program. The tax department would administer the program, which would be funded by an appropriation of $200,000 for the first fiscal year. Amounts deferred would have interest accrue at six percent per year and be repayable upon the death of the taxpayer or the survivor of a couple or group of taxpayers or when the property is sold.

Another section of the bill directs the Secretary of the Agency of Natural Resources to develop an expedited low cost permit process for individual applicants for the siting and construction of residences. In addition, a section of the bill exempts 40% of the cost of mobile homes, manufactured and prefabricated housing from the sales tax. Currently, the imposition of sales tax on the entire cost of such housing taxes not only materials, but labor. A similar provision is the subject of H. 67, which may have passed the House by the time you read this.

Finally, Senator May's bill would enable the agency to issue taxable bonds that were guaranteed by the full faith and credit of the State. He wants to preserve the Agency's ability to issue bonds for mortgage purchases in the event that MRB authority sunsets at the end of 1989.

Senator May consulted the Agency in the course of preparing his bill and we worked with the Legislative Council and made comments on early drafts.

Agency enabling legislation-Mobile home parks--We are waiting for Senator Skinner to introduce the bill. I will be speaking with her between today and the date of the board meeting to report further to you.

VHMGB legislation raising guarantee ceiling from $45 million to $100 million. The bill has passed both houses and should have been signed by the Governor by the time you receive this.

PROPOSED STATUTORY PROVISION FOR ASSURING EFFECTIVENESS OF COVENANTS ENTERED INTO IN CONSIDERATION FOR HOUSING SUBSIDIES

Section 1: Purpose and Policy. It is the policy of this state to encourage the expansion and retention of affordable housing for lower income persons through a variety of public subsidies. The purpose of this Act is to provide a convenient means of establishing and enforcing long-term restrictions on the use of residential real property, the acquisition, development or rehabilitation of which is accomplished in whole or in part through public subsidies, regardless of the mechanism employed.

Section 2: 27 V.S.A. §610 is added to read as follows:

§610. Housing Subsidy Covenants to Run with the Land

a. For the purposes of this section, "housing subsidy covenant" means a declaration of covenants separately set forth in a distinct document and executed by the owner of real property as a condition of:

   1. an allocation of "low income housing tax credits" pursuant to regulations of the Agency of Development and Community Affairs;

   2. a grant or loan made by the Housing and Conservation Board;

   3. a grant, loan, or contract made by Vermont Housing Finance Agency; or,

   4. a grant, loan, or contract made by any agency, instrumentality, or political subdivision of this state.

b. A housing subsidy covenant may include restrictions on the use of real property or any number or percentage of the residential units included therein, including the following:

   1. provisions restricting the use of the property to rental housing; and/or

   2. provisions establishing maximum income limits for tenants thereof, or a formula for such purpose;

   3. provisions establishing maximum rents or a formula for such purpose;

   4. provisions establishing restrictions, or a formula for restricting, the price at which such real property may be sold;

   5. provisions establishing a period of time, not exceeding fifty years, during which such restrictions shall remain in effect; and

6. provisions for monitoring and enforcing compliance with such restrictions by an agency, instrumentality, or political subdivision of this state.

c. Notwithstanding any rule of the common law to the contrary, a housing subsidy covenant, when executed, acknowledged and recorded in the manner provided by law for the execution and recording of deeds, shall run with the land and shall be enforceable in accordance with its terms against the declarant and the successors in interest of the declarant.

d. A housing subsidy covenant which sets forth no effective period of duration shall be effective for fifty years from its date of recording.

S.47

Introduced by Senator Finn of Franklin County, Senator McCaffrey of Rutland County, Senator Ready of Addison County and Senator Skinner of Washington County

Referred to Committee on

Date:

Subject: Conservation and development; affordable housing; at-risk housing

Statement of purpose: This bill would require owners of federally insured or subsidized multi-family rental housing projects, in the absence of voluntary compliance, to give residents one-year notice of the intent to prepay the mortgage or terminate the subsidy contract; require the department of housing and community affairs to solicit public comment about the action; give residents or qualified nonprofit organizations an option to purchase the project; provide technical assistance and grants for residents and community nonprofit capacity building; require owners to keep the project affordable, or sell the project to residents, or pay a project gains tax to the state; and provide an appropriation to the department of housing and community affairs for grants to nonprofit organizations.

AN ACT RELATING TO FEDERALLY SUBSIDIZED RENTAL HOUSING PROJECTS

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

Sec. 1. 10 V.S.A. chapter 28 is added to read:

CHAPTER 28. AFFORDABLE HOUSING

§ 669. POLICY AND PURPOSE

(a) The general assembly finds and declares that a serious public emergency exists throughout the state created by a severe shortage of affordable housing. This emergency will be made significantly more serious by the potential conversion of multi-family rental housing projects, constructed or substantially rehabilitated under a federal or state mortgage insurance or loan program, into market-rate condominium, cooperative, or rental housing, or even to nonhousing use. Housing units in such projects have been affordable to low and moderate income tenants by the infusion of public funds in the form of below-market financing costs, rental assistance subsidies, favorable income tax treatment to owners, and rent stabilization provisions required or provided with the mortgage insurance or loans. The loss of these affordable housing resources, and the displacement of tenants therefrom, threatens to occur at a time when the housing shortage for low and moderate income people and families is acute and increasing, due to the lack of sufficient new subsidized housing production, to prolonged increases in housing costs at a rate substantially exceeding increases in personal income, and to depletion of the existing rental housing supply

through conversion. Unless the available stock of such multi-family rental housing, and the tenants who reside therein, are further protected from the loss of favorable financing, rental assistance, and rent stabilization, existing housing emergency conditions will be exacerbated, posing a serious threat to the public health, safety, and general welfare of substantial numbers of citizens throughout the state of Vermont, particularly persons and families of low and moderate income. The general assembly hereby declares that preservation of subsidized multi-family rental housing units is a public purpose and necessitates the provisions of this chapter.

(b) The general assembly therefore endorses efforts by governmental agencies and others to encourage voluntary commitments on the part of owners of federally or state-financed or subsidized multi-family rental housing projects to maintain affordability of these housing units for at least the expected term of the original mortgage or to otherwise preserve affordable rents. If voluntary commitments cannot be obtained and enforced, the general assembly hereby enacts this chapter to preserve the affordability of multi-family rental housing units.

(c) The general assembly endorses the federal 1987 Housing Preservation Act. It is the intent of the general assembly to allow the federal act to prevail wherever it applies.

(d) It is the policy of the state to maintain all subsidy contracts for their full term including all renewal periods.

§ 670. APPLICABILITY; WAIVER

(a) All provisions of this chapter shall apply to all subsidized multi-family rental housing projects in the state of Vermont placed in service after the passage of this chapter.

(b) All provisions of this chapter shall apply to projects presently financed under sections 221(d)(3) or 236 of the National Housing Act, regardless of the date placed in service.

(c) The provisions of this chapter may be waived in writing by the department if the owner of any such project executes a binding commitment in writing effective through the remaining term of the mortgage period, in a form satisfactory to the department, to preserve affordability of units in the project as defined by the federal or state regulations under which the units were financed or subsidized. Such waiver shall continue in effect for as long as the owner's commitment is observed. Such waiver and commitment shall be binding on successors to the interest of the owner of the property, shall constitute a lien on the property, and shall be recorded as such in the land records of the municipality in which the property is located. If such commitment is held to be not binding on the owner, the waiver shall expire and the provisions of this chapter shall apply.

(d) The provisions of this chapter may be waived in writing by the department if the owner of any such project is restricted by comparable federal regulations which preserve the project's

affordability. Such projects may receive lower priority for funding available under section 675 of this title.

§ 671. DEFINITIONS

As used in this chapter, the following words shall, unless the context clearly requires otherwise, have the following meanings:

(1) "Affordable" means, with reference to housing units, having total monthly housing costs no greater than 30 percent of the tenant's monthly adjusted income as defined by the federal or state regulations under which the units were financed or subsidized.

(2) "Certified buyer" means the buyer or prospective buyer of a subsidized multi-family rental housing project, certified by the department in accordance with section 673 of this title.

(3) "Department" means the department of housing and community affairs of the agency of development and community affairs.

(4) "Federal subsidy contract, tax credit, mortgage insurance, or multi-family loan program" shall mean:

(A) new construction, substantial rehabilitation, and loan management set-aside programs under Section 8 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437f);

(B) programs under the following sections of the National Housing Act: Section 23 (42 U.S.C. 1421b), Section 221 (d)(3) or (d)(4) (12 U.S.C. 17151(d)(3) or (d)(4)), Section 236 (12 U.S.C. 1715z-1) and Section 202 (12 U.S.C. 1708);

(C) programs under Section 515 of the Housing Act of 1949 (42 U.S.C. 1485); or

(D) low income housing tax credit programs under the Federal Tax Reform Act of 1986, (26 U.S.C. Sections 42 and 146).

(5) "Housing replacement agreement" means a contract between the state of Vermont and the owner of a subsidized multi-family rental housing project that defines the terms and conditions under which the owner will meet his or her housing replacement obligation.

(6) "Lower income families or persons" and "very low income families or persons" mean families or persons whose incomes do not exceed the respective levels established for lower income families and very low income families under Section 3(b)(2) of the United States Housing Act of 1937 or by the federal Department of Housing and Urban Development.

(7) "Moderate income families or persons" mean families or persons whose incomes are between 80 percent and 100 percent of median income for the area, as determined by the federal Department of Housing and Urban Development.

(8) "Prepayment" means payment prior to maturity of any outstanding debt, on a loan issued pursuant to a federal or state mortgage insurance or multi-family loan program, resulting in the release of any of the housing units securing such debt from restrictions on rents or use of such housing units.

(9) "Qualified appraiser" means a member of either the Society of Real Estate Appraisers or the American Institute of Real Estate Appraisers who is designated by either society for the appraisal of multi-family rental property.

(10) "Qualified nonprofit organization" means a limited equity housing cooperative or other nonprofit corporation with tax-exempt status under the Internal Revenue Code, certified by the department according to the procedures set forth in section 673 of this title.

(11) "Qualified partnership" means a partnership certified by the department in accordance with section 673 of this title. The department may certify a partnership as a qualified partnership if the partnership agreement expressly states that, (i) the project will be operated in such a way as to qualify for low income housing tax credits provided by Section 42 of the Internal Revenue Code of 1986 as amended, (ii) the project will maintain such eligibility for such periods as are required by Section 42 of the Internal Revenue Code, and (iii) a right of purchase at a future date is granted by the qualified partnership to a qualified nonprofit corporation, or a qualified public housing agency, or to another qualified partnership.

(12) "Qualified public agency" means a public housing agency or municipality certified by the department according to the procedures set forth in section 673 of this chapter.

(13) "Subsidized multi-family rental housing project" means a building or buildings under common ownership and containing five or more rental units that received governmental assistance under a federal or state subsidy contract, federal low income housing tax credit, mortgage insurance, or multi-family loan program.

(14) "Subsidy contract" means a contract under which housing assistance payments are made to the owner of a subsidized multi-family rental housing project by a governmental agency in order to maintain rents affordable by very low income, lower income or moderate income families or persons.

(15) "Termination" of a subsidy contract means early termination, cancellation, or nonrenewal of any such contract before its final expiration date, including all optional renewal periods.

§ 672. NOTICE OF INTENT TO PREPAY

(a) Preliminary Notice. Any owner of a subsidized multi-family rental housing project subject to this chapter shall, at least 395 days prior to the anticipated early termination of a subsidy contract or mortgage prepayment, file with the department a preliminary notice of intent to prepay. No early termination or prepayment shall be made during the applicable notice period except to a certified buyer.

(b) Public notice.

(1) Within 14 days of receipt of the preliminary notice, the department shall notify the owner of the information which must be submitted to the department. The department may require disclosure of any reasonable and relevant information, including but not limited to:

(A) information regarding current property financing and subsidy arrangements, previous capital expenditures, outstanding liens, annual rental income and expenses, monthly rental charges, physical conditions, the method and term of depreciation utilized for tax purposes, and an anonymous profile of tenant incomes and rental charges by family and bedroom size; and

(B) a description of the owner's plans for continued operation or disposition of the property;

(C) an invitation to the tenants, to the local government, and to local nonprofit corporations, to submit written comments to the department not later than 45 days following receipt of such notice. Such comments may include, but may not be limited to:

(i) facts regarding the impact of the proposed action on the tenants residing in the property and on the supply of affordable housing existing within the locality;

(ii) expressions of interest by the tenants, nonprofit organizations, or a public housing agency in acquiring the property or a portion thereof in the event that it is offered for sale; and

(iii) indications of any local resources or assistance that may be available to facilitate retention of the project's low and moderate income tenants under existing or alternative ownership arrangements;

(2) Within 14 days of receipt of the department's notice requirements, the owner shall issue a public notice of intent to prepay or terminate, containing the information submitted to the department pursuant to subdivisions (b)(1)(B) and (b)(1)(C) of this section. Such notice shall be sent to the department, to the local government, the lender, and each tenant residing in the property, at least 365 days prior to the proposed early termination or prepayment, or at such earlier date as may be required by applicable federal law or regulations.

(c) Dissemination of information. The department shall provide the information submitted to it by the owner under this section to any person requesting it. Within 15 days of issuance of the public notice, the department shall conduct an informational meeting at the project site. All tenants, potentially interested nonprofit organizations, public housing agencies, and the municipality in which the project is located shall be invited.

(d) Notice of assistance. Upon completion of the 45-day comment period, the department shall notify all parties that responded to the public notice of assistance available to tenants, nonprofit

organizations, and public agencies that participate in an effort to purchase the project in question.

§ 673. CERTIFICATION OF A QUALIFIED NONPROFIT ORGANIZATION, QUALIFIED PARTNERSHIP OR PUBLIC AGENCY

(a) After the comment period the department shall assist any potentially qualified buyers and may certify an appropriate buyer for the project.

(b) The department shall evaluate the following characteristics in determining which organization or agency to certify as buyer:

(1) the buyer has an ability and willingness to incorporate the tenants' interests and needs in the areas of ownership, management and maintenance into project design and operation;

(2) the buyer has or can obtain the administrative capacity to develop, own and manage the project;

(3) the buyer is able to build a consensus around community housing needs and a commitment to develop, rehabilitate, or preserve housing which is perpetually affordable;

(4) the buyer is acceptable to the federal, state or local agency administering any subsidy contracts or holding a mortgage on the project;

(5) the buyer has, or can obtain within a reasonable period of time, a firm commitment from a lender for permanent financing for the project.

(c) Within 180 days following notice of intent under subsection 672(a) of this title, the department shall either certify a qualified nonprofit organization, qualified partnership, or qualified public agency as buyer, or notify the tenants that an additional period is needed to complete the certification process. An additional period of no more than 30 days shall be allowed to the department in which to attempt to certify a buyer under this section. Nothing in this chapter shall prevent the department from certifying a subsequent buyer or buyers within 210 days after the public notice of intent if a certified buyer is unable to complete the purchase. Failure to certify a buyer after the expiration of 210 days following notice of intent shall relieve the owner of the obligation to sell to a certified buyer under section 674 of this title and the obligation to pay a project gains tax proposed by section 676 of this title, and the department shall issue a certificate to that effect.

§ 674. SALE TO CERTIFIED BUYER

(a) Within 30 days after a buyer has been certified by the department, the owner shall offer to sell the project to the certified buyer. The offer shall be made in good faith in a proposed purchase and sale agreement acceptable to the department and include a purchase price that is no greater than fair market value as determined under subsection (b) of this section.

(b) The department shall engage a qualified appraiser, who shall appraise the fair market value of the project as subsidized multi-family rental housing. If the owner accepts this appraisal it shall be deemed the fair market appraisal. If the owner does not accept the first appraisal he or she may engage another qualified appraiser. If the result of this second appraisal is within ten percent of the first appraisal, the average of the two appraisals shall be deemed fair market value. If the result of the second appraisal is not within ten percent of the first appraisal, the department and the owner shall select a single arbitrator. The arbitrator shall conduct proceedings and make a determination according to subchapter 2 of the Vermont Arbitration Act. Such determination shall be binding on the certified buyer and the owner, provided that the owner shall have the right to judicial review of just compensation for any taking of property for a public purpose, and the right to review of the arbitration proceedings under subchapter 3 of the Vermont Arbitration Act. The time required for the second appraisal or for any arbitration or judicial proceedings shall not be deemed a part of the notice period required by section 672 of this title, or of the 30-day offering period allowed by this section.

(c) The department shall deliver and execute at the closing of the sale a certificate of satisfactory compliance with this chapter. If the qualified buyer defaults on the executed purchase

and sale agreement, the department shall issue a similar certificate at the expiration of the purchase and sale agreement, including any extensions, or at the end of 210 days following the public notice of intent, whichever is later.

(d) If after expiration of the notice period imposed by section 672 of this title, or as extended by the owner and buyer, the owner fails to sell the project to a buyer certified by the department at a purchase price no greater than fair market value as determined by subsection (b) of this section, the owner shall be subject to the project gains tax imposed by section 676 of this title, unless exempted by subsection 673(c) of this title.

(e) The requirements of this section shall not apply to:

(1) a sale of a project for which a waiver has been granted by the department under section 670 of this title; or

(2) a sale to anyone occurring 210 days after the notice of intent under section 672 of this title if no buyer has been certified by the department by that date; or

(3) a prepayment which is a refinancing without a sale under the terms and conditions for maintenance of affordable housing units provided by section 677 of this title.

§ 675. GRANTS AND TECHNICAL ASSISTANCE; TENANT PURCHASE OF PROJECTS

(a) The department shall recommend to the housing and conservation board approval of financial assistance in the form of a

grant to tenants, or a qualified nonprofit organization or public agency, where in the discretion of the commissioner such a grant will facilitate a purchase of the project. Technical assistance by department staff may be made available to any subsidized multi-family rental housing project or any nonprofit buyer of a mobile home park at the discretion of the commissioner and financial assistance may be made available from the housing and conservation board. Such a grant shall be used to develop the capacity to purchase and operate the project in a way that will incorporate tenant, community and organizational needs and resources. Such grant may also be used to cover project development costs and other related costs.

(b) The department shall give first priority to federally subsidized projects presently financed under Section 221(d)(3) or 236 of the National Housing Act. Second priority shall be given to other federally subsidized projects and mobile home parks. The commissioner shall consider the number and income level of households potentially displaced and the time frame when determining which projects receive priority for staff assistance and grant recommendations.

(c) If the certified buyer is a qualified nonprofit organization or public agency, the housing and conservation trust fund may provide a grant for some or all of the earnest money deposit needed.

§ 676. PROJECT GAIN TAX

(a) There is hereby imposed, in addition to all other taxes imposed by law, a tax on the gain from the sale or exchange of a multi-family housing project subject to this chapter upon or subsequent to prepayment or subsidy contract termination. The tax shall be imposed on any such sale occurring on or after January 1, 1989.

(b) The tax imposed by this section shall not apply to:

(1) a sale of a project for which a waiver has been granted by the department under section 670 of this title; or

(2) a sale to a qualified buyer certified by the department under section 673 of this title; or

(3) a sale to anyone occurring 210 days after the notice of intent under section 672 of this title if no qualified buyer has been certified by the department by that date; or

(4) a prepayment which is a refinancing without a sale under the terms and conditions for maintenance of affordable housing units provided by section 677 of this title.

(c) The tax imposed by this section shall be based upon the years held, at the following rates on the gain:

YEARS PROJECT HELD	TAX RATE	YEARS PROJECT HELD	TAX RATE
1 or less	99%	18	48%
2	96	19	45
3	93	20	42
4	90	21	39
5	87	22	36
6	84	23	33
7	81	24	30
8	78	25	27
9	75	26	24
10	72	27	21
11	69	28	18
12	66	29	15
13	63	30	12
14	60	31	9
15	57	32	6
16	54	33	3
17	51	34 or more	0

(d) For the purpose of this section, terms shall be defined as in chapter 236 of Title 32, except that "basis" shall be computed thereunder without regard to any deductions taken for depreciation.

(e) The commissioner of taxes shall administer and enforce this tax and may issue, amend, and withdraw, from time to time, reasonable rules to assist such administration and enforcement. For the collection, administration and enforcement of this tax, the commissioner shall have all applicable powers provided for the

collection, administration and enforcement of the tax on gains from the sale or exchange of land under chapter 236 of Title 32.

(f) Taxes paid under this section shall be deposited to the housing and conservation trust fund created under chapter 15 of this title or to another state fund designated by the department that has been created to prevent the loss of subsidized housing units or to create perpetually affordable housing for lower income Vermonters.

§ 677. PREPAYMENT WITHOUT SALE

(a) If an owner prepays a mortgage, as "prepayment" is defined under section 671 of this title, or terminates early a subsidy contract, as "termination" is defined under section 671 of this title, but does not sell the project to a certified buyer, nor realize a gain after a sale or conveyance to a buyer not certified by the department, the owner shall demonstrate to the department that at least 80 percent of the units will be available and affordable for the term of the original mortgage or subsidy contract, including all optional renewals, to the same proportions of very low income, lower income, and moderate income persons or families as resided in the project on the date 365 days prior to prepayment. Upon such demonstration the department shall issue a certificate of satisfactory compliance with this chapter.

(b) If less than 80 percent of the units remain available and affordable as required above, for each unit that is not retained as affordable, the owner shall execute a housing replacement agreement with the department. The housing replacement agreement shall be recorded in the land records of the municipality in which the

project is located. Under such agreement, the owner shall replace any units which become unavailable or unaffordable, either by creating new units, by contributing to the housing and conservation trust fund established by chapter 15 of Title 10, or by a combination of both remedies.

(c) The department shall issue regulations regarding methods by which the owner can replace unaffordable units and how the owner may satisfy its obligations under the housing replacement agreement.

(d) Any tenant involuntarily displaced by the owner's prepayment or early termination action shall be paid by the owner the actual documented cost of relocation, not to exceed $1,000.00, payable within 10 days after the tenant vacates the unit.

(e) An owner shall not willfully cause a tenant to vacate a dwelling unit or to be evicted from the unit without good cause in contemplation of prepayment or early termination.

§ 678. ADMINISTRATION

The department shall administer this chapter and promulgate rules for this purpose under chapter 25 of Title 3.

§ 679. CERTIFICATE OF COMPLIANCE

A certificate of satisfactory compliance executed in accordance with this chapter shall be recorded in the land records of the town in which the land records are located at the same time that the deed is recorded or within a reasonable time after the activities contemplated under sections 672-677 of this title have been complied with by the owner. It shall be conclusive evidence that the provisions of this chapter were complied with. Upon execution of

such certificate, nothing in this chapter shall constitute an encumbrance on marketable title arising from the transaction referenced in the certificate. Issuance of the certificate shall prevent the department from bringing action against the owner arising out of the application of this chapter to the transaction referenced in the certificate, except in case of fraud or deceit on the part of the owner.

§ 680. ENFORCEMENT; PENALTIES

(a) Civil enforcement. Any person aggrieved by a violation of this chapter or the attorney general on behalf of such a person may bring an action for injunctive relief, damages, and costs.

(b) Civil penalties. Any person who violates section 674 or section 677 of this title shall be subject to a civil penalty of not more than $10,000.00 per unit plus three times the pecuniary gain realized as a result of the offense.

Sec. 2. APPROPRIATION

The amount of $200,000.00 is appropriated for fiscal year 1990 from the municipal and regional planning fund to the department of housing and community affairs for the administration of this act.

Sec. 3. EFFECTIVE DATE

This act shall take effect from passage.

Introduced by

Referred to Committee on

Date:

Subject: Omnibus Housing Act; development; Vermont Housing Finance Agency;

Statement of purpose: This bill is the Omnibus Housing Act of 1989 which would:

(1) establish a Vermont Home Start program, for lower and middle income first-time Vermont homebuyers, which would provide residential mortgage loans requiring five percent down payment at reduced interest rates, administered by the Vermont housing finance agency, funded by an increase in the property transfer tax on commercial property and second homes;

(2) establish a seniors' property tax deferral program, for homeowners 62 years of age or over, which would permit those with household incomes of $20,000.00 or less to defer all property taxes, up to $1,000.00 not subject to property tax relief, with repayment due at the time of sale or death of the surviving spouse of the household, administered by the commissioner of taxes;

(3) direct the agency of natural resources to develop a low-cost simplified permit process for individual single-family homes;

(4) exempt from the sales and use tax 40 percent of the price of prefabricated or manufactured housing, including mobile and modular homes, to account for the cost of labor and services;

(5) authorize the Vermont housing finance agency to issue general obligation bonds backed by the full faith and credit of the state.

AN ACT RELATING TO THE OMNIBUS HOUSING ACT OF 1989

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

* * * Vermont Home Start Program

Sec. 1. 10 V.S.A. chapter 25, subchapter 5 is added to read:

Subchapter 5. Vermont Home Start Program

§ 645. VERMONT HOMESTART PROGRAM; CREATION

There is hereby established the Vermont Home Start program to be administered by the agency for the purpose of assisting persons and families of low and moderate income to acquire and maintain ownership of residential housing in the state.

§ 645a. VERMONT HOMESTART LOANS; ELIGIBILITY

(a) Any resident low or moderate income person, as defined in subdivision 601(11) of this title, who has not previously held title to or equitable ownership in residential property in the previous five years, is an eligible person and may apply for a Vermont

homestart loan under this subchapter. The agency shall give priority to loan applicants of lower income who may be otherwise unable to benefit from the agency's other residential loan programs.

(b) Vermont Home Start loans may be made under this subchapter only for the purpose of financing residential housing, as defined in subdivision 601(14) of this title, purchased or acquired by an eligible person.

§ 645b. CONDITIONS; TERMS

The agency shall make Vermont Home Start loans to eligible persons as loan funds are available under such terms and conditions as it deems appropriate under this chapter, except that, notwithstanding any provision of this chapter to the contrary, such Vermont Home Start loans shall:

(1) require the purchaser to pay a down payment of no more than five percent of the purchase price;

(2) be for a term of at least 25 years; and

(3) be at a rate of interest not exceeding the following amounts:

(A) years one through three - the greater of five percent or three percent below the current agency rate;

(B) years four through six - the greater of six percent or two percent below the current agency rate;

(C) years seven through nine - the greater of seven percent or one percent below the current agency rate

(D) years ten and over - the current rate of interest assessed by the agency.

(4) provide for repayment of the interest rate subsidy granted by subsection (3) from the appreciation in the value of the property at the time of its sale or transfer by the Home Start loan recipient. The amount of repayment shall equal the amount of interest subsidies provided from the Home Start loan fund, plus interest on such subsidies accrued at seven per cent per annum; except that in no event shall a Home Start loan recipient be liable for repayment of a total amount in excess of 50 percent of the taxable gain from the sale or exchange determined under the federal Internal Revenue Code.

§ 645c. HOMESTART LOAN FUND; DEDICATED REVENUE

(a) There is hereby established a Home Start loan fund, to be administered by the agency. Interest subsidies on all loans authorized by the agency under subdivision 645b(3) shall be made from the fund, and all repayments of such interest rate subsidies under section 645b(4) shall be deposited into the fund. All principal and interest in the fund shall not revert at the end of any fiscal year, but shall remain in the fund for disbursement under this subchapter in future fiscal years.

(b) The commissioner of taxes shall remit to the agency for deposit in the Home Start loan fund:

(1) one-sixth of the revenues raised by the tax on the transfer of title to property taxed at the rate of one and one-half percent of its value under 32 V.S.A. § 9602; and

(2) three-eighths of the revenues raised by the tax on the transfer of title to property taxed at the rate of two percent of its value under 32 V.S.A. § 9602(2).

Sec. 2. 32 V.S.A. § 9602 is amended to read:

§ 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

A tax is hereby imposed upon the transfer by deed of title to property located in this state. The amount of the tax equals one and one *[quarter]* half percent of the value of the property transferred, or $1.00, whichever is greater, except as follows:

(1) with respect to the transfer of property to be used for the principal residence of the transferee the tax shall be imposed at the rate of five-tenths of one percent of the first $100,000.00 in value of the property transferred and at the rate of one and one quarter percent of the value of the property transferred in excess of $100,000.00;

(2) with respect to the transfer of property to be used as a residence, but other than the principal residence of the transferee, the tax shall be imposed at the rate of two percent of the value of the property transferred, or $1.00, whichever is greater; and

[(2)] (3) with respect to the transfer of property which is enrolled at the time of the transfer in a program under chapter 124

of this title, or is otherwise a working farm at the time of the transfer if not so enrolled, the tax shall be imposed in the amount of five-tenths of one percent on the entire value of the property transferred; provided, however that no part of the property is converted to a use which would subject it to the land use change tax or an obligation to repay property tax benefits under chapter 124 of this title for a period of three years following the date of the transfer, or if it is a working farm which is not enrolled under chapter 124, that the property is not taken out of agricultural production for a period of six years following the date of the transfer. For the purposes of this subdivision, a working farm shall mean a parcel of land in excess of 25 acres, actively used by a farmer, as that term is defined under section 3752(7) of this title. If the conditions of this subdivision are breached by the buyer, the buyer shall be obligated to pay the full transfer tax in the amount of one percent and this obligation shall run with the land.

* * * Seniors' Property Tax Deferral Program * * *

Sec. 3. 32 V.S.A. chapter 155 is added to read:

CHAPTER 155. SENIORS' PROPERTY TAX DEFERRAL

§ 6001. DEFINITIONS

As used in this chapter

(1) "Department" means the department of taxes.

(2) "Homestead" means homestead as defined in 32 V.S.A. § 5961(1).

(3) "Household income" means household income as defined in 32 V.S.A. § 5961(4).

§ 6002. DEFERRAL OF TAX ON HOMESTEAD; JOINT ELECTION; AGE REQUIREMENT; FILING CLAIM

(a) An individual, or two or more individuals jointly, may elect to defer the property taxes on their homestead by filing a claim for deferral with the county assessor after January 1 and on or before April 1 of the first year in which deferral is claimed if:

(1) the individual or, in the case of two or more individuals filing a claim jointly, each individual is 62 years of age or older on April 1 of the year in which the claim is filed; and

(2) the individual has, or in the case of two or more individuals filing a claim jointly, all of the individuals together have household income of less than $20,000.00 for the calendar year immediately preceding the calendar year in which the claim is filed.

(b) The amount of property taxes that may be deferred in any taxable year on any homestead shall not exceed $1,000.00 less the amount of property tax relief paid to the taxpayer under chapter 153 of this title.

(c) The town listers shall forward each claim filed under this subsection to the department which shall determine if the property is eligible for deferral.

(d) When the taxpayer elects to defer property taxes for any year by filing a claim for deferral under subsection (a) of this section, it shall have the effect of:

(1) Deferring the payment of the property taxes levied on the homestead for the taxable year beginning on April 1 of such year.

(2) Continuing the deferral of the payment by the taxpayer of any property taxes deferred under this chapter for previous years which have not become delinquent under section 6011 of this title.

(3) Continuing the deferral of the payment by the taxpayer of any future property taxes for as long as the provisions of this chapter are met.

(e) If a guardian or conservator has been appointed for an individual otherwise qualified to obtain deferral of taxes under this chapter, the guardian or conserverator may act for such individual in complying with its provisions.

(f) If a trustee of an inter vivos trust which was created by and is revocable by an individual, who is both the trustor and a beneficiary of the trust and who is otherwise qualified to obtain a deferral of taxes under this chapter, owns the fee simple estate under a recorded instrument of sale, the trustee may act for the individual in complying with the provisions of this chapter.

(g) Nothing in this section shall be construed to require a spouse of an individual to file a claim jointly with the individual even though the spouse may be eligible to claim the deferral jointly with the individual.

(h) Any person aggrieved by the denial of a claim for deferral of homestead property taxes or disqualification from deferral of

homestead property taxes may appeal to the superior court of the superior court district in which the property is located.

§ 6003. PROPERTY ENTITLED TO DEFERRAL

In order to qualify for tax deferral under this chapter, the property must meet all the following requirements when the claim is filed and thereafter so long as the payment of taxes by the taxpayer is deferred:

(1) The property must be the homestead of the individual or individuals who file the claim for deferral, except for an individual required to be absent from the homestead by reason of health.

(2) The person claiming the deferral must, by himself or herself or together with his or her spouse, own the fee simple estate or be purchasing the fee simple estate under a recorded instrument of sale, or two or more persons must together own or be purchasing the fee simple estate with rights of survivorship under a recorded instrument of sale if all owners live in the homestead and if all owners apply for the deferral jointly.

(3) There must be no prohibition to the deferral of property taxes contained in any provision of federal law, rule or regulation applicable to a mortgage, trust deed, land sale contract or conditional sale contract for which the homestead is security.

§ 6004. CLAIM FORMS; CONTENTS

(a) A taxpayer's claim for deferral under this chapter shall be in writing on a form supplied by the department and shall:

(1) describe the homestead;

(2) recite facts establishing the eligibility for the deferral, including facts that establish that the household income of the individual, or in the case of two or more individuals claiming the deferral jointly, was less than $20,000.00 for the calendar year immediately preceding the calendar year in which the claim is filed;

(3) have attached any documentary proof required by the department to show that the requirements of section 6003 have been met;

(b) There shall be annexed to the claim a statement verified by a written declaration of the applicant making the claim to the effect that the statements contained in the claim are true.

§ 6005. STATE LIENS AGAINST TAX-DEFERRED PROPERTY

(a) The department shall have a lien against the tax-deferred property for the payment of the deferred taxes plus interest thereon and any fees paid to the town clerk by the department in connection with the recording, release or satisfaction of the lien. The liens for deferred taxes shall attach to the property on April 1 of the year in which the taxes were assessed. The deferred property tax liens shall have the same priority as other real property tax liens except that the lien of mortgages or trust deeds which are recorded

prior in time to the attachment of the lien for deferred taxes shall be prior to the liens for deferred taxes.

(b) The lien may be foreclosed by the department as if it were a purchase money mortgage. Reasonable attorney fees at trial and on appeal and costs may be granted the department in a suit for foreclosure of its lien.

(c) Receipts from foreclosure proceedings shall be credited in the same manner as other repayments of deferred property taxes under section 6017.

§ 6006. LISTING OF TAX-DEFERRED PROPERTY; INTEREST ACCRUAL

(a) If eligibility for deferral of homestead property is established, the department shall notify the town listers and the town listers shall show on the current ad valorem assessment and grand list which property is tax-deferred property by an entry clearly designating such property as tax-deferred property.

(b) When requested by the department, the tax collector shall send to the department as soon as the taxes are extended upon the roll, the tax statement for each tax-deferred property.

(c) Interest shall accrue on the actual amount of taxes advanced to the town for the tax-deferred property at the rate of six percent per annum.

(d) The state liens provided by section 6005 of this title and recorded under section 6007 shall be for the actual amount of taxes advanced to the towns and not for the gross amount of taxes for

which the property would be liable as shown on the grand list for each tax-deferred property.

§ 6007. RECORDING LIENS IN TOWN; RECORDING CONSTITUTES NOTICE OF STATE LIEN

(a) In each town in which there is tax-deferred property, the department shall cause to be recorded in the land records of the town, a list of tax-deferred properties of that town. The list shall contain a description of the property as listed on the grand list together with the name of the owner listed thereon.

(b) The recording of the tax-deferred properties under subsection (a) of this section is notice that the department claims a lien against those properties in the amount of the deferred taxes plus interest together with any fees paid to the town clerk in connection with the recording, release or satisfaction of the lien, even though the amount of taxes, interest or fees is not listed.

§ 6008. TOWN TAX COLLECTOR TO RECEIVE AMOUNT EQUIVALENT TO DEFERRED TAXES FROM STATE

(a) Upon determining the amount of deferred taxes on tax-deferred property for the tax year, the department shall pay to the respective town tax collectors an amount equivalent to the deferred taxes. Payment shall be made from the revolving account established under section 6017.

(b) The department shall maintain accounts for each deferred property and shall accrue interest only on the actual amount of taxes advanced to the town.

§ 6009. NOTICE TO TAXPAYER REGARDING DUTY TO CLAIM DEFERRAL ANNUALLY

(a) On or before December 15 of each year, the department shall send a notice to each taxpayer who has claimed deferral of property taxes for the current tax year. The notice shall:

(1) Inform the taxpayer that the property taxes have been deferred in the current year.

(2) Show the total amount of deferred taxes remaining unpaid since initial application for deferral and the interest accruing therein to November 15 of the current year.

(3) Inform the taxpayer that voluntary payment of the deferred taxes may be made at any time to the department of taxes.

(4) Contain any other information that the department considers necessary to facilitate administration of the senior's property tax deferral program, including but not limited to the right of the taxpayer to submit any refund amount received under chapter 151 of this title to reduce the total amount of the deferred taxes and interest.

(b) The department shall give the notice required under subsection (a) of this section by an unsealed postcard or other form of mail sent to the residence address of the taxpayer as shown in the claim for deferral or as otherwise determined by the department to be the correct address of the taxpayer.

§ 6010. EVENTS REQUIRING PAYMENT OF DEFERRED TAX AND INTEREST

Subject to section 6002 of this title, all deferred property taxes, including accrued interest, become payable as provided in section 6011 when:

(1) The taxpayer who claimed deferment of collection of property taxes on the homestead dies or, if there was more than one claimant, the survivor of the taxpayers who originally claimed deferment of collection of property taxes under this chapter dies.

(2) The property with respect to which deferment of collection of taxes is claimed is sold, or a contract to sell is entered into, or some person other than the taxpayer who claimed the deferment becomes the owner of the property.

(3) The tax-deferred property is no longer the homestead of the taxpayer who claimed the deferral, except in the case of a taxpayer required to be absent from such tax-deferred property by reason of health.

§ 6011. TIME FOR PAYMENTS; DELINQUENCIES

Whenever any of the circumstances listed in section 6010 occurs:

(1) the deferral of taxes for the assessment year in which the circumstance occurs shall continue for such assessment year; and

(2) the amounts of deferred property taxes, including accrued interest, for all years shall be due and payable to the department July 1 of the year following the calendar year in which the circumstance occurs, except as provided in subsection (3) of this section;

(3) if the amounts falling due as provided in this section are not paid on the indicated due date, or as extended under section 6014, such amounts shall be deemed delinquent as of that date and the property shall be subject to foreclosure as provided in section 6005.

§ 6012. ELECTION BY SPOUSE TO CONTINUE TAX DEFERRAL

(a) Notwithstanding section 6010 of this title, when one of the circumstances listed in that section occurs, the spouse who was not eligible to or did not file a claim jointly with the taxpayer may continue the property in its deferred tax status by filing a claim within the time and in the manner provided under section 6002 if:

(1) the spouse of the taxpayer is or will be 60 years of age or older and not later than six months from the day the circumstance listed in section 6010 occurs; and

(2) the property is the homestead of the spouse of the taxpayer and meets the requirements of section 6003(2).

(b) A spouse who does not meet the age requirements of subdivision (a)(1) of this section but is otherwise qualified to continue the property in its tax-deferred status under subsection (a) of this section may continue the deferral of property taxes deferred for previous years by filing a claim within the time and in the manner provided under section 6002. If a spouse eligible for and continuing the deferral of taxes previously deferred under this subsection becomes 62 years of age prior to April 1 of any year, the

spouse may elect to continue the deferral of previous years' taxes deferred under this subsection and may elect to defer the current assessment year's taxes on the homestead by filing a claim within the time and the manner provided under section 6002. Thereafter, payment of the taxes levied on the homestead and deferred under this subsection and payment of taxes levied on the homestead in the current assessment year and in future years may be deferred in the manner provided in and subject to this chapter.

(c) Notwithstanding that section 6002 requires that a claim be filed no later than April 1, if the department determines that good and sufficient cause exists for the failure of a spouse to file a claim under this section on or before April 1, the claim may be filed within 180 days after notice of taxes due and payable under section 6011 is mailed or delivered by the department to the taxpayer or spouse.

§ 6013. VOLUNTARY PAYMENT OF DEFERRED TAX AND INTEREST

(a) All payments of deferred taxes shall be made to the department.

(b) Subject to subsection (c) of this section, all or part of the deferred taxes and accrued interest may at any time be paid to the department by:

(1) the taxpayer or the spouse of the taxpayer;

(2) the next of kin of the taxpayer, heir at law of the taxpayer, child of the taxpayer or any person having or claiming a legal or equitable interest in the property.

(c) A person listed in subdivision (b)(2) of this section may make such payments only if no objection is made by the taxpayer within 30 days after the department deposits in the mail notice to the taxpayer of the fact that such payment has been tendered.

(d) Any payment made under this section shall be applied first against accrued interest and any remainder against the deferred taxes. Such payment does not affect the deferred tax status of the property. Unless otherwise provided by law, such payment does not give the person paying the taxes any interest in the property or any claim against the estate, in the absence of a valid agreement to the contrary.

(e) When the deferred taxes and accrued interest are paid in full and the property is no longer subject to deferral, the department shall prepare a record in the town in which the property is located a satisfaction of deferred property tax lien.

§ 6014. EXTENSION OF TIME FOR PAYMENT UPON DEATH OF CLAIMANT OR SPOUSE

(a) If the taxpayer who claimed homestead property tax deferral dies, or if a spouse who continued the deferral under section 6012 of this title dies, the department may extend the time for payment of the deferred taxes and interest accruing with respect to the taxes becoming due and payable under section 6011 if:

(1) The homestead property becomes property of an individual or individuals:

(A) by inheritance or devise; or

(B) if the individual or individuals are heirs or devisees, in the course of settlement of the estate;

(2) The individual or individuals commence occupancy of the property as a principal residence on or before July 1 of the calendar year following the calendar year of death; and

(3) The individual or individuals make application to the department for an extension of time for payment of the deferred taxes and interest prior to July 1 of the calendar year following the calendar year of death.

(b)(1) Subject to subdivision (2) of this subsection, an extension granted under this section shall be for a period not to exceed five years after July 1 of the calendar year following the calendar year of death. The terms and conditions under which the extension is granted shall be in accordance with a written agreement entered into by the department and the individual or individuals.

(2) An extension granted under this section shall terminate immediately if:

(A) the homestead property is sold or otherwise transferred by any party to the extension agreement;

(B) all of the heirs or devisees who are parties to the extension agreement cease to occupy the property as a principal residence; or;

(C) the homestead property is a mobile home and is moved out of the state.

(c) If the department has reason to believe that the homestead property is not sufficient security for the deferred taxes and interest, the department may require the individual or individuals to furnish a bond conditioned upon payment of the amount extended in accordance with the terms of the extension. The bond shall not exceed in amount double the taxes with respect to which tax extension is granted.

(d) During the period of extension, and until paid, the deferred taxes shall continue to accrue interest in the same manner and at the same rate as provided under section 6006. No interest shall accrue upon interest.

§ 6015. LIMITATIONS

Nothing in this chapter is intended to or shall be construed to:

(1) prevent the collection, by foreclosure, of property taxes which become a lien against tax-deferred property;

(2) defer payment of special assessments to benefited property which assessments do not appear on the assessment and tax roll;

(3) affect any provision of any mortgage or other instrument relating to land requiring a person to pay property taxes.

§ 6016. DEED OR CONTRACT CLAUSES PREVENTING APPLICATION FOR DEFERRAL PROHIBITED; CLAUSES VOID

After July 1, 1989, it shall be unlawful for any mortgage trust deed or land sale contract to contain a clause or statement which prohibits the owner from applying for the benefits of the deferral of homestead property taxes provided in this chapter. Any such clause or statement in a mortgage trust deed or land sale contract executed after July 1, 1989, shall be void.

§ 6017. SENIOR PROPERTY TAX DEFERRAL REVOLVING ACCOUNT; SOURCES; USES

There is established in the state treasury the senior property tax deferral revolving account to be used by the department of taxes for the purpose of making payments to town tax collectors of property taxes deferred for tax years beginning on or after July 1, 1989.

Sec. 4. APPROPRIATION; SENIOR PROPERTY TAX DEFERRAL LOAN FUND

There is hereby appropriated from the general fund to the Senior Property Tax Deferral Loan Fund established by 32 V.S.A. § 6017, for fiscal year 1990, the amount of $200,000.00.

* * * Expedited Residential Permits * * *

Sec. 5. AGENCY OF NATURAL RESOURCES; RESIDENTIAL PERMITS

The secretary of the Agency of Natural Resources is hereby directed to develop an expedited, low cost, permit process for the purpose of simplifying and reducing the cost to individual applicants of obtaining permits for the siting and construction of residences.

* * * Sales Taxes; Manufactured Housing * * *

Sec. 6. 32 V.S.A. § 9741(32) is added to read:

(32) Forty percent of the receipts from sales of mobile homes, as defined in section 2601 of Title 9, modular housing, and other forms of prefabricated housing, when they are sold as tangible personal property.

* * * VHFA Loan Guarantees * * *

Sec. 7. 10 V.S.A. § 644 is added to read:

§ 644. GUARANTY; CREDIT OF STATE PLEDGED; LIMITATIONS

(a) Upon application of the agency to the state treasurer, the treasurer is authorized to pledge the full faith and credit of the state to pay principle of or interest on bonds and notes issued by the agency under this chapter. Upon default on any bond or note guaranteed by the state under this section the state treasurer shall advance to the agency, without further approval, from available cash in the treasury or from proceeds of bonds or notes of the state issued pursuant to this section, such amounts as are necessary to meet the guaranty obligations of the state to enable the agency to pay principle and interest on its bonds and notes. The treasurer shall, without further approval, issue full faith and credit bonds of the state from time to time in amounts equal to advances made under this section, and borrow in anticipation of the proceeds of those bonds. Any bonds issued pursuant to this section shall be issued as provided in chapter 13 of Title 32.

(b) Prior to guaranteeing any bonds or notes hereunder, the treasurer shall first determine that the amount of principle and interest to be guaranteed, when combined with the agregate amount of principle and interest previously guaranteed under this section, shall not exceed $100,000,000.00.

Sec. 8. 10 V.S.A. § 637 is amended to read:

§ 637. CREDIT OF STATE NOT PLEDGED

[Obligations] Except as provided in section 644 of this title, obligations issued under the provisions of this chapter shall not be deemed to constitute a debt or liability or obligation of the state or of any political subdivision thereof or a pledge of the faith and credit of the state or of any political subdivision but shall be payable solely from the revenues or assets of the agency. Each such obligation issued under this chapter shall contain on the face thereof a statement to the effect that the agency shall not be obligated to pay the same nor the interest thereon except from the revenues or assets pledged therefor and that neither the faith and credit nor the taxing power of the state or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such obligations.

S.87

Introduced by Senator Skinner of Washington County and Senator Finn of Franklin County

Referred to Committee on

Date:

Subject: Development; affordable housing; mobile homes

Statement of purpose: This bill would amend the Vermont Housing Finance Agency Act to permit loans for mobile home parks, mobile home lots and mobile homes.

AN ACT RELATING TO VERMONT HOUSING FINANCE AGENCY ASSISTANCE FOR MOBILE HOMES

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

Sec. 1. 10 V.S.A. § 601(10) is amended to read:

(10) "Mortgage loan" means and includes:

(A) an interest-bearing obligation secured by either a mortgage or note or bond constituting a lien on land and improvements in the state;

(B) an interest-bearing obligation secured by a pledge of stock or membership *[certificate]* share and the conditional assignment of the proprietary lease by a member of a *[housing]* cooperative housing corporation which is located in the state and organized under the laws of Vermont;

(C) an interest-bearing obligation secured by the owner-occupant's interest in a mobile home provided that:

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

(ii) the mobile home is to be *[permanently]* sited in a manner intended for continuous residential occupancy on land leased by the owner of the mobile home and shall be secured by a note or otherwise and collateral assignment of a lease of real property *[which]* that shall constitute a first lien upon the mobile home and lease. Notwithstanding any other provision of this chapter, the lease of the land upon which the mobile home is sited shall be for a term of at least one year, shall be renewable for periods of at least one year, and shall comply with the requirements of 10 V.S.A. § 6236.

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

Sec. 2. 10 V.S.A. § 601(14) is amended to read:

(14) "Residential housing" means residential housing units designed primarily to provide principal dwelling accommodations whether on a permanent or temporary basis for persons or families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient by the agency in connection with the residential housing. "Residential housing" includes, but is not limited to, single or multi-family dwellings, *[housing]* cooperative housing corporations and cooperative interests, congregate homes, residential care homes as defined in 18 V.S.A. § 2002, nursing homes, transitional housing, emergency shelters for the homeless or displaced, mobile homes, mobile home parks, as defined in 10 V.S.A. § 6201, single room occupancy dwellings, and group homes for the mentally ill or developmentally disabled;

Sec. 3. 10 V.S.A. § 621(5) is amended to read:

(5) Provide advice *[and]* , technical information, *[including]* grants, loans, advances, or assistance in obtaining federal and state aid, as will assist the planning, construction, rehabilitation, and operation of residential housing primarily for persons of low and moderate income, including but not limited to

assistance in community development and organization, advisory services, the formation of *[mutual]* cooperative housing *[associations]* corporations and to encourage community organizations to assist in developing same;

Sec. 4. 10 V.S.A. § 621(20) is added to read:

(20) Subject to any agreement with bondholders or noteholders, make loans to housing sponsors secured by a mortgage in an amount that, when added to the amount of any prior liens on the property, does not exceed 90 percent of the value of the property as determined by the agency, when it finds that such a loan will maintain or increase the supply of residential housing in the state for persons and families of low and moderate income.

Sec. 5. EFFECTIVE DATE

This act shall take effect from passage.

Nancy H. Henze
Senior Vice President

212-298-3450

SHEARSON
LEHMAN
HUTTON

December 6, 1988

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

RECEIVED
DEC 8 1988
VHFA

Dear Allan:

Based upon our preliminary meeting last month, with you and your staff and with the representative lenders in Burlington we are encouraged as to the prospect of establishing a secondary market for non conforming loans held in portfolio within the state. The particular structure and specifications of a program will be developed after our review and analysis of more detailed information from lenders as to the type of loans which are currently held in portfolio as well as a projection of loans to be originated going forward.

We are very pleased to have the opportunity to work with you on the development of this program. I am enclosing a form of investment banking services agreement which sets forth the services which we expect to render as well as a proposed fee schedule.

As you and I discussed, while we are optimistic that a program can be established, we cannot yet recommend a structure. Further, it is unclear whether a program will involve an underwriting transaction. For example, if a FNMA MBS is used there would be no underwriting by Shearson. Therefore we have proposed a retainer with further consideration at the time a program is implemented.

Please review the enclosed agreement and I will be happy to discuss it with you.

We look forward to working with you to develop a taxable secondary market program for non-conforming loans within the state of Vermont.

Very truly yours,

Nancy H. Henze

Nancy H. Henze
Senior Vice President

212-298-3450

SHEARSON
LEHMAN
HUTTON

December 6, 1988

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

Dear Allan:

This will confirm the understanding and agreement between Shearson Lehman Hutton Inc. ("Shearson Lehman") and the Vermont Housing Finance Agency (the "VHFA") as follows:

1. The VHFA hereby engages Shearson Lehman to render investment banking services to the VHFA concerning the development of the VHFA taxable secondary market program for non-conforming loans (the "Program").

   Shearson Lehman will advise the VHFA with respect to the financing as well as the structuring of a transaction as described above.

   Services to be provided to the VHFA will include:

   - A review and analysis of preliminary and subsequent portfolio data
   - Establishing program loan criteria
   - Negotiation of FNMA waivers
   - Assistance in setting up procedure for due diligence on loan files by VHFA Staff/Contract Underwriters
   - Analysis of due diligence results and advice on program feasibility based upon review of same
   - Presentation of structure and pricing alternatives for sale of securities
   - Recommendation of one or more secondary market vehicles
   - Advice on implementation of designated program(s)

2. The term of Shearson Lehman's engagement hereunder shall extend from January 1, 1989 and shall remain in effect until terminated. Either party may terminate Shearson Lehman's engagement hereunder at any time by giving the other party at least 10 days' prior written notice.

3. As compensation for the services rendered by Shearson Lehman hereunder, the VHFA shall pay Shearson Lehman as follows:

(a) For program development $25,000 payable January 1, 1989; for program implementation $25,000 – $50,000 depending upon scope of Shearson Lehman's participation payable at time of program(s) selection.

(b) If Shearson Lehman provides any additional investment banking services other than those listed in paragraph 1 hereof to the VHFA and in the event an underwriting transaction occurs, a fee will be mutually agreed upon based on standard industry fees for the services rendered; provided, however, that if Shearson Lehman provides any additional investment banking services, the fees paid pursuant to subparagraph 3(a) will be credited against the fees payable pursuant to such mutual agreement. Further, if a Program is successfully established without an underwriting transaction, a success fee may be negotiated.

4. The VHFA shall reimburse Shearson Lehman for its reasonable out–of–pocket expenses incurred during the period of its engagement hereunder with respect to the service to be rendered by it. Out–of–pocket expenses shall include, but not be limited to, professional fees and disbursements incurred by Shearson Lehman.

   Except as contemplated by the terms hereof or as required by applicable law, Shearson Lehman shall keep confidential all material non–public information provided to it by the VHFA, and shall not disclose such information to any third party, other than such of its employees and advisors as Shearson Lehman determines to have a need to know.

5. Shearson Lehman shall comply with all Federal, State and Local Laws and ordinances applicable in the performance of work under this agreement.

6. Except as required by applicable law, any advice to be provided by Shearson Lehman under this Agreement shall not be disclosed publicly or made available to third parties without prior approval of Shearson Lehman.

7. The VHFA and Shearson Lehman acknowledge and agree that there are no brokers, representatives or other persons which have an interest in compensation due to Shearson Lehman from any transaction contemplated herein.

8. This Agreement may not be amended or modified except in writing and shall be governed by and construed in accordance with the laws of the State of New York.

If the foregoing correctly sets forth the understanding and agreement between Shearson Lehman and the VHFA, please so indicate in the space provided as of the date first above written.

SHEARSON LEHMAN HUTTON INC.

BY: _____
Nancy H. Henze
Senior Vice President

AGREED:

VERMONT HOUSING FINANCE AGENCY

BY: _____

VERMONT HOUSING FINANCE AGENCY

February 27, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Monday, March 13, at 1:30 p.m., here at the office, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: March 6, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. here at the VHFA office in Burlington.

Attached is the agenda and board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on March 13.

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

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Monday, March 13, 1989 at 1:30 p.m.

1. Review and approval of minutes of February 16, 1989

2. Executive Director's Report

3. Operations

   A. MOVE Update [Lothrop//Enclosure]
   B. Signature Authority [Lothrop//Enclosure]

4. Development

   A. Preliminary Guidelines for FNMA/Secondary Market [Crady//Enclosure]
   B. Conceptual 7.9% Program Design [Pond/Crady//Encl.]

5. Communications

   A. Home Buyer Day Participant Profile [Hope//Enclosure]

6. Legal

   A. Legislative Update [Jarrett//Enclosure]

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

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

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, February 16, 1989

Present: Commissioners Shaw, Myette, Francis, Seelig, Hahn

VHFA Staff: Mr. Hunt, Mrs. Parker, Mr. Jarrett, Ms. Pond, Mr. Lothrop, Mr. Schoenbeck, Mr. Falzone, Ms. Hope, Ms. Markman, Ms. Crady; Ms. Russell of VHMGB; Ms. Mullikin of Housing Vermont.

Guests present included: Mr. Traver Underwood of Shearson Lehman Hutton; Ms. Brenda Torpy of Northgate Nonprofit Inc., Mr. Don Tarinelli; Mr. Bernard A. Gilhuly.

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of January 19 were unanimously accepted as written.

Mr. Lothrop reviewed the status of the 1988B MOVE Program, as per the statistics included in the Board packet. According to Mr. Lothrop, the program appears to be successful, with much activity in the marketplace. If activity continues at the present rate, following the current average rate of reservation, and considering a 16% fallout rate and an increase in activity due to the historically more active spring real estate season, it would appear that the program would only last an additional 13 weeks. Ms. Crady then informed the Board that a mailing regarding the $20 million set-aside at 8.9% was about to be distributed to approximately 1,000 builders throughout the state. Mr. Seelig advised Ms. Crady that although it may be too late to include in this mailing, it would be worthwhile to urge the builders to make lots available to Northern Community Investment Corporation (NCIC) and other similar nonprofit groups. Ms. Crady assured the Board that this strategy would be suggested when meeting with the individual builders.

Mr. Hunt then offered his Executive Director's report, explaining to the Board that the final draft of the Business Plan had been included in the Board packet to allow for review prior

to the staff suggesting changes in priorities. Mr. Francis found the scope of the various components interesting, and Mr. Hahn commended the staff on the work that had been done to have all of the Agency's initiatives in one place. According to Mr. Hunt, staff will be making recommendations to the Board for changes to the Business Plan prior to the end of the current fiscal year.

The Fort Ethan Allen - Dalton Drive (the Fort) project has been continuing, and according to Mr. Hunt progress is being made toward gathering information for making a decision in March. A preliminary report has been submitted by Chip Hart, a marketing consultant, and Engelberth Construction is developing a cost estimate for each building. Mr. Hunt further indicated that meetings with the Town of Essex have gone well, despite articles in the local press; the Town of Colchester is also in support of this project, and has adopted a master plan regarding the Fort. Emily Wadhams, project consultant, has met with the zoning administration and planner regarding parking and other issues. A decision as to whether to proceed with Fort Ethan Allen by signing a purchase/sale agreement with the University of Vermont will be needed at the March Board meeting.

A brief discussion followed regarding the use of home-steading for individual units at the Fort. Mr. Seelig asked whether the staff has discussed equity limitations or the possible impact on any resale, but Mr. Hunt cautioned that any equity limitation must be related to the cost of the unit, and thus can not be determined at this point. Mr. Hahn urged a diplomatic approach to the issues of resale and any restrictions. Mr. Myette stated that he was pleased that Engelberth Construction was being considered, and Mr. Hunt assured the Board that staff has been pleased with Engelberth's work on the Riverside project as well as their approach to the Fort project.

Mr. Hunt next informed the Board that a review of the Employee Compensation Plan is under consideration. A proposal from Palmer & Associates was distributed for the Board to review. Palmer & Associates conducted a similar study for Vermont Student Assistance Corporation (VSAC), a firm with a structure comparable to the Agency. It is hoped that this study, which should be completed by May 15, in time for the 1989-90 budget planning, will provide ranges of salaries for positions and a correction of any inequities in salary. No formal vote was taken, but the Board expressed general approval for this study.

Next, Mr. Hunt briefly described a 16-unit elderly project in Swanton, which had reached its ten year prepayment date. The owners have signed a purchase/sale agreement to sell this project to the Vermont State Housing Authority (VSHA) or Housing

Foundation Inc. (HFI) in July. The project has $100,000 cash available, of which the owners would like to free up $70,000 to meet unspecified obligations prior to the sale. Prepayment of the mortgage would free up these funds, but the regulatory control would be lost. Mr. Hunt suggested that it might be acceptable for the owners to receive $70,000 in exchange for a commitment in writing to extend the Housing Assistance Payment (HAP) Contract to its full term and give VHFA an option to purchase, if the proposed sale to VSHA or HFI does not transpire. Mr. Falzone further explained to the Board that an extension of the HAP Contract would last for an additional 20 years, and Mr. Jarrett elaborated on the details of the proposed agreement, as drafted. Upon a motion duly made and seconded, it was unanimously agreed (with Mr. Shaw abstaining) to allow staff to continue the transaction as described.

At this point, Ms. Torpy of Northgate Nonprofit Inc., and Mr. Tarinelli and Mr. Gilhuly, owners of Northgate and the other "Gates" projects, arrived. Mr. Hunt explained to the Board that a purchase price of $11,000,000 for Northgate and $32,000 per unit for each of the other Gates projects had been discussed during a meeting that same morning with Mayor Bernard Sanders of the City of Burlington. According to Mr. Hunt, Housing Vermont would be a general partner in all of the Gates projects.

Mr. Tarinelli then addressed the Board, emphasizing that it is the developers belief that these projects should be in the public, rather than private domain. Mr. Hunt reminded the Board that one major source of equity would be the Low Income Housing Tax Credits; to qualify for these, the units must be kept affordable. Mr. Seelig reminded the Board that Northgate Nonprofit must submit a proposal to the U.S. Department of Housing and Urban Development (HUD) regarding flexible subsidy by March 1, and this proposal can only be submitted if Northgate can prove site control of Northgate. A lengthy discussion followed, which focused on the implications of agreeing to purchase the other Gates projects when so far a detailed analysis has been done on only the Northgate project.

A motion was duly made, seconded and unanimously agreed to go into Executive Session to discuss a real estate purchase option. After coming out of Executive Session, a motion was duly made, seconded, and unanimously agreed that an option for the purchase of the Northgate project be pursued, with the assumption that HUD would accept this option as a basis for the purchase of Northgate, indicating site control; further, that a mid-range purchase option be pursued; and further, that the option agreement state that if VHFA fails to follow through on the

purchase of all three of the other Gates projects, the purchase price for Northgate could be negotiated to an amount exceeding the agreed upon price of $11 million, up to $12.5 million, with a pro-rated amount if fewer than three of the projects are purchased.

Turning next to a discussion of the Secondary Market, Mr. Hunt assured the Board that much progress has been made by Lynne Ballew. A proposal from Shearson Lehman Hutton regarding their underwriting the sale of taxable bonds was distributed to the Board for review. Mr. Hunt cautioned the Board that the proposal could cost up to $25,000, which would later be applied to the cost of issuance for a future bond deal. Following a brief discussion of the merits of such a proposal, a motion was duly made, seconded, and unanimously carried to negotiate further terms of the proposal as presented.

Mr. Jarrett presented an update on recent legislative activity of interest to the Agency. The bill relating to the extension of VHMGB's mortgage insurance limit had been passed and was the first bill signed by the Governor during this legislative session. Enabling legislation regarding mobile home park financing had also been introduced into the Legislature. According to Mr. Jarrett, the "At Risk" bill was scheduled to have hearings start the following week, and he asked the Board to determine its position on this bill, as VHFA representatives would probably be asked to testify on this bill. Board members present indicated that one member was against the bill as it reads, while three of those present were in favor of the bill as written. Mr. Hahn requested Mr. Hunt poll the absent Board members objectively, and to further consider that a vote had been rendered and a position taken based on the views of the entire Board as expressed in this poll.

Next, Mr. Jarrett led a discussion of the proposal by Edgar May regarding alternative funding opportunities should Mortgage Revenue Bonds (MRBs) sunset at the end of 1989, as scheduled. A motion was duly made and seconded that the Board has not taken a position on this issue, and that it is still under review by the Board. This motion was carried with Mr. Hahn opposed.

The topic of tax exemption was removed from the Table and Mr. Jarrett advised the Board that he and Mr. Hunt had met with Mr. Minard of the Governor's office and with Board member Francis to discuss the legislation as drafted. Mr. Jarrett indicated to Mr. Minard that no Board position had been taken on this issue, and he has drafted certain revisions and modifications as requested by Mr. Minard.

Mr. Jarrett further reported that the Legislative Counsel had advised him that a bill regarding tax exemptions, based on a very early draft, which was to be introduced. A motion was duly made, seconded and unanimously carried that the Board oppose a broad interpretation of this bill, but would support a narrower interpretation which could apply to the Gates projects.

At this point, Mr. Shaw expressed his regrets and left the meeting.

A brief discussion followed on the proposed legislation covering a covenant running with the land, as drafted and revised by Mr. Kochman. Upon a motion duly made and seconded, it was unanimously agreed to support the introduction of this proposed legislation.

The next meeting was scheduled for Monday, March 13, 1989, to be held in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

STATISTICAL REPORT PROGRAM ID: 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 03/02/89

Total Number of Loans:	125
Total Loan Amount:	$8,017,038
Average Loan Amount:	$64,136

EXISTING:	$6,462,021	82.4%	103 Loans
NEW CONSTRUCTION:	$1,555,017	17.6%	22 Loans
NEW DETACHED HOUSING:	$1,372,591	88.2%	19 Loans
NEW CONDOMINIUM:	$182,426	11.7%	3 Loans

Total Insured or Guaranteed Loans:	122
Loans Guaranteed by VHMGB:	121

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$65,074	$76,868	$70,358
Avg. Loan Amount	$58,436	$71,158	$64,136
Avg. Borrower Income	$27,632	$30,187	$28,777
Avg. Housing Debt-Income Ratio	25.1%	28.4%	26.6%
Avg. Total Debt	$775.50	$881.92	$823.18
Avg. Total Debt-Income Ratio	33.6%	35.4%	34.4%
Total No. of Loans	69	56	125
First Time Homebuyers	82.6%	100.0%	90.4%
% Loans with 2 or more Wage Earners	57.9%	60.7%	59.2%
% of Total Loan Amount	50.3%	49.7%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	5	4.0%	$347,880	5,115	5.7%	1.7-
Bennington	5	4.0%	$310,425	6,538	7.3%	3.3-
Caledonia	5	4.0%	$234,475	4,500	5.0%	1.0-
Chittenden	45	36.0%	$3,269,582	17,415	19.4%	16.6
Essex	0	0.0%	$0	1,455	1.6%	1.6-
Franklin	13	10.4%	$884,030	5,798	6.5%	3.9
Grand Isle	0	0.0%	$0	932	1.0%	1.0-
Lamoille	8	6.4%	$438,050	3,234	3.6%	2.8
Orange	2	1.6%	$123,948	4,221	4.7%	3.1-
Orleans	8	6.4%	$285,831	4,149	4.6%	1.8
Rutland	10	8.0%	$634,716	10,051	11.2%	3.2-
Washington	20	16.0%	$1,229,075	9,282	10.3%	5.7
Windham	3	2.4%	$202,026	6,944	7.7%	5.3-
Windsor	1	0.8%	$57,000	10,120	11.3%	10.5-
TOTAL	125	100.0%	$8,017,038	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
CACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

DATE: March 3, 1989

SUBJECT: Increased Signatory Authority for Linda Wilson, Single Family Loan Servicing Supervisor

Attached to this memorandum is an authorization for Linda Wilson which provides her with expanded and additional authority to carry on the business of servicing VHFA's Single Family Loan Portfolio.

This authorization, if approved by the Board, would provide Linda with the following:

* Increased authority to endorse property insurance claim checks on behalf of VHFA from $2,000.00 to $3,000.00. This would allow Linda to process a vast majority of the insurance claim checks VHFA receives and allow her to operate more efficiently.

* Authorization to add and delete borrowers from notes held by VHFA. This is necessary to allow her to react to borrowers changing situations such as domestic difficulties, etc.

I have underlined the changes to Linda's present authority, as previously authorized by the board, for quick reference.

Linda has held the position of Loan Servicing Supervisor since she joined VHFA from the Vermont Federal Bank in September of 1986. Linda has performed her responsibilities in a very professional and efficient manner while promoting good relations with our participating lenders.

Attachment

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

AUTHORIZATION

Effective March 13, 1989, I designate Linda C. Wilson, in her capacity as an employee of the Vermont Housing Finance Agency, as an authorized agent of the Vermont Housing Finance Agency to execute documents of the following character for all of its home mortgage purchase programs, all of its single family mortgage purchase programs, and all other single family loan programs, whether secured or unsecured:

1. Listing Agreements with real estate brokers for the sale of real estate owned by the Vermont Housing Finance Agency.

2. Deeds, property transfer tax returns, and other customary documents necessary or convenient for the transfer of real estate owned by the Vermont Housing Finance Agency.

3. Endorsements to property insurance claim checks pertaining to property on which the Vermont Housing Finance Agency holds a valid lien up an amount of $3,000.00.

4. Preparation and execution of claim forms to primary and pool insurers on which the Vermont Housing Finance Agency holds a valid lien.

5. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

   a. Foreclosure or other acquisition of title to property on which the Vermont Housing Finance Agency has a valid lien.
   b. Repairs and improvements to real estate owned by the Vermont Housing Finance Agency.
   c. Forebearance agreements with delinquent borrowers.

6. Consent to the actions of the following character:

   a. Release and addition of signers of notes which are held by the Vermont Housing Finance Agency.
   b. Creation of easements and rights of way over property on which the Vermont Housing Finance Agency holds a valid lien.
   c. Acknowledgment of receipt of liens junior to the lien of the Vermont Housing Financy Agency.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady PAC

SUBJECT: Guidelines for Phase I of the Vermont Secondary Market

DATE: March 6, 1989

Staff has been working cooperatively with members of the VBA Mortgage Committee to define and develop a Vermont Secondary Market.

When we initially met with the committee last September, we discussed goals for both lenders and VHFA for a Vermont Secondary Market program. Those goals stated were:

Lenders

- liquidity; to have the ability to sell present mortgage portfolios;
- to have the ability to sell non-conforming loans on an on-going basis.

VHFA

- to expand the lender supply of capital for primary residential mortgages;
- to encourage lenders to provide on-going capital for:
  - residential mortgages for low- and moderate-income families;
  - blanket and share loans for limited equity housing cooperatives;
  - loans and support of non-profit housing groups;
  - increased availability of mobile home financing.

Under Phase I of the Vermont Secondary Market project, VHFA will purchase seasoned loans from the portfolios of Vermont banks. Investment of all or a portion of the proceeds would be restricted to certain types of lending. Attached are guidelines approved by Fannie Mae for loans to be sold under Phase I. A smaller group from the VBA Mortgage Committee will be working with VHFA to develop criteria for approval by lenders and VHFA

for investment of the proceeds and recourse arrangements between lenders and VHFA.

Requirements for investment of proceeds from the sale of loans under Phase I will be developed over a series of negotiations with lenders. At this time, we request your input so that criteria for loans to be sold under Phase I can be established. We also seek your guidance in the area of investment of the proceeds.

PROPOSED GUIDELINES FOR LOANS TO BE SOLD TO VHFA IN VERMONT SECONDARY MARKET PROGRAM (first phase)

- Properties must be 1-4 unit single-family homes, condos, or PUDs (no cooperatives) suitable for year-round occupancy.
- Properties can be principal residences or second homes.
- Loans must be conventional (no FHA or VA) fixed-rate first mortgages with terms of 30 years or less.
- Loans must be seasoned (more than 12 months since closing), with no more than one 30-day late payment in the past 12 months and (to the best of the lender's knowledge) no overdue tax payments.
- Loans with loan-to-value ratios over 80% must have private mortgage insurance covering the top 25% of the loan amount.
- Original loan amounts are limited to:

  For 1-unit properties, no more than $187,600
  For 2-unit properties, no more than $239,950
  For 3-unit properties, no more than $290,000
  For 4-unit properties, no more than $360,450

- No primarily commercial properties (such as farms, orchards, or ranches); no condo hotels; no timeshare or segmented ownership projects; no houseboats.

The following nonconforming features will be acceptable for loans in the first phase of the Vermont Secondary Market Program:

- Land value exceeding 30% of appraised value for the property
- Incomplete verification of income and documentation for self-employed borrowers
- Characteristics related to the rural nature of the property: wood central heat, wells, septic, or springs for water supply, unpaved roads, etc.
- Use of nonstandard documents (including appraisals) and mortgage instruments
- Condominium loans in projects that do not have Fannie Mae project approval
- Initial debt ratios higher than 28/36

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond and Patricia A. Crady

SUBJECT: MOVE Funds Available at 7.9%

DATE: March 6, 1989

Staff has had preliminary discussions on how to best utilize the $6 million of 1988 B funds reserved for lower income borrowers.

Not surprisingly, there appears to be great interest from the nonprofit sector in the approximate 100 mortgages financed by the $6 million. In addition to previous discussions with several nonprofits, we intend to solicit further participation from them in order to produce a program suited to their needs.

At this time, we are requesting your thoughts on how this part of the 1988 B MOVE funds should be structured. Attached is a preliminary outline of the program which represents our first cut at the guidelines. Please bring your ideas to the meeting so that we can pursue further development of this resource. Our tentative timeline for mailing to nonprofit groups and other interested developers is March 29, 1989.

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

7.9% MORTGAGES FOR VERMONTERS FUNDS

Preliminary Guidelines

Funds available $6 million at 7.9% fixed rate, 30 year term

- All units financed must be perpetually affordable.
- $2 million will be targeted for existing or rehabilitated housing and $4 million will be targeted for new construction. (This ratio will be reviewed for adjustment after 4 months.)
- Maximum income of a household cannot exceed 60% of area median for existing and rehabilitated housing and 80% of area median for newly constructed housing.
- To use funds at 7.9%, the home buyer cannot be qualified for funds available at 8.9%.
- At a minimum, the perpetual affordability formula must, based on reasonable assumptions, maintain the affordability of the units for resale to households with the same relative income.
- Fee to reserve funds will be 1% of the amount reserved. This fee will be fully refundable when performance goals are met and the funds used by eligible buyers. VHFA may reserve the right to waive fees when appropriate to do so.
- With the exception of income, other borrower qualification requirements and guidelines will be the same as for funds available at 8.9% including the ability to finance eligible closing costs.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: March 3, 1989

TO: VHFA Board of Commissioners

FROM: Hollis Hope, Director of Communications

RE: **Home Buyer Days - Results of 1988 Pilot Effort**

At the December Board Meeting, Commissioner Hahn requested additional data on Vermonters attracted to the Home Buyer Days held in 1988. Stacy Markman, Research Analyst, and I have put together the attached information for your review and comment.

In order to provide some context for the data presented on participant profile, a summary of last year's activities is below.

BACKGROUND AND PURPOSE

A series of workshops was developed last year by VHFA staff in response to common queries on the toll-free hotline and based on information obtained from our survey of 2300 home-seeking households. Our objectives included the following; to:

- assist home buyers in determining an affordable purchase price;
- provide information on home buying process and VHFA;
- empower potential VHFA borrowers through education; and to
- provide potential VHFA borrowers with opportunity to meet one-on-one with VHFA staff, locally, in a non-threatening setting.

VHFA benefitted also by using Home Buyer Days as an opportunity for us to learn first-hand, in depth about the difficult realities of the home search and obtaining of financing for these individuals. The participants have provided a new source of data for us to examine that can help us create better programs or find ways to enhance existing programs.

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

HOW MANY VERMONTERS WERE SERVED

VHFA met in 20-30 minute interview sessions with almost 400 Vermonters in eight counties around the state: Washington, Orleans, Franklin, Rutland, Windsor/Windham, Bennington, and Caledonia.

Four Home Buyer Days were held in the spring and, based on their apparent success and the new infusion to MOVE of fixed rate funds at 9.1%, three more were held in the fall of 1988. Prior to holding the fall series, the workshop materials were evaluated and improved, participating lenders were encouraged to send representatives to conduct interviews along with VHFA staff, and the data collection system was upgraded.

WHO ATTENDED (See attached "Participant Profile")

SUMMARY

The positive response from home buyers and the data collected indicate that Home Buyer Days are a valuable resource to our potential borrowers. Education and empowerment are key to helping first-time buyers be prepared to face the challenging steps of the home buying process.

In 1989 Home Buyer Days are tentatively scheduled for each of the 12 labor market areas of the state. (See attached sample flier and schedule.) This year's series will be kicked off in South Burlington, followed by Home Buyer Days every other week in different locations around the state. To further improve the effectiveness of these forums, we are:

- providing a brief orientation for lenders prior to the Home Buyer Day;
- exploring ways to link borrowers with potentially VHFA-eligible properties;
- improving participant data collection;
- providing clearer advertising and better screening of participants so that only potential VHFA borrowers attend; and
- researching the feasibility of handing "qualified" participants a certificate of pre-qualification, to improve their credibility among REALTORS, lenders and sellers.

Stacy and I will be available at the March 13 Board Meeting for further discussion of Home Buyer Days or the attached material.

Thank you.

HAH029:dl
Attachments (5)

VHFA HOME BUYER DAYS, FALL 1988

PARTICIPANT PROFILE

The following narrative presents selected findings from data obtained from 144 of the 164 households attending three VHFA Home Buyer Day workshops held in September and October 1988.

1) **PARTICIPATING HOUSEHOLDS:**

Location

Bellows Falls	Windham County	9/21/88	81 households
St. Johnsbury	Caledonia County	9/28/88	48 households
Bennington	Bennington County	10/12/88	35 households
		TOTAL	164 households

2) **AVERAGE HOUSEHOLD INCOME:**

Home Buyer Days Participants		VHFA Borrowers	
All Participants:	$25,100	88A Program:	$27,300
		87A Program:	$26,400

The Home Buyer Days generally attracted the modest income households VHFA seeks to serve although, as the figures above convey, the average income of participants was somewhat lower than VHFA borrowers in the 87A and 88A programs.

83% of the Home Buyer Day participants had incomes under the VHFA income limits then in effect. VHFA limits have been increased since these workshops and, therefore, an even greater percentage of households attending the Fall HB Days may now be VHFA income eligible.

Notably, for those participants who were VHFA income eligible, the average annual income was only $22,500, well below the average income of VHFA borrowers. While a sizable number of households attending the HB Days had incomes too low to support a home purchase this year, we believe the HB Day workshops helped prepare many of these households for possible future home purchase by educating them about the home buying and financing process generally, about VHFA assistance, and about their personal financial situation.

3) AFFORDABLE PURCHASE PRICES

	HB Days Participants*	VHFA Borrowers
Average Affordable Purchase Price[1]	$48,000	88A (9.1% rate): $59,300 87A (9.7% rate): $57,000

* Of those 92 households at the Home Buyer Days who 1) had incomes under VHFA limits, and 2) could afford to purchase a home for at least $30,000.

One of the goals of the HB Days is to meet individually with prospective home buyers to help them determine a purchase price they could afford with VHFA assistance. The chart above, and the attached graph entitled "Affordable Home Purchase Prices," present summary data about affordable home prices calculated for HB Day participants.

The average estimated affordable purchase price for HB Day participants of $48,000 was well below the average purchase price of VHFA borrowers. In addition, as noted above, the average for HB Day participants was calculated only for those participants who could afford a home purchase of at least $30,000. (We didn't calculate purchase prices below this figure at the HB Days, believing few if any homes would be available for less than $30,000.) Thus, the average affordable purchase price for HB Day participants was actually less than $48,000.

Graph #1 displays the distribution of estimated affordable home purchase prices. As illustrated, 21% of participants could only afford a home costing less than $30,000, and only 41% could qualify for a home costing $50,000 or more. These are somewhat discouraging statistics in light of the fact that the average purchase price for all primary homes (including mobile homes with land) sold in Vermont during the first half of 1988 was $95,500.

Due to the lower interest rate and longer mortgage term available through the current VHFA homeownership program (88B), affordability for VHFA borrowers has increased somewhat.

---

[1]Affordable Purchase Prices for Home Buyer Day participants were calculated for a 25 year mortgage, with a 5% down payment, 28% housing debt to income, and a 9.1% interest rate at the Windham and Caledonia workshops, and a 10% rate at the Bennington workshop, at which time only recycled VHFA homeownership funds were available.

4) **EXCESS DEBT**

One reason the affordable home purchase prices for HB Day participants was so low was the "Excess Debt" carried by many households. Excess Debt is a high level of installment debt that reduces the income available to support a mortgage (based on the maximum allowable total debt to income ratio of 36%).

62% of the HB Day participants who were VHFA income eligible had Excess Debt that reduced their affordable home purchase price. As displayed in appended **Graph #2**, those households with incomes between $15,000 and $25,000 were most likely to be burdened by Excess Debt -- 72% of households in this combined income range reported Excess Debt.

It appeared that many prospective home buyers could benefit from more extensive financial counseling or home budgeting assistance to help prepare them for future home purchase. We are currently researching organizations, such as UVM's Extension Service, that provide this type of service. We would like to make regular referrals for HB Day participants who seem likely to benefit from more in-depth financial counseling.

5) **AVAILABLE ASSETS**

Saving enough cash for the down payment and closing costs associated with a home purchase presents another barrier to homeownership for many prospective buyers. Nearly two-thirds of the HB Day participants (who were VHFA income eligible and able to qualify to purchase a home costing at least $30,000) did <u>not</u> have sufficient cash for a five percent down payment plus estimated closing costs. The average cash shortfall for these households was more than $3000.

Graph # 3, "Average Cash Shortfall, by Income" provides additional information about prospective buyers with insufficient cash assets. As the graph illustrates, households with income in the $20,000 to $30,000 range reported the greatest dollar shortfall of cash needed for a home purchase.

These figures offer one demonstration of the need to continue VHFA's Down Payment Assistance program, especially since a large portion of VHFA borrowers have incomes in the $25,000 to $30,000 range where cash shortages may be of most concern. For HB Day participants in this income range, the average cash shortfall was more than $3600.

Insufficient cash is often cited in the national literature as one of the most critical and common obstacles to home ownership. For example, a 1986 survey conducted by the National Association of Realtors found that seven out of ten renters surveyed reported that the reason they continued to rent was their inability to accumulate enough cash for a down payment on a home.

Insufficient cash assets may reflect both the high level of debt many households carry and perhaps, as is true nationally for many prospective home buyers, high rent payments in relation to income. To get a more complete picture of the financial situation of prospective VHFA borrowers, data collection during the upcoming series of HB Day workshops will include questions about rent payments and monthly installment debt payments as a percentage of monthly income.

6) **ADDITIONAL COMPARATIVE CHARACTERISTICS**

	Home Buyer Days Participants	VHFA Borrowers 88A	87A
First-Time Home Buyers	84%	89%	86%
Two or More Wage Earners in Household	56%	54%	54%

Household Size:	HB Days	VHFA Borrowers FY88
One Person	16%	24%
Two Persons	24%	32%
Three or More Persons	60%	44%

It appears from these comparative figures that the Home Buyer Day participants and VHFA borrowers had similar profiles in terms of percentage of first-time home buyers and percentage of households with two or more wage earners. We were interested to find, however, a rather greater disparity in household sizes between HB participants and VHFA borrowers; HB participants were much more likely to live in households of three or more persons.

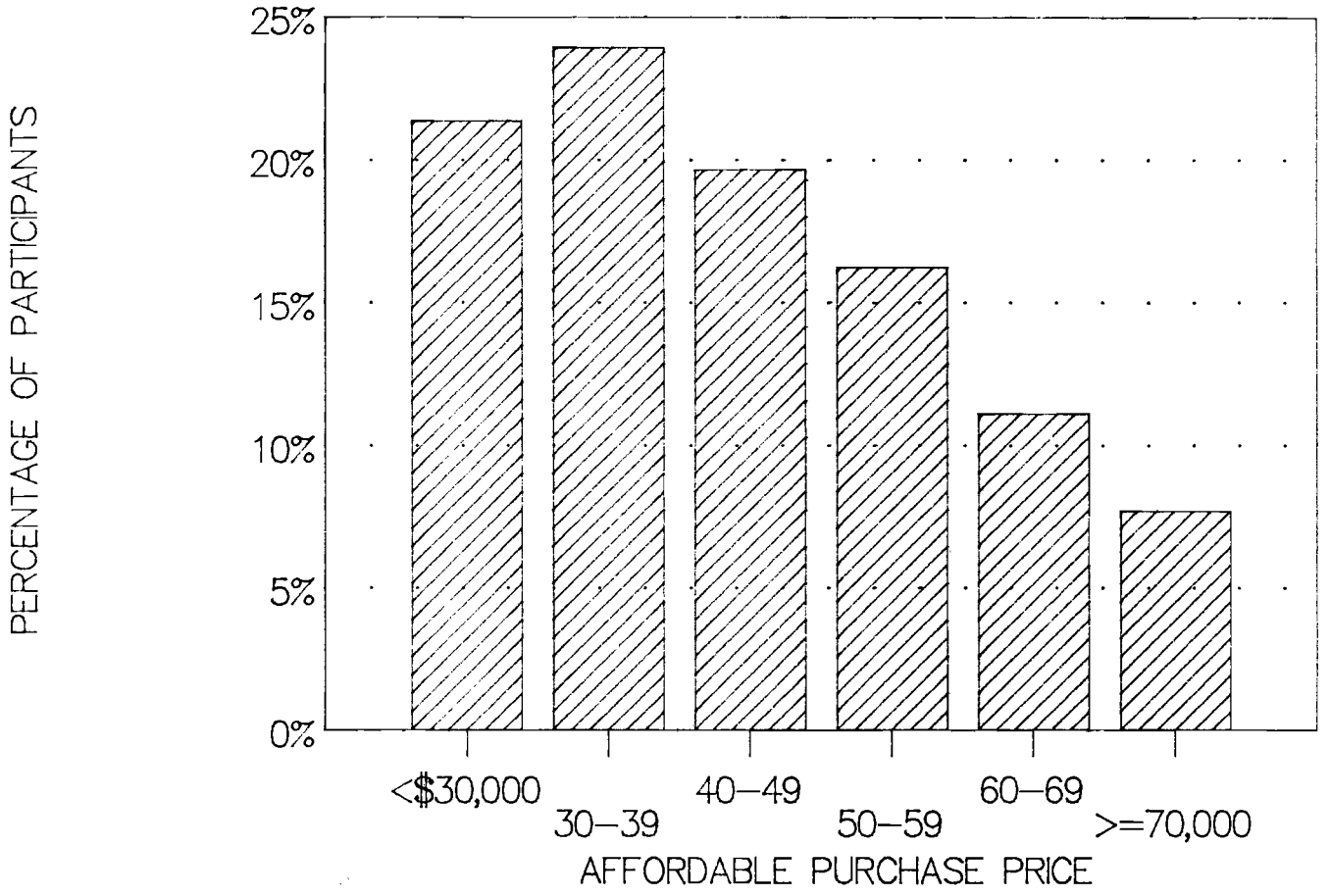
7) **CONTACTS MADE BY PROSPECTIVE HOME BUYERS**

58% of Home Buyer Day participants reported that they were actively looking for a home. **Graph #4, "Contacts Made in Home Search,"** displays the percentage of Home Buyer Day participants who reported having contacted real estate agents, lenders, builders, the Farmers Home Administration and the VHFA. The responses indicated that real estate agents were by far the most likely contact for prospective VHFA borrowers. This finding supports our expanded efforts to reach out to real estate professionals statewide.

HOME BUYER DAYS PARTICIPANTS
FALL 1988

GRAPH 1

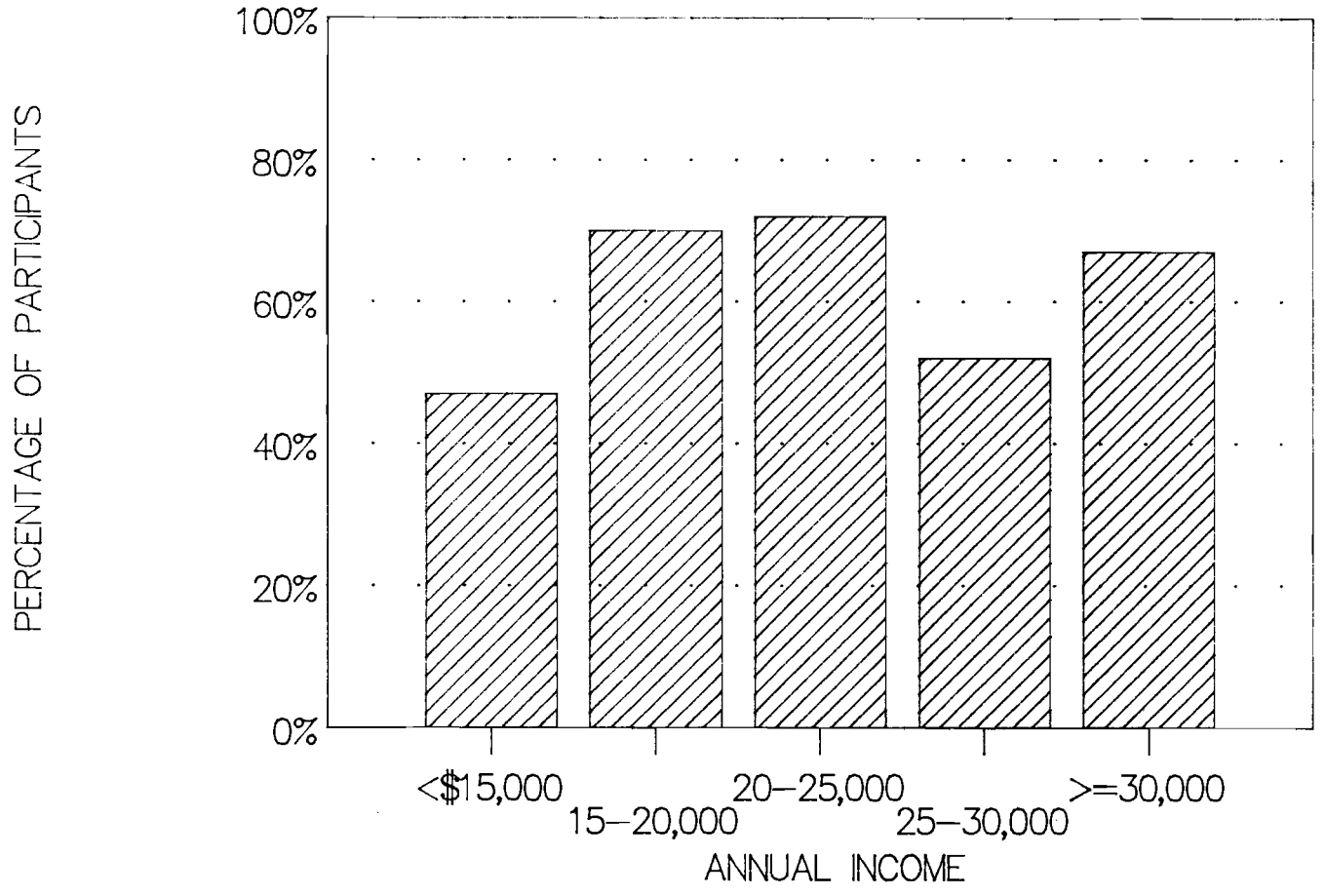
AFFORDABLE HOME PURCHASE PRICES



HOME BUYER DAYS PARTICIPANTS
FALL 1988

GRAPH 2

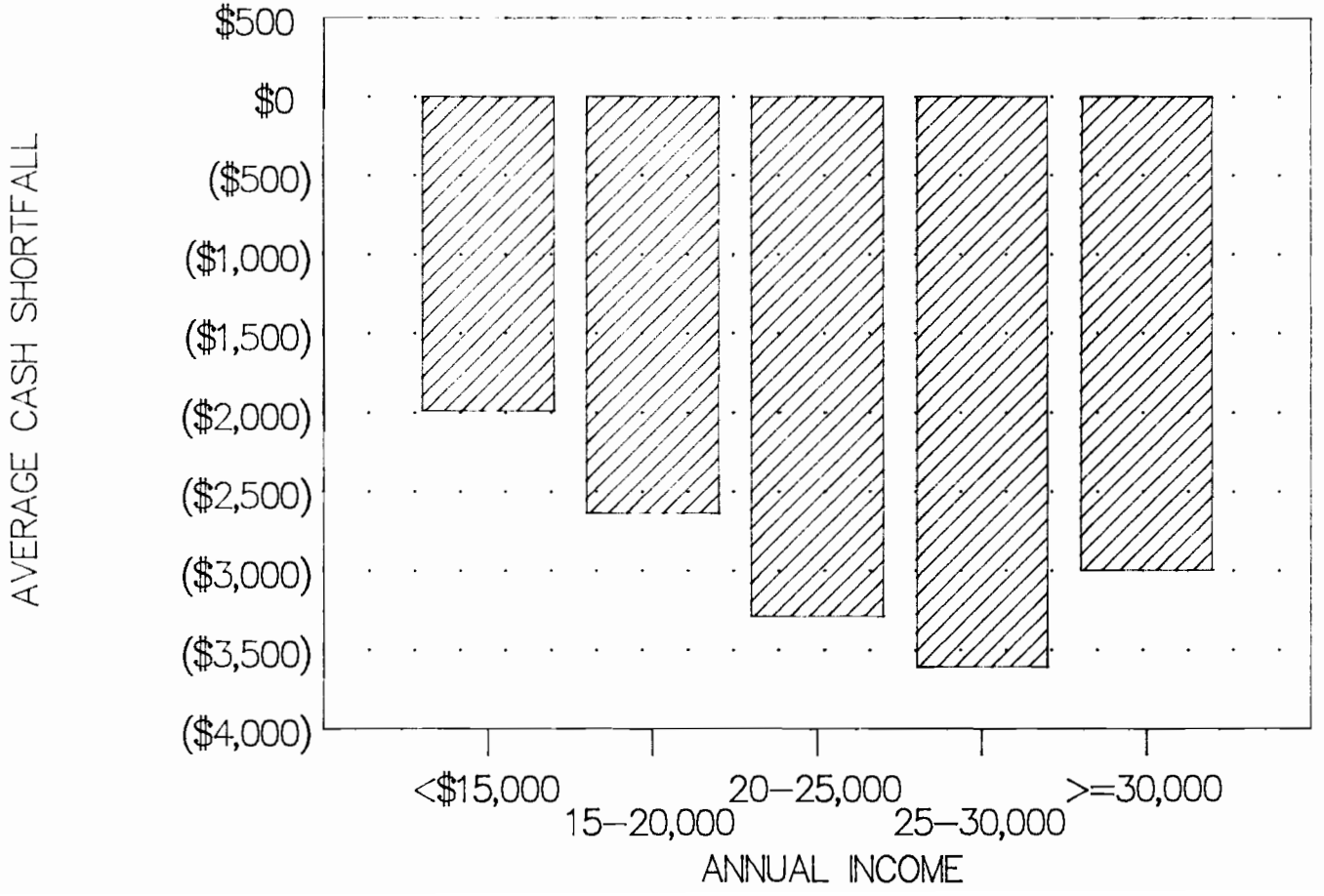
% PARTICIPANTS WITH EXCESS MONTHLY DEBT



HOME BUYER DAYS PARTICIPANTS
FALL 1988

GRAPH 3

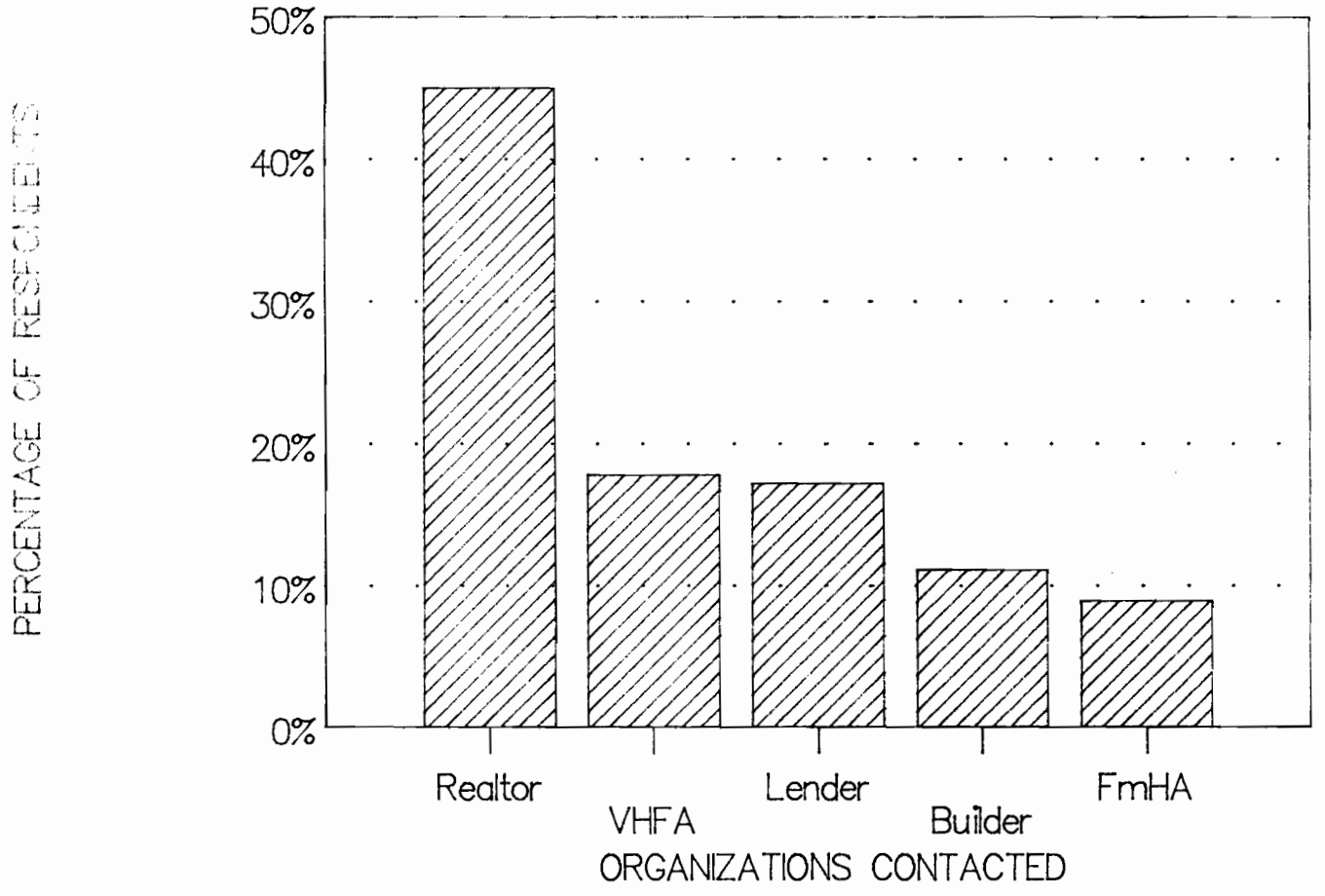
AVERAGE CASH SHORTFALL, BY INCOME



HOME BUYER DAYS PARTICIPANTS
FALL 1988

GRAPH 4

CONTACTS MADE IN HOME SEARCH



Can You Afford a MOVE to Homeownership?

Come to a VHFA Home Buyer Day and find out!

Meet personally with a VHFA representative. Learn about VHFA's **Mortgages for Vermonters – MOVE** financing, how mortgage payments are calculated and how much you can afford. VHFA borrowers must meet eligibility criteria including maximum income and purchase price limits. First-time buyer requirement may apply.

WHERE: The Econo Lodge in South Burlington

WHEN: Wednesday, March 8 11:00 a.m. to 7 p.m.

Appointments are required, so please call VHFA soon at 864-5743 or toll free 1-800-222-8432.

vhfa

VERMONT HOUSING FINANCE AGENCY

Directions to Econo Lodge: *Interstate 89 Exit 14E for South Burlington onto Route 2 (Williston Road). Go through two traffic lights. Entrance is 300 feet on left.*

NEWS RELEASE

FOR RELEASE MARCH 6, 1989

Hollis A. Hope 864-5743 (work)
482-2410 (home)

VHFA ON THE MOVE AROUND VERMONT

BURLINGTON--The Vermont Housing Finance Agency (VHFA) will kick off its 1989 Home Buyer Days on Wednesday, March 8 at the Econo Lodge in South Burlington. First-time home buyers in Chittenden and Grand Isle counties may attend the workshop to learn about VHFA's Mortgages for Vermonters--**MOVE** and the home purchasing process. In individual interviews with VHFA staff and representatives from area lenders, borrowers can determine an affordable purchase price.

VHFA Home Buyer Days are free of charge, but appointments are required for the 11:00 a.m. to 7:00 p.m. interviews. Participation is limited to first-time buyers who meet income eligibility guidelines. To be eligible for VHFA's **MOVE**, annual gross household income must not exceed $38,000 for Chittenden County and the Burlington metropolitan region or $31,500 for Grand Isle County.

"Response from the home buyers at the Home Buyer Days held last year was very enthusiastic," says Hollis Hope, VHFA Director of Communications. "The educational benefit of one-on-one discussions is evident--borrowers can find out what affordable means in their own cases, how home financing works with VHFA and are better prepared to begin a **MOVE** to homeownership."

-more-

Home Buyer Days are a major part of the VHFA commitment to reach out directly to Vermonters. "We feel it's important to empower home buyers with knowledge of what they can afford in the frustrating and often discouraging endeavor to buy a home," continues Hope. Nearly 400 Vermonters participated in Home Buyer Days held last year in Washington, Bennington, Windsor, Franklin, Caledonia, Rutland and Orleans counties.

VHFA's **MOVE** funds can offer an affordable financing solution to many modest-income buyers with an 8.9% fixed interest rate, minimum 5% down payment, 30 year term and flexible underwriting. "Since the new supply of 8.9% funds was released in January, $14 million has already been reserved, which will mean over 200 **MOVE**s to homeownership with VHFA financing," adds Hope.

The South Burlington Home Buyer Day is the first stop in VHFA's MOVE around Vermont. Home Buyer Days are scheduled at 12 locations throughout the state during the coming months.

For more information or to schedule an appointment for the Home Buyer Day in South Burlington, please call VHFA in Burlington at 864-5743 or toll free at 1-800-222-VHFA.

CD021.NR

Enclosure

[for Legislators only]

PROGRAM SUMMARY:

"VHFA on the MOVE around Vermont"
VHFA HOME BUYER DAYS 1989
Mortgages for Vermonters--MOVE

Proposed Schedule	Location	Counties Served
March 8	South Burlington	Chittenden; Grand Isle*
March 21	Barre/Montpelier	Washington; Orange
April 11	Middlebury	Addison*
April 26	White River Jct.	Windsor*
May 3	Brattleboro	Windham*
May 18	Bennington	Bennington*
June 8	Rutland	Rutland
June 20	Lyndonville	Caledonia; Essex*
September	Newport	Orleans
September	Morrisville	Lamoille
September	St. Albans	Franklin; Grand Isle*
October	to be determined	

*designated VHFA-underserved County

Program Outline for VHFA Home Buyer Days

Format: Reception and welcome area
3 to 5 concurrent interview sessions

11:00 am to 7:00 pm Individual interviews by appointment
Appointments may be required for some Home Buyer Days
Walk-ins accommodated if schedule permits
VHFA-eligible borrowers only

Staff: 1. VHFA Communications and Operations staff
2. Loan officers from participating lenders

I. Introducing the VHFA and MOVE

A. Why VHFA
B. What is Mortgages for Vermonters--MOVE

II. Ready to MOVE

A. Your decision to buy a house
B. Your household balance sheet
C. Can you afford to buy a home--Affordability Worksheet

III. Finding A Home for your MOVE

A. Looking for a home
B. Using a real estate professional
C. Inspecting your prospective house
D. House Evaluation Worksheet
E. Making an offer

IV. Financing Your MOVE

A. Mortgage financing with VHFA
B. Steps in the loan process
C. Preparing for the application--a worksheet

V. After the MOVE

A. Your monthly mortgage payments
B. Household responsibilities

VI. The Language of MOVE--A glossary for home buyers

THE MATERIALS PRESENTED IN THIS GUIDE ARE FOR INFORMATIONAL USE ONLY. WORKSHEET MATERIALS DO NOT CONSTITUTE QUALIFICATION FOR A VHFA MORTGAGE OR ANY OTHER FINANCING.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel GAJ

Re: Pending Legislation

Date: March 4, 1989

The pace in the Legislature has quickened in the past week as the crossover date of March 10 approaches. The Senate General Affairs and Housing Committee has taken up a number of housing-related bills in the last week.

S. 47-At-Risk Housing

The committee heard testimony from the Legislative Council and a handful of others. There is no clear indication of whether the bill will be reported out of committee favorably or not. If it is, I think it likely that the tax will be reduced or removed from the bill.

S. 87-VHFA Enabling Statute amendments (Mobile Homes, equity loans)

I presented the committee with a proposed strike-all amendment that made no substantive changes in the bill you approved. On Friday, March 3, the committee voted the bill out favorably, with only one minor change in the strike-all. There was no opposition and several varied groups spoke in favor of the bill. Assuming passage by the full Senate, the bill will probably go to the House Commerce Committee.

S. 89-Rental Assistance

The committee voted the bill out favorably on March 3. There is concern that the Appropriations Committee will not approve the expenditures in the bill without a dedicated funding source.

S. 120-Omnibus Housing Bill (Senator May)

The General Affairs and Housing Committee has not yet taken up the bill, but I understand that there will be an extension granted so that the bill is exempt from the crossover deadline. Senator Skinner, the Chair of the Finance Committee, is opposed to raising the Property Transfer Tax again after it was raised last year. As you will recall, the bill provides for an increase

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in the transfer tax for commercial property and second homes to fund the Homestart program. Several senators were considering combining the rental assistance bill and this bill, but approval of the rental assistance bill means that this apparently will not happen, at least now.

S. 190-Housing covenants

This bill was discussed for the first time on March 3. It has been amended only slightly from the version VHFA proposed. All the housing advocates who testified were strongly in favor of the bill, but the members of the committee seemed confused by the technical nature of the bill. There will be more discussion over the next week.

Other committees

H. 364-Tax exemptions for affordable housing projects

I have drafted and have been promoting a narrower version of the bill, as the Board indicated it desired at the February meeting (copy attached). The House Ways and Means Committee unexpectedly took up the bill on Friday March 3 and will be discussing it further during the next week. I will present an update at the Board meeting.

Subject: Housing, tax exemptions

Statement of purpose: This bill proposes to exempt the transfer of existing at-risk housing projects benefiting low and moderate income persons and families from the payment of capital gains tax in order to increase the affordability of the housing.

AN ACT RELATING TO TAX EXEMPTIONS FOR AT-RISK HOUSING PROJECTS

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

Sec. 1. 3 V.S.A. § 2477 is added to read:

(a) The commissioner may certify a "qualified housing project" in Vermont as an "at-risk housing development" for the purposes of a certain tax exemption if the development meets the criteria set out in this section.

(b) As used in this section, the following terms shall have the meanings indicated, unless the context otherwise requires:

(1) "At-risk housing development" means a qualified housing development located in a municipality whose name begins with the letter "B";

(2) "Commissioner" means the commissioner of the department of housing and community affairs;

(3) "Families" means persons or families of low and moderate income, as that term is defined in 10 V.S.A. § 601(11);

(4) "Qualified housing development" means a development of residential housing units that is financed under section

221(d)(3) of the National Housing Act (12 U.S.C. § 1715l (d)(3)) or section 236 of the National Housing Act (12 U.S.C. § 1715z-1) and is designed primarily to provide principal dwelling accomodations for families, which may include the land and improvements thereon and such non-housing facilities or services considered necessary or convenient in connection with the residential housing.

(c) In order to be eligible for certification for tax exemptions under the procedure set out in this section, the transferor and the transferee of the at-risk housing development and a registered or certified public accountant, must certify to the commissioner under penalties of perjury:

(1) That there is a deed restriction, covenant, agreement, or other legal document that restricts the development's usage and that provides that the units designated for use by families are available to or occupied by such families at rents that do not exceed 30 percent of 80 percent of the applicable area median income, adjusted for family size, in accordance with federal standards generally accepted at the time of certification and comparable to standards of the United States Department of Housing and Urban Development existing at the time this statute was enacted;

(2) That the deed restriction, covenant, agreement,or other legal document is effective for at least the minimum period of time required by any applicable provision of the Internal Revenue Code of 1986, or, if no such provision is applicable, then at least the minimum period of time that the department of housing

and community affairs determines by regulation is appropriate for such restrictions;

(3) That all the funds that would have been necessary to pay the taxes from which exemption is sought are being used to reduce the purchase price and rehabilitation costs, if any, of the development; and

(4) That an appraiser who is a member of either the Society of Real Estate Appraisers or the American Institute of Real Estate Appraisers and who is designated by either organization for the appraisal of multi-family rental property, has conducted an appraisal, a copy of which is attached to the certification, that indicates that the fair market value of the development is at least as much as the proposed purchase price, before the value of any exemption from the capital gains tax is taken into account.

Sec. 2. 32 V.S.A. § 5823 is amended as follows:

(a) For any taxable year, the Vermont income of a resident individual, estate or trust is the adjusted gross income of the taxpayers for that taxable year less:

(1) Income exempted from state taxation under the laws of the United States; and

(2) Military pay for full-time active duty with the armed services;

(3) In the case of an individual (or either one o*[r]*f two persons filing a joint income tax return under this chapter) who has attained the age of 65 before the last day of the taxable year, the first $1,000.00 of the amount by which the net

long-term capital gain exceeds the net short-term capital loss of the taxpayer to the extent that such amount is included in the adjusted gross income of the taxpayer for that taxable year; and

(4) In the case of an individual (or either one of two persons filing a joint income tax return under this chapter) who has attained the age of 65 before the last day of the taxable year, any capital gain from the sale of real property which is a homestead or real property adjacent thereto held in excess of ten years to the extent that such amount is included in the adjusted gross income of the taxpayer for that taxable year*[.]* ; and

(5) That portion of wages which is required to be included as adjusted gross income as provided in section 280C*[(c)]* of the United States Income Tax Code which relates to federal tax credit incentive work programs*[.]* ; and

(6) Any capital gain from the sale or exchange of real property, which in the hands of the buyer shall constitute anat risk housing development certified pursuant to 3 V.S.A. § 2477.

(b) For any taxable year, the Vermont income of a nonresident individual, estate or trust is the sum of the following items of income to the extent they are required to be included in the adjusted gross income of the taxpayer for the taxable year:

(1) Rents and royalties derived from the ownership of property located within this state;

(2) Gains from the sale or exchange of property located within this state, except capital gains from the sale or exchange of real property, which in the hands of the buyer shall constitute an at risk housing development certified pursuant to 3 V.S.A.§ 2477;

* * *

Sec. 3. 32 V.S.A. § 5834 is amended as follows:

(a) For the purpose of ascertaining gain or loss from the sale or other disposition of property, real, personal or mixed, acquired before January 1, 1931, the taxpayer may, in lieu of the adjusted basis prescribed by the applicable United States Internal Revenue Code, use the fair market value of such property as of the above date, adjusted for the period subsequent thereto. In all other respects the gain or loss of the sale or other disposition of property shall be ascertained as prescribed by such Code.

(b) Notwithstanding any other provision of this subchapter, the capital gain on the sale or exchange of real property, which in the hands of the buyer shall constitute an at risk housing development certified pursuant to 3 V.S.A. § 2477, shall be exempt from tax under section 5832 of this title.

Sec. 4. This act shall take effect from passage.

3900 Wisconsin Avenue, NW
Washington, DC 20016-2899
202 752 7000

March 8, 1989

FannieMae

Mr. Allan Hunt
Executive Director
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05402

Subject: Taxable Single Family Credit Enhancement Program
("Vermont Secondary Market Program")- $100 Million

Dear Allan:

This is to indicate our desire to move forward with the development of a taxable single family credit enhancement transaction which we have agreed to name "The Vermont Secondary Market Program."

As we have discussed, the Vermont Housing Finance Agency's (VHFA) role will be to issue approximately $100 Million of taxable bonds for sale to Vermont investors and to purchase with the proceeds of these bonds seasoned single-family mortgages from Vermont lenders. Fannie Mae's role will be to provide credit enhancement for the bonds by backing them with either Mortgage-Backed Securities (MBS) or collateral pledged from our portfolio. VHFA will take all of real estate risk in this transaction as well as any cash flow risk resulting from delinquent mortgages.

Our provision of credit enhancement in this program will be subject to the attached Terms and Conditions which incorporate the requirements of the Fannie Mae Selling, Servicing and MBS Guides. Final approval of this transaction, however, will be contingent upon the decision of our Credit Policy Committee.

We are very pleased to be able to work with you and your collegues on this transaction and we hope that our cooperative efforts will preserve and create affordable housing for the residents of your state.

It was good seeing you last week at the NCSHA conference.

Sincerely,

John E. Gallagher, Jr.
Director of Public Finance

TERMS AND CONDITIONS

VERMONT SECONDARY MARKET PROGRAM

Except as specified in these Terms and Conditions, all loans must conform to Fannie Mae's published guidelines in the Selling Guide as well as to the standard warranties specified in the Fannie Mae Mortgage Selling and Servicing Contract.

Amount. The total amount of mortgage loans to be purchased by VHFA and guaranteed by Fannie Mae under the pilot phase of the Vermont Secondary Market Program will be up to a maximum of $100 million principal amount of single-family conventional mortgage loans.

Security. The mortgage loans will be secured by permanent first liens on single-family properties (homes, condos, or PUDs) located within the State of Vermont.

Term of agreement. All mortgage loans to be purchased by VHFA and guaranteed by Fannie Mae under this agreement must have commitments for purchase from VHFA dated no later than December 31, 1989.

Loans. Mortgage loans must be at least 12 months old on the date of their commitment for purchase by VHFA and must have had not more than one 30-day delinquent payment during the previous 12 months. All mortgage loans must be conventional, fixed-rate, level-payment loans with remaining terms of no more than 30 years.

Loan-to-value ratios. Loans with loan-to-value ratios exceeding 80% must have private mortgage insurance covering the top 25% of the loan amount.

Nonconforming features. The following nonconforming features will be acceptable for loans in the pilot phase of the Vermont Secondary Market Program:

- Land value exceeding 30% of appraised value for the property.
- Incomplete verification of income and documentation for self-employed borrowers.
- Characteristics related to the rural nature of the property; wood central heat; wells or springs for water supply; unpaved roads; etc.
- Use of nonstandard documents (including appraisals) and mortgage instruments.

- Condominium loans secured by units in projects that do not have Fannie Mae project approval.

- Initial borrower debt ratios higher than those prescribed by the Fannie Mae Selling Guide.

Mortgage-backed securities. All loans will be pooled in accordance with the requirements of the Fannie Mae MBS Guide and backed by securities guaranteed by Fannie Mae and utilizing the Regular Servicing Option, with VHFA assuming the risk of default.

Fee to Fannie Mae. In exchange for its provision of credit enhancement, VHFA will pay Fannie Mae an annual fee, or its equivalent, in the amount of 25 basis points of the total unpaid principal balance of the mortgage loans.

Reporting to Fannie Mae. VHFA will utilize the MORNET system for monthly MBS reporting to Fannie Mae and will also provide Fannie Mae with status reports on the progress of the Vermont Secondary Market Program on a quarterly basis.

The University of Vermont

ASSISTANT VICE PRESIDENT FOR
ADMINISTRATIVE AND FACILITIES SERVICES
109 SOUTH PROSPECT STREET
BURLINGTON, VERMONT 05405-0016
(802) 656-3208

February 22, 1989

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

FEB 27 1989

VHFA

Dear Alan:

I apologize for the delay in getting back to you with the University's response to the draft agreement on the Dalton Drive property. As you might surmise, there are many small legal and technical questions or suggestions the University staff has come up with in their review. None of these, in my opinion, will pose any problems to the execution of the agreement.

Paragraph 12 C. presents a very serious problem for the University. The University's asking price for this property has been lowered by $500,000 (and this from a two year old appraisal) to reflect its concern and contribution toward affordable housing in the region. I consider this to be a significant investment and find your suggestion of $20,000 "soft seconds" for University-affiliated people to be unacceptable. What the University requested was that during first offering, and subsequent if possible, University-affiliated people would be given first opportunity for one of the units. They would have to meet all eligibility requirements and this option should be limited in time. In no way was it suggested that they should be given any preferential treatment, other than a first opportunity. To suggest now that the University should further subsidize its faculty and staff, who already would be eligible for the units under established criteria, is not fair and is asking the University to shoulder more than its share of contributions toward affordable housing in the region.

Although I cannot speak for the Board of Trustees, if this issue comes before the Board I will strongly recommend that they not approve this condition of the agreement. I will have Harris Abbott, Manager of Land Records at UVM, and Lee Liggett, General Counsel, prepare our other comments and suggestions and forward them to you for review. Please keep me posted on your progress and let me know as soon as you have arrived at a decision on rehabilitating the property.

Sincerely,

Rayburn V. Lavigne
Assistant Vice President

RVL/dv

cc: Harris Abbott
Lee Liggett
a:fortopt

VHFA MARCH 1989 - COMPARATIVE FIGURES, HOMEOWNERSHIP PROGRAMS

HUD Family of Four 1989 Vermont Median Income = $31,600

Range (county) = $25,200 Grand Isle
38,500 Burlington MSA

100% of State Median = $31,600
80% of State Median = $25,200
50% of State Median = $15,800

	Average Income	Average Purchase	Average Loan	# Loans	Rate	Income Limits
MOVE 88B	$28,500	71,100	64,100	162	8.9%	$31,500-38,000
MOVE 88A	27,300	59,200	53,500	251	9.1%	$26,220-37,720
MOVE 87A	26,400	57,100	51,800	462	9.7%	$26,220-37,720
MCC 1988	26,600	65,800	62,900	95	N/A	N/A
FmHA/VHFA	23,500	77,100	19,000	22 (in >1.5 yrs)	N/A	N/A
FmHA (estimates)	18-20,000		65-85,000 (90% LTV)	260 (FY 88)	1-2%	$21,900-28,500 (Family of four)

VHFA BORROWER INCOMES

	MOVE 88B #	MOVE 88B %	MOVE 88A #	MOVE 88A %
<$15,000	2	1.2%	5	2.0%
$15,000 - 19,999	13	8.0%	20	8.0%
$20,000 - 24,999	26	16.0%	42	16.7%
$25,000 - 29,999	51	31.5%	95	37.8%
$30,000 - 34,999	52	32.1%	80	31.9%
>=$35,000	18	11.1%	9	3.6%
	162	99.9%	251	100.0%

HOMESTART

Preliminary Program Design Discussions
VHFA - January 1989

HOME PURCHASE PRICE AFFORDABILITY TABLE

Estimated incomes needed to support lower-priced home purchases, assuming 5% downpayment, 30 year mortgage term and 30% housing debt to income.

Purchase Price	Conventional Mortgage Rate 11.0%		VHFA Mortgage Rate 8.9%		State Subsidized Mortgage Rate 5.0%	
	MORTGAGE PAYMENT	INCOME NEEDED*	MORTGAGE PAYMENT	INCOME NEEDED	MORTGAGE PAYMENT	INCOME NEEDED
$60,000	$543	$26,100	$455	$22,600	$306	$16,600
75,000	679	32,400	568	28,000	382	20,500
90,000	814	38,700	682	33,400	459	24,500

* "Income Needed" figures account for taxes and insurance costs in addition to mortgage payments: $300 annual fire insurance, and average "effective" property tax rate of $1.70 per $100 purchase price.

08-Mar-89 DALTON DRIVE

DRAFT

DEVELOPMENT PHASE PRELIMINARY BUDGET

CONSTRUCTION LOAN INTEREST RATE	8.00%
# OF UNITS:	72
# OF BUILDINGS	20
# OF SF-GROSS HABITABLE WITH COMMON AREAS	112,341
COST/SF	$36.00
SWEAT EQUITY/SF	$0.00
REVISED COST/SF	$36.00

		BUDGET	COST/UNIT	COST/SF
CONSTRUCTION COST				
BUILDINGS		$3,159,000	$43,875.00	$28.12
CONTINGENCY	10%	$315,900	$4,387.50	$2.81
OVERHEAD & PROFIT/GEN. COND.	16%	$555,984	$7,722.00	$4.95
CONSTRUCTION ESTIMATION		$13,500	$187.50	$0.12
CONSTRUCTION COST SUBTOTAL		$4,044,384	$56,172.00	$36.00
BOND PREMIUM		$26,000	$361.11	$0.23
SITEWORK (WITHIN 5' OF BLDGS)		$60,000	$833.33	$0.53
LANDSCAPING		$50,000	$694.44	$0.45
ASBESTOR REMOVAL		$0		
CONSTRUCTION SUBTOTAL		$4,180,384	$58,060.89	$37.21
FEES				
A&E DESIGN	3.51%	$142,000	$1,972.22	$1.26
A&E SUPERVISION		$5,000	$69.44	$0.04
LEGAL AND ACCOUNTING		$50,000	$694.44	$0.45
TITLE AND RECORDING		$5,000	$69.44	$0.04
MARKETING		$30,000	$416.67	$0.27
ASBESTOS INSPECTION		$6,000	$83.33	$0.05
PERMITS/IMPACT FEES		$53,000	$736.11	$0.47
DEVELOPER'S FEE		$60,000	$833.33	$0.53
CONSULTING FEES		$100,000	$1,388.89	$0.89
FEES SUBTOTAL		$451,000	$6,263.89	$4.01
FINANCING AND CARRYING CHARGES				
CONSTRUCTION LOAN INTEREST		$251,444	$3,492.27	$2.24
CONSTRUCTION LOAN FEE	1.0%	$61,665	$856.46	$0.55
PERMANANT LOAN FEE		$0	$0.00	$0.00
TAXES DURING CONSTRUCTION		$0	$0.00	$0.00
INSURANCE/BLDGS,BUILDER'S RISK		$22,000	$305.56	$0.20
OTHER:CARRYING COSTS THRU SELLOUT		$0	$0.00	$0.00
FINANCING SUBTOTAL		$335,109	$4,654.28	$2.98
ACQUISITION				
LAND (LESS #600)		$1,200,000	$16,666.67	$10.68
AQUISITION SUBTOTAL		$1,200,000	$16,666.67	$10.68
TOTAL DEVELOPMENT COST		$6,166,492	$85,645.73	$54.89
LESS EQUITY		$0	$0.00	$0.00
VHFA CONSTRUCTION LOAN		$6,166,492	$85,645.73	$54.89

$10,000 per basement (37 total)

07-Mar-89 DALTON DRIVE

DRAFT

TABLE I
TOTAL DEVELOPMENT COST PER UNIT

TOTAL DEVELOPMENT COST	$6,166,493
# SF-GROSS HABITABLE/UNIT ONLY	94,652
COST PER SF OF UNIT(W/O COMMON)	$65

BUILDING TYPE GROUP	NUMBER OF BUILDINGS	TOTAL UNITS	SQ.FT/ UNIT	TOTAL SQ.FT.	TOTAL DEV COST/UNIT
FLAT I (1ST FL)	2	2	1,409	2,818	$91,795
FLAT I (2ND FL)	2	2	1,442	2,884	$93,945
FLAT II (1ST FL)	2	4	1,286	5,144	$83,782
FLAT II (2ND FL)	2	4	1,486	5,944	$96,812
FLAT II (3RD FL)	2	2	1,711	3,422	$111,470
FLAT III (1ST FL)	6	12	942	11,304	$61,370
FLAT III (2ND FL)	6	12	1,114	13,368	$72,576
FLAT III (3RD FL)	6	10	844	8,440	$54,986
FLAT III (3RD FL-603)	6	2	1,090	2,180	$71,013
FLAT IV (1ST FL)	1	1	1,636	1,636	$106,584
FLAT IV (2ND FL)	1	1	1,780	1,780	$115,965
FLAT V (1ST FL)	1	2	1,114	2,228	$72,576
FLAT V (2ND FL)	1	2	1,134	2,268	$73,879
TOWNHOUSE 1	3	6	2,020	12,120	$131,601
TOWNHOUSE 2	2	4	2,064	8,256	$134,468
TOWNHOUSE 3	3	6	1,810	10,860	$117,920
		72		94,652	

Mar-89 DALTON DRIVE

DRAFT

TABLE II

OWNER REHAB COSTS/SF $0

PRICE ADJUSTMENTS:
TOWNHOUSE INCREASE $5,000
ATTIC UNIT REDUCTION ($5,000)

BUILDING TYPE GROUP	NUMBER OF BUILDINGS	TOTAL UNITS	SQ.FT/ UNIT	TOTAL SQ.FT.	TOTAL DEV COST/UNIT	OWNER REHAB COST	PRICE ADJUSTMENTS	PURCHASE PRICE/UNIT
FLAT I (1ST FL)	2	2	1,409	2,818	$91,795	$0		$91,795
FLAT I (2ND FL)	2	2	1,442	2,884	$93,945	$0		$93,945
FLAT II (1ST FL)	2	4	1,286	5,144	$83,782	$0		$83,782
FLAT II (2ND FL)	2	4	1,486	5,944	$96,812	$0		$96,812
FLAT II (3RD FL)	2	2	1,711	3,422	$111,470	$0	($5,000)	$106,470
FLAT III (1ST FL)	6	12	942	11,304	$61,370	$0		$61,370
FLAT III (2ND FL)	6	12	1,114	13,368	$72,576	$0		$72,576
FLAT III (3RD FL)	6	10	844	8,440	$54,986	$0	($5,000)	$49,986
FLAT III (3RD FL-603)	6	2	1,090	2,180	$71,013	$0	($5,000)	$66,013
FLAT IV (1ST FL)	1	1	1,636	1,636	$106,584	$0		$106,584
FLAT IV (2ND FL)	1	1	1,780	1,780	$115,965	$0		$115,965
FLAT V (1ST FL)	1	2	1,114	2,228	$72,576	$0		$72,576
FLAT V (2ND FL)	1	2	1,134	2,268	$73,879	$0		$73,879
TOWNHOUSE 1	3	6	2,020	12,120	$131,601	$0	$5,000	$136,601
TOWNHOUSE 2	2	4	2,064	8,256	$134,468	$0	$5,000	$139,468
TOWNHOUSE 3	3	6	1,810	10,860	$117,920	$0	$5,000	$122,920
		72		94,652				

09-Mar-89 DALTON DRIVE

DRAFT

TABLE III
NET MORTGAGE AMOUNT

VHFA MORTGAGE TERMS :

INTEREST*	8.90%	PURCHASE PRICE LIMIT	$93,000
TERM (YEARS)	30	INCOME LIMIT	$38,000

HOUSING AND CONSERVATION TRUST 2ND MORTGAGE TERMS:

TOTAL COST LIMIT	
MORTGAGE AMOUNT	$0
TERM	DEFERRED, DUE ON SALE
INTEREST	0.00%
TOTAL HCTF FUNDS	

BUILDING TYPE GROUP	TOTAL COST	LESS DWNPMT 5.00%	LESS HCTF 2ND	MORTGAGE AMOUNT	ANNUAL PAYMENT
FLAT I (1ST FL)	$91,795	$4,590	$0	87,205	$8,345
FLAT I (2ND FL)	$93,945	$4,697	$0	89,248	$8,540
FLAT II (1ST FL)	$83,782	$4,189	$0	79,593	$7,616
FLAT II (2ND FL)	$96,812	$4,841	$0	91,971	$8,801
FLAT II (3RD FL)	$106,470	$5,324	$0	101,147	$9,679
FLAT III (1ST FL)	$61,370	$3,069	$0	58,302	$5,579
FLAT III (2ND FL)	$72,576	$3,629	$0	68,947	$6,598
FLAT III (3RD FL)	$49,986	$2,499	$0	47,487	$4,544
FLAT III (3RD FL-603)	$66,013	$3,301	$0	62,712	$6,001
FLAT IV (1ST FL)	$106,584	$5,329	$0	101,255	$9,689
FLAT IV (2ND FL)	$115,965	$5,798	$0	110,167	$10,542
FLAT V (1ST FL)	$72,576	$3,629	$0	68,947	$6,598
FLAT V (2ND FL)	$73,879	$3,694	$0	70,185	$6,716
TOWNHOUSE 1	$136,601	$6,830	$0	129,771	$12,418
TOWNHOUSE 2	$139,468	$6,973	$0	132,494	$12,679
TOWNHOUSE 3	$122,920	$6,146	$0	116,774	$11,174

*THIS TABLE ASSUMES ALL LOANS ARE AT VHFA RATE.
UNITS PRICED AVER $93,000 WILL NOT BE ELIGIBLE.

09-Mar-89 DALTON DRIVE

DRAFT

TABLE IV
INCOME REQUIRED TO MEET SHELTER COST

BUILDING TYPE GROUP	ANNUAL PAYMENT	TAXES/$100 AT 2.19	ANNUAL CONDO FEE	TOTAL SHELTER COST PER YEAR	INCOME NEEDED @ 30%
FLAT I (1ST FL)	$8,345	$2,010	$517	$10,872	$36,240
FLAT I (2ND FL)	$8,540	$2,057	$517	$11,114	$37,048
FLAT II (1ST FL)	$7,616	$1,835	$517	$9,968	$33,226
FLAT II (2ND FL)	$8,801	$2,120	$517	$11,438	$38,126
FLAT II (3RD FL)	$9,679	$2,441	$517	$12,637	$42,123
FLAT III (1ST FL)	$5,579	$1,344	$517	$7,440	$24,799
FLAT III (2ND FL)	$6,598	$1,589	$517	$8,704	$29,013
FLAT III (3RD FL)	$4,544	$1,204	$517	$6,265	$20,883
FLAT III (3RD FL-603)	$6,001	$1,555	$517	$8,073	$26,910
FLAT IV (1ST FL)	$9,689	$2,334	$517	$12,540	$41,801
FLAT IV (2ND FL)	$10,542	$2,540	$517	$13,598	$45,328
FLAT V (1ST FL)	$6,598	$1,589	$517	$8,704	$29,013
FLAT V (2ND FL)	$6,716	$1,618	$517	$8,851	$29,503
TOWNHOUSE 1	$12,418	$2,882	$517	$15,817	$52,723
TOWNHOUSE 2	$12,679	$2,945	$517	$16,140	$53,801
TOWNHOUSE 3	$11,174	$2,582	$517	$14,274	$47,578

09-Mar-89 DALTON DRIVE

DRAFT

TABLE V-A
PERCENTAGE OF AFFORDABLE UNITS*

MEDIAN INCOME OR BELOW

BUILDING TYPE GROUP	TOTAL UNITS	NUMBER OF BEDROOMS	INCOME NEEDED	$28,800 MEDIAN 1 BR	$34,600 MEDIAN 2 BR	$39,700 MEDIAN 3 BR	TOTAL MEDIAN OR BELOW
FLAT I (1ST FL)	2	2	$36,240				
FLAT I (2ND FL)	2	2	$37,048				
FLAT II (1ST FL)	4	2	$33,226		4		4
FLAT II (2ND FL)	4	3	$38,126			4	4
FLAT II (3RD FL)	2	2	$42,123				
FLAT III (1ST FL)	12	1	$24,799	12			12
FLAT III (2ND FL)	12	2	$29,013		12		12
FLAT III (3RD FL)	10	1	$20,883	10			10
FLAT III (3RD FL-603)	2	1	$26,910	2			2
FLAT IV (1ST FL)	1	2	$41,801				0
FLAT IV (2ND FL)	1	3	$45,328				
FLAT V (1ST FL)	2	2	$29,013		2		2
FLAT V (2ND FL)	2	2	$29,303		2		2
TOWNHOUSE 1	6	3	$52,723				0
TOWNHOUSE 2	4	3	$53,801				
TOWNHOUSE 3	6	3	$47,578				
	72			24	20	4	48
							66.67%

*FAMILY SIZE BASED ON PROPOSED INCLUSIONARY ZONING REGS FOR BURLINGTON

	# PERSONS	APPROX MEDIAN INCOME
1BR	1.5 PERSONS	$28,800
2BR	3 PERSONS	$34,600
3BR	4.5 PERSONS	$39,700

[redacted]ar-89 DALTON DRIVE

DRAFT

TABLE V-B
PERCENTAGE OF AFFORDABLE UNITS:

80% OF MEDIAN INCOME

BUILDING TYPE GROUP	TOTAL UNITS	NUMBER OF BEDROOMS	INCOME NEEDED	$23,100 1 BR	$27,700 2 BR	$31,775 3 BR	TOTAL MEDIAN OR BELOW
FLAT I (1ST FL)	2	2	$36,240				
FLAT I (2ND FL)	2	2	$37,048				
FLAT II (1ST FL)	4	2	$33,226				0
FLAT II (2ND FL)	4	3	$38,126				0
FLAT II (3RD FL)	2	2	$42,123				
FLAT III (1ST FL)	12	1	$24,799				0
FLAT III (2ND FL)	12	2	$29,013				0
FLAT III (3RD FL)	10	1	$20,883	10			10
FLAT III (3RD FL-603)	2	1	$26,910				0
FLAT IV (1ST FL)	1	2	$41,801				0
FLAT IV (2ND FL)	1	3	$45,328				
FLAT V (1ST FL)	2	2	$29,013				0
FLAT V (2ND FL)	2	2	$29,503				0
TOWNHOUSE 1	6	3	$52,723				0
TOWNHOUSE 2	4	3	$53,801				
TOWNHOUSE 3	6	3	$47,578				
	62			10	0	0	10

4-0-2 (Baker Carbo)
3.10.89

Senator Illuzzi of Essex-Orleans County, Senator Baker of Addison County and Senator Sherman of Caledonia County move that S.47 be amended by adding two new Secs. to read as follows:

First: In Sec. 1, page 4, line 5, by striking subsection (b) in its entirety and relettering the subsections to be alphabetically correct.

Second: In Sec. 1, page 12, by striking lines 1 through 5 and inserting in lieu thereof the following:

(c) Within 180 days following notice of intent under subsection 672(a) of this title, the department shall either certify a qualified nonprofit organization, qualified partnership, qualified public agency or other qualified buyer as buyer, or notify the tenants that an additional period is needed to complete the certification process.

Third: By adding a new Sec. 2 to read as follows:

Sec. 2. PROJECTS CURRENTLY FINANCED UNDER CERTAIN PORTIONS OF THE NATIONAL HOUSING ACT

This section and section 3 shall apply to projects presently financed under sections 221(d)(3) or 236 of the National Housing Act, regardless of the date placed in service, whose owners anticipate early termination of a subsidy contract or mortgage prepayment.

Fourth: By striking Sec. 3 and inserting a new Sec. 3 to read as follows:

Sec. 3. ONE-YEAR NOTICE; SALE TO APPROVED BUYER; PROCEDURE TO DETERMINE FAIR MARKET VALUE; RESTRICTIONS ON CONDITIONS OF SALE

(a) An owner of a subsidized multi-family rental housing project shall give to the commissioner of the department of housing and community affairs notice by certified mail of the owner's intention to terminate a subsidy contract before its expiration date or to prepay a mortgage before its full term.

(b) The notice shall state the following:

(1) that the owner intends to prepay a mortgage before its final term or terminate a subsidy contract before its expiration date;

(2) that the owner will be selling the project, the projected price, ~~which shall be determined as set forth in subsection (d)~~ and the terms and conditions under which the owner offers the project for sale;

(3) that for one year following the date the notice is received by the department, the owner shall not make a final unconditional acceptance of an offer to purchase the project except from the department or a qualified buyer approved by the department.

(c) During the one year period after notice is given pursuant to subsection (a), the project owner shall:

(1) negotiate in good faith for the purchase and sale of the project with the department or with a qualified buyer approved by the department;

(2) consider any offer to purchase from the department or a qualified buyer approved by the department;

(3) not make a final unconditional acceptance of an offer to purchase the project during the one year after the date the notice was received by the department, except to an offer made by the department or a qualified buyer approved by the department;

(4) accept an offer made by the department or a qualified buyer approved by the department for the fair market value of the project as determined by subsection (d) of this section;

(5) not terminate a subsidy contract before its expiration date or prepay a mortgage before its full term;

~~(6) not include as a condition or term of an offer to sell the project the requirement that a prospective buyer purchase or purchase at any set price other projects of the owner to which this section and section 2 of this act are applicable.~~

(d) Fair market value of a project shall be determined by this subdivision. The department shall engage a qualified appraiser, who shall appraise the fair market value of the project at its highest and best use. The owner shall engage another qualified appraiser simultaneously. If the result of ~~this second~~ the owner's appraisal is within ten percent of the ~~first~~ department's appraisal, the average of the two appraisals shall be deemed fair market value. If the result of the ~~second~~ owner's appraisal is not within ten percent of the ~~first~~ department's appraisal, the department and the owner shall select a single arbitrator. The

arbitrator shall conduct proceedings and make a determination according to subchapter 2 of the Vermont Arbitration Act. Such determination shall be binding on the buyer and the owner, provided that the owner shall have the right to judicial review of just compensation for any taking of property for a public purpose, and the right to review of the arbitration proceedings under subchapter 3 of the Vermont Arbitration Act.

(e) If a project owner terminates a subsidy contract before its expiration date or prepays a mortgage before its full term without complying with sections 4 and 5 of this act, the owner shall be liable to the department for liquidated damages of $10,000.00 or 50 percent of the gain, whichever is greater, realized by the owner from the sale.

(f) In the event a purchase and sale agreement is entered into by the department or a qualified buyer approved by the department, the closing shall be held no later than one year and two months after the date on which the notice was received by the department. In the event the closing does not take place by that date, the department shall issue to the owner a certificate of satisfactory compliance with the provisions of this section. The certificate shall be conclusive evidence that the provisions of ~~the~~ this section of this act have been complied with by the owner and nothing in this section of this act shall constitute an encumbrance on marketable title arising from the mandates of this section of this act.

(g) The department is hereby authorized to negotiate and enter into a purchase and sale agreement for a project identified in Sec. 2 of this act which shall by its terms be assumable by any qualified buyer approved by the department.

(h) Sections ~~4~~ 2 and ~~5~~ 3 of this act shall not apply when the sale, transfer or conveyance of the project:

(1) is through a foreclosure;

(2) is pursuant to eminent domain;

(3) will not significantly affect the number of or level of affordability of housing units in the project.

and by renumbering Sec. 2 as Sec. 4.

H.445

Introduced by Representatives Hooper of Brookfield, Babcock of Burlington, Kinsey of Craftsbury and Mangan of Woodstock

Referred to Committee on

Date:

Subject: Housing; municipal government; affordable housing; density bonus

Statement of purpose: This bill proposes to enable municipalities to encourage development of affordable housing by offering a density bonus and requiring a portion of a project to be affordable.

AN ACT TO ENABLE MUNICIPALITIES TO ENCOURAGE DEVELOPMENT OF AFFORDABLE HOUSING

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

Sec. 1. 24 V.S.A. § 4427 is added to read:

§ 4427. AFFORDABLE HOUSING

(a) In order to facilitate implementation of the mandate of subdivision 4382(a)(10) of this title which requires municipalities to address the housing needs of low and moderate income persons, this section enables municipalities to:

(1) allow residential development at sufficient densities to enable production of affordable housing;

(2) reduce regulatory costs for developers who build affordable housing; and

(3) assure the development of housing that will be kept affordable for at least 40 years and encourage the development of housing that will be kept permanently affordable.

(b) A municipality may, in any permit issued under this chapter, grant a density bonus for that portion of a development which will be affordable as defined in subdivision 4303(21) of this title.

(1) "Density bonus" means a density increase of at least 25 percent of the otherwise maximum allowable residential density under an applicable municipal bylaw. The density bonus shall not be included when determining the number of affordable housing units qualifying under this subsection. Any density bonus granted under this subsection is an alternative to, and not in addition to, a density bonus granted pursuant to subdivision 4407(3) of this title.

(2) If a municipality elects to grant density bonuses to developers of affordable housing, it shall grant a density increase of at least 50 percent of the otherwise maximum allowable residential density and it shall reduce site development standards or modify bylaw requirements if those exemptions do not adversely affect health and safety for that portion of a development which will be permanently affordable as defined in subdivision 4303(a)(23) of this title.

(c)(1) Bylaws may include a requirement that developers provide a percentage of housing units for residential developments, or a number of housing units per square foot for residential, commercial or industrial development as affordable or permanently affordable. The municipality may accept a fee equivalent to the value of the required units in lieu of the required units. If the municipality accepts a fee, it must use the money to preserve, create, or rehabilitate affordable housing units. Bylaws shall set forth requirements for the timing of construction of the affordable housing units and the timing of in-lieu payments.

(2) A municipality may adopt bylaws under this subsection only if it has adopted or is simultaneously adopting bylaws which include density bonus provisions under subsection (b) of this section. If the municipality subsequently repeals density bonus bylaws, then bylaws adopted under this subsection shall be invalid.

(d) Nothing in this section shall be construed as prohibiting a municipality from adopting ordinances otherwise authorized by law except that the standards set forth herein shall be considered minimum standards.

(e) Municipalities shall establish penalties that will effectively enforce the provisions of this section.

(f) A municipality may not use the provisions of this chapter to limit the amount of affordable housing to less than the need identified in the town plan pursuant to subdivision 4382(a)(10) of this title.

(g) Upon request, the department of housing and community affairs will advise municipalities on proper covenants included as part of a legally binding instrument under subdivision 4303(21) of this title.

(h) The legislative body of a municipality may exempt affordable housing from payment of fees for permits issued under bylaws adopted pursuant to this chapter.

Sec. 2. 24 V.S.A. § 4303(21), (22) and (23) are added to read:

(21) "Affordable housing" means housing which is available at a cost of no more than 30 percent of a household's gross annual income when such income is equal to or below the county median. Housing costs for renters are rent and utilities, including heat, hot water, trash, and electricity. Housing costs for homeowners are principal, interest, property taxes and insurance. Within a residential development project of less than five units, the project or a portion of the project is "affordable" if all the units are affordable as defined in this subdivision to households with a gross income under 100 percent of the median income. Within a residential development project of five or more units, the project or portion of the project is "affordable" if all the units are affordable as defined in this subdivision to households with a gross income under 100 percent of the median income and, of those units at least 20 percent are affordable to households with an income under 50 percent of the median and an additional 20 percent are affordable to

households with an income under 80 percent of the median income. I addition, to be deemed "affordable", the affordability of the unit shall be protected for at least 40 years through covenants included as part of a deed or other legally binding instrument to the property. Resale restrictions must be structured to reasonably expect that the property will remain affordable to the income group and population mix required in this subdivision.

(22) "Gross household income" means income from all sources, both taxable and nontaxable.

(23) "Permanently affordable housing" means qualifying as affordable housing as defined in subdivision (21) of this section for a minimum of 99 years.

Sec. 3. ROLE OF DEPARTMENT OF LABOR AND INDUSTRY

In order to encourage affordable housing as defined in subdivisio 4303(21), the commissioner of labor and industry may provide for consultations to developers of affordable housing projects before plans are submitted for review, expedite the permit process for affordable housing projects to the extent practicable, and sponsor or participate in projects designed to encourage affordable housing projects.

S.108

Introduced by Senator Skinner of Washington County, Senator Blodgett of Chittenden County, Senator Racine of Chittenden County, Senator Ready of Addison County, Senator Carlson of Bennington County, Senator Conrad of Chittenden County, Senator Crowley of Chittenden County, Senator Finn of Franklin County, Senator Mazza of Grand Isle County and Senator McCaffrey of Rutland County

Referred to Committee on

Date:

Subject: Municipal government; housing; density bonus; inclusionary zoning

Statement of purpose: This bill proposes to enable municipalities to offer developers of low income housing an increase in density allowable under zoning regulations and to enable municipalities to require inclusion of low income housing as part of a development.

AN ACT TO ENABLE MUNICIPALITIES TO OFFER A DENSITY BONUS TO DEVELOPERS OF LOW INCOME HOUSING AND TO PASS INCLUSIONARY ZONING REGULATIONS

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

Sec. 1. 24 V.S.A. § 4407(17) is added to read:

(17) Affordable housing.

(A) The zoning regulations may allow for a greater concentration in density of housing units permitted if the development will include housing units that will be kept perpetually affordable. The bylaws shall state the density increase allowable per affordable unit and shall define affordable. Affordable shall be defined so that rent (excluding utilities) or mortgage payments shall be no more than 25 percent of 80 percent of median income for the county in which the development is located. The municipality may define affordable to mean that such payments shall be less than 25 percent of 80 percent of median income for the county.

(B) The zoning regulations may include a requirement that developers provide a percentage of housing units for residential developments, or a number of housing units per square foot for residential, commercial or industrial development as perpetually affordable. The municipality may accept a fee equivalent to the value of the required units in lieu of the required units. If the municipality accepts a fee, it must use the money to create or rehabilitate affordable housing units. The municipality should encourage all residential projects to contain a mixture of housing units so that high, low and middle income people will buy or rent units in the development.

S.120

Introduced by Senator Backus of Windham County, Senator Carlson of Bennington County, Senator Carroll of Windsor County, Senator Farmer of Lamoille County, Senator Finn of Franklin County, Senator May of Windsor County, Senator Racine of Chittenden County, Senator Ready of Addison County, Senator Sherman of Caledonia County and Senator Wick of Chittenden County

Referred to Committee on

Date:

Subject: Omnibus Housing Act; development; Vermont Housing Finance Agency

Statement of purpose: This bill is the Omnibus Housing Act of 1989 which would:

(1) establish a Vermont Home Start program, for lower and middle income first-time Vermont homebuyers, which would provide residential mortgage loans requiring five percent down payment at reduced interest rates, administered by the Vermont Housing Finance Agency, funded by an increase in the property transfer tax on commercial property and second homes;

(2) establish a seniors' property tax deferral program, for homeowners 62 years of age or over, which would permit those with household incomes of $20,000.00 or less to defer all property taxes,

up to $1,000.00 not subject to property tax relief, with repayment due at the time of sale or death of the surviving spouse of the household, administered by the commissioner of taxes;

(3) direct the agency of natural resources to develop a low-cost simplified permit process for individual single-family homes;

(4) exempt from the sales and use tax 40 percent of the price of prefabricated or manufactured housing, including mobile and modular homes, to account for the cost of labor and services;

(5) authorize the Vermont Housing Finance Agency to issue general obligation bonds backed by the full faith and credit of the state.

AN ACT RELATING TO THE OMNIBUS HOUSING ACT OF 1989

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

* * * Vermont Home Start Program * * *

Sec. 1. 10 V.S.A. chapter 25, subchapter 5 is added to read:

Subchapter 5. Vermont Home Start Program

§ 645. VERMONT HOME START PROGRAM; CREATION

There is hereby established the Vermont Home Start program to be administered by the agency for the purpose of assisting persons and families of low and moderate income to acquire and maintain ownership of residential housing in the state.

§ 645a. VERMONT HOME START LOANS; ELIGIBILITY

(a) Any resident low or moderate income person, as defined in subdivision 601(11) of this title, who has not previously held title to or equitable ownership in residential property in the previous five years, is an eligible person and may apply for a Vermont Home Start loan under this subchapter. The agency shall give priority to loan applicants of lower income who may be otherwise unable to benefit from the agency's other residential loan programs.

(b) Vermont Home Start loans may be made under this subchapter only for the purpose of financing residential housing, as defined in subdivision 601(14) of this title, purchased or acquired by an eligible person.

§ 645b. CONDITIONS; TERMS

The agency shall make Vermont Home Start loans to eligible persons as loan funds are available under such terms and conditions as it

deems appropriate under this chapter, except that, notwithstanding any provision of this chapter to the contrary, such Vermont Home Start loans shall:

(1) require the purchaser to pay a down payment of no more than five percent of the purchase price;

(2) be for a term of at least 25 years; and

(3) be at a rate of interest not exceeding the following amounts:

(A) years one through three - the greater of five percent or three percent below the current agency rate;

(B) years four through six - the greater of six percent or two percent below the current agency rate;

(C) years seven through nine - the greater of seven percent or one percent below the current agency rate;

(D) years ten and over - the current rate of interest assessed by the agency;

(4) provide for repayment of the interest rate subsidy granted by subdivision (3) of this section from the appreciation in the value of the property at the time of its sale or transfer by the Home Start loan recipient. The amount of repayment shall equal the amount of interest subsidies provided from the Home Start loan fund, plus interest on such subsidies accrued at seven percent per annum; except that in no event shall a Home Start loan recipient be liable

for repayment of a total amount in excess of 50 percent of the taxable gain from the sale or exchange determined under the federal Internal Revenue Code.

§ 645c. HOME START LOAN FUND; DEDICATED REVENUE

(a) There is hereby established a Home Start loan fund, to be administered by the agency. Interest subsidies on all loans authorized by the agency under subdivision 645b(3) of this section shall be made from the fund, and all repayments of such interest rate subsidies under subdivision 645b(4) shall be deposited into the fund. All principal and interest in the fund shall not revert at the end of any fiscal year, but shall remain in the fund for disbursement under this subchapter in future fiscal years.

(b) The commissioner of taxes shall remit to the agency for deposit in the Home Start loan fund:

(1) one-sixth of the revenues raised by the tax on the transfer of title to property taxed at the rate of one and one-half percent of its value under 32 V.S.A. § 9602; and

(2) three-eighths of the revenues raised by the tax on the transfer of title to property taxed at the rate of two percent of its value under 32 V.S.A. § 9602(2).

Sec. 2. 32 V.S.A. § 9602 is amended to read:

§ 9602. TAX ON TRANSFER OF TITLE TO PROPERTY

A tax is hereby imposed upon the transfer by deed of title to property located in this state. The amount of the tax equals one

and one *[quarter]* half percent of the value of the property transferred, or $1.00, whichever is greater, except as follows:

(1) with respect to the transfer of property to be used for the principal residence of the transferee the tax shall be imposed at the rate of five-tenths of one percent of the first $100,000.00 in value of the property transferred and at the rate of one and one quarter percent of the value of the property transferred in excess of $100,000.00;

(2) with respect to the transfer of property to be used as a residence, but other than the principal residence of the transferee, the tax shall be imposed at the rate of two percent of the value of the property transferred, or $1.00, whichever is greater; and

[(2)] (3) with respect to the transfer of property which is enrolled at the time of the transfer in a program under chapter 124 of this title, or is otherwise a working farm at the time of the transfer if not so enrolled, the tax shall be imposed in the amount of five-tenths of one percent on the entire value of the property transferred; provided, however that no part of the property is converted to a use which would subject it to the land use change tax or an obligation to repay property tax benefits under chapter 124 of this title for a period of three years following the date of the transfer, or if it is a working farm which is not enrolled under chapter 124, that the property is not taken out of agricultural

production for a period of six years following the date of the transfer. For the purposes of this subdivision, a working farm shall mean a parcel of land in excess of 25 acres, actively used by a farmer, as that term is defined under section 3752(7) of this title. If the conditions of this subdivision are breached by the buyer, the buyer shall be obligated to pay the full transfer tax in the amount of one percent and this obligation shall run with the land.

* * * Seniors' Property Tax Deferral Program * * *

Sec. 3. 32 V.S.A. chapter 155 is added to read:

CHAPTER 155. SENIORS' PROPERTY TAX DEFERRAL

§ 6001. DEFINITIONS

As used in this chapter

(1) "Department" means the department of taxes.

(2) "Homestead" means homestead as defined in 32 V.S.A. § 5961(1).

(3) "Household income" means household income as defined in 32 V.S.A. § 5961(4).

§ 6002. DEFERRAL OF TAX ON HOMESTEAD; JOINT ELECTION; AGE REQUIREMENT; FILING CLAIM

(a) An individual, or two or more individuals jointly, may elect to defer the property taxes on their homestead by filing a claim for deferral with the county assessor after January 1 and on or before April 1 of the first year in which deferral is claimed if:

(1) the individual or, in the case of two or more individuals filing a claim jointly, each individual is 62 years of age or older on April 1 of the year in which the claim is filed; and

(2) the individual has, or in the case of two or more individuals filing a claim jointly, all of the individuals together have household income of less than $20,000.00 for the calendar year immediately preceding the calendar year in which the claim is filed.

(b) The amount of property taxes that may be deferred in any taxable year on any homestead shall not exceed $1,000.00 less the amount of property tax relief paid to the taxpayer under chapter 153 of this title.

(c) The town listers shall forward each claim filed under this subsection to the department which shall determine if the property is eligible for deferral.

(d) When the taxpayer elects to defer property taxes for any year by filing a claim for deferral under subsection (a) of this section, it shall have the effect of:

(1) deferring the payment of the property taxes levied on the homestead for the taxable year beginning on April 1 of such year;

(2) continuing the deferral of the payment by the taxpayer of any property taxes deferred under this chapter for previous years which have not become delinquent under section 6011 of this title;

(3) continuing the deferral of the payment by the taxpayer of any future property taxes for as long as the provisions of this chapter are met.

(e) If a guardian or conservator has been appointed for an individual otherwise qualified to obtain deferral of taxes under this chapter, the guardian or conservator may act for such individual in complying with its provisions.

(f) If a trustee of an inter vivos trust which was created by and is revocable by an individual, who is both the trustor and a beneficiary of the trust and who is otherwise qualified to obtain a deferral of taxes under this chapter, owns the fee simple estate under a recorded instrument of sale, the trustee may act for the individual in complying with the provisions of this chapter.

(g) Nothing in this section shall be construed to require a spouse of an individual to file a claim jointly with the individual even though the spouse may be eligible to claim the deferral jointly with the individual.

(h) Any person aggrieved by the denial of a claim for deferral of homestead property taxes or disqualification from deferral of homestead property taxes may appeal to the superior court of the superior court district in which the property is located.

§ 6003. PROPERTY ENTITLED TO DEFERRAL

In order to qualify for tax deferral under this chapter, the property must meet all the following requirements when the claim is filed and thereafter so long as the payment of taxes by the taxpayer is deferred:

(1) The property must be the homestead of the individual or individuals who file the claim for deferral, except for an individual required to be absent from the homestead by reason of health.

(2) The person claiming the deferral must, by himself or herself or together with his or her spouse, own the fee simple estate or be purchasing the fee simple estate under a recorded instrument of sale, or two or more persons must together own or be purchasing the fee simple estate with rights of survivorship under a recorded instrument of sale if all owners live in the homestead and if all owners apply for the deferral jointly.

(3) There must be no prohibition to the deferral of property taxes contained in any provision of federal law, rule or regulation applicable to a mortgage, trust deed, land sale contract or conditional sale contract for which the homestead is security.

§ 6004. CLAIM FORMS; CONTENTS

(a) A taxpayer's claim for deferral under this chapter shall be in writing on a form supplied by the department and shall:

(1) describe the homestead;

(2) recite facts establishing the eligibility for the deferral, including facts that establish that the household income of the individual, or in the case of two or more individuals claiming the deferral jointly, was less than $20,000.00 for the calendar year immediately preceding the calendar year in which the claim is filed;

(3) have attached any documentary proof required by the department to show that the requirements of section 6003 of this title have been met.

(b) There shall be annexed to the claim a statement verified by a written declaration of the applicant making the claim to the effect that the statements contained in the claim are true.

§ 6005. STATE LIENS AGAINST TAX-DEFERRED PROPERTY

(a) The department shall have a lien against the tax-deferred property for the payment of the deferred taxes plus interest thereon and any fees paid to the town clerk by the department in connection with the recording, release or satisfaction of the lien. The liens for deferred taxes shall attach to the property on April 1 of the year in which the taxes were assessed. The deferred property tax liens shall have the same priority as other real property tax liens except that the lien of mortgages or trust deeds which are recorded prior in time to the attachment of the lien for deferred taxes shall be prior to the liens for deferred taxes.

(b) The lien may be foreclosed by the department as if it were a purchase money mortgage. Reasonable attorney fees at trial and on

appeal and costs may be granted the department in a suit for foreclosure of its lien.

(c) Receipts from foreclosure proceedings shall be credited in the same manner as other repayments of deferred property taxes under section 6017 of this title.

§ 6006. LISTING OF TAX-DEFERRED PROPERTY; INTEREST ACCRUAL

(a) If eligibility for deferral of homestead property is established, the department shall notify the town listers and the town listers shall show on the current ad valorem assessment and grand list which property is tax-deferred property by an entry clearly designating such property as tax-deferred property.

(b) When requested by the department, the tax collector shall send to the department as soon as the taxes are extended upon the roll, the tax statement for each tax-deferred property.

(c) Interest shall accrue on the actual amount of taxes advanced to the town for the tax-deferred property at the rate of six percent per annum.

(d) The state liens provided by section 6005 of this title and recorded under section 6007 of this title shall be for the actual amount of taxes advanced to the towns and not for the gross amount of taxes for which the property would be liable as shown on the grand list for each tax-deferred property.

§ 6007. RECORDING LIENS IN TOWN; RECORDING CONSTITUTES NOTICE OF STATE LIEN

(a) In each town in which there is tax-deferred property, the department shall cause to be recorded in the land records of the town, a list of tax-deferred properties of that town. The list shall contain a description of the property as listed on the grand list together with the name of the owner listed thereon.

(b) The recording of the tax-deferred properties under subsection (a) of this section is notice that the department claims a lien against those properties in the amount of the deferred taxes plus interest together with any fees paid to the town clerk in connection with the recording, release or satisfaction of the lien, even though the amount of taxes, interest or fees is not listed.

§ 6008. TOWN TAX COLLECTOR TO RECEIVE AMOUNT EQUIVALENT TO DEFERRED TAXES FROM STATE

(a) Upon determining the amount of deferred taxes on tax-deferred property for the tax year, the department shall pay to the respective town tax collectors an amount equivalent to the deferred taxes. Payment shall be made from the revolving account established under section 6017 of this title.

(b) The department shall maintain accounts for each deferred property and shall accrue interest only on the actual amount of taxes advanced to the town.

§ 6009. NOTICE TO TAXPAYER REGARDING DUTY TO CLAIM DEFERRAL ANNUALLY

(a) On or before December 15 of each year, the department shall send a notice to each taxpayer who has claimed deferral of property taxes for the current tax year. The notice shall:

(1) inform the taxpayer that the property taxes have been deferred in the current year;

(2) show the total amount of deferred taxes remaining unpaid since initial application for deferral and the interest accruing therein to November 15 of the current year;

(3) inform the taxpayer that voluntary payment of the deferred taxes may be made at any time to the department of taxes;

(4) contain any other information that the department considers necessary to facilitate administration of the seniors' property tax deferral program, including but not limited to the right of the taxpayer to submit any refund amount received under chapter 151 of this title to reduce the total amount of the deferred taxes and interest.

(b) The department shall give the notice required under subsection (a) of this section by an unsealed postcard or other form of mail sent to the residence address of the taxpayer as shown in the claim for deferral or as otherwise determined by the department to be the correct address of the taxpayer.

§ 6010. EVENTS REQUIRING PAYMENT OF DEFERRED TAX AND INTEREST

Subject to section 6002 of this title, all deferred property taxes, including accrued interest, become payable as provided in section 6011 when:

(1) The taxpayer who claimed deferment of collection of property taxes on the homestead dies or, if there was more than one claimant, the survivor of the taxpayers who originally claimed deferment of collection of property taxes under this chapter dies.

(2) The property with respect to which deferment of collection of taxes is claimed is sold, or a contract to sell is entered into, or some person other than the taxpayer who claimed the deferment becomes the owner of the property.

(3) The tax-deferred property is no longer the homestead of the taxpayer who claimed the deferral, except in the case of a taxpayer required to be absent from such tax-deferred property by reason of health.

§ 6011. TIME FOR PAYMENTS; DELINQUENCIES

Whenever any of the circumstances listed in section 6010 of this title occurs:

(1) the deferral of taxes for the assessment year in which the circumstance occurs shall continue for such assessment year; and

(2) the amounts of deferred property taxes, including accrued interest, for all years shall be due and payable to the department July 1 of the year following the calendar year in which the

circumstance occurs, except as provided in subdivision (3) of this section;

(3) if the amounts falling due as provided in this section are not paid on the indicated due date, or as extended under section 6014 of this title, such amounts shall be deemed delinquent as of that date and the property shall be subject to foreclosure as provided in section 6005 of this title.

§ 6012. ELECTION BY SPOUSE TO CONTINUE TAX DEFERRAL

(a) Notwithstanding section 6010 of this title, when one of the circumstances listed in that section occurs, the spouse who was not eligible to or did not file a claim jointly with the taxpayer may continue the property in its deferred tax status by filing a claim within the time and in the manner provided under section 6002 of this title if:

(1) the spouse of the taxpayer is or will be 60 years of age or older and not later than six months from the day the circumstance listed in section 6010 occurs; and

(2) the property is the homestead of the spouse of the taxpayer and meets the requirements of subdivision 6003(2) of this title.

(b) A spouse who does not meet the age requirements of subdivision (a)(1) of this section but is otherwise qualified to continue the property in its tax-deferred status under subsection (a) of this section may continue the deferral of property taxes

deferred for previous years by filing a claim within the time and in the manner provided under section 6002. If a spouse eligible for and continuing the deferral of taxes previously deferred under this subsection becomes 62 years of age prior to April 1 of any year, the spouse may elect to continue the deferral of previous years' taxes deferred under this subsection and may elect to defer the current assessment year's taxes on the homestead by filing a claim within the time and the manner provided under section 6002. Thereafter, payment of the taxes levied on the homestead and deferred under this subsection and payment of taxes levied on the homestead in the current assessment year and in future years may be deferred in the manner provided in and subject to this chapter.

(c) Notwithstanding that section 6002 requires that a claim be filed no later than April 1, if the department determines that good and sufficient cause exists for the failure of a spouse to file a claim under this section on or before April 1, the claim may be filed within 180 days after notice of taxes due and payable under section 6011 of this title is mailed or delivered by the department to the taxpayer or spouse.

§ 6013. VOLUNTARY PAYMENT OF DEFERRED TAX AND INTEREST

(a) All payments of deferred taxes shall be made to the department.

(b) Subject to subsection (c) of this section, all or part of the deferred taxes and accrued interest may at any time be paid to the department by:

(1) the taxpayer or the spouse of the taxpayer;

(2) the next of kin of the taxpayer, heir at law of the taxpayer, child of the taxpayer or any person having or claiming a legal or equitable interest in the property.

(c) A person listed in subdivision (b)(2) of this section may make such payments only if no objection is made by the taxpayer within 30 days after the department deposits in the mail notice to the taxpayer of the fact that such payment has been tendered.

(d) Any payment made under this section shall be applied first against accrued interest and any remainder against the deferred taxes. Such payment does not affect the deferred tax status of the property. Unless otherwise provided by law, such payment does not give the person paying the taxes any interest in the property or any claim against the estate, in the absence of a valid agreement to the contrary.

(e) When the deferred taxes and accrued interest are paid in full and the property is no longer subject to deferral, the department shall prepare a record in the town in which the property is located a satisfaction of deferred property tax lien.

§ 6014. EXTENSION OF TIME FOR PAYMENT UPON DEATH OF CLAIMANT OR SPOUSE

(a) If the taxpayer who claimed homestead property tax deferral dies, or if a spouse who continued the deferral under section 6012

of this title dies, the department may extend the time for payment of the deferred taxes and interest accruing with respect to the taxes becoming due and payable under section 6011 of this title if:

(1) The homestead property becomes property of an individual or individuals:

(A) by inheritance or devise; or

(B) if the individual or individuals are heirs or devisees, in the course of settlement of the estate;

(2) The individual or individuals commence occupancy of the property as a principal residence on or before July 1 of the calendar year following the calendar year of death; and

(3) The individual or individuals make application to the department for an extension of time for payment of the deferred taxes and interest prior to July 1 of the calendar year following the calendar year of death.

(b)(1) Subject to subdivision (2) of this subsection, an extension granted under this section shall be for a period not to exceed five years after July 1 of the calendar year following the calendar year of death. The terms and conditions under which the extension is granted shall be in accordance with a written agreement entered into by the department and the individual or individuals.

(2) An extension granted under this section shall terminate immediately if:

(A) the homestead property is sold or otherwise transferred by any party to the extension agreement;

(B) all of the heirs or devisees who are parties to the extension agreement cease to occupy the property as a principal residence; or

(C) the homestead property is a mobile home and is moved out of the state.

(c) If the department has reason to believe that the homestead property is not sufficient security for the deferred taxes and interest, the department may require the individual or individuals to furnish a bond conditioned upon payment of the amount extended in accordance with the terms of the extension. The bond shall not exceed in amount double the taxes with respect to which tax extension is granted.

(d) During the period of extension, and until paid, the deferred taxes shall continue to accrue interest in the same manner and at the same rate as provided under section 6006 of this title. No interest shall accrue upon interest.

§ 6015. LIMITATIONS

Nothing in this chapter is intended to or shall be construed to:

(1) prevent the collection, by foreclosure, of property taxes which become a lien against tax-deferred property;

(2) defer payment of special assessments to benefited property which assessments do not appear on the assessment and tax roll;

(3) affect any provision of any mortgage or other instrument relating to land requiring a person to pay property taxes.

§ 6016. DEED OR CONTRACT CLAUSES PREVENTING APPLICATION FOR DEFERRAL PROHIBITED; CLAUSES VOID

After July 1, 1989, it shall be unlawful for any mortgage trust deed or land sale contract to contain a clause or statement which prohibits the owner from applying for the benefits of the deferral of homestead property taxes provided in this chapter. Any such clause or statement in a mortgage trust deed or land sale contract executed after July 1, 1989, shall be void.

§ 6017. SENIOR PROPERTY TAX DEFERRAL REVOLVING ACCOUNT; SOURCES; USES

There is established in the state treasury the senior property tax deferral revolving account to be used by the department of taxes for the purpose of making payments to town tax collectors of property taxes deferred for tax years beginning on or after July 1, 1989.

Sec. 4. APPROPRIATION; SENIOR PROPERTY TAX DEFERRAL LOAN FUND

There is hereby appropriated from the general fund to the Senior Property Tax Deferral Loan Fund established by 32 V.S.A. § 6017, for fiscal year 1990, the amount of $200,000.00.

* * * Expedited Residential Permits * * *

Sec. 5. AGENCY OF NATURAL RESOURCES; RESIDENTIAL PERMITS

The secretary of the Agency of Natural Resources is hereby directed to develop an expedited, low cost, permit process for the

purpose of simplifying and reducing the cost to individual applicants of obtaining permits for the siting and construction of residences.

* * * Sales Taxes; Manufactured Housing * * *

Sec. 6. 32 V.S.A. § 9741(32) is added to read:

(32) Forty percent of the receipts from sales of mobile homes, as defined in section 2601 of Title 9, modular housing, and other forms of prefabricated housing, when they are sold as tangible personal property.

* * * VHFA Loan Guarantees * * *

Sec. 7. 10 V.S.A. § 644 is added to read:

§ 644. GUARANTY; CREDIT OF STATE PLEDGED; LIMITATIONS

(a) Upon application of the agency to the state treasurer, the treasurer is authorized to pledge the full faith and credit of the state to pay principal of or interest on bonds and notes issued by the agency under this chapter. Upon default on any bond or note guaranteed by the state under this section the state treasurer shall advance to the agency, without further approval, from available cash in the treasury or from proceeds of bonds or notes of the state issued pursuant to this section, such amounts as are necessary to meet the guaranty obligations of the state to enable the agency to pay principal and interest on its bonds and notes. The treasurer shall, without further approval, issue full faith and credit bonds

of the state from time to time in amounts equal to advances made under this section, and borrow in anticipation of the proceeds of those bonds. Any bonds issued pursuant to this section shall be issued as provided in chapter 13 of Title 32.

(b) Prior to guaranteeing any bonds or notes hereunder, the treasurer shall first determine that the amount of principal and interest to be guaranteed, when combined with the aggregate amount of principal and interest previously guaranteed under this section, shall not exceed $100,000,000.00.

Sec. 8. 10 V.S.A. § 637 is amended to read:

§ 637. CREDIT OF STATE NOT PLEDGED

[Obligations] Except as provided in section 644 of this title, obligations issued under the provisions of this chapter shall not be deemed to constitute a debt or liability or obligation of the state or of any political subdivision thereof or a pledge of the faith and credit of the state or of any political subdivision but shall be payable solely from the revenues or assets of the agency. Each such obligation issued under this chapter shall contain on the face thereof a statement to the effect that the agency shall not be obligated to pay the same nor the interest thereon except from the revenues or assets pledged therefor and that neither the faith and credit nor the taxing power of the state or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such obligations.

VERMONT HOUSING FINANCE AGENCY

April 10, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, April 20, at 1:30 p.m., at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: April 13, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, April 20, at the office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

Attached is the agenda and board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier on April 20.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

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

Thursday, April 20, 1989 at 1:30 p.m.

1. Review and approval of minutes of March 13, 1989

2. Executive Director's Report

   A. Resolution Authorizing Option Agreement on "Gates" [**Hunt//Enclosure**]
   B. Update and Possible Action on Dalton Drive Property [**Hunt//Enclosure**]

3. Operations

   A. MOVE Update [**Lothrop//Enclosure**]
   B. ERH/Vermont Update [**Faesy//Enclosure**]
   C. 1989A Program Discussion [**Lothrop//Enclosure**]
   D. Single Family Staffing Proposal [**Lothrop//Enclosure**]

4. Development

   A. Winchester Place
      Project Discussion [**Koppelkam//Encl.**]
      Proposed Resolution [**Koppelkam//Encl.**]
   B. Status of 7.9% Set Aside [**Pond//Enclosure**]
   C. Heineberg: Mortgage Assumption [**Pond//Enclosure**]
   D. Vermont Housing Ventures Update [**Wadsworth//Encl.**]
   E. Builders Reserve Status [**Hunt//Enclosure**]
   F. Business Plan Update [**Pond//Enclosure**]

5. Finance

   A. 1989A Financing Discussion [**Schoenbeck//Encl.**]

6. Legal

   A. Legislative Update [**Jarrett//Enclosure**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Monday, March 13, 1989

Present: Commissioners Seelig, Ruse, Babcock, Francis, Myette (via speakerphone)

VHFA Staff: Mr. Hunt, Ms. Pond, Mr. Jarrett, Ms. Hope, Mr. Lothrop, Mr. Schoenbeck, Ms. Markman, Ms. Parker, Ms. Crady, Ms. Ballew; Ms. Russell of VHMGB.

In the absence of the Chairman and Vice-Chairman, a motion was duly made, seconded and unanimously agreed that Mr. Seelig act as Chairman for the meeting of March 13; the meeting was then called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of February 16 were unanimously accepted as written, with the clarification by Mr. Seelig that the commitment to a premium on Northgate, as mentioned in pages 3 and 4 of those minutes, represents a risk to the Agency.

The status of the 1988B MOVE Program was reviewed next by Mr. Lothrop, who indicated to the Board that total commitments including reservations, at the halfway point of the program, are at $21.7 million. According to Ms. Crady, responses from builders regarding the set-aside program have a deadline of March 22 for allocation of these set-aside funds at the end of March. Mr. Hunt alerted the Board that staff may be approaching the Board in April for another bond financing to take place in June or July due to the unanticipated demand for the current program.

Mr. Lothrop then turned to the issue of condominium approval, specifically for the "Commons" located in Moretown. The project was converted from "Thornhill Apartments" in March, 1986, by the owner, Judson Babcock. Although the condominium conversion law was not in effect at that time, tenants were given advance notice of one year for the intent to convert. According to Mr. Lothrop, this project does not meet all of the condominium conversion limits, but it is quite close. Mr. Hunt emphasized to the Board that the Agency is being asked to participate by providing financing after the conversion is in effect. Ms. Babcock, who pointed out that the owner is no relation to her, cautioned the Board that the owner controls the homeowner's

voting rights for 19 of the units (which are unoccupied) per the condominium association guidelines for the project. Mr. Hunt further reminded the Board that Mr. Babcock owns several Section 8 rental projects which may be discussed at future Board meetings; a decision regarding the "Commons" could affect future relations between VHFA and the owner. After further discussion, the Board agreed that further investigation of the property should take place prior to any further movement toward approval of the project for financing, and that the status of the various Section 8 rental projects would be discussed at future Board meetings.

Mr. Lothrop next approached the Board for approval of signature authority for Linda Wilson. Upon a motion duly made and seconded, it was agreed to adopt the authorization as detailed and attached to these minutes.

Ms. Crady then addressed the Board regarding the 7.9% lower income set-aside of $6 million, which would represent approximately 100 units of housing statewide. As the program is still in the design stage, guidance from the Board was being sought. Suggestions for the Board were included in the Board packet, based on preliminary conversations with various nonprofits. After a brief discussion a motion was duly made and seconded to approve the concept of the program as outlined, with the following changes: (a) eliminate 8.9% vs. 7.9% qualifying limitations; (b) change from 60% to 80% of median income, with a preference to satisfy the needs of those with the lowest income; (c) mobile homes or manufactured housing on owned land could qualify.

Ms. Ballew, who has been hired as a consultant for the Agency regarding the Secondary Market, was then introduced to the Board. According to Ms. Ballew, lenders' portfolios contain approximately $460 million in non-conforming mortgage product which could potentially be sold on the Secondary Market. A statewide Secondary Market committee, which includes six lenders, is seeking input and assistance from VHFA on the formation of a Secondary Market within Vermont. Guidance is being sought from the Board for reinvesting funds in the program. A discussion of the Secondary Market proposal followed, during which Ms. Babcock emphasized that strong restrictions should be placed on the use of the new funds, with any proceeds going toward affordable housing. Ms. Pond assured the Board that prior to finalization, any draft documentation on the structure of the secondary market would be made available to Ms. Babcock for review. The Board was also informed that the in-house slogan for the secondary market was "Fannie-Moo." Although no formal action was required, the Board expressed its enthusiasm and encouragement for the efforts of staff thus far.

An analysis of a 1988 pilot program to offer workshops for home buyers around the State was presented by Ms. Hope. Ms. Hope informed the Board that recent Home Buyer days, during which staff and interested lenders meet with potential borrowers to determine purchase price and VHFA eligibility have proven successful. According to Ms. Hope, some consideration is being given to actually issuing a pre-qualifying certificate to those who attend a home buyer day, which they could then take to their lender or Real Estate Agent. Ms. Babcock praised Ms. Hope for a "tremendous job," and expressed her appreciation for the completeness of the packet of information distributed to the Board.

An update on pending legislative items was presented by Mr. Jarrett. Mr. Jarrett was instructed by the Board to try to include the bargain sale concept in the tax exempt language. Further discussion centered on H.445, the "Affordable Housing" bill; the general consensus of the Board was to support H.445 as it refers to density bonus and inclusionary zoning; no formal vote was taken. The "Omnibus" housing bill introduced by Senator May was the next topic. Following a lengthy discussion, a motion was duly made and seconded to support "Homestart" with a commitment from the Board to address the issues of targeting and limiting equity when the program is designed; an amendment was proposed and accepted that: (1) the program would be targeted to borrowers at 80% or less of the state median income; (2) to add support (whether joined or not) to the Rental Assistance Program; and (3) to eliminate recapture in shared appreciation situations. The motion as amended was adopted unanimously.

At this point Mr. Myette expressed his regrets and stated that he would not be available for the remainder of the Board meeting.

Ms. Wadhams, a consultant hired to conduct a feasibility study regarding the Fort Ethan Allen buildings along Dalton Drive, addressed the Board next, presenting estimated costs of rehabilitation and renovation for the Fort project. According to estimates Ms. Wadhams had received, asbestos removal from each of the 37 basements would cost approximately $10,000 per basement; she further suggested that the units not be purchased from the University of Vermont until after the asbestos had been removed or contained, at UVM's expense. Mr. Hunt cautioned the Board regarding the liability and future costs of asbestos removal or containment: even after asbestos is removed, it may still belong to the owner forever. According to Mr. Hunt, the opportunity to create affordable housing for 65% of the project may make the entire project worth the difficulties. Further considerations include the impact of limited equity (for the affordable units) on those units sold at the market rate. Cost estimates for the

building proposed for Agency office space were not available at the time of the Board meeting. Mr. Hunt assured the Board that a comprehensive recommendation on affordability and office space possibility, based on actual numbers and comparisons with current expenses, would be provided at the April Board meeting. Upon a motion duly made and seconded, it was unanimously agreed that activity should continue on the Fort project.

Mr. Hunt then offered an update on the "Gates" projects. A meeting was held in Boston, attended by the owners and their attorneys, as well as Mr. Hunt and Mr. Kochman for the Agency, to discuss the purchase price for the "Gates." Several financing problems were discovered, inherent to preferential financing and limited issue discounting. Mr. Hunt also attended a tour of the Applegate facilities. At an earlier meeting of the board of the Vermont Housing and Conservation Trust Fund, a preliminary commitment of $3 million was made toward Northgate; loans on other "Gates" projects will be considered after detailed numbers are available on those projects. Mr. Hunt assured the Board that, other than Northgate, the owners are willing to wait until June or July of 1990 for resolution on the other "Gates" projects. Mr. Frank Bredice has been hired to do appraisals on the other three "Gates" projects. No formal Board action was taken.

Mr. Hunt further reported to the Board that he and Ms. Hope had met with the Vermont congressional delegates in Washington, D.C., earlier in the month. All have expressed their support for the Mortgage Revenue Bond extension, as well as for the Low Income Housing Tax Credits. Mr. Hunt noted a greatly increased awareness of how important an issue affordable housing is for Vermont.

The next meeting was scheduled for Thursday, April 20, 1989, to be held in Montpelier. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:35 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

AUTHORIZATION

Effective March 13, 1989, I designate Linda C. Wilson, in her capacity as an employee of the Vermont Housing Finance Agency, as an authorized agent of the Vermont Housing Finance Agency to execute documents of the following character for all of its home mortgage purchase programs, all of its single family mortgage purchase programs, and all other single family loan programs, whether secured or unsecured:

1. Listing Agreements with real estate brokers for the sale of real estate owned by the Vermont Housing Finance Agency.

2. Deeds, property transfer tax returns, and other customary documents necessary or convenient for the transfer of real estate owned by the Vermont Housing Finance Agency.

3. Endorsements to property insurance claim checks pertaining to property on which the Vermont Housing Finance Agency holds a valid lien up an amount of $3,000.00.

4. Preparation and execution of claim forms to primary and pool insurers on which the Vermont Housing Finance Agency holds a valid lien.

5. Authorizations to mortgage lenders and other appropriate persons for actions of the following character:

    a. Foreclosure or other acquisition of title to property on which the Vermont Housing Finance Agency has a valid lien.
    b. Repairs and improvements to real estate owned by the Vermont Housing Finance Agency.
    c. Forebearance agreements with delinquent borrowers.

6. Consent to the actions of the following character:

    a. Release and addition of signers of notes which are held by the Vermont Housing Finance Agency.
    b. Creation of easements and rights of way over property on which the Vermont Housing Finance Agency holds a valid lien.
    c. Acknowledgment of receipt of liens junior to the lien of the Vermont Housing Financy Agency.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 14, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: DALTON DRIVE PROJECT

The attached letter to Ray Lavigne at UVM is a good summary of our progress to date. I have also attached a copy of the agreement we have with Engelberth Construction Co., so that you will know our financial exposure if we proceed with this project.

We are now at a decision point: the numbers are in, so we know what we've got. Unfortunately, it is not clear-cut that the project is achieving our goals of affordable housing. It certainly is mixed-income housing! However, please keep several factors in mind:

1. The unit costs are projected on a square foot basis, not on a market basis. Thus, our marketing consultant may want to adjust the projected sales price based on location, which floor a unit is on, storage space, etc.

2. The numbers show no subsidy from any source other than our 8.9% financing. Certainly, some form of "subsidy" from the Housing and Conservation Trust Fund (HCTF) would affect the overall pricing or the affordability of the low-end units, i.e., making more units affordable to persons under 80% of median income.

   We have thought a lot about how best to use HCTF funds and have come up with the following concepts:

   a. Use the funds as a second mortgage to make more units affordable to families under 80% of median income. While this would clearly target the funds toward affordable housing, the units receiving such assistance would carry a re-sale control to assure perpetual affordability. The existence of this control is likely to impact the sale of the non-controlled market-price units, thus increasing our risk.

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b. Another "idea" for use of the funds is to apply for the funds for preservation of open space and historic preservation. The proceeds could then be used to buy the land under the actual building sand lease the land to the individual purchasers. The land lease would be fixed at a percentage of the value of the unit. Not only would this lease provide some long-term control over the development (upkeep, etc.), revenues from the lease would increase as units appreciated through resale. These excess revenues would be utilized to assure property upkeep, open space upkeep, and could be used to achieve affordability, either at Dalton Drive or elsewhere. In essence, appreciation of the Dalton Drive property would generate funds to do affordable housing!

3. The projected costs also show paying UVM full price for their property. In my letter to UVM, I have asked them to absorb the costs of removal of the asbestos. At issue for the Board is what our strategy should be to further reduce the asking price.

4. We do not yet have hard numbers on the office building, but should by the time we meet on Thursday.

On the plus side, everyone I have talked with believes we have a highly saleable project, provided we keep the encumbrances to a minimum. Re-sale control on 20-25% of the units or the land lease concept would up the risk, but probably not to an unacceptable level.

Many details remain to be worked out. The legal structure during the construction phase and permanent phase needs to be decided upon. Should we bring in a development entity to handle the non-VHFA eligible properties? We have some additional work to do with local/state permits.

RECOMMENDED BOARD ACTION:

For many reasons I believe we should continue with this project. Further refinements can make it more affordable. The development team headed by Emily Wadhams is superb! The project can be a real model for the future. However, deciding to proceed will also subject us to some significant risks.

VERMONT HOUSING FINANCE AGENCY

April 10, 1989

Mr. Rayburn V. Lavigne
Assistant Vice President
for Administrative and Facilities Services
University of Vermont
109 South Prospect Street
Burlington, VT 05405-0016

Dear Ray:

Thank you for taking the time last Thursday to hear our update of the status of Dalton Drive. Since agreeing to undertake a complete feasibility study last December 15, our development team which is comprised of Engelberth Construction Company, Alexander/Truex/de Groot Inc., Architects, Townsend Andersen of Preservation Investments, Chip Hart of Hart Associates (Marketing) and Emily Wadhams as liaison, has been working to pull together a logical, sensible plan for this property. We believe the team is the best possible group of organizations/ individuals available for this undertaking.

As Emily and I reported to you last week, the plans and cost estimates have been completed. In addition, asbestos sampling was done in all of the basements and at 20 locations in the living areas. Extensive asbestos was found in all of the basements, necessitating the solicitation of bids from qualified contractors to remove it. Two bids were received, the lowest being $235,000. We agreed that further sampling was desirable in the living areas, since only 3 out of 21 samples were positive.

In terms of the construction costs, Engelberth has given us detailed estimates showing hard costs of approximately $36.00 per square foot. As the plans will show, the architects have attempted to minimize the amount of demolition and wall changes to keep costs at a minimum. Nevertheless, due to the nature of renovation/ restoration and the quality of the buildings, the rehab costs are relatively high. Asbestos removal is not included in this cost.

In addition to the hard costs, we estimate another $11.00 per square foot for professional fees, contingency, landscaping, site work and builder overhead/profit. This figure does not include any profit for us, although there is a line item of $60,000 to cover a portion of our staff time.

When acquisition costs of $1.5 million are added, the total development cost is $57.56 per square foot, exclusive of asbestos

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work. Applying these figures to the unit square footage, we find development costs ranging from $52,300 for an 844 square foot one-bedroom unit, to $145,125 for a 2,064 square foot unit.

We believe these numbers reflect the true costs of renovating this property at a prudent but modest level, exclusive of a normal developer's profit of $5-6 per square foot. No site amenities (carports, swimming pool, etc.) were budgeted. On the other hand, we did budget for energy conservation and a reasonable level of historic preservation to assure the property remaining an attractive asset to the communities for a long time.

Our analysis of these numbers raises far more questions than answers. The most obvious question is whether or not there is a market for a development with such dramatic price differences. Will the high end units sell in the absence of amenities? To the extent you put a resale control on the lower end units to assure long term affordability, what impact will that have on marketing? Quite frankly, our marketing consultant has never experienced a project of this type!

One thing is quite clear: the project cannot tolerate the additional cost of $250,000 for asbestos removal. We would ask the University to absorb this cost, preferably before we buy the property.

Aside from the asbestos issue, we are concerned about the overall cost of the units. The unit prices projected in our analysis are at the top end of the price spectrum for this area. This may be somewhat mitigated by the uniqueness of the property, but the lack of amenities may affect any unique advantage.

My Board meets on April 20 to discuss this project. While I can not predict what their position will be on proceeding, I am fairly certain they will not want to purchase the property if we have to absorb the cost of asbestos removal. I also believe they are somewhat squeamish about paying the full $1.5 million given the projected sales price of the units. Finally, a draft of a Purchase/Sales Agreement was sent to you February 1. We have had no formal response from your attorney relative to this document. Any insight or reaction you can give me on these issues prior to April 20 would be much appreciated.

Sincerely,

Allan S. Hunt
Executive Director

ASH015/bp

APR 5 1969

Donald E. Wells
Manager of Business Development

April 4, 1989

Emily Wadhams, Consultant
Vermont Housing Finance Agency
One Burlington Square
P.O. Box 408
Burlington, VT 05402-0408

Dear Emily:

Please find enclosed one fully executed Preliminary Agreement.

Thank you.

Sincerely,

Don

Don Wells, Vice President
Business Development

DEW/jj

Enc.

RECEIVED
APR 5 1989
HOUSING
VERMONT

engelberth construction, inc.
1700 Hegeman Avenue, Fort Ethan Allen, Winooski, VT 05404-1196 802-655-0611

PRELIMINARY CONSTRUCTION AGREEMENT BETWEEN OWNER AND GENERAL CONTRACTOR

DATE: February 17, 1989

THIS AGREEMENT IS BY AND BETWEEN

VERMONT HOUSING FINANCE AGENCY

And,

ENGELBERTH CONSTRUCTION, INC.
(hereinafter referred to as "General Contractor")

General Contractor agrees to work with the Vermont Housing Finance Agency as a "Team" throughout design and construction/renovations of 72 housing units (Dalton Drive Affordable Housing) located in Colchester, Vermont, which shall be hereinafter referred to as the "PROJECT".

****

1.) SERVICES:
Vermont Housing Finance Agency engages the General Contractor to provide estimating, scheduling, and value engineering services, develop a final budget when working drawings are substantially complete, and procure the order and delivery of any long lead items necessary to maintain the project schedule. Preparation/Solicitation of Bid Documents and the bid is also included. The General Contractor will assist Vermont Housing Finance Agency in coordinating the permit process.

2.) DESIGN TEAM:
Vermont Housing Finance Agency is responsible for contractually retaining and coordinating the professional services of the Architects and the Engineers for implementation of the Project's design. Furthermore, Vermont Housing Finance Agency shall retain the Lead Architect to perform periodic on-site inspections during construction, and to perform the shop drawing review/approval process during construction so as to insure compatibility of all systems and specified materials and consistency of same with all revised plans and specifications. Such Architects and Engineers shall be fully licensed and registered to do business in the State of Vermont.

LEAD ARCHITECT: Alexander-Truex-De Groot, Inc.
Burlington, Vermont

NOTE: If it is determined to be in the best interest of the Project this Agreement can be amended to include Design/Build, Mechanical, Electrical, and Sprinkler Subcontractors hired by the General Contractor. Prior to retaining Design/Build Subcontractors the Vermont Housing Finance Agency, Architect, and General Contractor shall execute a Change Order amending this Agreement.

3.) LONG LEAD ITEMS:
In order to meet the construction schedule, and upon Vermont Housing Finance Agency's approval, the General Contractor shall procure the order and delivery of certain Long Lead Items. Prior to ordering, the cost of such Long-Lead Items will be agreed to by both parties either by Change Order to this Agreement (specifically amending Article 9, Payment), or by entering into the final Construction Contract. General Contractor's mark-up for long-lead item change orders shall be between six and eight percent (6-8%) depending on the Contract selected by Vermont Housing Finance Agency which is outlined in No. 12.) The Construction Contract. Vermont Housing Finance Agency shall demonstrate financial assurance in a form satisfactory to General Contractor prior to proceeding with long-lead items.

4.) PROCEDURES: (UPON SIGNING THIS AGREEMENT, THE OWNER AND GENERAL CONTRACTOR SHALL PROCEED AS OUTLINED BELOW)
Throughout the design phase the General Contractor shall provide Cost Estimates with such Alternates, Options and Allowances as are necessary for Vermont Housing Finance Agency and Design Team to proceed with their decision making processes. General Contractor will provide computerized project schedules which will be closely monitored and updated throughout design and construction. The General Contractor shall also provide value engineering services, conduct job meetings on either a weekly or biweekly basis, take and distribute job meeting minutes, and assist Vermont Housing Finance Agency in coordinating the permit process.

Upon completion of Working Drawings and Specifications and Vermont Housing Finance Agency's approval of the final budget, General Contractor will proceed with the bid process.

--> Portions of the work to be bid will be divided into bid packages for competitive pricing among prequalified subcontractors and suppliers (Refer to Exhibit "A"). All bid documents and the bid shall be subject to the approval of Vermont Housing Finance Agency, General Contractor, and Lead Architect.

--> Once the bid results have been approved by Vermont Housing Finance Agency, General Contractor, and Lead Architect the fixed Lump Sum Cost-of-Construction will be established and trade contracts awarded. Vermont Housing Finance Agency and General Contractor will then enter into a formal construction contract as per Article 12.

5.) FEE:
For budget purposes and actual construction costs the General Contractor will fix its Fee between six and eight percent (6-8%) of the Cost-of-Construction depending on the Contract selected by Vermont Housing Finance Agency as outlined in No. 12. (Refer to attached "Fee Structure").

6.) RESPONSIBILITIES AND REPRESENTATIONS:

A.) The Vermont Housing Finance Agency shall provide full information regarding its requirements for the Project.

B.) Vermont Housing Finance Agency has designated Emily Wadhams to be the Project "REPRESENTATIVE". Emily Wadhams shall be fully acquainted with the Project, render decisions promptly, furnish information expeditiously and in time to allow the Project Schedule to proceed as et forth in Article 10, SCHEDULE.

C.) Vermont Housing Finance Agency shall furnish for the site of the Project all necessary surveys describing the physical characteristics, soil reports and subsurface investigations, legal limitations, utility locations, and a legal description.

D.) If Vermont Housing Finance Agency becomes aware of any fault or defect in the Project or non-conformance with the Drawings or Specifications, it shall give prompt written notice thereof to the General Contractor.

E.) PERMITS: Vermont Housing Finance Agency is responsible for securing and paying for all necessary permits, approvals, easements, assessments and charges required for the construction, use, or occupancy of permanent structures or for permanent changes in existing facilities.

F.) REPRESENTATIONS:

(1) Vermont Housing Finance Agency is duly organized and existing under the laws of the jurisdiction where the Work is to be done, is in good standing, and has full power and authority to enter into this transaction, and all necessary action to authorize this Agreement has been duly and validly taken.

(2) Prior to executing the final Construction Contract, Vermont Housing Finance Agency will firmly commit all of the funds necessary to pay for the performance of the Work and all other items necessary in connection with the development herein contemplated. The source of said funds shall be a Construction Loan Agreement by and between Vermont Housing Finance Agency and the "Lender". Said Construction Loan Agreement shall provide for not less than the Construction Contract Sum, being allocated solely and exclusively for the payment to Contractor for the performance of the Work.

G.) The services and information required by paragraphs A. through G. inclusive shall be furnished with reasonable promptness at Vermont Housing Finance Agency's expense and the General Contractor shall be entitled to rely upon the accuracy and the completeness thereof.

7.) INSURANCE:

A. GENERAL CONTRACTOR'S INSURANCE: The General Contractor shall maintain throughout the duration of this Agreement and the construction contract, limits of insurance as follows:

Type	Amount	Bodily Injury & Property Damage
General Liability	$1,000,000	Split Limits
Automobile Liability	$1,000,000	Combined Single Limits
Workmen's Compensation	$ 100,000	(Statutory)
Umbrella Excess Liability	$1,000,000	Combined Single Limits

General Liability shall include comprehensive form, premises operations, explosion and collapse hazard (excluding blasting),under-ground hazard, products/completed operations hazard, contractual, broad form property damage, independent contractors, and personal injury. Automobile Liability shall include comprehensive form, owned, hired and non-owned. Vermont Housing Finance Agency is to be in receipt of such certificate before an exposure to loss can occur.

B. INSURANCE: The Vermont Housing Finance Agency shall be responsible for purchasing and maintaining its own Liability, and Vermont Housing Finance Agency's Property insurance.

C. BUILDER'S RISK INSURANCE: Vermont Housing Finance Agency shall be responsible for obtaining "All-Risk" Builders Insurance in a form acceptable to General Contractor prior to construction commencement and/or an exposure to loss.

D. LABOR & MATERIAL PAYMENT AND PERFORMANCE BONDS: Labor & Material Payment and Performance Bonds shall be furnished by the General Contractor upon the Vermont Housing Finance Agency's request, at a cost not-to-exceed 1.15% of the final contract sum including contract change orders. Unless specifically requested by Vermont Housing Finance Agency, the cost of such bonds will not be included in budgets, estimates, or the final cost-of-construction.

8.) TAXES AND FEDERAL WAGE RATES:
Vermont Housing Finance Agency will notify General Contractor prior to signing this Agreement of any federal wage rates or tax exemptions relative to this Project.

9.) PAYMENT: For Phase I - Preconstruction Services
A. In-house Labor: at the following Time and Material rates which include Direct Labor Burden, Overhead and Profit.

Project Manager	$45.00/hour
Estimator	$40.00/hour
Scheduler	$40.00/hour
Administrative Assistant	$20.00/hour

NOTE: In-house Labor Rates include Direct Labor Burden, Overhead and Profit, in addition to incidentals such as telephone, computer costs, and travel within 60 miles of Engelberth's home office.

B. Fee for hired consultants shall not exceed $2,500.00.

C. Long-lead Items as approved by Vermont Housing Finance Agency shall be added by Change Order to this Agreement, at cost plus between six and eight percent (6-8%) as per Article 3.

If construction commences on or before September 1, 1989 with Engelberth Construction, Inc. costs pursuant to this Agreement will be invoiced on the first requisition of the Construction Contract.

10.) SCHEDULE:

General Contractor will provide preliminary and final computerized project schedules which will be closely monitored and updated as design and construction progresses. The estimates and lump sum amount will be based upon the following construction schedule:

- Commence construction on or before September 1, 1989
- Bid all Work Packages on or before August 15, 1989
* - Substantial Completion....._____, 1989

* General Contractor will make its best effort to develop a construction schedule which meets the Vermont Housing Finance Agency's desired Substantial Completion date, however the scope of work is not yet defined enough to commit to such a date. General Contractor agrees to diligently pursue all work through to completion.

11.) TERMINATION:

In the event that this Agreement is terminated because Vermont Housing Finance Agency chooses not to proceed with the Project, or the Project does not go forward with Engelberth Construction, Inc., that Vermont Housing Finance Agency shall pay all documented direct costs incurred by the Contractor to the date of termination, however, Item 9-A and 9B not to exceed $13,500. This cost will be carried as a separate line item in all budgets and the final Lump Sum Construction Amount. Remittance is due within 30 days of invoice date. Vermont Housing Finance Agency must advise General Contractor in writing of its intentions not to proceed.

12.) THE CONSTRUCTION CONTRACT:

As soon as reasonably possible the General Contractor will submit a formal construction contract for the Vermont Housing Finance Agency's review. Prior to commencement of any construction or upon completion of this Agreement, which ever occurs first, Vermont Housing Finance Agency and General Contractor shall enter into a formal Construction Contract. The contract will be based upon A.I.A. document No. A101 Standard Form Agreement Between Owner and Contractor and A.I.A. A201 General Terms and Conditions, or A.I.A. Document No. A111 Standard Form of Agreement between Owner and Contractor, cost Plus a Fee. Depending on the type of Contract selected by Vermont Housing Finance Agency, the Contractor Fee will between six and eight percent (6-8%) which will be established prior to construction commencement. If a form of construction contract cannot be agreed to between the parties, either party shall have the right to terminate this Agreement as to future obligations.

****

PRELIMINARY CONSTRUCTION AGREEMENT BETWEEN OWNER AND GENERAL CONTRACTOR
VERMONT HOUSING FINANCE AGENCY

THE AFOREMENTIONED IS MUTUALLY AGREED TO BY:

VERMONT HOUSING FINANCE AGENCY
1 Burlington Square
Burlington, Vermont

Allen Hunt, Duly Authorized Representative

Date: 3/27/89 Witness:

AND,

GENERAL CONTRACTOR:

ENGELBERTH CONSTRUCTION, INC.
1700 Hegeman Avenue
Winooski, Vermont

Otto A. Engelberth, President and Duly Authorized Representative

Date: 4/4/89 Witness:

E N D O F A G R E E M E N T

EXHIBIT "A"

BID PACKAGE DISTRIBUTION

The scope of work will be divided into bid packages similiar to the following for bid among qualified subtrades or suppliers.

This bid process will assure you of qualified subcontractor and supplier coverage and a competitive price.

Upon the Owner's approval of bid results, the fixed "Cost of Construction" will be developed.

SUBTRADE BID PACKAGES:

Sitework and Landscaping
Concrete
Masonry
Miscellaneous Metals
Roofing
Insulation
Damproofing and Caulking
Drywall
Painting
Flooring
HVAC and Plumbing
Sprinkler
Electrical

WORK TO BE PERFORMED BY ENGELBERTH CONSTRUCTION

General Conditions
Demolition
Rough and Finished Carpentry
Doors, Windows, and Hardware
Specialties

"FEE STRUCTURE"

PHASE I: PRECONSTRUCTION SERVICES

The Fee:

A. Engelberth Construction, Inc. Labor: Lump Sum $4,000.00 through March 15, 1989 and $7,000.00 from March to September, 1989.

B. Any long-lead items ordered during Phase I will be added to the Preliminary Construction Agreement by Change Order at cost plus 8% overhead and profit.

C. The fee for Hired Consultants will not exceed $2,500.

Note:

1. If construction proceeds during the month of September, 1989 all cost pursuant to this Phase will be invoiced on the first construction requisition.

2. Phase I costs will be carried as a separate line item in all budgets and the final Lump Sum Construction Contract Amount.

3. In the event the project does not go forward with Engelberth, then Owner will reimburse General contractor for all material, equipment and consultant costs as noted above, and all labor costs at the following rates:

Project Manager.....	$45./hour
Scheduler.....	$40./hour
Estimator.....	$40./hour
Administrative Assistant	$20./hour

PHASE II: CONSTRUCTION SERVICES

The Fee:

A. General Contractor's markup shall be six to eight percent (6-8%) of the Cost-of-Construction. (Refer to No. 12.) Construction Contract in the Preliminary Agreement.)

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DEVELOPMENT PHASE PRELIMINARY BUDGET

CONSTRUCTION LOAN INTEREST RATE	8.00%
# OF UNITS:	72
# OF BUILDINGS	20
# OF SF-GROSS HABITABLE WITH COMMON AREAS	116,205
COST/SF	$35.00
SWEAT EQUITY/SF	$0.00
REVISED COST/SF	$35.00

		BUDGET	COST/UNIT	COST/SF
CONSTRUCTION COST				
BUILDINGS		$3,486,947	$48,429.82	$30.01
GENERAL CONDITIONS	8%	$278,956	$3,874.39	$2.40
OVERHEAD AND PROFIT	8%	$301,272	$4,184.34	$2.59
CONSTRUCTION COST SUBTOTAL		$4,067,175	$56,488.54	$35.00
CONTINGENCY	10%	$348,695	$4,842.98	$3.00
CONSTRUCTION ESTIMATION		$13,500	$187.50	$0.12
BOND PREMIUM		$26,000	$361.11	$0.22
SITEWORK (WITHIN 5' OF BLDGS)		$60,000	$833.33	$0.52
LANDSCAPING		$60,000	$833.33	$0.52
ASBESTOS REMOVAL		$0	$0.00	$0.00
CONSTRUCTION SUBTOTAL		$4,575,370	$63,546.80	$39.37
FEES				
A&E DESIGN/SUPERVISION	2.95%	$120,000	$1,666.67	$1.03
ARCHITECTURAL INSPECTIONS		$5,000	$69.44	$0.04
LEGAL AND ACCOUNTING		$50,000	$694.44	$0.43
TITLE AND RECORDING		$5,000	$69.44	$0.04
MARKETING		$30,000	$416.67	$0.26
ASBESTOS INSPECTION		$6,000	$83.33	$0.05
PERMITS/IMPACT FEES		$45,000	$625.00	$0.39
DEVELOPER'S FEE		$60,000	$833.33	$0.52
CONSULTING FEES		$100,000	$1,388.89	$0.86
FEES SUBTOTAL		$421,000	$5,847.22	$3.62
FINANCING AND CARRYING CHARGES				
CONSTRUCTION LOAN INTEREST		$265,989	$3,694.29	$2.29
CONSTRUCTION LOAN FEE	1%	$67,366	$934.25	$0.58
PERMANANT LOAN FEE		$0	$0.00	$0.00
TAXES DURING CONSTRUCTION		$0	$0.00	$0.00
INSURANCE/BLDGS,BUILDER'S RISK		$22,000	$305.56	$0.19
OTHER:CARRYING COSTS THRU SELLOUT		$0	$0.00	$0.00
FINANCING SUBTOTAL		$355,255	$4,934.10	$3.06
ACQUISITION				
LAND (LESS #600)		$1,375,000	$19,097.22	$11.83
ACQUISITION SUBTOTAL		$1,375,000	$19,097.22	$11.83
TOTAL DEVELOPMENT COST		$6,726,625	$93,425.34	$57.89
LESS EQUITY		$0	$0.00	$0.00
VHFA CONSTRUCTION LOAN		$6,726,625	$93,425.34	$57.89

13-Apr-89 DALTON DRIVE

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TABLE I
TOTAL DEVELOPMENT COST PER UNIT

TOTAL DEVELOPMENT COST	$6,726,625
# SF-GROSS HABITABLE/UNIT ONLY	98,516
COST/SF (W/O COMMON AREA)	$68

BUILDING TYPE GROUP	NUMBER OF BUILDINGS	TOTAL UNITS	SQ.FT/ UNIT	TOTAL SQ.FT.	TOTAL DEV COST/UNIT
FLAT I (1ST FL)	2	2	1,409	2,818	$96,206
FLAT I (2ND FL)	2	2	1,442	2,884	$98,459
FLAT II (1ST FL)	2	4	1,286	5,144	$87,807
FLAT II (2ND FL)	2	4	1,486	5,944	$101,463
FLAT II (3RD FL)	2	2	1,711	3,422	$116,826
FLAT III (1ST FL)	6	12	1,048	12,576	$71,557
FLAT III (2ND FL)	6	12	1,220	14,640	$83,301
FLAT III (3RD FL)	6	10	844	8,440	$57,628
FLAT III (3RD FL-603)	6	2	1,090	2,180	$74,425
FLAT IV (1ST FL)	1	1	1,636	1,636	$111,705
FLAT IV (2ND FL)	1	1	1,780	1,780	$121,538
FLAT V (1ST FL)	1	2	1,114	2,228	$76,063
FLAT V (2ND FL)	1	2	1,134	2,268	$77,429
TOWNHOUSE 1	3	6	2,240	13,440	$152,946
TOWNHOUSE 2	2	4	2,064	8,256	$140,929
TOWNHOUSE 3	3	6	1,810	10,860	$123,586
		72		98,516	

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13-Apr-89 DALTON DRIVE

TABLE II

PURCHASE PRICE ADJUSTMENTS:(TO BE DETERMINED)

OWNER REHAB COSTS/SF	$0
TOWNHOUSE INCREASE	$0
ATTIC UNIT REDUCTION	$0
OTHER	$0

BUILDING TYPE GROUP	NUMBER OF BUILDINGS	TOTAL UNITS	SQ.FT/ UNIT	TOTAL SQ.FT.	TOTAL DEV COST/UNIT	OWNER REHAB COST	PRICE ADJUSTMENTS	PURCHASE PRICE/UNIT
FLAT I (1ST FL)	2	2	1,409	2,818	$96,206	$0		$96,206
FLAT I (2ND FL)	2	2	1,442	2,884	$98,459	$0		$98,459
FLAT II (1ST FL)	2	4	1,286	5,144	$87,807	$0		$87,807
FLAT II (2ND FL)	2	4	1,486	5,944	$101,463	$0		$101,463
FLAT II (3RD FL)	2	2	1,711	3,422	$116,826	$0	$0	$116,826
FLAT III (1ST FL)	6	12	1,048	12,576	$71,557	$0		$71,557
FLAT III (2ND FL)	6	12	1,220	14,640	$83,301	$0		$83,301
FLAT [illegible] (3RD FL)	6	10	844	8,440	$57,628	$0	$0	$57,628
FLAT III (3RD FL-603)	6	2	1,090	2,180	$74,425	$0	$0	$74,425
FLAT IV (1ST FL)	1	1	1,636	1,636	$111,705	$0		$111,705
FLAT IV (2ND FL)	1	1	1,780	1,780	$121,538	$0		$121,538
FLAT V (1ST FL)	1	2	1,114	2,228	$76,063	$0		$76,063
FLAT V (2ND FL)	1	2	1,134	2,268	$77,429	$0		$77,429
TOWNHOUSE 1	3	6	2,240	13,440	$152,946	$0	$0	$152,946
TOWNHOUSE 2	2	4	2,064	8,256	$140,929	$0	$0	$140,929
TOWNHOUSE 3	3	6	1,810	10,860	$123,586	$0	$0	$123,586
		72		98,516				

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13-Apr-89 DALTON DRIVE

TABLE III
NET MORTGAGE AMOUNT

VHFA MORTGAGE TERMS :

INTEREST#	8.90%	PURCHASE PRICE LIMIT:	$93,000
TERM (YEARS)	30	INCOME LIMIT:	$38,000

CONVENTIONAL MORTGAGE TERMS: PURCHASE PRICE: ALL BUILDINGS OVER $93,000

INTEREST	11.00%
TERM	30

HOUSING AND CONSERVATION TRUST 2ND MORTGAGE TERMS:

TOTAL COST LIMIT	$0
MORTGAGE AMOUNT	$0
TERM	DEFERRED, DUE ON SALE
INTEREST	0.00%

TOTAL HCTF FUNDS

BUILDING TYPE GROUP	PURCHASE PRICE/UNIT	LESS DWNPMT 5.00%	LESS HCTF 2ND	MORTGAGE AMOUNT	ANNUAL PAYMENT	MONTHLY PAYMENT
FLAT I (1ST FL)	$96,206	$4,810	$0	91,396	$10,445	$870
FLAT I (2ND FL)	$98,459	$4,923	$0	93,536	$10,689	$891
FLAT II (1ST FL)	$87,807	$4,390	$0	83,417	$7,982	$665
FLAT II (2ND FL)	$101,463	$5,073	$0	96,390	$11,015	$918
FLAT II (3RD FL)	$116,826	$5,841	$0	111,235	$12,140	$1,012
FLAT III (1ST FL)	$71,557	$3,578	$0	67,979	$6,505	$542
FLAT III (2ND FL)	$83,301	$4,165	$0	79,136	$7,573	$631
FLAT III (3RD FL)	$57,628	$2,881	$0	54,997	$4,784	$399
FLAT III (3RD FL-603)	$74,425	$3,721	$0	70,953	$6,311	$526
FLAT IV (1ST FL)	$111,705	$5,585	$0	106,120	$12,127	$1,011
FLAT IV (2ND FL)	$121,538	$6,077	$0	115,461	$13,195	$1,100
FLAT V (1ST FL)	$76,063	$3,803	$0	72,260	$6,915	$576
FLAT V (2ND FL)	$77,429	$3,871	$0	73,558	$7,039	$587
TOWNHOUSE 1	$152,946	$7,647	$0	145,049	$17,147	$1,429
TOWNHOUSE 2	$140,929	$7,046	$0	133,632	$15,843	$1,320
TOWNHOUSE 3	$123,586	$6,179	$0	117,157	$13,960	$1,163

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13-Apr-89 DALTON DRIVE

TABLE IV
INCOME REQUIRED TO MEET SHELTER COST

BUILDING TYPE GROUP	ANNUAL PAYMENT	TAXES AT $2.19 PER $100	ANNUAL CONDO FEE*	TOTAL SHELTER COST PER YEAR	INCOME NEEDED @ 30%
FLAT I (1ST FL)	$10,445	$2,107	$517	$13,068	$43,560
FLAT I (2ND FL)	$10,689	$2,156	$517	$13,362	$44,540
FLAT II (1ST FL)	$7,982	$1,923	$517	$10,422	$34,740
FLAT II (2ND FL)	$11,015	$2,222	$517	$13,754	$45,847
FLAT II (3RD FL)	$12,140	$2,558	$517	$15,216	$50,719
FLAT III (1ST FL)	$6,505	$1,567	$517	$8,589	$28,630
FLAT III (2ND FL)	$7,573	$1,824	$517	$9,914	$33,046
FLAT III (3RD FL)	$4,784	$1,262	$517	$6,563	$21,877
FLAT III (3RD FL-603)	$6,311	$1,630	$517	$8,458	$28,193
FLAT IV (1ST FL)	$12,127	$2,446	$517	$15,090	$50,301
FLAT [redacted] (2ND FL)	$13,195	$2,662	$517	$16,373	$54,577
FLAT V (1ST FL)	$6,915	$1,666	$517	$9,097	$30,324
FLAT V (2ND FL)	$7,039	$1,696	$517	$9,251	$30,838
TOWNHOUSE 1	$17,147	$3,350	$517	$21,014	$70,045
TOWNHOUSE 2	$15,843	$3,086	$517	$19,446	$64,819
TOWNHOUSE 3	$13,960	$2,707	$517	$17,183	$57,277

* SEE ATTACHED FOR CONDO FEE DESCRIPTION

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06-Apr-89 DALTON DRIVE

CONDOMINIUM ASSOCIATION FEE		COSTS INCL.IN HOUSING COST
ANNUAL OPERATING EXPENSES		TO OWNER CALC.
MANAGEMENT FEE	$7,200	$7,200
TAXES	NA	
INSURANCE	$26,000	$26,000
BUILDING MAINTENANCE	$15,000	
GROUNDS MAINTENANCE/SNOW REMOVAL	$26,000	
TRASH REMOVAL	$9,000	
COMMON AREA UTILITIES	$7,000	
RESERVE FOR REPLACEMENT	$4,000	$4,000
PROFESSIONAL FEES	$3,000	
WATER/SEWER	$15,000	
TOTAL EXPENSES	$112,200	$37,200
CONDO ASSOC FEE/UNIT/MONTH	$130	$43
/YEAR	$1,558	$517

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13-Apr-89 DALTON DRIVE

TABLE V-A
PERCENTAGE OF AFFORDABLE UNITS*
MEDIAN INCOME OR BELOW

FAMILY SIZE BASED ON PROPOSED INCLUSIONARY ZONING REGS FOR BURLINGTON:

	# PERSONS	APPROX MEDIAN INCOME
1BR	1.5 PERSONS	$28,800
2BR	3 PERSONS	$34,600
3BR	4.5 PERSONS	$39,700

BUILDING TYPE GROUP	TOTAL UNITS	NUMBER OF BEDROOMS	INCOME NEEDED	$28,800 MEDIAN 1 BR	$34,600 MEDIAN 2 BR	$39,700 MEDIAN 3 BR	TOTAL MEDIAN OR BELOW
FLAT I (1ST FL)	2	2	$43,560		0		0
FLAT I (2ND FL)	2	2	$44,540		0		0
FLAT II (1ST FL)	4	2	$34,740		0		0
FLAT II (2ND FL)	4	3	$45,847			0	0
FLAT II (3RD FL)	2	2	$50,719		0		0
FLAT III (1ST FL)	12	1	$28,630	12			12
FLAT III (2ND FL)	12	2	$33,046		12		12
FLAT III (3RD FL)	10	1	$21,877	10			10
FLAT III (3RD FL-603)	2	1	$28,193	2			2
FLAT IV (1ST FL)	1	2	$50,301		0		0
FLAT IV (2ND FL)	1	3	$54,577			0	0
FLAT V (1ST FL)	2	2	$30,324		2		2
FLAT V (2ND FL)	2	2	$30,838		2		2
TOWNHOUSE 1	6	3	$70,045			0	0
TOWNHOUSE 2	4	3	$64,819			0	0
TOWNHOUSE 3	6	3	$57,277	0	0	0	0
	72			24	16	0	40
							55.56%

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13-Apr-89 DALTON DRIVE

TABLE V-B
PERCENTAGE OF AFFORDABLE UNITS:
80% OF MEDIAN INCOME

SAME ASSUMPTION FOR FAMILY SIZE PER UNIT AS PRECEEDING TABLE

BUILDING TYPE GROUP	TOTAL UNITS	NUMBER OF BEDROOMS	INCOME NEEDED	$23,100 1 BR	$27,700 2 BR	$31,775 3 BR	TOTAL MEDIAN OR BELOW
FLAT I (1ST FL)	2	2	$43,560		0		0
FLAT I (2ND FL)	2	2	$44,540		0		0
FLAT II (1ST FL)	4	2	$34,740		0		0
FLAT II (2ND FL)	4	3	$45,847			0	0
FLAT II (3RD FL)	2	2	$50,719		0		0
FLAT III (1ST FL)	12	1	$28,630	0			0
FLAT III (2ND FL)	12	2	$33,046		0		0
FLAT III (3RD FL)	10	1	$21,877	10			10
FLAT [redacted] (3RD FL-603)	2	1	$28,193	0			0
FLAT IV (1ST FL)	1	2	$50,301		0		0
FLAT IV (2ND FL)	1	3	$54,577			0	0
FLAT V (1ST FL)	2	2	$30,324		0		0
FLAT V (2ND FL)	2	2	$30,838		0		0
TOWNHOUSE 1	6	3	$70,045			0	0
TOWNHOUSE 2	4	3	$64,819			0	0
TOWNHOUSE 3	6	3	$57,277			0	0
	72			10	0	0	10
							13.89%

STATISTICAL REPORT PROGRAM ID: 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 04/13/89

Total Number of Loans:	289
Total Loan Amount:	$18,416,358
Average Loan Amount:	$63,724

EXISTING:	$13,766,735	77.5%	224 Loans
NEW CONSTRUCTION:	$4,649,623	22.4%	65 Loans
NEW DETACHED HOUSING:	$4,254,162	91.4%	59 Loans
NEW CONDOMINIUM:	$395,461	8.5%	6 Loans

Total Insured or Guaranteed Loans:	269
Loans Guaranteed by VHMGB:	268

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$68,213	$75,072	$70,610
Avg. Loan Amount	$60,699	$69,354	$63,724
Avg. Borrower Income	$27,771	$30,041	$28,565
Avg. Housing Debt-Income Ratio	25.7%	27.6%	26.4%
Avg. Total Debt	$778.64	$879.00	$813.72
Avg. Total Debt-Income Ratio	33.5%	35.3%	34.1%
Total No. of Loans	188	101	289
First Time Homebuyers	78.1%	100.0%	85.8%
% Loans with 2 or more Wage Earners	52.1%	57.4%	53.9%
% of Total Loan Amount	62.0%	38.0%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	13	4.5%	$862,830	5,115	5.7%	1.2-
Bennington	10	3.5%	$613,054	6,538	7.3%	3.8-
Caledonia	15	5.2%	$815,000	4,500	5.0%	0.2
Chittenden	71	24.5%	$5,109,731	17,415	19.4%	5.1
Essex	1	0.3%	$36,000	1,455	1.6%	1.3-
Franklin	49	17.0%	$3,226,011	5,798	6.5%	10.5
Grand Isle	1	0.3%	$80,750	932	1.0%	0.7-
Lamoille	15	5.2%	$912,284	3,234	3.6%	1.6
Orange	8	2.8%	$458,167	4,221	4.7%	1.9-
Orleans	15	5.2%	$618,636	4,149	4.6%	0.6
Rutland	32	11.1%	$2,033,653	10,051	11.2%	0.1-
Washington	37	12.8%	$2,233,182	9,282	10.3%	2.5
Windham	16	5.5%	$1,078,573	6,944	7.7%	2.2-
Windsor	6	2.1%	$338,487	10,120	11.3%	9.2-
TOTAL	289	100.0%	$18,416,358	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
CACI, 1988 County Sourcebook

Energy Rated Homes of Vermont, Inc.
7 Lawson Lane, P.O. Box 5130
Burlington, VT 05402-5130
802/865-3926

ENERGY RATED HOMES VERMONT™

"The uniform system of evaluating and rating home energy efficiency"

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Richard Faesy, Director RRF

DATE: April 13, 1989

RE: Update on Energy Rated Homes of Vermont & The Energy Efficient Mortgage

There has been significant progress since May 26, 1988 when I last updated you and requested a funding commitment for expansion and support of Energy Rated Homes of Vermont (ERH) and the Energy Efficient Mortgage (EEM). I will briefly highlight some of our successes and would be happy to answer any questions you may have at the Board Meeting.

First, I would like to thank you for VHFA's generous commitment of $100,000 towards ERH and the EEM, in addition to the significant staff time that has been spent on behalf of ERH. This level of funding and time commitment has enabled ERH to make some real inroads towards becoming a standard part of mortgage lending in Vermont. By no means are we there yet, but over the past year we have certainly progressed significantly.

We are hoping that by the time the funding from the oil overcharge funds and VHFA ends in March of 1990, we will have become established enough to be able to support the organization on fees for services and membership fees. We are studying how to best acheive this self-supporting status. An evaluation of ERH and the EEM this summer will help us determine where our strong areas and and areas to work on are. Acceptance as a 501(c)(3) corporation (pending) will certainly help us in raising funds and soliciting membership fees.

As the attached graph displays, there has been a steady increase in energy rating activity from the start of ERH. With an increasing number of real estate agents, lenders, appraisers, and builders benefiting from the use of energy ratings, we see more and more ratings being ordered. Increased awareness through ERH's promotional activities and the professional services and energy rating report provided by ERH all contribute to our increasing use by home buyers and sellers.

Presently, ERH has processed over 375 energy ratings, and they continue to flow in daily. The goal of 420 ratings by June 30, 1989 established a year ago will undoubtedly be far surpassed. As well, the goal of 70 EEMs by the

same date (an EEM is defined as a mortgage where the ERH rating is used to help a buyer qualify for the mortgage by stretching the debt-to-income ratios on an energy efficient home or a mortgage that has rolled into it the cost of energy improvements) has already been surpassed.

We see an increasing number of new home buyers using ERH energy ratings as a means of qualifying for a mortgage (approximately 80 to date). There has been a greater than 300% increase in the number of ratings ordered by buyers of new homes this past quarter compared to the same quarter last year. In most all of these mortgages, the rating and allowable stretched ratios for energy efficient homes make the difference between being able to qualify for the mortgage or not.

EEMs that roll the cost of energy improvements in with the mortgage are being utilized, but not as frequently as we would like to see. The trend has been that approximately 5% to 7% of the ratings ordered (about 20) have turned into EEMs with improvements. There are a great number of Vermont homes that could benefit from cost effective energy improvements, but lenders and real estate agents are not always willing to try new programs, especially when they involve establishing an escrow account. As well, buyers are not always willing to increase their mortgage amount to cover the cost of energy improvements, even though the resulting energy savings will usually more than offset the additional mortgage payments. We are working on ways to try to increase these.

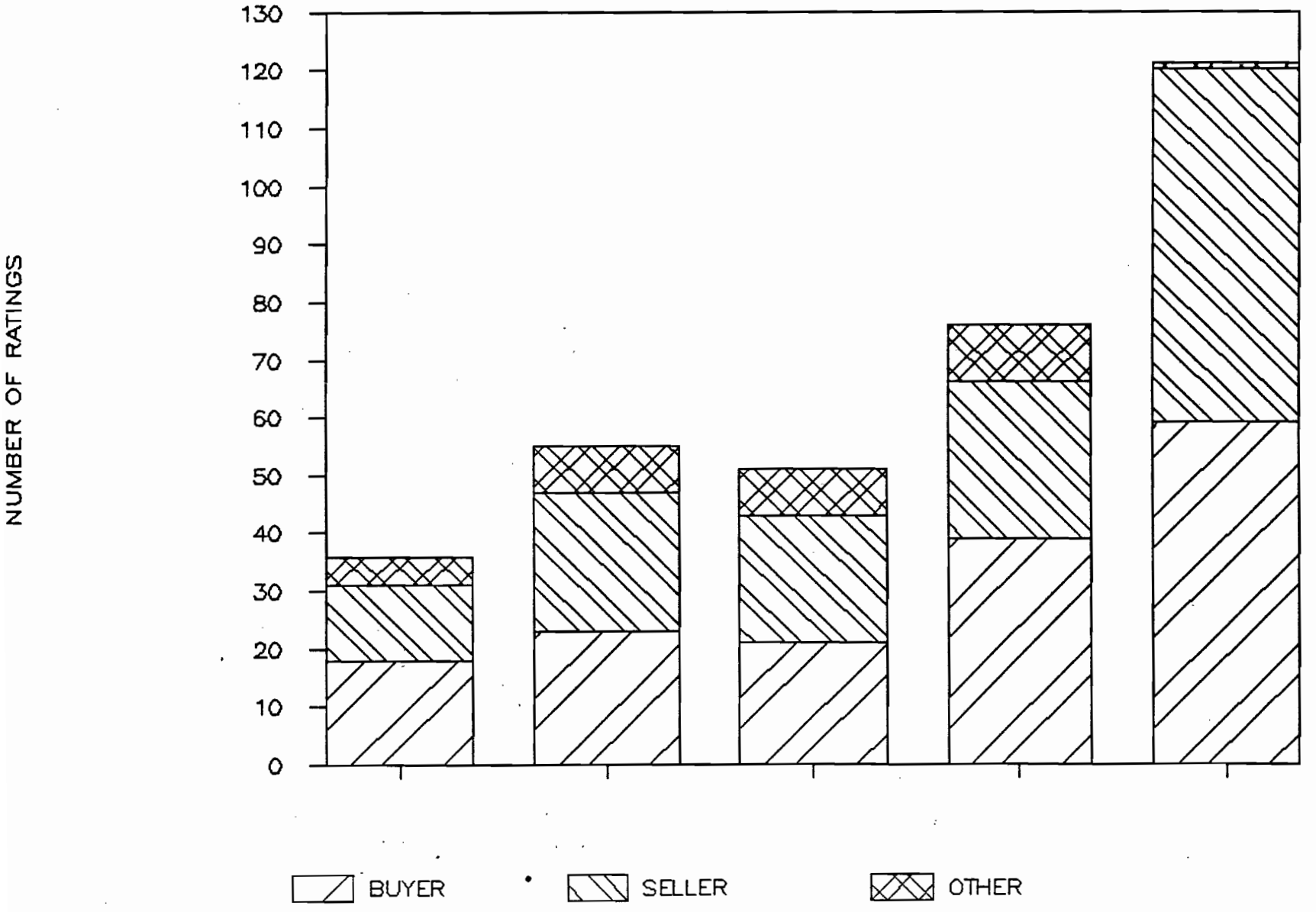
Certainly, if legislation recently introduced in Congress passes that encourages lenders examine energy costs as well as other monthly expenses when qualifying a home buyer for a mortgage (as VHFA currently does), then this may boost the number of EEMs that finance energy improvements in the mortgage. There are currently four pieces of legislation that have been introduced in Washington. These all focus on the problem of global warming and propose one of the solutions as being energy ratings and EEMs. We have already been contacted regarding our experience as it relates to this legislation, and I would expect numerous future contacts as well.

Our success is recognized by individuals and organizations in other states interested in using Vermont as a model for implementing energy rating systems and improving the energy efficiency of homes through the mortgage process. We are contacted weekly by individuals from other states and by federal agencies who are interested in our progress.

ERH and the EEM have established a successful mechanism to provide affordable housing through energy efficiency in Vermont and as a model for the rest of the country. This certainly could not have been achieved without VHFA's assistance, initiative, and insight.

NUMBER OF RATINGS ORDERED BY QUARTER

JANUARY 1988 TO MARCH 1989



Energy Rated Homes **The** of Vermont Newsletter

Energy Efficient Mortgage

Volume 2, No. 1 — *Spring 1989*

Energy Efficient Mortgage Singled Out

Vermont's Energy Efficient Mortgage program received national attention at the Affordable Comfort Conference in Pittsburgh, Pennsylvania this winter. The keynote speakers singled out Vermont as one of the states that have established innovative and successful programs using oil overcharge funding.

Lawsuits against oil companies that violated pricing procedures in the early 1980's resulted in the reimbursement of over 2.5 billion dollars to the 50 states. These funds were earmarked by Congress to be used for energy conservation programs.

Vermont decided to use $500,000 of the funds it received to develop and establish the Energy Efficient Mortgage program and an energy rating system which has resulted in the incorporation of Energy Rated Homes of Vermont.

350 Homes Rated

Energy Rated Homes of Vermont began processing energy ratings of homes in October 1987. Since then we have completed over 350 energy ratings for new, planned and older homes in Vermont.

While sellers of homes ordered about one half of all ratings, the other half of the energy ratings were ordered by lenders for home buyers.

Nearly one third of all energy ratings resulted in Energy Efficient Mortgages. This means that buyers qualified for mortgages with increased debt-to-income ratios when they bought a **FOUR** or **FIVE STAR** home or when they decided to upgrade the existing home to make it a **FOUR** or **FIVE STAR** home.

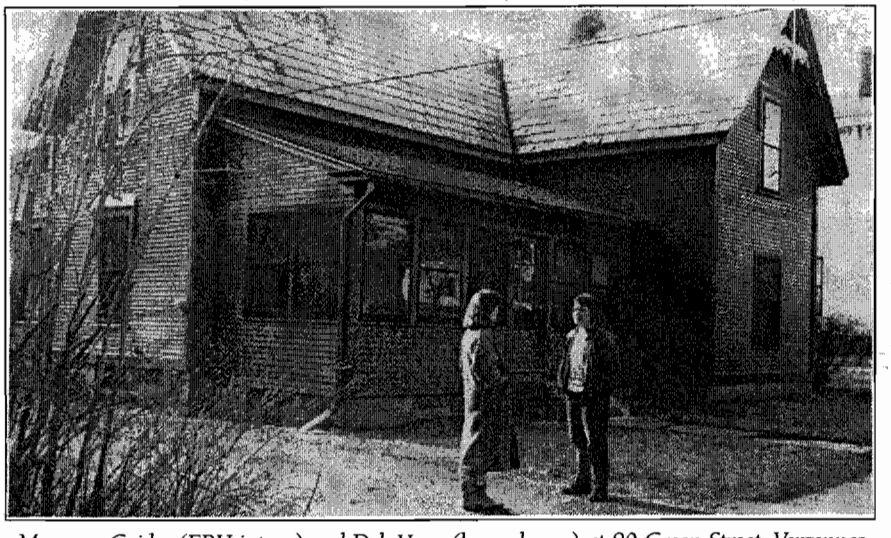
Energy Efficient Mortgage Qualifies First-Time Home Buyer

On March 2, 1989 a dream came true for Deb Venn. It was the day when she closed on her Energy Efficient Mortgage loan that qualified her for the purchase of her "new" home on 80 Green Street in Vergennes. For Deb, a first-time home buyer, renting is now a thing of the past.

Finding an affordable house was difficult! For months she was on the lookout with her real estate agent Mark Mooney at William Smith Real Estate. Then, one day in January, he showed her a two-story, four-bedroom, Vergennes home. Deb, who has done twelve years of carpentry work, immediately recognized the structurally sound features and decided to buy this house.

The next step was a visit to Jan Brosky, loan originator at the Chittenden Bank in Vergennes, who ordered an energy rating along with the appraisal.

The energy rating of this house revealed that this house would be very expensive to heat. It received one of the lowest (**ONE PLUS STAR**) ratings issued by Energy Rated Homes. The list of improvements to bring it to the **FOUR STAR** level included insulation of all exterior walls and ceiling, installation of a high-efficiency boiler and automatic setback thermostat, and insulation of the water heater and pipes. The total estimated cost of improvements would be $8,000, providing Deb would do some of the work herself.



Maureen Gaidys (ERH intern) and Deb Venn (home buyer) at 80 Green Street, Vergennes

Here is the good news...The energy rating provided the bank with the documentation needed to underwrite the Energy Efficient Mortgage. Consequently, Jan Brosky included this additional amount for energy improvement work in the mortgage loan. This increases Deb's monthly mortgage payments by $76 while the average amount saved on energy costs is estimated to be a whopping $108 per month. Every month, $32 will stay in her pocket when the energy improvement work has been completed!

"I feel that I am being rewarded for doing energy improvement work," said Deb, "I am saving money on energy that goes toward my mortgage. All home buyers ought to look into this Energy Efficient Mortgage."

ENERGY RATED HOMES
VERMONT

We have processed over 350 ratings since October 1987. This was possible because real estate agents, lenders and builders in Vermont called us to order free energy ratings and used this service to help their customers. Without their cooperation the Energy Efficient Mortgage would not be as successful as it is.

At this time, there is no charge for an energy rating if the house is for sale. Please give us a call. We'll be happy to rate any home that is on the market or under deposit.

Anneliese Koenig, editor

ENERGY RATED HOMES of Vermont, Inc.
802/865-3926

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The Energy Rated Homes Newsletter is published quarterly by Energy Rated Homes of Vermont, Inc. to provide information about the Energy Efficient Mortgage to participating realtors, lenders, builders and appraisers. Questions, comments and suggestions should be sent to Energy Rated Homes of Vermont, 7 Lawson Lane, Burlington, Vermont 05401.
865-3926

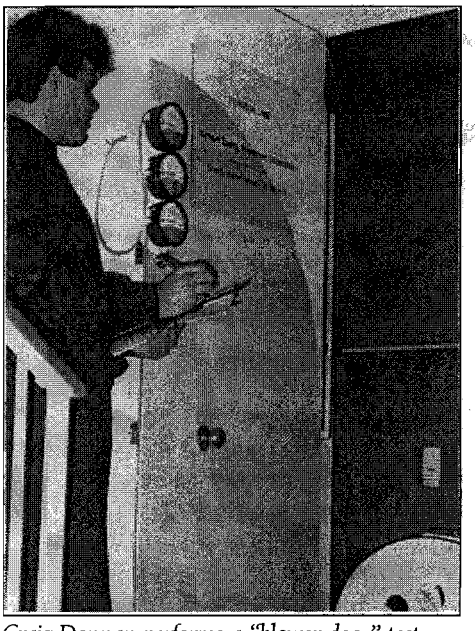
Energy Ratings are Valuable to Builders

by Craig Donnan

The demand for energy efficient houses is increasing. To stay competitive, builders need not only build energy efficient homes but also need to demonstrate their efficiency to the consumer. Since October 1987 there has been a tool available that was designed to do exactly this: the energy rating offered by Energy Rated Homes of Vermont (ERH).

Building an energy efficient, **FOUR STAR** home may not be much different from typical current construction practices. For example, a typical 1,400 square foot, two-story Colonial would achieve a **FOUR STAR** rating with the following energy features:

CEILING	R-38 insulation
WALLS	R-19 insulation
FOUNDATION	R-10 insulation
WINDOWS	Minimum R-2
AIR LEAKAGE	.4 to .65 air changes per hour. Typically, fully weather-stripped, no significant attic bypasses, full vapor barriers in walls and ceilings, dampers on all vents
SOLAR GAIN	At least 75 sq. ft. of south facing glass
WATER HEATER	An energy efficient boiler which heats water in a separate tank with R-5 insulation or a stand-alone gas fired water heater with an energy factor of .56 or more
SPACE HEATER	A furnace with efficiency (AFUE) over 82% or a boiler with AFUE over 84%



Craig Donnan performs a "blower door" test at the Burlington office of ERH

To order an energy rating, a builder should call ERH. If the house is already built, an ERH certified appraiser or ERH rater will arrange to inspect the home's energy features. If the house is not built yet, a "proposed" rating can be completed from the plans and specifications for the house.

The rating package which is provided to the builder includes a certificate confirming the efficiency of the house, a description of the economic benefits of an energy efficient house, and a rating sheet. The rating sheet gives details about the effectiveness of the different building components. Inefficient homes are rated **ONE** to **THREE STAR,** while energy efficient homes receive **FOUR** or **FIVE STAR** ratings.

If a home receives *less* than a **FOUR STAR** rating, ERH will suggest the improvements which would most cost-effectively bring it up to a **FOUR STAR** level.

For builders who wish to achieve a **FOUR STAR** or better rating through higher than average levels of air tightness, ERH can perform a "blower door" test to measure air leakage. The "blower door" is a fan unit that fits inside an exterior door frame. When the fan is turned on, the instruments of the "blower door" indicate the building's air leakage, pinpoint leak locations and produce results which can be used to quantify the estimated heat loss due to air leakage.

Energy ratings are becoming very popular with builders and consumers. They give builders a way to promote their houses and gain an edge over the competition. John Powell, President of the Home Builders Association of Northern Vermont, says that the Energy Rated Homes system is "quickly becoming the established means of evaluating energy efficiency in residential housing in Vermont".

Craig Donnan is staff energy specialist for ERH

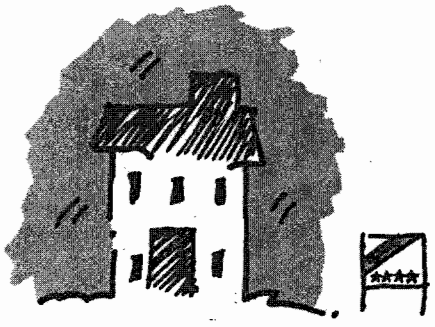
Make Energy Ratings a Regular Part of Your Lending Process

The number of energy ratings ordered by lenders who offer the Energy Efficient Mortgage are increasing weekly. These lenders are making the energy rating of homes a more regular part of the mortgage lending process.

While a large number of lenders are using free energy ratings almost regularly to serve their customers, others order ratings occasionally, and some are just beginning to give energy ratings a try.

Janet Knutson *(Chittenden Bank)*, **Marie Dussault** *(Franklin Lamoille Bank)*, **Shari DeLatte** *(Chittenden Bank)* and **Chris Maguire** *(Chittenden Bank)* have lead the way in providing their customers with energy ratings.

We would like to thank you all. We are happy to have processed ratings so far in 1989 for these lenders: Bank of Vermont, Caledonia National Bank, Chittenden Bank, Franklin Lamoille Bank, The Howard Bank, Marble Bank, The Merchants Bank, Passumpsic Savings Bank, Union Bank and Vermont Federal Bank. Please continue to "shower" us this spring with requests for energy ratings. We welcome your participation.



ERH Recognizes Real Estate Agents

Vermont real estate agents have been keeping us busy with their requests for ERH energy ratings.

Since January, **Batten Real Estate** of East Hardwick, **Linda Boudreau Real Estate** in Swanson, **Mill Brook Real Estate** of Waitsfield and **Otis S. Goss Real Estate** in Danville have ordered the most ratings for their buyers and sellers.

We wish to acknowledge and thank these and many other real estate professionals who are offering the energy rating to their customers.

Ratings for Builders

Builders have recognized the value of ERH energy ratings right from the beginning. One half of the energy ratings we process are for new homes and developments.

ERH would like to recognize **C C Construction, Flanders Building Supply, Inc., Homestead Design, Kuzins Construction Co.,** and **Wesbuilt Co.** for ordering the most energy ratings on new homes they built. We continue to receive rating orders from builders throughout the state and encourage all builders to get their homes energy rated.

Energy Rated Homes Steering Committee: Jeanne Boucher, *Assistant Vice President,* The Merchants Bank; †**Paul Bristol**, *former Executive Officer,* Vermont Association of Realtors; **George Campbell,** *Director of Marketing and Customer Services,* Central Vermont Public Service Corporation; **Larry Deshaw,** *Senior Vice President,* Chittenden Bank; **Allan S. Hunt,** *Executive Director,* Vermont Housing Finance Agency; **Don Johnson,** *Senior Vice President of Marketing and Public Affairs,* Vermont Gas Systems; **Michael F. Keller,** *President,* Keller, Navin & Cable; **Doug Lothrop,** *Director of Operations,* Vermont Housing Finance Agency; **Gerald Martel,** *Executive Director,* Vermont Oil Heat Institute; **Thomas V. O'Connor, Jr.,** *Vice President,* Green Mountain Power Corporation; **John Powell,** *President,* Homebuilders Association of Northern Vermont; **Elizabeth Grover Preston,** *Vice President,* The Howard Bank; **Cynthia Smith,** *Staff Appraiser,* George Silver and Associates; **Roberta W. Walsh,** *Associate Professor,* Consumer Studies, University of Vermont.

†*deceased*

"It says here, that as long as we keep moving we'll be alright."

Mark Your Calendar!

April 6	*Realtor/Banker Financing Seminar*, Lake Morey Inn, Fairlee, VT, 9 a.m.-1 p.m. Contact: Liz Merrill, 864-0541.
April 11	*"Get more bank for your buck"*, Advertising Seminar, Holiday Inn, Rutland, VT. Contact: 229-0513.
April 12	*Radiant Heating Workshop*, Manchester, NH. Contact: Davis Energy Group, Inc. 916/753-1100.
April 27	*Bottom Line Seminar*, sponsored by Tax Reduction Institute, LaGue Inn, Montpelier, VT, 8:30 a.m. Contact: 229-0513.
May 1-2	*Repair & Remodeling Estimating, Scheduling & Project Management*, Plymouth, MA. Contact: 617/585-7880.
June 26-30	*Residential Energy Auditing*, Madison, WI. Contact: Keith Kempski, University of Wisconsin-Madison, 800/362-3020.
June 29-30	*Planning Quality Developments to Conserve Energy and Water*, Orlando, FL. Contact: JoAnn Stirling, 407/783-0300.
Dec. 4-7	*Thermal Performance of the Exterior Envelope of Buildings IV*, Orlando, FL. Contact: George Courville, Building Thermal Envelope Systems and Materials, Oak Ridge National Lab., P.O. Box 2008, Oak Ridge, TN 37831.

These publications may be of interest to you. They offer the latest developments in energy efficient building.

The Journal of Light Construction, P.O. Box 278, Montpelier, VT 05602, 802/223-6123.

Home Energy Magazine, 2124 Kittredge Street, No. 95, Berkeley, CA 94704, 415/524-5405.

Energy Design Update, 1100 Massachusetts Ave., Arlington, MA 02174, 617/648-8700.

Northeast Sun, P.O. Box 541, 14 Green Street, Brattleboro, VT 05301, 802/254-2386.

Chalkline — An Energy Efficient Newsletter for Independent Contractors, Dr. Tom Patterson, Ag-Engineering Building, University of Vermont, Burlington, VT 05405-0004.

Here's what people are saying...

"My customers really like the energy information from the rating. I think every house on the market should be rated."

Betty Bevans, Real Estate Broker
Janes & Jacob Inc., South Burlington.

"I was very impressed with the rating information. It was interesting to see how you produced all that data. It [the Energy Efficient Mortgage] helped us out and I believe it would help every home buyer."

Kerry Bolgioni
First-time home buyer, Swanton.

The following lenders are now offering the Energy Efficient Mortgage:

- Bank of Vermont
- Caledonia National Bank
- Chittenden Bank
- Commonwealth Mortgage Co.
- Community National Bank
- First Vermont Bank
- Franklin Lamoille Bank
- Granite Savings Bank
- The Howard Bank
- Marble Bank
- The Merchants Bank
- National Bank of Middlebury
- Passumpsic Savings Bank
- Union Bank
- Valley Bank
- Vermont Federal Bank
- Vermont Mortgage Group
- Vermont National Bank
- Woodstock National Bank

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 13, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Summary of Recommendations for a 1989A Mortgage Purchase Program

Attached are the recommendations of the program group for the program elements for the proposed 1989A Mortgage Purchase Program.

In most cases we are recommending that the elements remain the same as were approved by you in connection with the 1988B mortgage purchase program with the following exceptions:

* **Size of the issue** - $35-50 million in lendable proceeds. Based on our experience in the 1988B program, the interest rate forcast, and the potential for changes in federal law and regulations, we are sizing this issue for a 6.5 month reservation period and 18.5 month origination period.

* **Income Limits** - New federal law requires us to make adjustments in income limits between two different family sizes, as well as adjustments for targeted and non targeted areas. The required family size adjustments are for one and two person families and three plus person families.

* **Low Income Set Aside** - We are recommending that we continue a low income set aside of 20% of the funds made available, but reduce the time they are set aside from six months to three months and reduce the limit from 100% of median to 80% of the area or state median, whichever is greater.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 13, 1989

TO: VHFA Board of Commissioners

FROM: Program Group (Pat Crady, Hollis Hope, Glenn Jarrett, Doug Lothrop, Stacy Markman, Jacklyn Santerre, and Roger Schoenbeck)

RE: Recommendations for 1989A Home Ownership Program

Loan activity in the 1988B MOVE program has far surpassed everyone's expectations. As indicated by the report you received this month, over $17 million has been purchased or committed to be purchased. Another $16.6 million is in the pipeline. In the last week alone more than $4.6 million was reserved for potential borrowers. In twelve weeks we have put $33 million into the pipeline.

Of the original proceeds of $60 million, $6 million is 7.9% money to be used with non-profit developers for perpetually affordable homes and $10 million has been set aside for builders. This left a total of $44 million to be used for the rest of the program.

If the current rate of activity continues, and we expect it will, we estimate that we will be out of funds to offer Vermonters by late May or mid June, including recyclable and unexpended proceeds available to us(approximately $24 million at various interest rates).

Staff feels that it is very important to have available a continuous supply of mortgage purchase funds, to keep the program momentum going and to keep VHFA highly visible in the minds of the public and shelter industry participants. It is important to recognize that Congress is studying whether or not to continue the MRB authority of housing finance agencies past the present sunset date of December 31, 1989. The recommendation we are making to the board takes into consideration that if authority is extended with more stringent restrictions, or we are sunsetted, we may wish to do a larger issue before the end of the year.

The following are the program recommendations Staff is making for a new mortgage revenue bond issue. The most significant proposed program change involves income limits. In legislation passed last year, Congress mandated that issuers of MRBs more stringently target programs by adjusting income limits for family size. A two-tiered income limit system must now be applied whereby larger households (three or more persons) are allowed higher incomes than smaller households.

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

SIZING

The Program Group recommends $35-50 million to be an appropriate size for a 1989A issue. This recommendation is based on the following assumptions:

Reservation Rate - For the period of 01/03/89 to 03/31/89 VHFA averaged $2.75 million in reservations per week. The spread between VHFA and conventional rates during that period ranged from a high of 2.30% to a low of 1.60%. If the rate on the 1989A issue does not exceed 9.50% we will enjoy a 1.80% spread over conventional rates, currently at 11.3%. Given that conventional rates are expected to rise or remain level through the end of the year, according to the Federal Home Loan Bank Board, we would expect to maintain this spread of 180 basis points throughout the anticipated reservation period for this program.

Reservation Period - A review of past programs indicates that it may take approximately ten months from the closing of the reservation period to purchase all loans. This time is necessary because of new construction and the high percentage of loans on property requiring repairs. We anticipate a 6.5 month reservation period, which allows plenty of time for the mortgages to be closed to avoid the recapture of subsidy which would be a requirement for all loans not made by December 31, 1990.

Fallout Rate - Based on our experience in the 1988B program, we expect a fallout rate of approximately 10% of all loans reserved. This figure represents a reduction in the fallout rate of our 1987A program by about 6%. This reduction is a function of high conventional interest rates and aggressive underwriting by VHFA staff.

Average Loan Amount - VHFA's average loan amount is currently $71,100. We estimate that this average will continue in this range or be slightly less depending on the mortgage interest rate.

Lender Survey - Lenders will be asked to estimate the amount they will be able to originate within an 18 month period based on a projected fixed rate of 9.50%, with a reservation period of 6.5 months. Results will be available before a final decision is made as to the size of the issue.

Calculation:
28 weeks x $2 million in reservations per week - 10% fallout = $50.4 million.

PURCHASE PRICE LIMITS

The purchase price limits recommended by the Program Group, $85,000 for existing residences and $93,000 for newly constructed residences, represent no change from the 1988B program.

These recommended limits remain well below the maximum allowed by Federal Safe Harbor Limits. The VHFA recommended purchase price limits also are lower than the $95,000 maximum mortgage amount set by the Farmer's Home Administration.

INCOME LIMITS

PROPOSED INCOME LIMITS

	Current VHFA Income Limits	OPTION 1 1-2 PERSON HOUSEHOLDS	OPTION 2 1-2 PERSON HOUSEHOLDS	BOTH OPTION 1 AND 2 3+ PERSON HOUSEHOLDS
Addison	$31,500	**All Counties: $31,600**	Addison $31,600	**All Counties: $36,300**
Bennington	32,500		Bennington 31,600	
Caledonia	33,500		Caledonia 31,600	
Chittenden	38,000	(100% of State	Chittenden 34,000*	(115% of State
Burl. MSA	38,000	Median Income)	Burl.MSA 34,000*	Median Income)
Essex	31,500		Essex 31,600	
Franklin	35,000		Franklin 31,600	
Grand Isle	31,500		Grand Isle 31,600	
Lamoille	35,000		Lamoille 31,600	
Orange	32,500		Orange 31,600	
Orleans	31,500		Orleans 31,600	
Rutland	37,500		Rutland 33,500*	
Washington	36,500		Washington 32,500*	
Windham	37,500		Windham 33,500*	
Windsor	34,000		Windsor 31,600	

* Set above $31,600 to reduce decrease from current VHFA limits.

As in the two previous MRB programs, the Program Group recommends that new income limits incorporate stricter targeting than the maximum limit allowed under federal guidelines. The maximum income limits allowed are based on the higher of a set percentage of state or area median income; the percentages are greater for the nine federally designated "Target Areas" of Vermont. Application of new maximum limits would result in a reduction from current VHFA limits in several counties for one and two person households; conversely, income limits for households of three or more persons could be raised in all counties (up to more than $44,000 in ten out of fifteen counties). Current maximum allowable limits for Vermont counties are provided as Attachment #1.

Utilizing the required family size adjustments, the Program Group has devised two options for setting new limits, listed above. Option 1 would set income limits for one and two person households at a statewide level of $31,600, 100% of the HUD published 1989 Vermont State Median Income. Limits for households of three or more persons would be set at $36,300, 115% of State Median. These limits were selected not only for their clear relationship to State Median Income, but also because they represent the maximum allowable limits in three counties.

Option 2 adds one change from Option 1: the limits for one to two person households would add a floor insuring that no new county limit would be more than $4,000 less than the current VHFA county limit. The addition of a floor results in an increase of limits for one to two person households (over Option 1) in five counties.

The income limit options presented above would impact the program in several ways. First, limits would generally be reduced for smaller households, while limits for households of three of more persons would increase an average of $1,900, thereby targeting larger households as Congress intended. More stringent targeting of VHFA funds, and VHFA's determination to set limits well below the maximum allowed, would demonstrate our intention to direct MRB proceeds to those low- and moderate-income families most in need. This seems a particularly appropriate message in light of the current Congressional debate regarding the scheduled sunset of MRB authority.

New federal regulations will result in a change to VHFA's income limit system, including a decrease from current limits in some counties for smaller households. Due to the federal designation of certain counties as "Targeted" it is not possible to devise new income limits for counties on the basis of their relative cost of property or median incomes. Setting two statewide limits, adjusted for family size, seems the most balanced and workable alternative. Two statewide limits, as opposed to thirty (two for each county and MSA) also seems a more understandable system for our borrowers and loan originators.

The primary downside of the suggested income limit options is the potential loss of a sizable portion of our borrower market. Under Option 1, an estimated 24.1 percent of the households who currently have reservations or commitments under the 88B program would not be eligible for VHFA assistance under the proposed new income limits. The vast majority of those potentially excluded are smaller households of one or two persons. Option 2 includes a means to partially mitigate this reduction in our future market by applying a floor to the limit for smaller households, as previously described. The addition of the floor would allow inclusion of an estimated 5.6 percent more households than Option 1, bringing the estimated potential loss of market down to 18.5 percent. Attachment #2 presents comparative data on this estimated potential market reduction for Option 1 and Option 2.

The choice between these options, or consideration of other alternatives, depends on how VHFA wishes to balance targeting with the resulting loss of potential borrowers. In either scenario, the possible loss of one-fifth to one-fourth of our market must be given serious consideration. Moreover, as the next bond issue will result in a mortgage interest rate higher than the 88B rate of 8.9 percent, affordability, and consequently, our ability to serve the lower income end of the market will be decreased. Attachment #3 lists the calculated maximum affordable purchase prices corresponding with the proposed new income limits at rates of 8.9, 9.25 and 9.50 percent.

There are some modifying factors to the potential market reduction, however. First, conventional rates are predicted to continue at or above their current level, and a reasonably good spread between VHFA and conventional rates generally ensures strong program demand. Moreover, purchase prices often begin to decrease as interest rates rise, and perhaps this effect will be felt in the coming year. This would moderate our concern that reduced income limits may make the purchase price limit of $93,000 difficult to attain for most borrowers. And, while changes in income limits will likely result in a slowing of VHFA's mortgage origination schedule, current market conditions make negative arbitrage not as great of a concern as in previous programs.

As a final note, the anticipated reduction of VHFA's borrower market has prompted staff to begin exploring the increased market potential of the Mortgage Plus program. The Program Group believes that many households ineligible for MRB assistance under the proposed new income limits may find Mortgage Credit Certificates to be a viable alternative.

OTHER PROGRAM RECOMMENDATIONS

Low Income Set-Aside: As with past programs, a percentage of the proceeds will be set aside for lower-income Vermonters. For this issue, it is recommended that a minimum of 20% of the proceeds be set aside for three months to assure that Vermonters at or below 80% of the area or state median income (whichever is greater) are served.

Loan Term: The Program Group recommends a loan term of 30 years. This does not represent any change from the 1988B program. The 30 year term will be consistent with financing available in the conventional marketplace, while at the same time provide a very affordable product.

FHA/VA Insured/Guaranteed Mortgages: The Program Group recommends continuing to allow FHA Insured and VA Guaranteed mortgages as eligible mortgages to be purchased.

ACTIONS REQUESTED BY THE BOARD

Guidance on Income Limit Options

Approval of program recommendations:

- $35-50 million 1989A bond issue;
- Continuation of present program purchase price limits;
- Continuation of the 30 year loan term;
- Continuation of 20% Low Income Set-Aside; and
- Continued inclusion of FHA Insured and VA Guaranteed mortgages.

MAXIMUM ALLOWABLE INCOME LIMITS FOR 1989 VERMONT MRB PROGRAMS

	1989 HUD Area Median Incomes	MAXIMUM ALLOWABLE INCOME LIMITS Adjusted for Family Size: SMALL HOUSEHOLDS (1 or 2 Persons)	LARGE HOUSEHOLDS (3 or More Persons)
* ADDISON	$29,300	$31,600	$36,340
* BENNINGTON	31,100	31,600	36,340
CALEDONIA	27,100	37,920	44,240
* CHITTENDEN	36,500	36,500	41,975
* BURLINGTON MSA	38,500	38,500	44,275
ESSEX	25,400	37,920	44,240
FRANKLIN	28,000	37,920	44,240
* GRAND ISLE	25,200	31,600	36,340
LAMOILLE	28,000	37,920	44,240
ORANGE	25,800	37,920	44,240
ORLEANS	25,400	37,920	44,240
RUTLAND	31,500	37,920	44,240
WASHINGTON	30,100	37,920	44,240
WINDHAM	30,500	37,920	44,240
* WINDSOR	32,800	32,800	37,720

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* NON-TARGETED AREAS

CALCULATIONS FOR DETERMINING MAXIMUM ALLOWABLE INCOME LIMITS

For Small Households (One or two persons):

Non-Targeted Areas = Greater of 100% of area median or 100% of state median income ($31,600)

Targeted Areas = Greater of 120% of area median or 120% of state median income ($37,920)

For Large Households (Three or more persons):

Non-Targeted Areas = Greater of 115% of area median or 115% of state median income ($36,340)

Targeted Areas = Greater of 140% of area median or 140% of state median income ($44,240)

Attachment #2

1989A PROPOSED INCOME LIMITS - ESTIMATED MARKET REDUCTION

OPTION 1: 1-2 Person Household Limit = 100% of State Median = $31,600
3+ Person Household Limit = 115% of State Median = $36,300

	Current VHFA Limits	OPTION 1 PROPOSED 1-2 PERSON LIMIT	Difference	OPTION 1 PROPOSED 3+ PERSON LIMIT	Difference	Est. # 88B Households Excluded*	Total 88B Reservations	Percent of 88B borrowers (by county) that would be excluded under Option 1
ADDISON	$31,500	31,600	100	36,300	4,800	0	21	
BENNINGTON	32,500	31,600	(900)	36,300	3,800	2	21	9.5%
CALEDONIA	33,500	31,600	(1,900)	36,300	2,800	1	35	2.9%
CHITTENDEN	38,000	31,600	(6,400)	36,300	(1,700)	6	10	60.0%
BURLINGTON MSA	38,000	31,600	(6,400)	36,300	(1,700)	50	121	41.3%
ESSEX	31,500	31,600	100	36,300	4,800	0	3	
FRANKLIN	35,000	31,600	(3,400)	36,300	1,300	18	78	23.1%
GRAND ISLE	31,500	31,600	100	36,300	4,800	0	1	
LAMOILLE	35,000	31,600	(3,400)	36,300	1,300	3	27	11.1%
ORANGE	32,500	31,600	(900)	36,300	3,800	0	16	
ORLEANS	31,500	31,600	100	36,300	4,800	1	23	4.3%
RUTLAND	37,500	31,600	(5,900)	36,300	(1,200)	24	68	35.3%
WASHINGTON	36,500	31,600	(4,900)	36,300	(200)	11	59	18.6%
WINDHAM	37,500	31,600	(5,900)	36,300	(1,200)	11	38	28.9%
WINDSOR	34,000	31,600	(2,400)	36,300	2,300	2	14	14.3%
			($2,800)		$1,900	129	535	24.1% Excluded Option 1

* Borrowers in 88B program that would be excluded under proposed new income limits.

#1-2 Person Hsds Excluded = 113 of 316 = 36%
#3+ Person Hsds Excluded = 16 of 219 = 07%

OPTION 2: 1-2 Person Household Limit = $31,600 with a floor representing not more than a $4,000 reduction from current VHFA limits; floor affects five counties.

	Current VHFA Limits	OPTION 2 PROPOSED 1-2 PERSON LIMIT		Difference	OPTION 2 PROPOSED 3+ PERSON LIMIT	Est. # 88B Households Excluded	Total 88B Reservations	Percent of 88B borrowers (by county) that would be excluded under Option 2
ADDISON	$31,500	31,600		100	Same as Option 1	0	21	
BENNINGTON	32,500	31,600		(900)		2	21	9.5%
CALEDONIA	33,500	31,600		(1,900)		1	35	2.9%
CHITTENDEN	38,000	34,000	**	(4,000)		5	10	50.0%
BURLINGTON MSA	38,000	34,000	**	(4,000)		31	121	25.6%
ESSEX	31,500	31,600		100		0	3	
FRANKLIN	35,000	31,600		(3,400)		18	78	23.1%
GRAND ISLE	31,500	31,600		100		0	1	
LAMOILLE	35,000	31,600		(3,400)		3	27	11.1%
ORANGE	32,500	31,600		(900)		0	16	
ORLEANS	31,500	31,600		100		1	23	4.3%
RUTLAND	37,500	33,500	**	(4,000)		19	68	27.9%
WASHINGTON	36,500	32,500	**	(4,000)		9	59	15.3%
WINDHAM	37,500	33,500	**	(4,000)		8	38	21.1%
WINDSOR	34,000	31,600		(2,400)		2	14	14.3%
				($2,167)		99	535	18.5% Excluded Option 2

** Raised above $31,600 because of floor.

#1-2 Person Hsds Excluded = 83 of 316 = 26%
#3+ Person Hsds Excluded = 16 of 219 = 07%

HOME PURCHASE PRICE AFFORDABILITY FOR PROPOSED INCOME LIMITS 89A

	Proposed Income Limits	MAXIMUM AFFORDABLE HOME PRICES* @ 8.90%	@ 9.25%	@ 9.50%
OPTION 1				
1-2 Person Households				
All Counties	**$31,600**	**$85,100**	**$82,900**	**$81,300**
OPTION 2				
1-2 Person Households				
ADDISON	31,600	85,100	82,900	81,300
BENNINGTON	31,600	85,100	82,900	81,300
CALEDONIA	31,600	85,100	82,900	81,300
CHITTENDEN	**34,000**	**91,700**	**89,400**	**87,700**
BURLINGTON MSA	**34,000**	**91,700**	**89,400**	**87,700**
ESSEX	31,600	85,100	82,900	81,300
FRANKLIN	31,600	85,100	82,900	81,300
GRAND ISLE	31,600	85,100	82,900	81,300
LAMOILLE	31,600	85,100	82,900	81,300
ORANGE	31,600	85,100	82,900	81,300
ORLEANS	31,600	85,100	82,900	81,300
RUTLAND	**33,500**	**90,400**	**88,000**	**86,400**
WASHINGTON	**32,500**	**87,600**	**85,300**	**83,700**
WINDHAM	**33,500**	**90,400**	**88,000**	**86,400**
WINDSOR	31,600	85,100	82,900	81,300
BOTH OPTIONS 1 & 2				
3+ Person Households				
All Counties	**$36,300**	**$98,100**	**$95,600**	**$93,800**

* Maximum affordable purchase prices calculated assuming 30 year term, 5% down payment, 30% housing debt to income, and include estimated taxes and insurance.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 13, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Addition of a Single Family Underwriter

BACKGROUND AND SITUATION

The workload in the Single Family area has reached a level that suggests serious consideration be given to the addition of an underwriter to the staff. In 1986, when I rejoined VHFA as Director of Single Family Programs, the staff was at the same level (2 3/5 underwriters, 1 servicer, and 1 administrative assistant) as it is today. The volume and variety of work Single Family is now requested to do necessitates this consideration. As the workload increases, day to day work is being left undone as Single Family meets the higher priorities of dealing with lenders and the public. The effect of this situation may erode efficiency and morale in the future, along with an inability to meet the support and information requests of VHFA. In the long term, customer support will suffer.

I have illustrated below the general activities and time spent on them by Single Family staff. The statistics for this analysis were gathered during February. Further monitoring indicates that the activity is on the rise.

Telephone Calls (Incoming and Return)

An average of 75 calls were received or made each day. The average time of each call was seven minutes which translates to an average of 2.5 hours per day per underwriting staff member.

Loan Underwriting

We received an average of eight loans a day which needed to be underwritten. The average time to underwrite a loan is 45 minutes. This represents an average of 4 hours per day per underwriting staff member.

Mortgage Loan Purchases

Loans for purchase during program operation arrive each day and need to be reviewed for completion. Based on the activity of 1988B this takes about 1.5 hours per day per underwriter.

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

Meetings

In the normal course of business we are all called upon to attend meetings of one type or another. In discussing this with the underwriting staff, it was calculated that each individual spends .5 hours per day in meetings.

Condominium Eligibility Review

Although only one underwriter presently reviews condominiums for eligibility, I have broken out on a per underwriter basis the hours spent on this activity as it takes the underwriter away from underwriting. The time spent on this activity is 1 hour per underwriter per day.

Staff Questions/VHMGB Underwriting Discussions

VHFA is being as flexible as possible in underwriting to provide many low and moderate Vermonters the opportunity of homeownership. However, with flexibility comes uncertainty as to what is acceptable to us. This means discussions with other staff members dealing with the public on questions raised. Additionally, we must make sure that VHMGB will also insure loans where leeway is given outside normal underwriting standards. Staff research indicates that 1 hour per day per underwriter is spent on this activity.

Other Program Administration (Mortgage Plus, HE/ILP, FmHA)

The administration of programs other than the Mortgage Purchase Program requires approximately .5 hours per day per underwriter.

The analysis above indicates that at this activity level the average number of hours that each member of the Single Family underwriting staff would have to work per day to complete their tasks would be 11 hours. If a full time underwriter is added to staff the time would be reduced to approximately 8 hours. This is a much more manageable time requirement.

Considering new initiatives which are included in the business plan, primarily the Vermont Secondary Market, I do not forsee a major reduction in staff requirements to administer the Single Family programs in the future.

RECOMMENDATION

After discussions on the alternatives listed below, it is Single Family's recommendation that the action that would benefit VHFA the most would be as follows:

* Promote Carrie Hoglund from administrative assistant to loan underwriter. Carrie took over underwriting responsibilities while Jacklyn Santerre was on parental leave. Comments received from the public and lenders were very positive. Carrie has indicated that if an underwriting position became available she would be interested; and

* Hire a new administrative assistant.

Space is a major consideration in this decision and I would recommend that the Xerox and the files now occupying the space outside of Single Family be moved to the office now occupied by Lynne Ballew when she leaves. The new administrative assistant would be located in the space now occupied by the Xerox, Linda would move into the office now occupied by Carrie and Carrie would work in the office now occupied by Linda.

I would like this change to take place as soon as possible. If this occurs, I would contemplate moving the files where the Xerox is located out into the hall until the office Lynne occupies is available.

BENEFITS OF THE RECOMMENDATION

The following benefits would accrue to VHFA if this action is approved:

* Continue to meet the 24 to 48 hour loan turn around time;

* Reduce the possibility that work would have to be taken home to keep pace with the demands placed on staff;

* Demonstrate upward mobility within the organization;

* Training of new employees would be at a minimum;

* Additional staff time to promote other programs i.e. Mortgage Plus;

* Better service and support to staff, lenders, and the public;

* Be prepared to meet the challenges of new and innovative programs, such as the Vermont Secondary Market; and

* Additional flexibility in back-up, as Carrie is trained in the duties of the administrative assistant.

COST OF RECOMMENDATION

This recommendation contemplates implementation in this budget year. I have assumed that we would hire an administrative assistant by May 1st. I have outlined my estimates this action would have on our budget, both in terms of a budget adjustment for the remainder of this fiscal year as well as the effect it will have on next year's budget. I have structured this to make any budget adjustments as small as possible.

Fiscal Year 1988 - 1989

1. Computer We will use available equipment.	No Budget Adjustment	$ .00
2. Telephone Spare telephone is in storage room May need to be repaired	No Budget Adjustment	$ .00
3. Misc. Supplies	No Budget Adjustment	$ 100.00
4. Furniture Desk, Desk Chair, Side Chair	Budget Adjustment	$ 875.00
5. Salary and Benefits Salary @ $16,000 annually for 2 months Benefits @ 21% of salary	Budget Adjustment	$3,300.00
	Total Cost	$4,275.00
	Total Budget Adjustment	$4,175.00

Fiscal Year 1989 - 1990

1. Travel & Training	$ 600.00
3. Office Supplies	$ 150.00
5. Salary and Benefits Salary @ $16,000 annually for 4 months Salary @ $16,800 annually for 8 months Benefits @ 21% of salary	$20,000.00
Estimated impact on 1989-90 Budget	$20,750.00

I have briefly discussed salary with Carrie. I explained that with the position classification and salary review going on at this time, I would not be offering a salary increase until the beginning of the fiscal year on July 1st. I agreed to consider the date of the position change when salaries were adjusted.

ALTERNATIVE RECOMMENDATIONS CONSIDERED

1. Hire new underwriter in the next fiscal year: This solution was considered, but is not being recommended as the additional help is needed now. A trained person to underwrite loans is on staff, and putting off the move will put us further behind and erode service to staff, lenders and the public.

2. Have present part time underwriter become full time: Ann-Marie has indicated that due to family considerations she would not be interested in moving to full time. If this were possible it is doubtful whether this would provide the necessary help needed based on present workload and future expectations.

3. Hire another part time underwriter: This solution was not recommended as it was felt it would not provide the quality of employee needed to underwrite loans. It was further felt that work flow might tend to lack continuity with more part-time employees.

4. Do Nothing: This solution would solve nothing and cause many more problems both near and long term.

PERSONS/DEPARTMENTS CONSULTED

1. Finance
   - Roger Schoenbeck - Proposal review
   - Tim Gutchell - Estimated costs

2. Administration
   - Allan Hunt - Proposal review
   - Barbara Parker - Space, new admin. assist., and phones

3. Operations
   - Otis Whitehurst - Computer equipment
   - Ann-Marie - Part time to full time
   - Jacklyn - Time studies, problems, possible solutions, and Carrie's qualifications
   - Carrie - Willingness to move and compensation

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

Date: April 12, 1989

To: VHFA Board of Commissioners

From: Stacy Markman, Research Analyst

Re: WINCHESTER PLACE MARKET SUMMARY

A. Conclusion

VHFA staff concludes that there continues to be a strong market in the Burlington area for additional rental units, and that the market rate rents ($650 - $700 for 96 two and three BR units) proposed for the Winchester Place project are reasonable, particularly given that the units will not be completed until mid 1990.[1]

B. Market Estimates

VHFA staff estimates that there are approximatly 16,600 rental units in the Burlington MSA area. The 166 units proposed for Winchester Place would therefore represent an approximate increase of one percent to this market. The 1986 "Vermont Housing Needs Analysis" (prepared for VHFA, DCA and VSHA by Applied Economic Research) estimated that between 1985 and the year 2000 there will be a need for 2400 additional rental housing units in the Burlington Market Area. The 166 Winchester units would capture just under seven percent of this need.

C. Market Survey Results

In July 1988 the VHFA research staff conducted a Burlington area telephone survey of fourteen projects comprised of 920 rental units. Average rents for two and three bedroom units were as follows:

July 1988 Data

Two BR Avg Rent	Avg Rent Per Sq. Ft.	Three BR Avg Rent	Avg Rent Per Sq. Ft.
$561	$0.54	$685	$0.55

[1] The 70 rent restricted "tax credit" units must be completed by December 31, 1989.

Of the 920 units included in this July survey only two vacancies were reported. In contrast, fourteen vacancies were reported in an August 1986 VHFA survey of 765 units.

A current market profile was constructed from calls in April 1989 to five rental projects in the Burlington area; results were as follows:

April 1989 Data

Project	Location	2 BDR UNITS	#	Monthly Rent	Sq Ft	$/SF
Briarwood	Kennedy Dr	Townhouses	8	$725-795	1650	$.44-.48
Dorset Com	Dorset St	Flats	94	$595	1000	$.60
Jackson Ter	Pine St	Flats	40	$600-625	900-1000	$.63-.67
S Meadows[2]	Raymond Pl	Flats	58	$575-600	1000	$.58-.60
		Townhouses	20	$650	1140	$.57
Twin Oaks	Kennedy Dr	Townhouses	3	$575-650	1000	$.56-.65

Project	Location	3 BDR UNITS	#	Monthly Rent	Sq Ft	$/SF
Briarwood	Kennedy Dr	Townhouses	1	$795	1650	$.48
Dorset Com	Dorset St	Flats	10	$695	1200	$.58
S Meadows	Raymond Pl	Flats	20	$625-650	1180	$.53-.55
		Townhouses	10	$710	1440	$.49

Only one vacancy was reported in the 264 two and three bedroom units included in this April 1989 survey. Project managers and owners described a high demand rental market where turnover times for vacant units remain very brief. Nearly all rents for units in this survey had been raised since the last survey in July 1988, with an average rent increase of 4.1 percent.

[2] Market rate units.

WINCHESTER PLACE MARKET SUMMARY

Market Need Documentation

A number of sources have documented the strong need for rental housing in Chittenden County and, more specifically, the Burlington market area. For example, the Vermont Housing Needs Analysis (1986) states:

> "The Burlington area has had substantial employment and housing growth in the past, but faces a lack of developable land within the city to expand its housing stock. Due to economic pressure, it is difficult to find rental housing sites within or outside the city in this market area which provide an opportunity to build within allowable costs which would provide housing units affordable to area renters. These economic and growth pressures, and a severe rental housing problem mean that fair share distribution of multi-family rental units is a more pressing issue for this market area than it is for the rest of the state..."

The Winchester project application included the following market information, obtained from the Chittenden County Regional Planning Commission.

* Currently, the overall Burlington vacancy rate is one percent. Three bedroom units are at an even higher demand showing a vacancy rate of 0.75% County-wide vacancy rates have hovered in the two percent range since 1982. ... Traditionally a five percent vacancy rate has been considered necessary for adequate mobility within the housing market.

* The largest projected numerical population growth in Chittenden County between 1989 and 2000 is anticipated in the City of Burlington and the towns of Essex and Colchester.

* Fort Ethan Allan is located on the main corridor linking Burlington with Essex Junction (and the State's largest employer, IBM).

* Housing additions between 1980 and 1986 actually out-paced population growth. Additions to year-round housing units (single family and rental) has actually grown at an annual rate of 2.52 percent in the county (a rate almost two times the population growth), and an annual rate of 3.5 percent in the Town of Colchester. A sizable part of this differential stems from the national trend, reflected in local demographics, toward smaller household sizes.

April 11, 1989

TO: VHFA Board of Commissioners
FROM: Mark Koppelkam, Multi-Family Development Officer
RE: WINCHESTER PLACE PROJECT - COLCHESTER

REQUESTED ACTION

Staff recommends approval of Resolution Pertaining to Letter of Interest for Winchester Place Development, authorizing the Executive Director to issue a letter of interest and make preliminary arrangements toward providing up to $8.5 million of first mortgage permanent financing for the Development.

THE PROJECT

1. Unit Breakdown

166 units (37 buildings) of new construction rental housing, consisting of 134 two bedroom townhouse units, 24 two bedroom townhouse units with loft spaces and outdoor decks, and 8 three bedroom units for the handicapped. 70 of the 166 units would be "tax credit units," having monthly rents restricted to $480 - $530 (including utilities) and thus affordable to families making below 60% of median income. There will be 96 "market rate" units, renting at $650 - $700/month (plus utilities).

2. Location/Site

The site is 16.66 acres located along Highway 15, just west of Fort Ethan Allan. The site is currently a grass field, part of which is used for a soccer field. The land is currently owned by St. Michael's College, and a longterm ground lease is being negotiated. The land is flat and sandy, with 4 inches of sandy loam topsoil. Drainage is excellent. Camp Johnson, a National Guard depot and an Army Reserve facility, is located just to the north of the project. There is a primary bus line into the Fort running between Burlington and Essex Junction.

3. Sponsors/Parties

The project sponsors are Housing Vermont and Merchants Properties, Inc. They are expected to form a general partnership. Doug Robertson of Colchester Community Development Corporation has been the project director. Mike Kuhn of Wiemann - Lamphere has been the project

architect. Kessel Duff has been selected as the general contractor.

4. Timetable

In order to use the tax credits (Low Income Housing Tax Credits) in conjunction with tax exempt financing, the 70 "tax credit" units must be completed by the end of 1989.1 Construction must begin by June 1st in order for that deadline to be met. Assuming the approval of the VHFA Board of Commissioners for the "Letter of Interest Resolution," a Commitment Letter would be presented at the next VHFA Board meeting.

5. Property Management

No property management agent has been selected to date.

6. Project Sources and Uses of Funds (Tentative)

Sources		
HV Equity	1,461,000	
Colchester	100,370	
VHFA Bond	8,065,814	@9.5% 26 years
Total	$9,627,184	

Uses	
Site Work	996,000
Construction	6,798,000
Contingency	400,000
Arch/Engineer	260,000
Legal/Acct	75,000
Permits/Fees	241,434
Taxes/Insur	30,000
Constr Loan Int	516,000
Constr Loan Fees	60,750
Perman Loan Fee	130,000
Marketing	45,000
Working Capital	50,000
Consultant's Fee	25,000
Total	$9,627,184

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1 For projects financed without tax exempt financing, a carry-over of tax credit allocation is permitted as long as 10% of the project is completed by the end of 1989.

Construction financing will be initially provided by the Merchant's Bank. VHFA bond proceeds will likely by used when available.

DISCUSSION

7. Project Design

The project has 37 buildings, with 24 four-plexes, 8 five-plexes and 5 six-plexes. The general style is New England wood frame two story buildings, with steep pitched roofs and clapboard siding.

The four-plexes are squarish buildings, with 4 two bedroom townhouse apartments in each corner of the building. 24 of 96 apartments have their main living space - kitchen and living room - are on the second floor. This permits a cathedral ceiling with skylights and a loft space in all of these units. These 24 units also have a large 8 x 12 porch. The one drawback to this design is that children could exit the apartment from ground floor bedrooms without the knowledge of parents on the living floor. The other 72 apartments have the same design as the townhouses in the five-plexes and six-plexes, without a loft space or outdoor deck.

The five-plexes and six-plexes are two story wood frame buildings that wrap around (on three sides) a central courtyard. The present design features a long covered porch connecting all the main entry ways for the five or six apartments in each building. These units are 960 sq. ft. townhouses, having the main living quarters on the first floor, and bedrooms on the second floor. These units do not have loft spaces or skylights. The eight handicapped units in the project are located in first floor middle section of the eight five-plex buildings.

Each unit as proposed will have a combined gas hot water/heater, and a gas stove. A washer and (gas) dryer are being evaluated for each unit - otherwise an on-site laundry facility will be provided and each unit will have hook-ups. All windows and doors are casement style, as opposed to sliders, and the windows will be triple glazed. Clapboard siding was proposed to be merchant grade spruce, but we are strongly recommending either vinyl or cedar. Picket fences will partially surround each building, giving a suburban "yard-like" feel to the development.

8. Utilities

There is a large 20" Champlain Valley water main running through the site, which will provide water. All electric lines will be underground. As noted earlier, all heating will be gas. Since Colchester does not have sewer capacity in the area of the Fort, Winchester Place will have a five year lease with the Village of Essex Junction system. Unfortunately this lease mandated a flow regulation limit, which necessitates the cost ($25,000) for an on-site underground pump and storage system.

9. Finance and Organizational Concerns

The original project pro forma included as much as $1.4 million in subsidy from the Housing and Conservation Trust Fund (HCTF). On Friday April 7th, the Winchester Place Project request to the HCTF for a capital subsidy was denied. Thus the Sources and Uses Statement as presented does not work - either more equity capital must be raised, construction costs reduced or the ground lease terms altered. However Merchant's Properties Inc. seems determined to proceed with this project, so a viable pro forma should be forthcoming. VHFA may also be able to secure a significantly lower rate of interest through use of short term tax exempt notes (known as "lower floaters"), and thus offer a lower interest rate to the project.

The deal being negotiated through the use of the ground lease with St. Michael's infers that the project will be conveyed at no cost to St. Michael's College at the end of thirty years. VHFA is concerned about relocation notice and benefits (in year 30) to low income tenants, and these need to be addressed by the project sponsors.

The land has not been appraised. As currently structured, the ground lease payments amount to $3.54 million over the 30 year period. Using a Net Present Value discount rate of 9%, the effective land lease cost is $1.062 million. On a per unit basis, this amount ($6,398 per unit) compares favorably with Riverside ($9,375 per unit).

10. Site Concerns

Site drainage will be accomplished via drainage swales leading to numerous underground drywell drains. The

project as planned will have no curbs or steps. Sidewalks will be asphalt. Hegeman Avenue will be a private road, and must be rebuilt by the developer (asphalt, 24' wide).

A 6 - 8 ft earth berm, with plantings, is planned along Highway 15 in order to screen the project from the roadway visually and auditorially. The Highway, one of the busiest in Vermont, will be 80 feet from the nearest building. However the berms should be quite effective, and the units have casement windows with triple pane glass.

A related issue is that of child safety. No fence is planned along Highway 15. The sponsors feel that a fence would not fit in with the project design, that the child focus has been directed toward play areas (tot lot and 1/2 court basketball) far away from the road, that the berms are a "psychological barrier," and that children would find their way across fences anyway.

The presence just to the north of the property of Camp Johnson raises additional noise issues. There is apparently a regular, if infrequent period of helicopter activity on this property. There is also a period during the summer when tanks are operated as part of training exercises. However these activities take place primarily at the northern end of the Camp property. The sponsor has placed a solid wood fence along the north side of the project to help deflect this noise. As a condition of the Act 250 permit, each lease is required to carry an alert to the prospective tenant about the activities at the Camp.

We know that ammunition is stored in secured underground bunkers at the Camp. While posing no known danger to the surrounding properties, the presence of the ammunition does likely warrant notice to VHFA's financing underwriters.

11. Market Demand

The attached "Market Summary" concludes that there continues to be a strong market for additional rental units, and that the market rate rents ($650 - $700 for 2 and 3 BR's) are reasonable, particularly given that the proposed units will not be completed until mid 1990.

DRAFT

RESOLUTION PERTAINING TO LETTER OF INTEREST FOR WINCHESTER DEVELOPMENT

WHEREAS, Merchants Properties, Inc., a community development corporation, has presented a proposal for construction of 166 units of rental housing in Colchester, Vermont (the "Winchester Development"), and;

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

WHEREAS, Merchants Properties, Inc., a community development corporation, is a housing sponsor within the meaning of the Vermont Housing Finance Agency Act (the "Act"), and;

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

THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to issue a Letter of Interest in providing up to $8.5 million of first mortgage permanent financing for the Winchester Development. The Letter of Interest shall be issued to Merchants Properties, Inc., a community development corporation, as the representative of a limited partnership to be formed that shall include Housing Vermont or a subsidiary thereof and such private equity investors as may be available. Consistent with applicable rules of the Agency, the Letter of Interest shall include the following language:

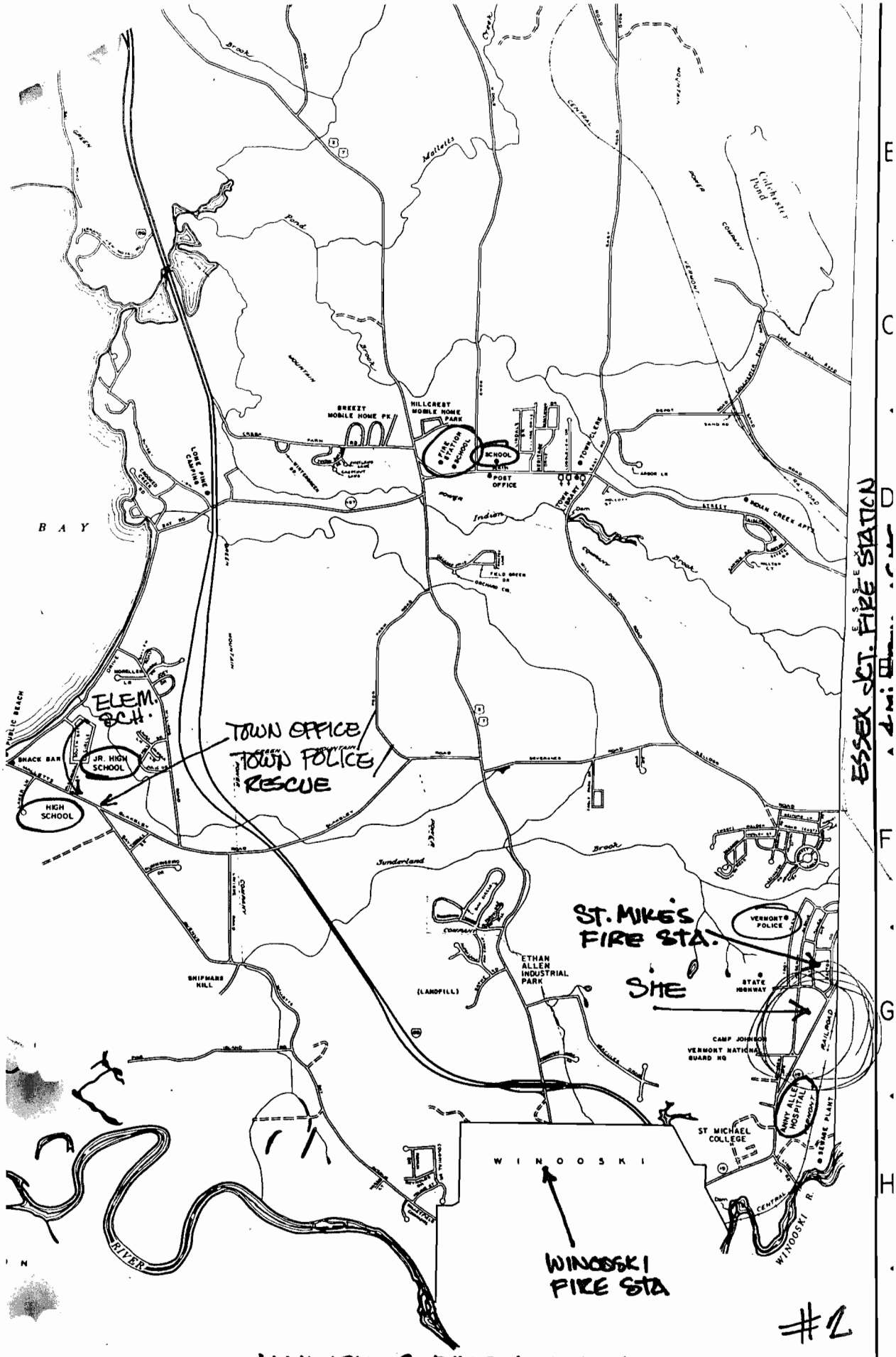
> "This Letter of Interest is not a commitment to finance and shall be conditional upon the availability of funds from the issuance of new bonds or notes of the Agency and the satisfactory completion of such further requirements as the Agency may establish. This Letter of Interest may be used by you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

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

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of said Agency held on April 20, 1989.

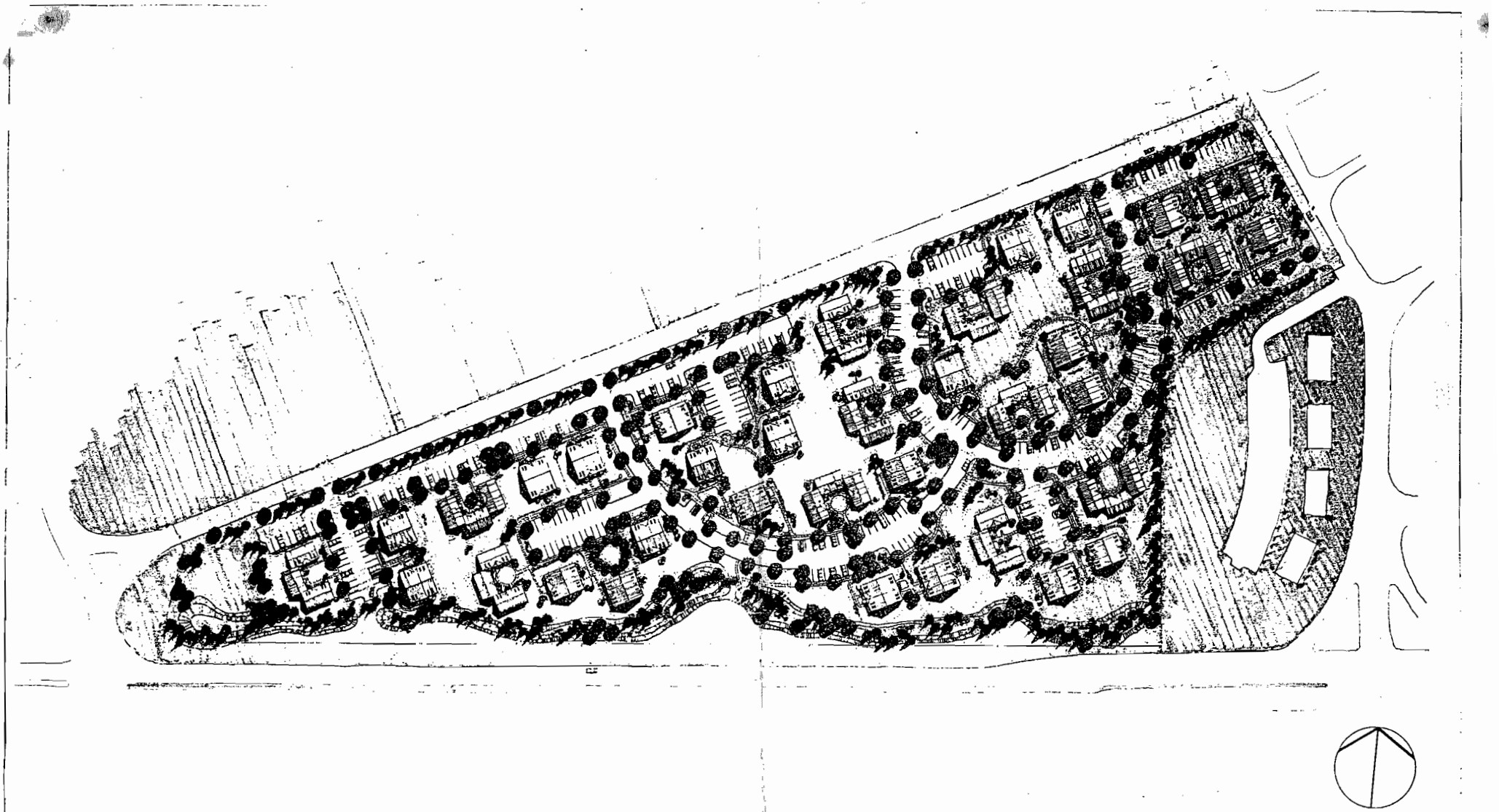
_____

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



#1

MUNICIPAL SERVICE LOCATION MAP



AFFORDABLE HOUSING

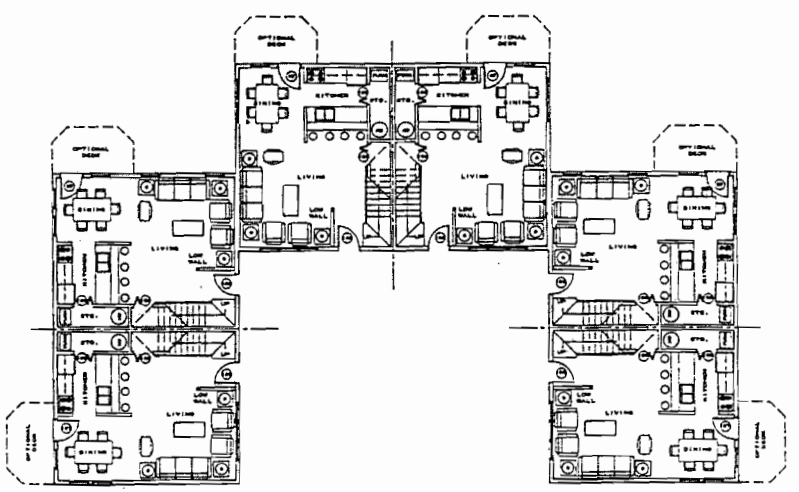
FORT ETHAN ALLEN

COLCHESTER VERMONT

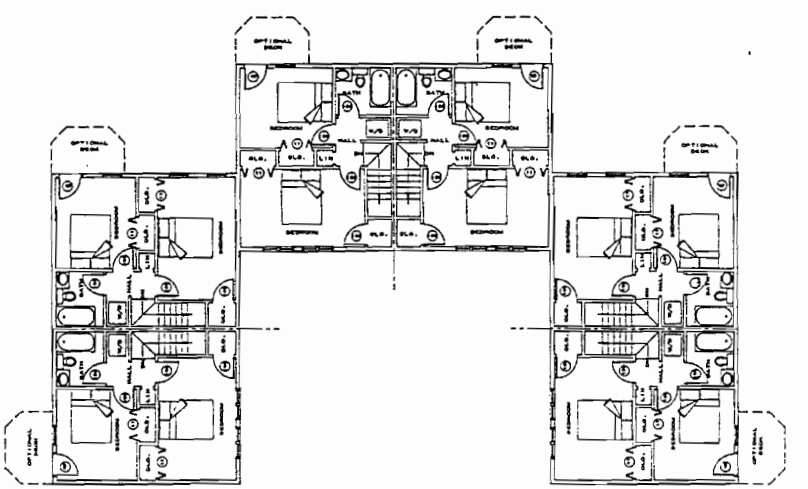
WIEMANN - TAMPIEDRI ARCHITECTS

ENTRY ELEVATION

SIDE ELEVATION



MAIN FLOOR PLAN



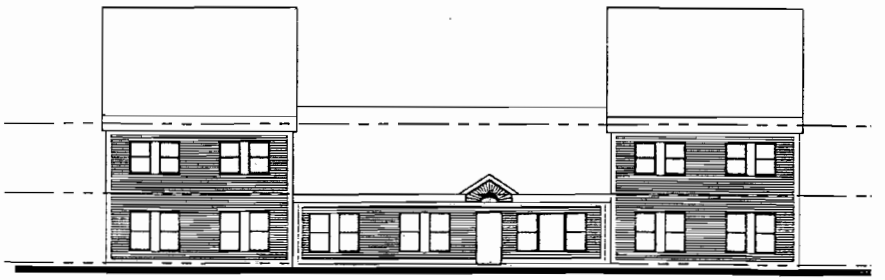
UPPER FLOOR PLAN

AFFORDABLE HOUSING

FORT ETHAN ALLEN

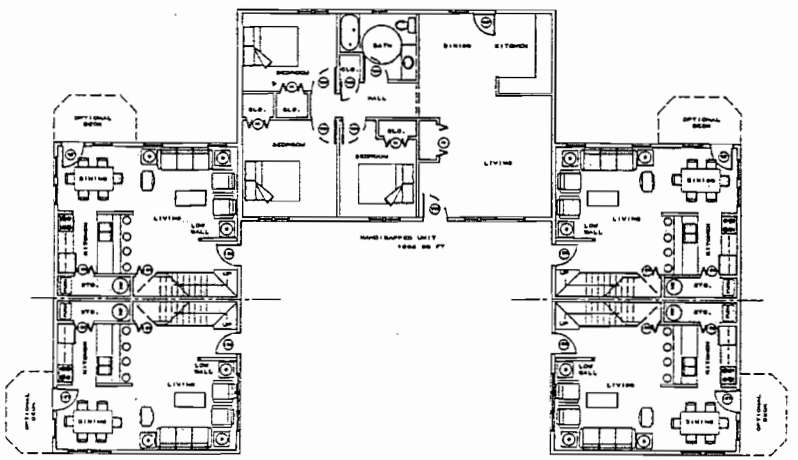
COLCHESTER VERMONT

SITE CONCERN INC. WIEMANN—LAMPHERE ARCHITECTS, INC. TRUDELL CONSULTING ENGINEE

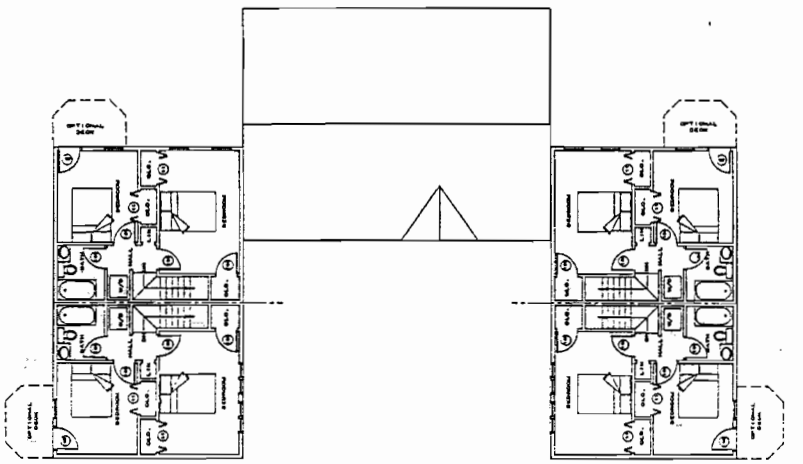


ENTRT ELEVATION

SIDE ELEVATION



MAIN FLOOR PLAN



UPPER FLOOR PLAN

A F F O R D A B L E H O U S I N G

F O R T E T H A N A L L E N

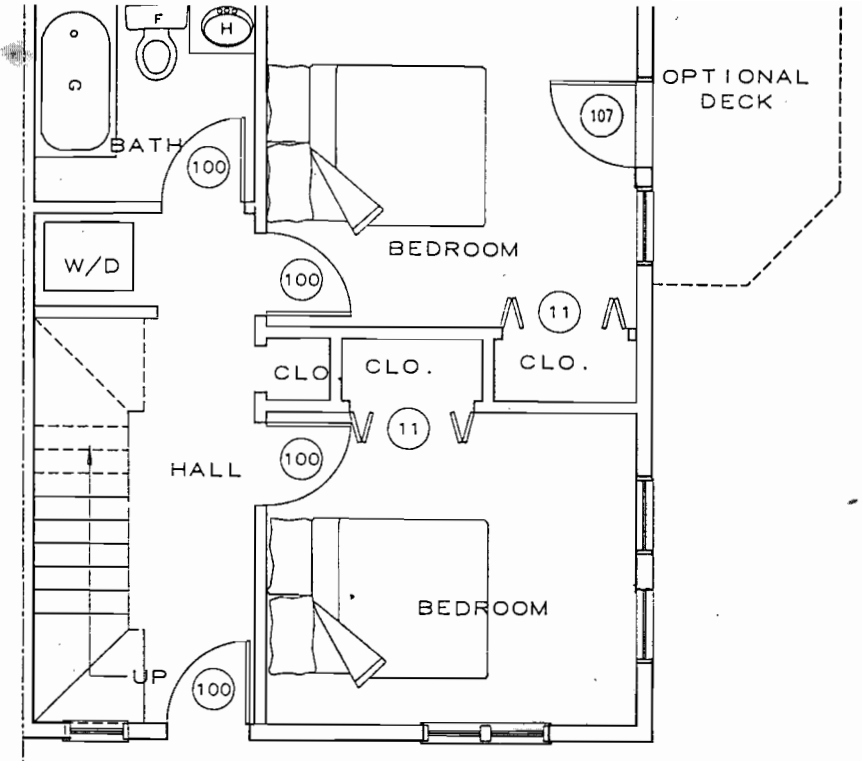
COLCHESTER VERMONT

TE CONCERN INC. WIEMANN—LAMPHERE ARCHITECTS, INC. TRUDELL CONSULTING ENGINEERS

_ 5 PLEX W/HANDICAP UNIT Page 4 _

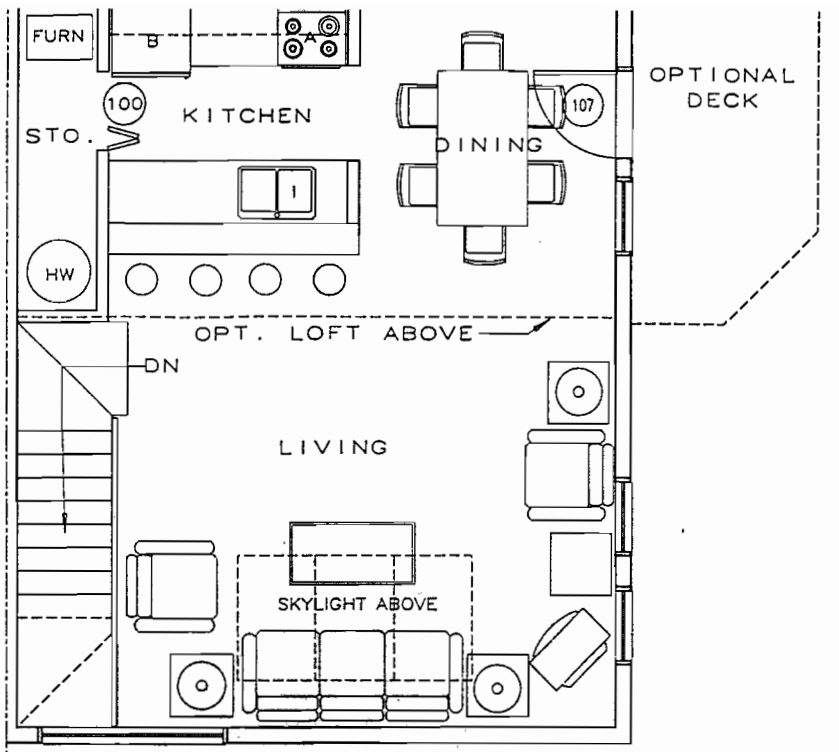
9 BUILDINGS - PORCH NOT SHOWN

NOTE: 72 units in 4 plex buildings
have some floor lavout as shown



LOWER FLOOR PLAN

480 GROSS SQ. FT.



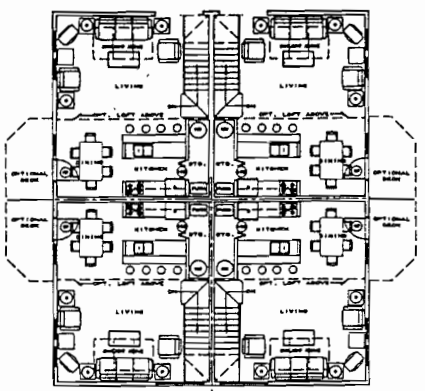
UPPER FLOOR PLAN

480 GROSS SQ. FT.

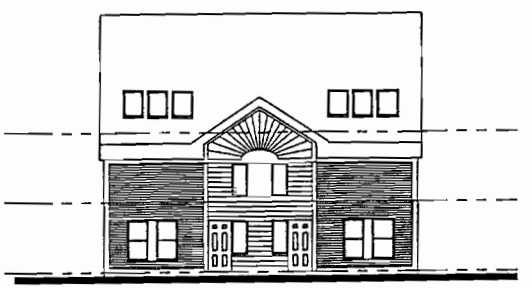
AFFORDABLE HOUSING
FORT ETHAN ALLEN

COLCHESTER VERMONT

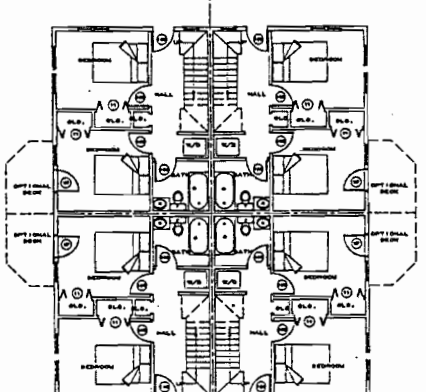
SITE CONCERN INC. WIEMANN—LAMPHERE ARCHITECTS, INC. TRUDELL CONSULTING ENGINEERS



UPPER FLOOR PLAN



ENTRY ELEVATION



LOWER FLOOR PLAN

SIDE ELEVATION

A F F O R D A B L E H O U S I N G
F O R T E T H A N A L L E N

COLCHESTER VERMONT

SITE CONCERN INC. _ 4 PLEX BUILDING LOFT LAYOUT 24 UNITS Page 3_ MIEMANN—LAMPHERE ARCHITECTS, INC. _ NOTE: 72 units in 4 plexes have floor layout shown in five plex. _

...cer, Riverside, South Meadow Comparison
...ppelkam

04/11/89

1. Size of Units (sq ft)

South Meadow	Riverside	Winchester
2BR 1000-1140	2BR 770-881	(108) 2 BR Town 960
3BR 1160-1440	3BR 1032-1095	(50) 2 BR Town/Loft 1050
148 units total	80 units total	(8) 3 BR Handicap 1150
	36 HODAG Units (45%)	166 Units Total

2. Price of Units

(Note: RR = rent restricted, M = market rate)

South Meadow	$/m	$/sq ft/m	Riverside	$/m	$/sq ft/m	Winchester	$/m	$/sq ft/
RR 3BR Flat	$360	0.31	RR 2BR Flat	$340	0.44	RR 2 BR Town	480	0.50
RR 3BR Town	$360	0.25	RR 3BR Flat	$365	0.34	RR 2 BR Town/Loft	530	0.50
			RR 3BR Town	$365	0.35	RR 3 BR Handicap	530	0.46
M 2BR Flat	$575	0.57						
M 2BR Town	$650	0.57	M 2BR Town	$505	0.64	M 2BR Town	650	0.68
M 3BR Flat	$625	0.54				M 2 BR Town/Loft	700	0.67
M 3BR Town	$710	0.49	M 3BR Town	$615	0.60	M 3 BR Handicap	700	0.61
Car port	$25		Car port	$15				

Note: RR rents include utilities.

3. Total Project Size (sq ft)

South Meadow	Riverside	Winchester
198,188	84,000	165,530 (units only)
		1,500 (office)

...nd Cost

South Meadow	Riverside Cost to Davis Co	Riverside Cost w/ Permits	Winchester
148 units	80 units	80 units	166 units
19.5 acres	9 acres	9 acres	16.64 acres
Cost $731,667	Cost $470,000	Cost $750,000	Lease Cost (30 Yr 3,540,000
			NPV @ 9% 1,062,100
Density (units/acre) 7.59	9.00	9.00	9.98
Land Cost (per acre) $37,521	$52,222	$83,333	Using NPV Value $63,828
Land Cost (per unit) $4,944	$5,875	$9,375	Using NPV Value $6,398

5. Hard Construction Cost, Including Sitework

South Meadow	Riverside	Riverside w/out Sitework	Winchester
$ 45,238 /unit	$57,175 /unit	$45,377 /unit	$46,952 /unit
$ 33.78/sq ft	$54 /sq ft	$43 /sq ft	$46.66 /sq ft

6. Loan to Value Ratio

	South Meadow	Riverside	Winchester
Total Project Cost	$9,170,332	$6,713,192	$9,627,184
VHFA Loan	$4,738,299	$2,595,692	$8,065,814
Ratio: Loan/Value	51.67%	38.67%	83.78%

...ontingency

Costs as % of Total Proj Costs	South Meadow	Riverside	Winchester
Hard Construct Costs (%)	56.71%	54.08%	70.61%
Sitework (%)	9.99%	14.06%	10.35%
Contingency (%)	2.41%	4.62%	4.15%
Contingency as a % of Hard Const & Sitework			
...ngency (%)	3.62%	4.87%	5.13%

8. Overall - Cost Per Unit

South Meadow	Riverside	Winchester
$61,962	$83,915	$57,995 w/o land
		$64,393 w/ NPV land

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 13, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: 7.9% Perpetually Affordable Housing Program

Attached is the cover letter and program description that was part of a program packet mailed to interested parties (primarily nonprofits) this week.

Earlier in April VHFA staff met with the staff from several housing nonprofits and discussed the program with them. We discussed the parameters of the program, and listened to the concerns and thoughts of the group. As a result, several proposed elements were amended, deleted, or added.

The consensus from all of us is that the $6 million in 7.9% mortgages is an invaluable tool to reach lower income households. We expect that it will reach households that cannot otherwise engage in some form of homeownership. This will especially be true where there is some sort of additional subsidy such as grant money from the Housing and Conservation Trust Fund, or donation of land.

We will report on the results of the first round at the next Board meeting.

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VERMONT HOUSING FINANCE AGENCY

April 11, 1989

Dear Vermonters Working to Create Affordable Housing:

Vermont Housing Finance Agency (VHFA) is pleased to announce the availability of $6 million in mortgage financing for qualified lower income home buyers at a 7.9 percent fixed rate. Developers of housing may reserve funds for eligible borrowers to ensure that affordable, permanent financing will be available when their project is complete. Eligibility for financing is restricted to households whose incomes do not exceed 80% of the greater of state or county median income. (See Attachment #2) All homes financed under this program must provide for perpetual affordability. Of the $6 million, $2 million is targeted for existing or rehabilitated housing and $4 million for newly constructed housing. Additional program guidelines and requirements are enclosed.

As funds are very limited, priority will be given to projects that target households at 60% of the greater of state or area median income, or to those projects with a selection process in place that gives priority to households with the lowest incomes. Additionally, preference will be given to those projects where all permits have been obtained and to those in locations where no reservation contracts exist.

Goals and timelines will be established for each project with a VHFA representative prior to signing a contract to reserve funds. A $50 per unit fee will be charged to reserve funds at 7.9%. This fee is paid at the time of signing a contract and is nonrefundable.

To set aside funds for your perpetually affordable housing project, please complete and return the enclosed Request for Reservations form. **If you would like to have your project considered, please** return your request form to us by May 10, 1989. The first allocation of funds to projects will take place on May 22, 1989. Reservation requests received after May 10, 1989 will be allocated based on funds availability.

Once goals are established, projects unable to meet the timetable specified, may be subject to a withdrawal of the funds reserved for the project.

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We at VHFA are extremely pleased about the availability of financing at 7.9% to increase the supply of perpetually affordable housing. Please call me in the Burlington area at 864-5743 or toll-free at 1-800-336-5866 with any questions you may have.

We look forward to working with you.

Yours truly,

Patricia A. Crady

Patricia A. Crady
Development Coordinator

Enclosures:

- Program Outline
- Request for Reservation Form
- VHFA Energy Conservation Standards
- Income Limits for Perpetually Affordable Housing Program
- VHFA Participating Lenders

VERMONT HOUSING FINANCE AGENCY

Perpetually Affordable Housing

Program Outline

The following are requirements and guidelines for VHFA's Perpetually Affordable Housing Program.

General

A total of $6 million is available for reservation by developers of perpetually affordable housing. Two million dollars will be targeted for existing or rehabilitated housing and $4 million will be targeted for new construction. The maximum income of a household may not exceed the greater of 80 percent of state or area median income. Priority will be given to projects that target households at 60 percent of the greater of state or area median income or to those projects with a selection process in place that gives priority to households with the lowest incomes.

A project may consist of units to be built within a development, on scattered sites in an area or the acquisition of existing housing for resale.

Eligible Property

New and existing single family attached, single family detached, manufactured housing (including mobile homes on owned land), condominium units, and units in planned residential developments are eligible. Condominium projects and planned residential developments must be reviewed and approved by VHFA prior to being eligible. Our financing of condominium projects is generally limited to 30 percent of the project.

All units financed under this program must have provisions for perpetual affordability. At a minimum, the perpetual affordability formula must, based on reasonable assumptions, maintain into the future the affordability of the units for resale to households with the same relative income.

Newly constructed homes must meet VHFA's energy conservation standards which are provided on Attachment #1. A duplex may be financed provided it was first occupied as a residence at least five years prior to the loan closing date.

The property must be completed and provide adequate living space for the family members who intend to occupy the residence. For example, the basement of a "hillside ranch" or the second floor of a "cape style" dwelling must be completed only if the additional space is presently required for bedrooms or other basic living space.

Eligible Borrowers

To be eligible, applicants must intend to make the home their primary residence within 60 days of the loan closing date and demonstrate their ability to repay the loan. Additionally, a first-time home buyer restriction may apply and income eligibility criteria must be met.

> First-time buyers: To purchase a home in Addison, Bennington, Chittenden, Grand Isle and Windsor counties, borrowers must be buying their first home or not have owned a principal residence in the past three years. Elsewhere in the state this rule does not apply.

Income Limits

Income eligibility is determined based on family income. The maximum income of a family may not exceed the greater of 80% of state or area median income. (See attachment #2)

Purchase Price Limits

Purchase price limits are statewide and are as follows:

> $93,000 for newly constructed housing
> $85,000 for existing or rehabilitated housing

Loan Terms

* 7.90% fixed interest rate
* 30 year loan term
* 5% minimum down payment (gifts from a family member may be used to meet this minimum requirement)
* 2% loan origination fee
* other customary closing costs

Special Down Payment Assistance: For a limited time, VHFA can assist eligible home buyers who have not yet accumulated enough cash for the minimum down payment plus closing costs. The down payment can be reduced by the amount of eligible closing costs. All other program eligibility requirements would remain in effect and availability is limited. Closing costs that are eligible include: 2% loan origination fee, VHMGB guarantee fee, Vermont Property Transfer Tax, borrower's attorney fee, title insurance fee (if required by lender), recording fees, appraisal fee and credit report fee. Eligibility is limited to borrowers whose liquid assets are less than 125% of the total of: a) the estimated closing costs as estimated by the lender; and b) the 5% equity down payment requirement. In any case, the maximum mortgage amount may not exceed 100% of the lesser of the purchase price or appraisal value.

Flexible Financing

Our mortgage programs provide flexible financing geared toward the first-time buyer. Thus we routinely help the borrower just getting started in a career, with just a little bit of savings and a limited credit history. Our requirements are basic: The borrower must have sufficient assets to close the loan, sufficient verifiable income from a stable source to repay the mortgage, and be able to demonstrate a good credit history.

Participating Lenders

Due to the special nature of this program, and to avoid confusion with other financing programs offered by VHFA, one lender in the project's area will be selected to process applications for that particular project. VHFA will assist in establishing this relationship. Please see attachment #3 for a complete list of participating lenders.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 13, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: Heineberg Project Assumption Terms in Year 15

Last November when the construction closing for Heineberg took place, VHFA was not willing to grant Heineberg Senior the option to assume the mortgage at year fifteen from the Partnership (Housing Vermont, Heineberg Senior and Cathedral Square Corporation). At that time we had no clear idea of what Fannie Mae, as the source for debt financing, would require, and thus we did not wish to be premature in our commitments.

We now know that Fannie Mae has no issue with the concept of assumption. They are also willing to waive their fee of one point normally charged for an assumption. Their concern is essentially the same as ours: that the nonprofit assumptor has the ability, (financially and managerially) to handle the debt.

I would like to construct an Amendment Agreement with Heineberg Senior Housing Corporation to allow the nonprofit to assume the mortgage providing that they meet particular criterion that would demonstrate their ability. This would reflect our commitment to working with nonprofits and send an important message to the nonprofit sector.

Action Requested: Authorize the Executive Director to enter into an agreement with Heineberg Senior Housing Corporation and Heineberg Senior Housing Partnership to allow the assumption of the Agency's First Mortgage by the Heineberg Senior Housing Corporation, as successor optionees if certain criteria set out in the agreement are met at the time set for the leasehold interest of Heineberg Senior Housing Partnership to be conveyed pursuant to a certain Option Agreement.

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Christina Wadsworth, Technical Assistant

DATE: April 13, 1989

RE: Vermont Housing Ventures Revolving Loan Fund

Attached is a summary of the Vermont Housing Ventures loans made to date. From July to December 1988, loan requests came in on a steady basis. In the past few months, activity has been slow.

As a result of Act 252, the Ventures fund may get involved with at-risk mobile home parks with increasing frequency. In addition, I expect some Ventures money to go to the other three Gates, perhaps an average of $25,000 per project.

This summer I hope to stimulate more loan activity by meeting with nonprofits to discuss potential projects. This, of course, presumes a continued source of funds for the Ventures fund.

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[redacted]LATION	PROJECT	LOAN AMOUNT PHASE I	PHASE II	STATUS
Addison County Community [redacted]tion Group (ACCAG)	4 units of transitional housing in Middlebury	$1,600		Closing on the building is scheduled, and the loan will be repaid shortly.
ACCAG	12 units for low-income families in Bristol	$12,000		Appraisal, market study, and pro forma received and satisfactory. Engineering study is done, and FmHA pre-app. will be sent in soon. To date $6,328.72 disbursed.
Bennington-Rutland Opportunity Council (BROC)	7 unit mobile home park forming ltd. equity coop in Clarendon	$5,000		Seller has been uncooperative throughout negotiations. BROC has attempted to negotiate with the owner. In an act of bad faith, the owner tried to sell to a third party, but the Attorney General's office promised legal action. BROC made a final offer to the owner. In protest of Act 252, owner has taken the property off the market. To date $1,172 has been disbursed. The loan committee must now decide how to handle the debt.
Brattleboro Area Community Land Trust	33 units for low- and moderate-income people in Brattleboro	$4,330		Project is scaled down due to foreclosure complications. BACLT is applying for Rapid Response $$ to purchase 15 units in Clark/ Canal Street neighborhood. Awards will be announced in April. To date $3,213.19 disbursed.
Champlain Valley Office [redacted] Economic Opportunity	5 unit mobile home park forming ltd. equity coop in Bolton	$0		Approved. However, CVOEO could not sign the loan agreement due to onerous repayment language.
Heineberg Senior Housing Corp.	81 units for low- and moderate-income elderly in Burlington	$0		$7,500 was disbursed 9/9/88 to pay for the Act 250 permit. It was repaid 9/20/88. Interest was waived.
Northgate Nonprofit	336 units--at-risk HUD 236 project	$15,000	$35,000	Approved. $35,000 disbursed.
Oxbow Senior Independence Program (OSIP)	15 units for low- and moderate-income elderly in Newbury	$15,000	$22,500	FmHA and construction loan approvals received. Project will go to bid in next few weeks. $26,250 disbursed, $11,250 remains. OSIP has recieved H&CTF money and will be paying part of VHV loan off.
Riverside Park Assoc.	40 unit mobile home park forming ltd. equity coop in Woodstock	$10,900		Approved, loan agreement signed, waiting for copy of appraisal and results of engineering study. $2,974 to be disbursed in next week.
The Baird Center	46 units for low- and moderate-income elderly in South Burlington	$0		Baird's board rejected project proposal, so loan not accepted. (New members on board did not feel comfortable with/were not up to speed on project.) Something may happen at a later date--will pursue.
Williston Elder Housing, Inc.	30 units of rental housing for elderly in Williston	$15,000		Approved, loan agreement signed, no funds disbursed yet.
TOTAL LOANS OUTSTANDING/PENDING		$78,830	+$57,500 =	$136,330
TOTAL FUND BALANCE				$250,000
VERMONT HOUSING VENTURES FUNDS REMAINING				$113,670

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt ASH

DATE: April 14, 1989

RE: Shifting $10 Million of New Construction Funds to General Program

Inquiries from home builders interested in reserving MOVE funds for their projects has been very encouraging, although somewhat less than initially anticipated. As of March 30, 1989, we received requests from 12 builders to reserve approximately $11.3 million in funds for 135 units. Of the 12 projects, 4 have permits in place and are under or will be under construction soon. The remaining projects are still in the Act 250 process, with most anticipating approvals in May/June.

Statewide demand for MOVE funds remains high. For the week ending March 30, 1989, we reserved $3.6 million for home buyers for a total year-to-date of $29.6 million out of a total pool of $54 million. Considering the $20 million set-aside for new construction, this leaves only $4.4 million remaining in the general program. Factoring in our average application fallout rate and other funds available for recycling at 9.1%, 9.7% and 10%, we estimate sufficient funding for the MOVE program for another 2 to 3 weeks.

Staff has recommended shifting $10 million in new construction funds to the general program pool. Of the $10 remaining for new construction, $2.6 million will be reserved for the 4 projects presently under construction and $3.7 placed on hold until July 1, 1989, for those projects still in the permit process. The remaining $3.9 million will be available for additional projects. In planning for a new bond issue, we will need to anticipate the demand from these projects to assure that VHFA financing is available when the projects are ready for marketing.

Due to this situation, we will probably be recommending at this upcoming meeting, that we issue additional bonds as soon as possible.

ASH:lw

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: April 14, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: Updated FY 1988-89 Business Plan

Here is our current fiscal year's Business Plan which staff updated in March. This has been helpful for us to recognize existing programs and initiatives as well as to aid us in targeting where to allocate our efforts in months to come.

Please read for your information, and let us know if you have thoughts or questions. We will be creating FY 1989-90's Business Plan in the upcoming months.

MAP:lw

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FISCAL YEAR 1988-89 (Updated 04/89)

ONGOING PROGRAMS

Mortgage Revenue Bond (MRB) Extension Campaign
Mortgages for Vermonters (MOVE)
Mortgage Plus Program [Mortgage Credit Certificate] (MCC)
Low Income Housing Tax Credits (LIHTC)
Home Energy Improvement Loan Program (HE/ILP)
Housing Vermont
Rural Vermont Mortgage Program
Portfolio: Service Existing Loans
Hotline: Homeownership Programs
Vermont Housing Ventures
Home Buyer Workshops
Energy Rated Homes of Vermont (Energy Efficient Mortgage)
Multi-Family Financing
At Risk Projects: Restructuring and Preserving
TEAM (Tenant Education and Assistance Model)
Tax Credits: Facilitate Sale (Vermont Equity Fund)

PROGRAMS TO IMPLEMENT (Prioritized)

1. MOVE Reserve: Builders (8.9%)
2. Nonprofit Reserve (7.9%)
3. Mortgage Purchase: New Program
4. Multi-Family: New Programs
5. Secondary Mortgage Market
6. Mortgage Plus Program (MCC): Restructuring
7. Technical Assistance to Nonprofits
8. Home Buyers: Prequalifying Pilot Program

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Prioritized)

1. Construction Financing
2. Recycling of 1979 Funds ($10 Million)
3. Multi-Family Bonds: Credit Enhancements Program
4. Mobile Home/Park Financing

Rent Comparability (Section 8 Program)
Housing Cooperatives Blanket and Share Loan Financing
Qualified Rehabilitation Program
Financial Resources: Coordinated with DHCA and VHCTF
Mortgage Delivery/Servicing Systems
Portfolio: Proactive Servicing (Single Family)
Taxable Bonds: Single Family
Affordable Housing Demonstration Program

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

MOVE: Revision of Procedural Guide
Financing: Integrate Research
Program Evaluation
Housing Policies: Participate at State and Federal Level
Cooperative Housing: Provide Education
Evaluate Cost of Programs
Cash Flow: Analyze Alternative Programs
Revenue Production
Underwriting: Increase Automation

1988-89 ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Revenue Bond (MRB) Extension Campaign	COMMUNICATIONS, Operations, Executive Director: Congressional authority to issue MRBs sunsets December, 1989. Ongoing effort to promote continuation of Mortgage Revenue Bonds.
Mortgages for Vermonters (MOVE)	OPERATIONS: This mortgage purchase program was initiated January 3, 1989, with a total of $60 million in lendable funds. It is anticipated that approximately 840 Vermont families will be afforded the opportunity to purchase a home through this program.
Mortgage Plus Program [Mortgage Credit Certificate] (MCC)	OPERATIONS: The Mortgage Plus program is a tax credit against a borrowers' federal tax liability. The reduction in taxes is intended to be applied against the borrower's mortgage payment.
Low Income Housing Tax Credits (LIHTC)	DEVELOPMENT: Tax Credit program will be expanded and refined as the regulations are known. Credits will be utilized to support Housing Vermont projects as well as to promote small nonprofit and for-profit developments.
Home Energy Improvement Loan Program (HE/ILP)	OPERATIONS, Affiliated Entities: This installment loan program is based on the premise that it is cost effective to do energy improvements to a home and use non-bank originators.
Housing Vermont	FINANCE: Finance will evaluate and monitor the funding agreement of $2,000,000 for the development of new multi-family projects.
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: This program uses VHFA funds in conjunction with FmHA funds to expand the supply of mortgage money available to lower income borrowers.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Portfolio: Service Existing Loans	OPERATIONS, Finance: VHFA presently has approximately 5,000 Single Family and 91 Multi-Family mortgage loans. Servicing activities vary between programs, but require ongoing analysis and action on the part of staff. One of the most important functions of the Finance department is to monitor, balance, and analyze the collections on existing loans. This process enables the required payments to bondholders, transfers of funds to support the budget and provide resources for future programs.
Hotline: Homeownership Programs	COMMUNICATIONS: A toll-free hotline serves Vermonters throughout the state by providing access to and general information about VHFA homeownership programs. All callers are screened for eligibility and an active mailing list of potential home buyers is maintained and updated annually for outreach purposes. The hotline was set up and aggressively marketed in 1987. We have expanded staffing from one to two people and expect that this program will continue as long as deemed effective and necessary.
Vermont Housing Ventures	DEVELOPMENT: As of July 1, 1988, $250,000 was made available for this revolving loan fund. Loans of up to $50,000 are made to nonprofits to cover the pre-development expenses incurred in creating an affordable housing project.
Home Buyer Workshops	COMMUNICATIONS: In 1988 a series of affordability workshops was designed and implemented in an effort to reach Vermonters we might not otherwise reach with VHFA homeownership programs. The materials and format have been improved and "Home Buyer Days" continue in 1989, with a workshop scheduled in every labor market area of the state for 1989. These forums serve to empower home buyers in a neutral, non-intimidating setting, while giving VHFA presence at the local level and an opportunity to work hands-on with our potential borrowers and participating lenders.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Energy Rated Homes of Vermont (Energy Efficient Mortgage)	AFFILIATED ENTITIES, Operations: This program encourages making energy efficiency improvements to the Vermont housing stock with emphasis on doing it at the time of purchase or refinance. Incentives are being used to encourage participation from all areas of the shelter industry.
Multi-Family Financing	FINANCE, Development: Finance and Development will review and research new or existing techniques to provide long-term affordable financing for multi-family projects.
At Risk Projects: Restructuring and Preserving	OPERATIONS, Development, Finance: Utilizing the full range of options approved by the Board, VHFA will work with owners and HUD to arrive at acceptable solutions to the problem of prepayment and non-renewal of HAP Contracts.
TEAM (Tenant Education and Assistance Model)	OPERATIONS: Working with project owners and existing service provider agencies, this program will address the issue of aging in place. Funding for this project is provided by a grant from the Robert Wood Johnson Foundation, VHFA, and project owners.
Tax Credits: Facilitate Sale (VT Equity Fund)	ADMINISTRATION, Finance: The companion entity to Housing Vermont is the Vermont Equity Fund, that utilizes the LIHTC credits to pull equity into housing development through Housing Vermont. Finance oversees the collection, disbursement, and monitoring of the program.

1988-89 PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
MOVE Reserve: Builders (8.9%)	DEVELOPMENT: Builders may reserve MOVE funds for their projects by paying a 1% reservation fee. Initially $20 million was set aside for this program from the 8.9% funds.
Nonprofit Reserve (7.9%)	DEVELOPMENT: Nonprofit housing developers/ sponsors may reserve 7.9% funds for their projects. Units financed must provide for perpetual affordability and the maximum income of the purchasers may not exceed 80% of the greater of area or statewide median income.
Mortgage Purchase: New Program	FINANCE, Development, Communications, Operations: Finance will interpret the feasibility of a new single family financing based on Development's analysis of demand and special targeting requirements. Development will coordinate a complete review of this program to provide for better targeting and an improved mortgage delivery system. Communications will work with Development to provide market information and will work with Operations to promote the program.
Multi-Family: New Programs	DEVELOPMENT, Finance: Development and Finance will engage in research to determine future viability of multi-family mortgage financing.
Secondary Mortgage Market	DEVELOPMENT, Finance, Operations: VHFA will sell taxable bonds to purchase seasoned mortgage loans from Vermont lenders' portfolios. FNMA will provide a credit enhancement. Lenders will be required to invest most of the proceeds of this sale in affordable housing.

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgage Plus Program (MCC): Restructuring	DEVELOPMENT, Operations: Analysis needs to be completed to determine whether the MCC program would benefit by restructuring the way it is operated and marketed. Staff members will need to meet with lenders to discuss how to improve program utilization. If not restructuring, then fine-tuning.
Technical Assistance To Nonprofits	DEVELOPMENT, Communications: Technical Assistance may involve funding from Vermont Housing Ventures revolving loan fund, as well as training and conference sponsorship. In the last two years an outreach program has been evolving to provide support and technical assistance to members of the real estate and lending community involved in VHFA homeownership programs.
Home Buyers: Prequalifying Pilot Program	COMMUNICATIONS, Development, Operations: In 1989 a system will be developed to pre-qualify borrowers so that they may feel empowered and possess more credibility with realtors and/or lenders as they attempt to find a home and apply for VHFA financing. It has been determined that a pre-qualification certificate is a natural extension of the work done at Home Buyer Days. This program will be launched during 1989 Home Buyer Days.

1988-89 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Construction Financing	FINANCE: Finance will research alternatives to enable VHFA to be ready to provide guaranteed construction financing to projects meeting established criteria.
Recycling of 1979 Funds ($10 Million)	FINANCE, Development: The funds available under this program are tied to pool insurance and need to be examined in light of the stringent requirements imposed by MGIC. An alternative pool insurer or increased flexibility by MGIC is necessary to enable the use of these funds.
Multi-Family Bonds: Credit Enhancements Program	FINANCE, Development: Coinsurance for use with future multi-family projects will be researched in coordination with Development. Research into new and existing financing methods will be studied for applicable VHFA use.
Mobile Home/Park Financing	DEVELOPMENT, Finance: Development will research mobile home/park financing experience in other states including coop financing. In cooperation with Finance, will establish feasibility of a financing mechanism to meet statewide need.
Rent Comparability (Section 8 Program)	OPERATIONS, Finance: In an effort to meet requirements mandated by HUD, VHFA will implement this program so as to have the least harmful impact on projects and residents, limiting rent increases to only those projects that do not have adequate income streams.
Housing Cooperatives Blanket and Share Loan Financing	DEVELOPMENT, Finance: Development must begin research into the structures for blanket and share loan financing for cooperatives. Additional program support for limited equity cooperatives should also be researched in conjunction with the financial products.
Qualified Rehabilitation Program	OPERATIONS: This initiative would use tax exempt bond proceeds for the purpose of performing major improvements to existing Vermont housing stock.

1988-89 PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION (Continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Financial Resources: Coordinated with DHCA and VHCTF	DEVELOPMENT: Development will work in coopoeration with DHCA and VHCTF to create a predictable program that will utilize resources from these three organizations.
Mortgage Delivery/Servicing Systems	FINANCE, Development, Operations: Finance will assist in the analysis of the appropriateness of direct servicing of new and/or existing loans. Development will examine the alternatives to our current mortgage delivery/servicing system and, with Operations, will evaluate their relevance to Vermont. Currently all of our single family mortgage programs are offered through private lenders (except the Rural Vermont Mortgage Program with Farmers' Home Administration).
Portfolio: Proactive Servicing (Single Family)	FINANCE, Operations: A review of procedures necessary to convert single family loan portfolios submitted by lenders to a computerized system and ultimately to an exception-only billing system initiated by VHFA.
Taxable Bonds (Single Family)	FINANCE: The use of taxable bonds may be necessary in conjunction with the Secondary Market program or as a possible replacement for tax exempt authority. Finance will analyze the cost/benefit relationship of this vehicle in light of changing market conditions.
Affordable Housing Demonstration Program	DEVELOPMENT: This program will combine new building technology and perpetual affordability to create new energy efficient housing for lower income Vermonters.

1988-89 INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
MOVE: Revision of Procedural Guide	OPERATIONS, Development, Finance: The procedural guide will be updated to reflect changes we have implemented and changes we wish to make.
Financing: Integrate Research	FINANCE: A priority for Finance, beginning with the hiring of an investment officer, will be to develop financial strategies to maintain the fiscal health of the Agency while supporting Development activity.
Program Evaluation	OPERATIONS, Development, Finance, Communications: Based on experience and data from any given program, an evaluation will be performed to ascertain the effectiveness of the program in reaching predetermined goals and to suggest changes.
Housing Policies: Participate at State and Federal Level	DEVELOPMENT, Administration: A special Task Force led by Senators Cranston and D'Amato has been convened at the federal level to develop housing solutions for the future. VHFA will keep abreast of these developments and participate, as appropriate, in cooperation with other state housing agencies.
Cooperative Housing: Provide Education	DEVELOPMENT: VHFA will sponsor for lenders a seminar on cooperatives and the new Vermont housing coop legislation.
Evaluate Cost of Programs	FINANCE, Operations, Development, Communications: A cost benefit and staffing needs analysis will be a part of this process.
Cash Flow: Analyze Alternative Programs	FINANCE: A study will be conducted to determine the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.
Revenue Production	FINANCE, Development, Operations: Staff will examine revenue generation viability for any and all programs.
Underwriting: Increase Automation	OPERATIONS: Research ways to automate the loan underwriting process to enhance efficiency without losing the personal touch.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: 1989A SINGLE FAMILY BOND FINANCING

DATE: APRIL 14, 1989

As discussed in a previous memo from the Program Group, the use of funds from the 1988B program has exceeded everyone's wildest expectations. Due to the success of this program, we have been in contact with our underwriters regarding the feasibility of a new bond financing. Our original game plan was to get a new, more user friendly bond resolution in place before we did another single family financing. In light of the time frame imposed on us from the continued rapid use of 1988B funds and with the motivating factor of keeping funds available, we have concluded that we cannot wait to get all the documentation in place to enable us to use a new bond resolution for a financing in early June. Following are highlighted the major financial implications of doing a new financing in the range of $40 million lendable proceeds.

LOAN LOSS CLAIM FUND

Under the provisions of the current bond resolution, we are required to contribute 1.5% of the mortgage amount into the loan loss claim fund. This is a General Fund contribution to the program which is used to cover potential losses on foreclosed properties. We have experienced very low losses on properties since 1983 and we would expect to recover this contribution over time. The prior eight series of bonds under this resolution currently have an excess over minimum requirements of about $750,000. I would feel comfortable based on the experience realized to date to release $600,000 of this excess and contribute to 1989A to fund the Loan loss claim fund requirement. The only risk this involves is that if we suddenly had significant losses in the other series of programs, we would have to go back to the General Fund for an additional contribution.

OTHER BOND FEATURES

Other significant features of the bond deal mirror what we did in the 1988B financing. This includes the Interest Rate Reduction Bond which gives us some protection in the event that we are caught with unexpended funds in a falling rate environment. Based on the yield curve of bond costs, recycling of mortgage collections for 10 years at the original term of 30 years is not a costly option. A split rate mortgage allocating 10% of the proceeds at 1% below the standard rate is also being assumed along with the potential of builder set-aside funds. The current investment rate environment is very positive, meaning that we should be able to invest our funds at little or no loss while awaiting mortgage purchases. Due to the size of the issue no other funds other than the loan loss claim funds discussed earlier are contemplated to be needed from the Agency. Bond market conditions would currently produce an expected full spread mortgage rate of between 9.15% and 9.25%.

RECOMMENDED BOARD ACTION

Approve Agency staff to pursue the financing as outlined above with the understanding that if the size of the issue exceeds $50 million lendable proceeds and/or the interest rate exceeds 9.5% further justification will be required.

VERMONT HOUSING FINANCE AGENCY

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

RE: Legislative Update

DATE: April 13, 1989

Here is an update of the status of the various housing bills that we are following.

S. 47-At Risk Housing

Passed from Senate General Affairs to Senate Appropriations. No recent action.

S. 87-VHFA Enabling statute-Mobile homes, etc.

Passed Senate. Assigned to House General Affairs, where I have testified on it. Awaiting action.

S. 89-Rental Assistance

Passed Senate General Affairs and Housing. In Senate Appropriations. See discussion under S. 120, below.

S. 108-Density Bonus and Inclusionary Zoning

The General Affairs and Housing Committee substituted a revised version of H. 445 for the original Senate bill. The version passed by the Committee and the full Senate would enable municipalities to adopt zoning by-laws containing a density bonus provision to allow developers to construct more units on a site if the extra units were affordable. In addition, if a municipality adopts a density bonus provision, it may also adopt an inclusionary zoning by-law that would require developers of residential, industrial and commercial property to build or pay for a certain number of affordable housing units. The bill has not yet been assigned to a committee in the House.

S. 120-Omnibus Housing Bill

Still being discussed in Senate General Affairs and Housing, but likely to be passed before the Board meeting. The bill has been changed substantially, and will have to go to both Senate Finance and Senate Appropriations before it goes to the Senate floor.

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The bill now contains the following major provisions: 1) the Home Start loan program, with the modifications approved by the Board at the March meeting (restricting the program to those under 80% of statewide median and waiving repayment for shared appreciation loans), 2) the VHFA loan guarantees, 3) the Rental Assistance (S. 89) bill, and 4) a summer study of the proposed tax deferral for seniors.

The property transfer tax increase, which is predicted to yield $5.5 million per year, is very controversial and will be addressed in the Finance Committee. A recent proposal by the Vermont Low Income Advocacy Council would divide the proposed $5.5 million from the transfer tax increase: $2 million to go to Home Start, $2 million to rental assistance, and the remaining $1.5 million to the Housing and Conservation Trust Fund.

Senator May does not favor the entire rental assistance bill, but apparently would be willing to include $1 million of project based assistance in the Omnibus bill. With two more committees to go before the bill hits the Senate floor, it is difficult to predict prospects for passage this year.

S. 190-Housing Subsidy Covenants

Passed the Senate and was assigned to House Judiciary, where I have testified on it. Prospects in committee are favorable.

H. 364-Tax exemption for the Gates

Was opposed by Administration in House Ways and Means Committee and appears to be dead. Owner of Gates apparently doesn't feel it is needed.

The University of Vermont

ASSISTANT VICE PRESIDENT FOR
ADMINISTRATIVE AND FACILITIES SERVICES
109 SOUTH PROSPECT STREET
BURLINGTON, VERMONT 05405-0016
(802) 656-3208

April 14, 1989

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

Dear Allan:

Thank you for your update on the status of the Dalton Drive Project. It was helpful and allowed me to explain to others at the University why the March 15 deadline had passed with no apparent action.

As you are aware, I am not surprised at the necessity for or the cost of removing the asbestos pipe insulation in the basements of the buildings. I am also sorry that it appears the asbestos problem cannot be resolved within the project budget.

I have discussed the proposal contained in your April 10, 1989 letter to have the University absorb the cost of the asbestos abatement before VHFA purchases the property with President Coor and Senior Vice President Forsyth. It is their feeling, as I suspected, that the University cannot afford to pay for the asbestos abatement. There are several reasons why.

First, the University agreed, in an honest effort to make affordable housing a reality, to reduce the purchase price by $500,000 to $1,500,000. Although the University Board of Trustees recognized their legal fiduciary interest to the students to maximize resources to improve the educational quality of the University, they also recognized a need to assist the community in creating affordable housing.

Second, the University intends on utilizing the net proceeds from the sale of the Dalton Drive property toward the establishment of two new student apartment complexes on the campus and the creation of an affordable apartment complex on the campus for active and emeriti faculty and staff, and students. The resources from the sale are considered critical to the success of these three housing projects on the campus.

I have just learned that our General Counsel has finished reviewing the proposed purchase and sales agreement and should be in contact with your counsel with questions and comments.

I sincerely hope your Board can find a way to make this project work. I am convinced if VHFA cannot make it work then no one can. I am sorry our situation is such that we cannot lower our purchase price any further or we will put our other housing projects in jeopardy. Please let me know the results of your Board's deliberations as soon as possible.

Thank you and I hope you find a way to make this project happen.

Sincerely,

Rayburn V. Lavigne
Assistant Vice President

RVL/dv

vhfa.frt

VERMONT HOUSING FINANCE AGENCY

May 9, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, May 18, at 1:30 p.m., here at the office of the VHFA, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

M E M O R A N D U M

DATE: May 11, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, May 18, here at the VHFA office, One Burlington Square, Burlington, Vermont.

Attached is the agenda and board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on May 18.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, May 18, 1989 at 1:30 p.m.

1. Review and approval of minutes of April 20, 1989

2. Executive Director's Report

   A. "Gates" Update [**Hunt//Enclosure**]
   B. Update and Possible Action on Dalton Drive Property [**Hunt//Enclosure**]

3. Operations

   A. MOVE 1988B Update [**Lothrop//Enclosure**]
   B. TEAM/Robert Wood Johnson Update [**P. Parker**]
   C. Farmers Home Program Update [**Lothrop//Enclosure**]

4. Development

   A. Winchester Place Commitment Letter Discussion [**Pond//Enclosure**]
   B. Discussion of Possible Change in Replacement Reserve Policy and Multi-Family Underwriting [**Pond//Enclosure**]
   C. Secondary Market Status [**Ballew//Encl.**]

5. Finance

   A. General Fund Update as of 03/31/89 [**Schoenbeck//Encl.**]
   B. FY 89 Budget Adjustments [**Schoenbeck//Encl.**]
   C. 1989A Update [**Schoenbeck//Encl.**]

6. Legal

   A. Legislative Wrap-Up [**Jarrett//Enclosure**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, April 20, 1989

Present: Commissioners Shaw, Seelig, Babcock, Francis, Myette (via speakerphone)

VHFA Staff: Mr. Hunt, Ms. Pond, Mr. Jarrett, Ms. Hope, Mr. Lothrop, Mr. Schoenbeck, Ms. Markman, Ms. Parker, Ms. Crady, Mr. Koppelkam, Ms. Wadhams (Consultant to VHFA); Mr. Kochman of F.L. Kochman, Inc.; Mr. Richardson of Housing Vermont.

Guests Present Included: Dan Irvin of Drexel Burnham Lambert; Suzanne Swanson, Travor Underwood of Shearson Lehman Hutton; Susan Struble, Dudley Davis of Merchants Bank; Jim Lamphere of Wiemann-Lamphere Architects; Harry Behney, Greater Burlington Industrial Corporation.

The meeting was called to order at 1:45 p.m. Upon a motion duly made and seconded, the minutes of March 13, 1989, were unanimously accepted with the amendment that on Page 3, second paragraph, in the discussion of the "Omnibus" legislation, "...the program would be <u>for</u> borrowers at 80% or less of the state median income," rather than "targeted to" such borrowers.

Due to the lengthy agenda and numerous guests present to address the Board, it was agreed that topics would be taken out of the order listed on the agenda.

Mr. Richardson offered a brief review of the proposed Winchester Place project. Mr. Shaw commended Mr. Koppelkam on the comprehensive package distributed to the Board. Mr. Davis addressed the Board, stressing the importance of private sector involvement in such a project, and the need to proceed on a tax exempt basis rather than applying low income housing tax credits. Upon a motion duly made and seconded, it was agreed that a letter of interest as drafted and included in the Board package would be issued.

The Executive Director's report was offered by Mr. Hunt, who updated the Board on the "Gates" negotiations. Following a brief

discussion of the implications and risks inherent in these negotiations, and after Mr. Kochman explained certain changes which would be necessary in the Option Agreement, a motion was duly made, seconded and unanimously agreed to adopt the resolution proposed in Mr. Hunt's memo to the Board dated April 13, 1989 and included in the Board packet.

Mr. Hunt then asked Ms. Wadhams to inform the Board of the status of the Dalton Drive buildings at Fort Ethan Allen. Ms. Wadhams distributed estimated figures for the cost of rehabilitation of the buildings, and reviewed the three scenarios represented. Mr. Hunt cautioned the Board that the numbers seemed to indicate a high degree of risk for a minimal amount of affordable housing. Mr. Myette reported that the subcommittee appointed by the Board viewed the project with reservation, due to the unknown social impact of a mix of low income and high income tenants. Due to the resources and commitments invested in the project, Mr. Francis urged that the Agency continue to be a part of the negotiations as long as possible. A motion was duly made, seconded, and unanimously agreed authorizing the executive director to negotiate and sign an Option Agreement on Dalton Drive similar to the draft proposed by Mr. Kochman, reflecting costs of $1,000 initially and $5,000 per month, up to $11,000.

The issue of single family bonds under the 1989A program was introduced next by Mr. Lothrop, who reviewed for the Board his memo dated April 13, 1989 and included in the Board packet. Ms. Crady and Ms. Markman further reviewed the "Recommendations for 1989A Home Ownership Program," as detailed in the memo dated April 13, 1989 from the Program Group and included in the Board packet. Following a brief discussion, a motion was duly made and seconded to adopt Option 1, adjusting income limits by family size to a universal limit statewide as recently required by changes in the federal tax law, and as detailed in the memo; this motion was accepted unanimously, with the further clarification that sizing had not been determined via this motion.

Mr. Schoenbeck reviewed his memo to the Board, "1989A Single Family Bond Financing" dated April 14, 1989, detailing certain points of the financing. A motion was duly made, seconded and unanimously adopted authorizing staff to proceed with a bond sale of up to $50 million in lendable proceeds, with an interest mortgage rate up to 9.5%, with the further stipulation that the Board would be advised if there are indications that either figure would need to be increased, with possible sale to occur on or about June 1, 1989.

A motion was duly made, seconded and unanimously accepted to institute a selection process for bond underwriters by means of a request for proposals prior to the next single family bond issue (after 1989A).

Mr. Lothrop then approached the Board with a request for an increase in single family staff, adding another underwriter. Mr. Hunt pointed out to the Board that the underwriting staff had not been increased since 1986. A motion was duly made, seconded and unanimously agreed to hire an additional underwriter as proposed.

An update on the Heineberg senior housing project was offered by Mr. Jarrett, who reviewed the memo from Ms. Pond, "Heineberg Project Assumption Terms in Year 15," dated April 13, 1989 and included in the Board packet. Following a brief discussion, a motion was duly made, seconded and unanimously accepted to authorize the Executive Director to enter into an agreement as proposed in Ms. Pond's memo.

Mr. Jarrett then reviewed recent legislation affecting the Agency.

A review of a condominium project located in Moretown was presented by Mr. Lothrop, who recommended it for financing approval following an extensive review by Mr. Jarrett relative to previous Board concerns; a motion was duly made and seconded to approve this project for VHFA financing, with Mr. Seelig abstaining.

Mr. Hunt then informed the Board that Lieutenant Governor Howard Dean would be sponsoring an affordable housing conference at the Cortina Inn, Killington, June 8-9. According to Mr. Hunt, the Agency has agreed to co-sponsor this conference, and all members of the Board are invited to attend.

The next meeting was scheduled for Thursday, May 18, 1989, to be held in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: May 11, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: THE "GATES" STATUS

An Option Agreement on all five Gates projects was signed on April 29. It's hard to believe that it happened!

I will be traveling to Washington, D.C., this Friday (May 12) with a small army of people connected with the Northgate project to meet with HUD officials to try to convince them to provide Northgate with a deferred loan of approximately $3 million for renovation, as well as approving the sale to us and subsequently to Northgate Non-Profit.

We have also had discussions with FNMA about buying tax credits on these projects. A tentative follow-up meeting with FNMA is scheduled in Washington, D.C., to coincide with our HUD meeting. Nailing down the equity investment is becoming a priority.

Progress is also being made in Barre, where tenant education is starting, work is commencing to fine-tune the rehab estimates, and Housing Vermont has had initial discussions with Green Mountain Power on participation in the conversion from electric to propane.

Finally, the Bennington Selectmen approved a letter of intent to apply for CDBG funds on behalf of the Applegate project. Housing Vermont has had discussions with the newly formed Bennington Affordable Regional Housing Corporation about being their local nonprofit partner.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: May 11, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: DALTON DRIVE (FORT ETHAN ALLEN)

Although there was a flurry of negotiations in an attempt to get UVM to reduce the asking price on this property, they didn't budge, citing the need for the full $1.5 million to help subsidize their on-campus housing plans.

Instead, we have received a commitment from Secretary Moulton to provide at least a portion of the funds necessary to pay for the asbestos removal. Where and how these funds will be found is a little unclear.

Emily Wadhams and I have spent considerable time trying to find ways to reduce the cost of the units. One approach is to convert some of the proposed three bedroom units to smaller units, thus increasing the density from the proposed 72 units to 80-84 units. We have also scheduled a walk-through of some of the units by the Development Team to brainstorm ways of reducing the costs further.

We must also find a way to finance the non-VHFA units. I am planning to discuss the concept of a partnership with the Engelberth people to see if they are interested in a joint venture. This has become increasingly important as our consultant, Emily Wadhams, has decided to pursue a development opportunity in Shelburne starting in June.

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STATISTICAL REPORT PROGRAM ID: 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 11/01/88 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans:	398
Total Loan Amount:	$25,256,970
Average Loan Amount:	$63,459

EXISTING:	$19,397,002	78.6%	313 Loans
NEW CONSTRUCTION:	$5,859,968	21.3%	85 Loans
NEW DETACHED HOUSING:	$5,304,958	90.5%	76 Loans
NEW CONDOMINIUM:	$555,010	9.4%	9 Loans

Total Insured or Guaranteed Loans:	366
Loans Guaranteed by VHMGB:	364

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$68,063	$74,465	$70,266
Avg. Loan Amount	$60,798	$68,529	$63,459
Avg. Borrower Income	$27,986	$29,884	$28,640
Avg. Housing Debt-Income Ratio	25.6%	27.6%	26.3%
Avg. Total Debt	$781.20	$877.22	$814.25
Avg. Total Debt-Income Ratio	33.4%	35.3%	34.1%
Total No. of Loans	261	137	398
% of Total Loan Amount	62.8%	37.2%	100.0%
First Time Homebuyers	81.6%	100.0%	87.9%
% Meeting Low Income Set Aside	33.3%	41.6%	36.1%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	18	4.5%	$1,186,226	5,000	5.8%	1.3-
Bennington	11	2.8%	$662,929	6,000	7.0%	4.2-
Caledonia	22	5.5%	$1,231,675	5,000	5.8%	0.3-
Chittenden	100	25.0%	$7,059,240	16,000	18.6%	6.4
Essex	2	0.5%	$70,675	1,000	1.2%	0.7-
Franklin	64	16.1%	$4,223,753	6,000	7.0%	9.1
Grand Isle	2	0.5%	$141,705	1,000	1.2%	0.7-
Lamoille	21	5.3%	$1,244,409	3,000	3.5%	1.8
Orange	11	2.8%	$651,667	4,000	4.7%	1.9-
Orleans	19	4.8%	$834,446	4,000	4.7%	0.1
Rutland	55	13.8%	$3,469,558	10,000	11.6%	2.2
Washington	42	10.6%	$2,505,474	9,000	10.5%	0.1
Windham	25	6.3%	$1,636,726	7,000	8.1%	1.8-
Windsor	6	1.5%	$338,487	9,000	10.5%	9.0-
TOTAL	398	100.0%	$25,256,970	86,000	100.0%	

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

AS OF: 05/10/89
PAGE NO. 1

Vermont Housing Finance Agency
1988 Series B - $54,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.900%
Date : 05/10/89

Report: 1130
PERSTATU

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$2,863,337	5.3%	$1,832,299	3.3%	$713,895	$1,118,404
Bennington Coop Savings & Loan Assn Inc	$339,325	0.6%	$188,275	0.3%	$70,000	$118,275
Caledonia National Bank of Danville, The	$869,147	1.6%	$345,725	0.6%	$100,000	$245,725
Chittenden Trust Company	$8,324,633	15.4%	$5,773,305	10.6%	$2,446,775	$3,326,530
Commonwealth Mortgage Company, Inc	$360,750	0.6%	$291,500	0.5%	$0	$291,500
Community National Bank	$850,559	1.5%	$396,579	0.7%	$100,424	$296,155
Factory Point National Bank, The	$243,425	0.4%	$113,750	0.2%	$0	$113,750
First Northern Mortgage Corporation	$66,500	0.1%	$0	0.0%	$0	$0
First Twin-state Bank	$129,598	0.2%	$73,598	0.1%	$0	$73,598
Franklin-Lamoille Bank	$1,805,929	3.3%	$1,142,229	2.1%	$373,822	$768,407
Granite Savings Bank and Trust Company	$192,275	0.3%	$56,900	0.1%	$56,900	$0
Howard Bank, National Assn, The	$3,003,230	5.5%	$1,413,950	2.6%	$779,800	$634,150
Lyndonville Savings Bank & Trust Company	$319,350	0.5%	$166,250	0.3%	$36,100	$130,150
Marble Bank	$793,934	1.4%	$351,426	0.6%	$50,000	$301,426
Merchants Bank, The	$2,545,494	4.7%	$1,337,773	2.4%	$241,550	$1,096,223
National Bank of Middlebury, The	$512,055	0.9%	$365,230	0.6%	$89,500	$275,730
New England IBM Employees Fed Crdt Union	$548,426	1.0%	$469,671	0.8%	$138,900	$330,771
Northfield Savings Bank	$914,495	1.6%	$353,040	0.6%	$305,635	$47,405
Passumpsic Savings Bank	$1,380,605	2.5%	$496,775	0.9%	$214,425	$282,350
Peoples Trust Company of St Albans	$356,398	0.6%	$75,100	0.1%	$0	$75,100
Proctor Bank	$665,699	1.2%	$460,100	0.8%	$170,000	$290,100
Randolph National Bank	$299,450	0.5%	$42,000	0.0%	$0	$42,000
Statewide Funding Corporation	$1,412,031	2.6%	$347,604	0.6%	$169,100	$178,504
Union Bank	$1,808,224	3.3%	$1,044,709	1.9%	$413,415	$631,294
Valley Bank	$191,400	0.3%	$50,000	0.0%	$0	$50,000
Vermont Federal Bank, FSB	$9,028,546	16.7%	$5,116,397	9.4%	$2,191,905	$2,924,492
Vermont Mortgage Group, Inc	$1,376,477	2.5%	$528,827	0.9%	$228,000	$300,827
Vermont National Bank	$5,773,477	10.6%	$2,648,898	4.9%	$922,604	$1,726,294
TOTALS 744 Loans	$46,974,769	86.9%	$25,481,910	47.1%	$9,812,750	$15,669,160

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: May 10, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Farmers Home Administration (FmHA) Loan Participation Program Update

In August of 1986, VHFA and FmHA signed a loan participation agreement in which VHFA would supply up to 50% of the Mortgage funds for FmHA qualified buyers. Our funds would be secured by a first lien while FmHA funds would be secured by a second lien.

The purpose of the program was to allow VHFA to serve lower income borrowers while stretching a valuable low income primary home financing resource (interest rate could be as low as 1%) in Vermont.

I have listed below certain comparisons of this program with that of the 87A, 88A and 88B VHFA mortgage purchase program over the period from August 1, 1987 to date.

	FmHA Program	Mortgage Purchase Programs
Number of Loans	22	658
Average Purchase Price	$77,098	$65,819
Average Borrower Income	$23,509	$28,064
Avg. Housing/Income Ratio	22.9%	25.6%
Avg. Debt/Income Ratio	33.1%	33.5%

Of the $2,500,000 allocated to this program by VHFA, $417,972 has been used. The average VHFA loan under this program is $18,972.

The above figures indicate that lower income buyers are able to afford to purchase higher priced houses under the FmHA/VHFA program than would be possible under our mortgage purchase program. In addition, the incomes are not stretched quite as far to pay housing costs, but are about the same in total debt.

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Of all the loans made under the FmHA/VHFA program, 77.4% have been made in the counties of Chittenden and Franklin, as compared with 36.2% in the mortgage purchase program. Loans have been made in only six counties of the state under the FmHA/VHFA program. This seems to indicate that the program is viable andits use is dependent on the emphasis placed on it by the individual county agents. This has been pointed out to FmHA and they are working on getting some interest in other counties.

The small number of loans made in the 1 3/4 years the program has been operating can be accounted for by inconsistent allocation of funds from Washington targeted to Vermont, the lower incomes of the FmHA borrower, and a slow build up of interest by county agents. Activity in the program has increased over the past several months, which is indicative of a newly implemented policy at FmHA in Montpelier, requiring all mortgage loans be underwritten first for the possibility of using some portion of VHFA funds before being fully funded by FmHA money. As a by-product of this policy the geographical dispersion of loans made under this program should improve.

This program does allow VHFA to reach lower income borrowers with our resources and the administrative costs are almost non-existent.

We are disappointed with the level of activity to date and may suggest a reduction in our present funding commitment to the program in August which is contract renewal time. We would leave open the possibility of continued funding at a later date if the program reaches its real potential.

This program could be a valuable weapon in our arsenal against the housing crisis in Vermont.

RESOLUTION RE: LETTER OF COMMITMENT FOR WINCHESTER PLACE DEVELOPMENT

WHEREAS, the Merchants Bank, a wholly owned subsidiary of Merchants Bancshares, and Housing Vermont ("HV") have presented a proposal for construction of 166 units of rental housing in Colchester, Vermont (the "Winchester Place Development" or the "Development"); and,

WHEREAS, the Winchester Place Development has been the subject of a prior resolution of the Agency adopted on April 20, 1989; and

WHEREAS, the proposal contemplates that the Winchester Place Development shall constitute a "qualified low-income housing project" within the meaning of §42(g) of the Internal Revenue Code of 1986 (the "Code") and a "qualified residential rental project" within the meaning of § 142(d) of the Code

WHEREAS, the owner of the Development (the "housing sponsor") is expected to be a limited partnership organized on a limited profit basis within the meaning of the Vermont Housing Finance Agency Act (the "Act") and which shall include a wholly owned subsidiary of Housing Vermont as the sole general partner or a wholly owned subsidiary of Housing Vermont and Merchants Properties, Inc., a Community Development Corporation, as co-general partners and the Merchants Bank as the sole limited partner; and,

WHEREAS, the total development cost of the Development is approximately $9.7 million; and,

WHEREAS, the Agency has determined that the Winchester Place Development will assist in fulfilling the purposes of the Act and is financially feasible, it is hereby

DETERMINED:

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

2. The acquisition and construction costs incurred or 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 the persons and families.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment letter (the "Commitment Letter") to provide a first Mortgage Loan for permanent financing for the Development.

2. The Commitment Letter shall be addressed to Housing Vermont and the Merchants Bank as the representatives of the housing sponsor.

3. The commitment for permanent financing shall be in an amount that the Agency determines that the Development can reasonably repay based on current projections, but not to exceed the lesser of (a) $8.00 million, or (b) 95% of the fair market value of the Development as shown by an appraisal based on completion of the Development in accordance with the approved design.

4. The commitment of the Agency shall be subject to receipt, on or before June 15, 1989, of a commitment fee in an amount equal to one and one-half percent of the permanent financing commitment, and not less than $112,500.00.

5. The Commitment Letter shall provide that the interest rate to be charged on the Mortgage Loan shall be as determined by the Agency.

6. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director, that equity funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

7. The Commitment Letter shall contain such other terms and conditions as are required or customary in connection with the financing of multi-family developments and as the Executive Director shall deem necessary or appropriate in the circumstances.

8. The Executive Director is authorized to make preliminary arrangements for financing consistent with this Resolution.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont May 18, 1989.

_____

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: May 11, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: Proposed Changes to Replacement Reserve Policies for Multi-Family Developments

The existing Replacement Reserve policies have been in effect since VHFA developed Section 8 projects. Based on the history with our Section 8 projects, I want to recommend changes to the existing policies which will better reflect the intent of the policies. These changes would also provide the degree of flexibility that may be needed to make some projects more financially feasible. For example, for the financing for the Heineberg (senior) project, the Replacement Reserve requirement would be $17,484 at closing, with an annual contribution of $12,820, instead of $19,000 (for each closing and annual contribution as under our current policy.

Below is our current Replacement Reserve Policy followed by the proposed changes. I look forward to discussing this with you at our meeting.

Existing

Reserve for Replacements. A payment into a separately maintained account controlled by the Agency equal to .006 of the construction costs of the project has been required each year. Where the Sponsor projects very little cash flow over a ten year pro-forma, the Underwriter should compare the account's annual balance (compounded at passbook rate of interest) with projected replacement requirements and consider a possible increase in the annual payment to this reserve.

Proposed

Replacement Reserves

a) All new construction and rehabilitation projects, except senior housing, would have a payment at closing and an annual payment thereafter into a separately maintained account controlled by the VHFA equal to .006 of the hard construction costs (not sitework).

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Senior housing would have a payment at closing of .006 of the hard construction cost. Thereafter the annual payment would be .03 of the annual gross income. This would also be controlled by the VHFA in a separately maintained account.

b) For all developments, any unspent money out of the annual budget for maintenance and repair would be deposited annually in the Operating Reserve, for future maintenance or repair needs. This account would not be controlled by the VHFA, except for annual audit review.

c) VHFA may permit the use of a letter of credit in place of cash payments toward the replacement reserves until project cash flows are capable of making annual deposits.

Recommended Action

Approve the proposed policy changes as stated above.

MAP104:lw

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: May 11, 1989

TO: VHFA Board of Commissioners

FROM: Pat Crady PC and Lynne Ballew LB

RE: Next Steps - Secondary Market Program

We have received and compiled from 17 Vermont lenders the fixed-rate portfolios they are interested in selling to VHFA in the secondary market program. We have also met with Shearson to discuss the program and have received their estimate of the prices we could expect to offer lenders for their loans. Goldman Sachs, Chemical Securities, and the Fannie Mae trading desk have all confirmed the range of market prices suggested by Shearson. The prices, unsurprising given today's market, are not particularly attractive.

As far as type of execution is concerned, everyone's consensus is that a structured CMO offering (which we had preferred because of its visibility and innovativeness) would be at least 150-200 basis points more expensive than a plain MBS execution. If we wanted to keep the MBSs and borrow against them till the CMO market looks brighter, we could do so with a reverse repurchase agreement, but the cost of repos today would make this more expensive and risky than it's worth. The conclusion is to go with a simple MBS swap.

We are now scheduling individual meetings with each of the lenders that submitted a survey to cover the following agenda. Before these meetings take place we would like your input on our suggestions for each of the negotiable items.

- Prices we can offer (see attachment).
- Reinvestment requirement--we suggest that no less than 50% of a lender's loan proceeds be used within a period of 18 months for activities such as those listed on the attachment; the remaining 50% would not be restricted.
- Reporting requirements--we suggest keeping reports on reinvestment very simple (a one-page fill-in-the-blanks format) and semiannual (April 1 and October 1).

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- Recourse VHFA will have to lenders--we suggest 10% of the balance of loans sold be warranted as available in liquid cash reserves and be drawn down only for losses after final foreclosure disposition.

- Requirements of MBS reporting and remitting--the lender must pass through to VHFA scheduled principal and scheduled interest whether these are received or not.

- Servicing fee--we suggest a maximum of 25 basis points, which is standard for fixed-rate MBS product.

It is essential that this program result in new affordable housing units that would not otherwise have been produced or preserved, and that VHFA play a vital role not merely as an investment banker/conduit but as an innovative leader to bring critically needed housing into being.

Therefore, since the market for MBS is so weak these days, we may have to wait to consummate the actual loan purchase and MBS sale until the market improves. In the meantime, we are continuing to put all the various pieces in place that have to be finalized before that transaction can occur--assisting lenders in obtaining Fannie Mae approval, bringing their and our computer systems up to speed, and putting loan level detail on our system.

LB100:lw

EXAMPLES OF ACTIVITIES SUPPORTING THE HOUSING NEEDS OF LOW- TO MODERATE-INCOME FAMILIES* (INCLUDING ELDERLY)

- Home mortgage loans for low- to moderate-income families--especially loans utilizing mortgage credit certificates (MCCs) or loans that have nonconforming property features
- Loans on 2-4 unit buildings with low- to moderate-income tenants (especially Section 8 tenants)
- Multifamily loans (construction or permanent) on apartment buildings with a percentage of low- to moderate-income units
- Below-market construction loans for homeownership developments with a set-aside for low- to moderate-income owners
- Energy-efficient mortgages (EEMs)
- Rehab or weatherization loans for low- to moderate-income homeowners
- Cooperative loans--both blanket and share loans (especially on limited-equity cooperatives)
- Loans or grants to nonprofit housing corporations
- Reduced cost banking activities for low- to moderate-income customers
- Offering prepurchase or credit counseling for low- to moderate-income customers
- Allowing nonprofit housing groups to use a bank CD as collateral for a loan
- Dedicating the interest from a bank CD or other security toward a nonprofit housing fund
- Making an equity investment in the Vermont Equity Fund (Housing Vermont) or in other housing projects that serve low- to moderate-income families
- Offering mobile home loans to low- to moderate-income families
- Donating technical and professional assistance, office space, or other services to nonprofit housing and community groups (e.g. serving on boards, giving workshops, etc.)

*Income criteria are the same as those used in the Mortgage Credit Certificate program

Estimated market prices as of 4/18/89 for fixed-rate loans pooled into Fannie Mae MBS

- Excludes any costs of a CMO issuance
- Maximum total of all pools: $100m

Note rate	Remaining mortgage term: < 15 yrs	15-19.9 yrs	20-24.9 yrs	25-29 yrs	TOTAL UPB
< 8%	85-86	84-85	82-83	81-82	
8.1-9%	89-90	88-89	87-88	86-87	
9.1-10%	92-93	92-93	92-93	90-91	
10.1-11%	96-97	96-97	96-97	95-96	
11.1-12%	99-100	99-100	99-100	99-100	
> 12%	102+	102+	102+	102+	
TOTAL UPB					

◯ = nearest portfolio concentration

Note rate	Remaining mortgage term: < 15 yrs	15-19.9 yrs	20-24.9 yrs	25-29 yrs	TOTAL UPB
< 8%	13,373,678.55	294,257.96	422,415.82	242,731.95	14,333,084.28
8.1-9%	34,698,479.01	3,829,832.83	3,335,317.44	6,972,823.91	48,836,453.19
9.1-10%	31,235,420.68	16,021,186.43	11,665,955.08	24,984,177.01	83,906,739.20
10.1-11%	13,164,462.94	14,238,949.05	5,602,869.13	23,640,918.64	57,147,199.76
11.1-12%	3,238,545.11	3,261,718.51	938,502.32	3,345,999.30	10,784,765.24
> 12%	1,727,471.22	1,035,924.18	1,123,869.58	1,664,715.02	5,551,980.00
TOTAL UPB	97,938,057.51	38,681,868.96	23,088,929.37	60,851,365.83	220,560,221.50

VERMONT SECONDARY MARKET PROGRAM

REMAINING STEPS - FIRST PHASE
(from May 18 through end of 1989)

(1) Finish lender visits (7 down, 10 to go) (May 30)

(2) Host Fannie Mae training seminar for lenders (May 31)

(3) Receive Fannie Mae Credit Policy approval (June 1)

(4) Secure Board approval of transaction contract between VHFA and lenders (June 15)

(5) Assist lenders in putting loan-level detail on their computer systems, resolve questions about eligible loans, etc. (June 1-July 15)

(6) Receive signed contracts from lenders (July 15)

(7) With Fannie Mae's assistance, aggregate loans into pools for MBS (July 31)

(8) Watch Telerate; pray for rates to decline

(9) Execute MBS swap(s) when prices are right (including commitment contracts with lenders, pool purchase contracts with Fannie Mae, payment to lenders, document delivery, etc.)

(10) Begin post-purchase review of a certain percentage of loan files (between 3% and 10%)

(11) As master servicer, provide ongoing assistance to lenders with reporting, remitting, and subservicing

(12) Manage ongoing collection of loan-level data for future swaps (both ARMs and fixed-rate loans)

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. GAJ Jarrett, General Counsel

Re: Winchester Place Commitment Letter

Date: May 11, 1989

Enclosed for your review is a preliminary draft of the Commitment Letter and Intent to Finance for the Winchester Place Development, to be built in Colchester, Vermont and to be owned by a limited partnership with a wholly owned subsidiary of Housing Vermont as the sole general partner and the Merchants Bank as the sole limited partner. We will have a resolution for your consideration at the Board meeting on May 18 and will brief you on any changes to the draft letter occurring in the next week.

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DRAFT 5/11/89

May 18, 1989

Mr. Michael Richardson
President
Housing Vermont, Inc.
One Burlington Square
Burlington, VT 05401

Ms. Susan Struble
President
Merchants Properties, Inc.
123 Church Street
Burlington, Vermont 05401

Re: Commitment Letter and Intent to Finance

Dear Mr. Richardson and Ms. Struble:

I am pleased to advise you as the representatives of Housing Vermont and Merchants Properties, Inc., a Community Development Corporation, respectively, and as representatives of a Vermont limited partnership including, as general partner, , a wholly owned subsidiary of Housing Vermont,(hereafter the "Borrower" or "Developer"), that Vermont Housing Finance Agency (hereinafter the "Agency") has approved your application for construction and permanent financing for the proposed housing development (the "Development") to be constructed on certain property (the "Property") located in the Town of Colchester, subject to the terms and conditions herein stated. The Development and the Property (which constitutes part of the Development) are more fully described in ATTACHMENT A hereto.

1. The Agency's Commitment contained herein (the "Commitment") consists of this letter and the following attachments which are to be incorporated herein and made a part of the Commitment.

   ATTACHMENT A: Development Description.

   The following forms of documents are also incorporated herein, and execution and delivery thereof substantially in the forms attached is a condition of the Commitment:

   ATTACHMENT B: Four Party Agreement, among the Borrower, the Agency, The Merchants Bank ("Merchants") and Merchants Properties, Inc., a Community Development Corporation, ("Merchants Properties") entered into pursuant to Paragraph 6 hereof.

   ATTACHMENT C: A loan agreement (the "Loan Agreement"), establishing exact terms and conditions for disbursement of funds and which shall extensively

supplement this letter (this letter being hereinafter called the "Commitment Letter").

ATTACHMENT D: A promissory note (the "Permanent Note") evidencing funds lent as and for the Permanent Loan (as hereinafter defined).

ATTACHMENT E: A regulatory agreement (the "Regulatory Agreement"), extensively regulating the use of the Development as residential rental property for persons and families of low and moderate income.

ATTACHMENT F: A mortgage deed (the "Mortgage") constituting a first lien on all of the property comprising the Development, securing repayment of the Permanent Loan and compliance with all covenants, promises, and conditions of this Commitment Letter, the Permanent Note, the Loan Agreement, and the Regulatory Agreement.

ATTACHMENT G: A collateral assignment (the "Assignment") of certain contracts and rights.

3. Upon substantial completion of the Development or a portion of it as specified in the Four Party Agreement, and after compliance with all of the applicable prerequisites set forth below, the Agency will make a loan to the Borrower for the long-term financing of the Development (the "Permanent Loan"), to be secured and evidenced by the Permanent Note, the Mortgage, the Assignment and the Regulatory Agreement.

   The Permanent Note shall be such amount as Borrower may request but not to exceed Eight Million ($8,000,000.00) and 00/100 Dollars, which shall be payable in regular monthly installments of principal and interest, based on a level amortization over approximately 26 years, with the interest rate to be determined by the Agency. If the Agency has issued tax-exempt bonds in order to finance the Permanent Note, the annual interest rate on the Permanent Note shall not exceed the maximum amount which the Agency is permitted to charge consistently with rules of the Secretary of the Treasury of the United States applicable to bonds of the Agency the interest on which is intended to be excludable from the gross income of the holders thereof for federal income tax purposes. No partner of the Borrower shall be personally liable for repayment of the Permanent Note. The term of the Permanent Note shall be approximately 26 years, commencing on the date of the last disbursement of the principal of the Permanent Loan by the Agency, and terminating on the tenth day of February, A.D. 2016. Prepayment of the Permanent Note shall be prohibited without the written consent of the Agency prior to the date which is 15 years after the date on which 50% of the residential units in the Development are first occupied. The Permanent Note shall have such other terms and conditions as are set forth in ATTACHMENT D.

4. The Permanent Loan is sometimes herein referred to as the "Mortgage Loan." The Commitment shall be further conditioned by the requirements that at the Permanent Loan closing, the Development property not be encumbered by any attachment, execution, lien, or mortgage whether or not subordinate to the Permanent Loan, or any encumbrance affecting marketability, except a certain Ground Lease to be executed from St. Michael's to Merchants, a memorandum of which shall be filed in the Town of Colchester Land Records.

5. In order to preserve this Commitment, the Borrower shall pay to the Agency, on or before June 15, 1989, a commitment fee in the amount of $120,000.00.

6. Merchants shall provide the construction financing for the development. Borrower, Merchants, Merchants Properties and the Agency shall execute, on or before June 15, 1989, a form of Four-Party Agreement substantially in the form attached hereto as ATTACHMENT B.

7. At least 10 business days prior to June 15, 1989, the Borrower shall provide the Agency with the following documents in form satisfactory to the Agency:

A. Organizational Documents.

1. Borrower

a. Limited partnership agreement and certified record copy of limited partnership certificate, incorporating the Regulatory Agreement and otherwise sufficient, in the opinion of counsel to the Agency, to constitute the Borrower as a "housing sponsor" within the meaning of the Vermont Housing Finance Agency Act.

b. Trade name Registration.

c. Evidence of authority of representative to execute Four Party Agreement and Construction Loan documents, if any.

d. Evidence satisfactory to the Agency of a cash equity investment in the development of the Merchants Bank, as limited partner, of at least $2,025,000.00

e. Evidence satisfactory to the Agency of the existence of a fund of at least $500,000.00, provided by the Merchants Bank to be used as necessary to meet expected revenue deficits for the development. The amount provided for this purpose will be secured by a subordinated note from the development, as more fully set out in the Four-Party Agreement.

2. Corporation

a. Articles of Association with copy of Certificate of Incorporation.

b. Bylaws.

c. Resolution designating person authorized to carry out its function as general partner of Borrower.

3. Management agreement between Borrower and Corporation.

B. Title Documents.

5. Certified record copy of warranty deed showing present ownership of property.

6. Certified record copy of Ground Lease.

7. Perimeter survey of the Property (mylar).

8. Certified record copy of Housing Subsidy Covenants.

9. Mortgagee's Title Insurance Policy issued by a company authorized to do business in Vermont naming the Bank and the Agency during the period of construction as their interests may appear, and naming the Agency as permanent mortgagee, and including mechanic's and materialmens' lien coverage in an amount at least equal to the maximum amount of the Permanent Loan.

10. Such other deeds and instruments as may be necessary or reasonably required by the Agency in order to evidence marketability of title and/or to satisfy any conditions of the title insurance commitment.

C. Opinions of Counsel.

11. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify in form satisfactory to counsel to the Agency, as to the following matters:

a. Title to the Development.

b. Lawful existence and due organization of the Borrower and its general partner(s).

c. Authority of the Borrower and its representative to execute and deliver the construction closing documents, if any.

d. That the construction closing documents are the valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting creditor rights generally and the exercise of equitable discretion by a court.

12. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

a. That the Borrower has obtained all permits and approvals of any governmental authority required prior to commencement of construction, with all such permits and approvals attached.

D. Construction Documents.

13. Environmental certification in form satisfactory to the Agency.

14. Certification of Design Architect as to the following matters:

a. That the Development as proposed is in conformity with all applicable federal, state and local zoning, building, public health, land use and environmental regulations, ordinances and statutes.

b. That the Development as proposed is in compliance with all applicable federal, state and local ordinances, regulations and statutes regarding access for the handicapped.

c. Final Plans and Specifications.

15. Agreement (the "Construction Contract") between Borrower and Kessel-Duff Construction, Inc. (the "Contractor"), encompassing all of the work necessary for completion of the Development, and including:

a. VHFA Required Provisions.

b. VHFA Acknowledgement of Specifications and Drawings.

c. Guaranteed maximum price.

d. Consent to assignment.

16. Architecture Contract, including consent to assignment.

17. 100% dual-obligee Performance Bond, for the benefit of Merchants and Agency as their respective interests may appear.

18. 100% Payment Bond, for the benefit of Merchants and Agency as their respective interests may appear.

19. Construction Schedule.

20. Construction Disbursement Schedule.

21. Contractor's Certificate(s) of Insurance for public liability ($1,000,000 minimum), auto ($1,000,000 minimum), and worker's compensation (statutory minimum), naming the Agency as Certificate Holder entitled to prior notice of cancellation.

22. Merchants' Certificate of Insurance for Owner's All Risk replacement cost insurance (in "broad form" and including, without limitation, coverage for public liability and for both earthquake and earth movement), naming the Agency as Mortgagee and Certificate Holder entitled to notice prior to cancellation, and including written evidence that occupancy of any building by tenants will not adversely affect the coverage as to any portion of the Development not then completed and occupied.

23. Binder for permanent hazard insurance, together with public liability and rent interruption insurance, and including written evidence that permanent insurance will be effective with respect to any building upon occupancy of that building notwithstanding that construction of the Development as a whole is still in progress.

24. All governmental permits required prior to commencement of construction. (Note: should be attached to attorney's opinion as to permits.)

25. Certificate of the Contractor, addressed to the Merchants and the Agency and sworn before a notary public, as to all subcontracts pertaining to the Development, and including, as to each subcontract, the following information and representations:

(A) Name and address of subcontractor; (B) Brief description of subject matter of subcontract; and (C) That the subcontract complies in all respects

with the "Contract Documents" as defined in the Construction Contract between the Merchants and the general contractor. Further, the certificate shall include the dollar amount of the subcontract.

26. Certificates of Insurance for all subcontractors per 23, above, if requested.

27. Lien waivers of Contractor and all subcontractors for any and all work done prior to June 15, 1989.

E. Construction Loan Documents (if applicable).

28. Loan Agreement.

29. Mortgage.

a. "Schedule A" (metes and bounds legal description of property.)

30. Construction Promissory Note.

31. The Assignment.

32. UCC-1 financing statement(s).

33. Four Party Agreement.

34. Regulatory Agreement.

G. Permanent Loan Documents.

35. Agency Commitment Letter with all attachments.

36. Borrower's Financial Analysis Form.

37. Form of Permanent Note.

38. Such other documents and assurances as the Agency may reasonably require, including, without limitation, proof of availability of Permanent Loan credit enhancements per ATTACHMENT A.

In addition to all other prerequisites set forth in this Commitment, delivery of all of the foregoing documents (the "Construction Closing Documents") in form acceptable to the Agency, and execution and delivery of the same in the manner required by the Agency, is a prerequisite to the Agency's obligation to make the Mortgage Loan.

8. Before beginning excavation or other such substantial construction work, Borrower shall notify the Agency.

9. Borrower shall provide to the Agency at least ten (10) business days prior to the closing of the Permanent Loan, the following documents in a form reasonably satisfactory to the Agency.

A. Organizational Documents of Borrower and its general partner, if amended subsequent to the provision of the Construction Closing Documents, or certificate certifying no change.

B. Resolutions from Borrower and its general partner authorizing execution of Closing Documents by their respective representatives.

C. Management Agreement, if entered into or amended subsequent to June 15, 1989, or certificate certifying no change.

D. A complete list adequately describing all personal property installed in the Development, including model and serial numbers.

F. Certification by the design architect that to the best of his or her knowledge and belief the Development has been constructed in accordance with: plans and specifications, including all change orders, as approved by the Agency and all applicable local, State and Federal codes, ordinances, regulations and statutes, including, without limitation, laws governing access for the handicapped.

G. As-Built drawings and surveys (indicating location of boundaries, easements, utility lines, buildings, walks, driveways and other structures or facilities).

H. Opinion from an attorney licensed to practice in Vermont that the Development is in compliance with all applicable local and State land use and building statutes, regulations and ordinances, including, without limitation, laws governing access for the handicapped.

I. Signed policy for fire and extended coverage insurance, liability insurance, and business interruption insurance as required under the Regulatory Agreement, issued by a company authorized to do business in Vermont, and acceptable to the Agency and which shall include a Vermont standard mortgage clause in favor of the Agency.

J. Copies of all guarantees and warranties for materials and labor pertaining to the Development of whatever nature and from whatever source.

K. Contractor's certificate as to identity of all subcontractors and materialmen who actually worked on the construction of the Development, with amounts owed, together with lien waivers of general contractor and all subcontractors and materialmen and, at the time the Agency makes the final portion of the Permanent Loan proceeds available to Borrower, absolute and final lien waivers of general contractor and all subcontractors and materialmen.

L. Completed VHFA Permanent Record Sheet.

M. Occupancy certificates, issued by the Town for all buildings in the Development on which loan proceeds are to be issued.

N. Copies of all Letters of Credit, if any, to be delivered at permanent closing, in the exact form proposed by the issuer.

O. Final first year "Financial Analysis Form."

P. Owner's Certification of as-built Total Development Cost.

Q. Documentary evidence, satisfactory to the Agency, that the Borrower has complied with the terms and conditions of any applicable grant or subordinate

loan to the extent such terms and conditions, by their nature, can be satisfied as of the time of substantial completion.

R. Such other documents, certificates, assurances, and attorney opinions as the Agency may reasonably require.

10. By accepting this Commitment, Borrower covenants and agrees as follows:

i. As used in this Commitment, the term "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereunder or until such regulations are promulgated, any applicable regulations under the Internal Revenue Code of 1986, as amended. It is the intent of the Agency and the Borrower that the provisions of this Paragraph 10 shall be complied with by the Borrower in order to meet the requirements of the Code such that interest on bonds of the Agency issued to finance any portion of the Development ("Bonds") shall be and shall remain excludable from the gross income of the holders thereof for Federal income tax purposes (other than any alternative minimum tax and environmental tax imposed by the Code). Terms used in this Paragraph 10 and not otherwise defined in this Commitment Letter are used as defined in the applicable provisions of the Code.

ii. Pursuant to and in accordance with Section 142(a)(7) and (d) of the Code, and otherwise in accordance with applicable provisions of the Code, the Borrower will expend all of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds for the acquisition, construction, or reconstruction of property of a character subject to the allowance for depreciation provided in Section 167 of the Code or land, all of which property will constitute a "qualified residential rental project." The amount so expended will be charged by the Borrower to a capital account for Federal income tax purposes or would be chargeable to such account either (a) with a proper election, or (b) but for a proper election to deduct a portion of such amount and will consist solely of (x) costs paid or incurred subsequent to April 20, 1989, and (y) costs paid or incurred before such date which relate solely to planning, design and preliminary expenses incurred prior to the commencement of physical acquisition and construction or reconstruction of such property. No proceeds of the Mortgage Loan representing proceeds of Bonds will be used for any "private business use" or otherwise used for any purpose that would cause the Bonds not to be treated as "exempt facility bonds" within the meaning of Section 142(a)(7) of the Code. In accordance with this covenant, Borrower will at its expense provide a cost certification prepared by a certified public accountant registered to do business in the State of Vermont, if such certification is required by the Agency.

iii. At all times during the "qualified project period" (as defined in Section 142(d)(2) of the Code), the Development will be operated as a "qualified residential rental project." At all times during the qualified project period, at least forty percent (40%) of the residential units in the Development will be occupied by individuals whose income is sixty percent (60%) or less of median gross income as determined in accordance with the applicable provisions of the Code.

iv. The Borrower shall determine at least annually whether a resident of the Development meets the income requirement described in clause (iii) on the basis of the current income of the resident pursuant to and in accordance with Section 142(d)(3) of the Code. If the income of a resident of a unit in the

Development did not exceed the income limit described above upon commencement of such resident's occupancy of such unit (or as of any prior determination under the preceding sentence), the income of such resident shall be treated as continuing not to exceed such income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under the preceding sentence exceeds one hundred and forty percent (140%) of the income limit, if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Development is occupied by a new resident whose income exceeds the applicable income limit.

v. The Borrower shall submit to the Secretary of the Treasury an annual certification (at such time and in such manner as the Secretary shall prescribe pursuant to Section 142(d)(7) of the Code) that the Development continues to meet the requirements of clauses (iii) and (iv).

vi. Less than twenty-five percent (25%) of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of such proceeds will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

vii. The Borrower will be the first user of all property (or an interest therein) to be acquired directly or indirectly with proceeds of the Agency's Bonds.

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

ix. Borrower will take all lawful action necessary under the Code to ensure that interest on Bonds will remain excludable from the gross income of the holders thereof for Federal income tax purposes and will refrain from taking any action which would cause interest on the Bonds to become includable in the gross income of the holders thereof for Federal income tax purposes.

x. In the event that, during the qualified project period, any legal or beneficial interest in the Development is conveyed by the Borrower or any substitute for, successor to, or assignee of, the Borrower, the instrument of conveyance shall provide (unless otherwise agreed to by the Agency in writing) that the estate created in the transferee by the conveyance is conditioned upon compliance by the transferee, its heirs, successors, or assigns, with all of the covenants contained in this paragraph 10. (The instrument which creates the right of a limited partner in the Borrower pursuant to the Uniform Limited Partnership Act as adopted in Vermont shall not be considered an "instrument of conveyance" for the purposes of this clause (x).

xi. The consideration for the covenants contained in this paragraph 10 is the Agency's commitment to provide financing to the Borrower in accordance with the terms of this Commitment Letter, and all such covenants shall be secured by the mortgage securing the Mortgage Loan, may be enforced by or for the benefit of the Agency as provided therein, and shall survive any sale or other transfer of the Development (whether or not the Agency has consented

thereto), payment in full of the Permanent Loan, discharge of the Mortgage Loan, or any other circumstance whatsoever.

xii. The covenants contained in this paragraph 10 shall bind the Borrower, any substitute for, successor to, or assignee of, the Borrower, and those persons who have accepted this Commitment Letter on behalf of the Borrower, jointly and severally, in their corporate as well as their representative capacities.

11. Borrower acknowledges that as soon as practicable after acceptance of this Letter of Commitment and Intent to Finance by the Borrower or Borrower's representative, the Agency expects to issue Bonds with the intent that the proceeds of the Bonds shall defray in whole or in part the cost to the Agency of financing the Development.

In the event that, without the fault of the Borrower, the Agency is unable or elects not to issue the Bonds, the Agency's commitment to finance the Development shall remain in effect. However, Borrower understands that the ability of the Agency to issue the Bonds depends in part upon fulfillment of certain conditions likely to be set forth in the purchase contract pertaining to the Bonds between the Agency and the buyer or buyers of the Bonds (the "Bond Purchase Contract"). Borrower covenants that Borrower will provide to the Agency, effective on the date of Closing as defined in the Bond Purchase Contract, such certificate or certificates of the Developer and such opinion or opinions of counsel for the Developer as the Agency may be required to produce as a condition of the Bond Purchase Contract. Borrower shall be liable to the Agency for any loss, cost, or expense resulting from the failure of the Borrower to provide any such certificate or opinion.

12. This offer to enter into a Commitment will expire on June 15, 1989 unless on or before such date, Borrower executes the acceptance page, returns the acceptance and a copy of this letter to the Agency, and pays the commitment fee provided for in paragraph 5 of this Commitment Letter. Notwithstanding any other provision of this Commitment to the contrary, including paragraph 13, the Agency's Commitment is further subject to the following requirements: Borrower shall timely comply with all requirements of this Commitment Letter with respect to delivery of Construction Closing Documents.

12. This Commitment, once accepted by the Borrower, and assuming the timely start of Construction shall remain in force until May 31, 1990. The Agency shall extend the term of its commitment on the occurrence of construction delays arising from causes not within the control of the Borrower, such as natural disasters, fire, strikes, or general unavailability of materials. Additionally, the Agency may extend its Commitment for such reasonable period of time which in its discretion is necessary or prudent. Any extension shall be conditioned upon the payment of an additional commitment fee of one-twelfth of the commitment fee for each month's extension beyond the term originally agreed upon by the parties, provided that there shall be no increase in the amount of the Mortgage Loan above the amount specified in this Commitment.

14. Borrower shall pay all expenses in connection with the Loan contemplated hereby, including, but not limited to, the fees and disbursements of the Agency's counsel, travel expenses of Agency personnel related to the making of the Loan or the issuance of Bonds, the proceeds of which are used to make the Loan, appraisal fees, title insurance premiums, survey charges, and recording

charges. To the extent incurred, the foregoing expenses shall be paid by Borrower whether or not the Loan is made.

This Commitment is not assignable. Furthermore, Borrower, Merchants and Merchants Properties agree not to assign, transfer or sell any or all of their interest in the Development prior to or during the period of construction unless the Agency shall first approve in writing such assignment, transfer or sale.

NOTE: All Agency requirements of the Borrower, including any required performance on documents set forth herein in any provision hereof, are express conditions precedent to the Agency's performance of this Commitment.

Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested to the Borrower in care of the addressee hereof and to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

_____ By: _____
Date Its Duly Authorized Agent

ACCEPTED BY BORROWER, The Partnership
by its general partner, Corporation.

_____ By: _____
Date Authorized Agent of
Corporation, general partner

ACCEPTED BY MERCHANTS PROPERTIES, INC., A COMMUNITY DEVELOPMENT CORPORATION.

_____ By: _____
Date Its duly authorized agent

GAJ554

DRAFT

May 18, 1989

Mr. Michael Richardson
President
Housing Vermont, Inc.
One Burlington Square
Burlington, VT 05401

Mr. Dudley Davis
President
The Merchants Bank
123 Church Street
Burlington, Vermont 05401

Re: Commitment Letter and Intent to Finance

Dear Mr. Richardson and Mr. Davis:

I am pleased to advise you as the representatives of Housing Vermont and The Merchants Bank, respectively, and as representatives of a yet to be formed Vermont limited partnership including, as general partner, a yet to be formed wholly owned subsidiary of Housing Vermont, and The Merchants Bank as sole limited partner (hereafter the"Borrower" or "Developer"), that Vermont Housing Finance Agency (hereinafter the "Agency") has approved your application for construction and permanent financing for the proposed housing development (the "Development") to be constructed on certain property (the "Property") located in the Town of Colchester, subject to the terms and conditions herein stated. The Development and the Property (which constitutes part of the Development) are more fully described in ATTACHMENT A hereto.

1. The Agency's Commitment contained herein (the "Commitment") consists of this letter and the following attachments which are to be incorporated herein and made a part of the Commitment.

   ATTACHMENT A: Development Description.

   The following forms of documents will also be incorporated herein, and execution and delivery thereof substantially in the forms to be provided is a condition of the Commitment:

   ATTACHMENT B: A Three Party Agreement, among the Borrower, the Agency and The Merchants Bank ("Merchants") entered into pursuant to Paragraph 6 hereof.

   ATTACHMENT C: A loan agreement (the "Loan Agreement"), establishing exact terms and conditions for disbursement of funds and which shall extensively supplement this letter (this letter being hereinafter called the "Commitment Letter").

ATTACHMENT D: A promissory note (the "Permanent Note") evidencing funds lent as and for the Permanent Loan (as hereinafter defined).

ATTACHMENT E: A regulatory agreement (the "Regulatory Agreement"), extensively regulating the use of the Development as residential rental property for persons and families of low and moderate income.

ATTACHMENT F: A mortgage deed (the "Mortgage") constituting a first lien on all of the property comprising the Development, securing repayment of the Permanent Loan and compliance with all covenants, promises, and conditions of this Commitment Letter, the Permanent Note, the Loan Agreement, and the Regulatory Agreement.

ATTACHMENT G: A collateral assignment (the "Assignment") of certain contracts and rights.

2. Upon substantial completion of the Development or a portion of it as specified in the Three Party Agreement, and after compliance with all of the applicable prerequisites set forth below, the Agency will make a loan to the Borrower for the long-term financing of the Development (the "Permanent Loan"), to be secured and evidenced by the Permanent Note, the Mortgage, the Assignment and the Regulatory Agreement.

3. The Permanent Note shall be in such total amount as Borrower may request and the Agency reasonably determines that the Development can repay based on financial projections, but not to exceed the lesser of Eight Million ($8,000,000.00) and 00/100 Dollars or 95% of the fair market value of the Development as shown by an appraisal based on completion of the Development in accordance with the approved design, which shall be payable in regular monthly installments of principal and interest, based on a level amortization over approximately 26 years, with the interest rate to be determined by the Agency. If the Agency has issued tax-exempt bonds in order to finance the Permanent Note, the annual interest rate on the Permanent Note shall not exceed the maximum amount which the Agency is permitted to charge consistently with rules of the Secretary of the Treasury of the United States applicable to bonds of the Agency the interest on which is intended to be excludable from the gross income of the holders thereof for federal income tax purposes. No partner of the Borrower shall be personally liable for repayment of the Permanent Note. The term of the Permanent Note shall be approximately 26 years, commencing on the date of the last disbursement of the principal of the Permanent Loan by the Agency, and terminating on the tenth day of February, A.D. 2016. Prepayment of the Permanent Note shall be prohibited without the written consent of the Agency prior to the date which is 15 years after the date on which 50% of the residential units in the Development are first occupied. The Permanent Note shall have such other terms and conditions as will set forth in ATTACHMENT D.

4. The Permanent Loan is sometimes herein referred to as the "Mortgage Loan." The Commitment shall be further conditioned by the requirements that at the Permanent Loan closing, the Development property not be encumbered by any attachment, execution, lien, or mortgage whether or not subordinate to the Permanent Loan, or any encumbrance affecting marketability, except a certain Ground Lease to be executed from St. Michael's to Merchants, which shall be filed in the Town of Colchester Land Records and a Housing Subsidy Covenant to be entered into by St. Michael's College.

5. In order to preserve this Commitment, the Borrower shall pay to the Agency, on or before June 15, 1989, a commitment fee in the amount equal to one and one half percent of the permanent financing commitment, and not less than $112,500.00.

6. Merchants shall provide the construction financing for the development. Borrower, Merchants and the Agency shall execute, on or before June 15, 1989, a form of Three Party Agreement substantially in the form to be attached hereto as ATTACHMENT B.

7. At least 10 business days prior to June 15, 1989, the Borrower shall provide the Agency with the following documents in form satisfactory to the Agency:

A. Organizational Documents.

1. Borrower

a. Limited partnership agreement and certified record copy of limited partnership certificate, incorporating the Regulatory Agreement and otherwise sufficient, in the opinion of counsel to the Agency, to constitute the Borrower as a "housing sponsor" within the meaning of the Vermont Housing Finance Agency Act.

b. Trade name Registration.

c. Evidence of authority of representative to execute Three Party Agreement and Construction Loan documents, if any.

d. Evidence satisfactory to the Agency of a cash equity investment in the development of the Merchants Bank, as limited partner, of at least $2,025,000.00

e. Evidence satisfactory to the Agency of a commitment to create a fund of at least $500,000.00, provided by the Merchants Bank, to be used as necessary to meet expected revenue deficits for the development. The amount provided for this purpose will be secured by a subordinated note from the development, as more fully set out in the Three Party Agreement.

2. Yet to be formed Corporation (general partner of Borrower)

a. Articles of Association with copy of Certificate of Incorporation.

b. Bylaws.

c. Resolution designating person authorized to carry out its function as general partner of Borrower.

3. Management agreement between Borrower and

B. Title Documents.

5. Certified record copy of warranty deed showing present ownership of property.

6. Certified record copy of Ground Lease, in form acceptable to the Agency.

7. Perimeter survey of the Property (mylar).

8. Certified record copy of Housing Subsidy Covenants, in form acceptable to the Agency.

9. Mortgagee's Title Insurance Policy issued by a company authorized to do business in Vermont naming the Bank and the Agency during the period of construction as their interests may appear, and naming the Agency as permanent mortgagee, and including mechanic's and materialmens' lien coverage in an amount at least equal to the maximum amount of the Permanent Loan.

10. Such other deeds and instruments as may be necessary or reasonably required by the Agency in order to evidence marketability of title and/or to satisfy any conditions of the title insurance commitment.

C. Opinions of Counsel.

11. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify in form satisfactory to counsel to the Agency, as to the following matters:

a. Title to the Development.

b. Lawful existence and due organization of the Borrower and its general partner(s).

c. Authority of the Borrower and its representative to execute and deliver the construction closing documents (or other documents supplied on June 15, 1989)

d. That the construction closing documents (or other documents supplied on June 15, 1989) are the valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their respective terms, subject only to bankruptcy, insolvency and other laws affecting creditor rights generally and the exercise of equitable discretion by a court.

12. Opinion of Vermont attorney, for the benefit of the Agency, and such other persons as the Agency may specify, in form satisfactory to counsel to the Agency, as to the following matters:

a. That the Borrower has obtained all permits and approvals of any governmental authority required prior to commencement of construction, with all such permits and approvals attached.

D. Construction Documents.

13. Environmental certification in form satisfactory to the Agency.

14. Certification of Design Architect as to the following matters:

a. That the Development as proposed is in conformity with all applicable federal, state and local zoning, building, public health, land use and environmental regulations, ordinances and statutes.

b. That the Development as proposed is in compliance with all applicable federal, state and local ordinances, regulations and statutes regarding access for the handicapped.

c. Final Plans and Specifications.

15. Agreement (the "Construction Contract") between Borrower and Kessel-Duff Construction, Inc. (the "Contractor"), encompassing all of the work necessary for completion of the Development, and including:

a. VHFA Required Provisions.

b. VHFA Acknowledgement of Specifications and Drawings.

c. Guaranteed maximum price.

d. Consent to assignment.

16. Architecture Contract, including consent to assignment.

17. 100% dual-obligee Performance Bond, for the benefit of Merchants and Agency as their respective interests may appear.

18. 100% Payment Bond, for the benefit of Merchants and Agency as their respective interests may appear.

19. Construction Schedule.

20. Construction Disbursement Schedule.

21. Contractor's Certificate(s) of Insurance for public liability ($1,000,000 minimum), auto ($1,000,000 minimum), and worker's compensation (statutory minimum), naming the Agency as Certificate Holder entitled to prior notice of cancellation.

22. Merchants' Certificate of Insurance for Owner's All Risk replacement cost insurance (in "broad form" and including, without limitation, coverage for public liability and for both earthquake and earth movement), naming the Agency as Mortgagee and Certificate Holder entitled to notice prior to cancellation, and including written evidence that occupancy of any building by tenants will not adversely affect the coverage as to any portion of the Development not then completed and occupied.

23. Binder for permanent hazard insurance, together with public liability and rent interruption insurance, and including written evidence that permanent insurance will be effective with respect to any building upon occupancy of that building notwithstanding that construction of the Development as a whole is still in progress.

24. All governmental permits required prior to commencement of construction. (Note: should be attached to attorney's opinion as to permits.)

25. Certificate of the Contractor, addressed to the Merchants and the Agency and sworn before a notary public, as to all subcontracts pertaining to

the Development, and including, as to each subcontract, the following information and representations:

(A) Name and address of subcontractor; (B) Brief description of subject matter of subcontract; and (C) That the subcontract complies in all respects with the "Contract Documents" as defined in the Construction Contract between the Merchants and the general contractor. Further, the certificate shall include the dollar amount of the subcontract.

26. Certificates of Insurance for all subcontractors per 23, above, if requested.

27. Lien waivers of Contractor and all subcontractors for any and all work done prior to June 15, 1989.

E. Construction Loan Documents (if applicable).

28. Loan Agreement.

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a. "Schedule A" (metes and bounds legal description of property.)

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32. UCC-1 financing statement(s).

33. Three Party Agreement.

34. Regulatory Agreement.

G. Permanent Loan Documents.

35. Agency Commitment Letter with all attachments.

36. Borrower's Financial Analysis Form.

37. Form of Permanent Note.

38. Such other documents and assurances as the Agency may reasonably require, including, without limitation, proof of availability of Permanent Loan credit enhancements per ATTACHMENT A.

In addition to all other prerequisites set forth in this Commitment, delivery of all of the foregoing documents (the "Construction Closing Documents") in form acceptable to the Agency, and execution and delivery of the same in the manner required by the Agency, is a prerequisite to the Agency's obligation to make the Mortgage Loan.

8. Before beginning excavation or other such substantial construction work, Borrower shall notify the Agency.

9. Borrower shall provide to the Agency at least ten (10) business days prior to the closing of the Permanent Loan, the following documents in a form reasonably satisfactory to the Agency.

A. Organizational Documents of Borrower and its general partner, if amended subsequent to the provision of the Construction Closing Documents, or certificate certifying no change.

B. Resolutions from Borrower and its general partner authorizing execution of Closing Documents by their respective representatives.

C. Management Agreement, if entered into or amended subsequent to June 15, 1989, or certificate certifying no change.

D. A complete list adequately describing all personal property installed in the Development, including model and serial numbers.

F. Certification by the design architect that to the best of his or her knowledge and belief the Development has been constructed in accordance with: plans and specifications, including all change orders, as approved by the Agency and all applicable local, State and Federal codes, ordinances, regulations and statutes, including, without limitation, laws governing access for the handicapped.

G. As-Built drawings and surveys (indicating location of boundaries, easements, utility lines, buildings, walks, driveways and other structures or facilities).

H. Opinion from an attorney licensed to practice in Vermont that the Development is in compliance with all applicable local and State land use and building statutes, regulations and ordinances, including, without limitation, laws governing access for the handicapped.

I. Signed policy for fire and extended coverage insurance, liability insurance, and business interruption insurance as required under the Regulatory Agreement, issued by a company authorized to do business in Vermont, and acceptable to the Agency and which shall include a Vermont standard mortgage clause in favor of the Agency.

J. Copies of all guarantees and warranties for materials and labor pertaining to the Development of whatever nature and from whatever source.

K. Contractor's certificate as to identity of all subcontractors and materialmen who actually worked on the construction of the Development, with amounts owed, together with lien waivers of general contractor and all subcontractors and materialmen and, at the time the Agency makes the final portion of the Permanent Loan proceeds available to Borrower, absolute and final lien waivers of general contractor and all subcontractors and materialmen.

L. Completed VHFA Permanent Record Sheet.

M. Occupancy certificates, issued by the Town for all buildings in the Development on which loan proceeds are to be issued.

N. Copies of all Letters of Credit, if any, to be delivered at permanent closing, in the exact form proposed by the issuer.

O. Final first year "Financial Analysis Form."

P. Owner's Certification of as-built Total Development Cost.

Q. Documentary evidence, satisfactory to the Agency, that the Borrower has complied with the terms and conditions of any applicable grant or subordinate loan to the extent such terms and conditions, by their nature, can be satisfied as of the time of substantial completion.

R. Such other documents, certificates, assurances, and attorney opinions as the Agency may reasonably require.

10. By accepting this Commitment, Borrower covenants and agrees as follows:

i. As used in this Commitment, the term "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereunder or until such regulations are promulgated, any applicable regulations under the Internal Revenue Code of 1986, as amended. It is the intent of the Agency and the Borrower that the provisions of this Paragraph 10 shall be complied with by the Borrower in order to meet the requirements of the Code such that interest on bonds of the Agency issued to finance any portion of the Development ("Bonds") shall be and shall remain excludable from the gross income of the holders thereof for Federal income tax purposes (other than any alternative minimum tax and environmental tax imposed by the Code). Terms used in this Paragraph 10 and not otherwise defined in this Commitment Letter are used as defined in the applicable provisions of the Code.

ii. Pursuant to and in accordance with Section 142(a)(7) and (d) of the Code, and otherwise in accordance with applicable provisions of the Code, the Borrower will expend all of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds for the acquisition, construction, or reconstruction of property of a character subject to the allowance for depreciation provided in Section 167 of the Code or land, all of which property will constitute a "qualified residential rental project." The amount so expended will be charged by the Borrower to a capital account for Federal income tax purposes or would be chargeable to such account either (a) with a proper election, or (b) but for a proper election to deduct a portion of such amount and will consist solely of (x) costs paid or incurred subsequent to April 20, 1989, and (y) costs paid or incurred before such date which relate solely to planning, design and preliminary expenses incurred prior to the commencement of physical acquisition and construction or reconstruction of such property. No proceeds of the Mortgage Loan representing proceeds of Bonds will be used for any "private business use" or otherwise used for any purpose that would cause the Bonds not to be treated as "exempt facility bonds" within the meaning of Section 142(a)(7) of the Code. In accordance with this covenant, Borrower will at its expense provide a cost certification prepared by a certified public accountant registered to do business in the State of Vermont, if such certification is required by the Agency.

iii. At all times during the "qualified project period" (as defined in Section 142(d)(2) of the Code), the Development will be operated as a "qualified residential rental project." At all times during the qualified

project period, at least forty percent (40%) of the residential units in the Development will be occupied by individuals whose income is sixty percent (60%) or less of median gross income as determined in accordance with the applicable provisions of the Code.

iv. The Borrower shall determine at least annually whether a resident of the Development meets the income requirement described in clause (iii) on the basis of the current income of the resident pursuant to and in accordance with Section 142(d)(3) of the Code. If the income of a resident of a unit in the Development did not exceed the income limit described above upon commencement of such resident's occupancy of such unit (or as of any prior determination under the preceding sentence), the income of such resident shall be treated as continuing not to exceed such income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under the preceding sentence exceeds one hundred and forty percent (140%) of the income limit, if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Development is occupied by a new resident whose income exceeds the applicable income limit.

v. The Borrower shall submit to the Secretary of the Treasury an annual certification (at such time and in such manner as the Secretary shall prescribe pursuant to Section 142(d)(7) of the Code) that the Development continues to meet the requirements of clauses (iii) and (iv).

vi. Less than twenty-five percent (25%) of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of such proceeds will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

vii. The Borrower will be the first user of all property (or an interest therein) to be acquired directly or indirectly with proceeds of the Agency's Bonds.

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

ix. Borrower will take all lawful action necessary under the Code to ensure that interest on Bonds will remain excludable from the gross income of the holders thereof for Federal income tax purposes and will refrain from taking any action which would cause interest on the Bonds to become includable in the gross income of the holders thereof for Federal income tax purposes.

x. In the event that, during the qualified project period, any legal or beneficial interest in the Development is conveyed by the Borrower or any substitute for, successor to, or assignee of, the Borrower, the instrument of conveyance shall provide (unless otherwise agreed to by the Agency in writing) that the estate created in the transferee by the conveyance is conditioned upon compliance by the transferee, its heirs, successors, or assigns, with all of the covenants contained in this paragraph 10. (The instrument which creates the right of a limited partner in the Borrower pursuant to the Uniform

Limited Partnership Act as adopted in Vermont shall not be considered an "instrument of conveyance" for the purposes of this clause (x).

xi. The consideration for the covenants contained in this paragraph 10 is the Agency's commitment to provide financing to the Borrower in accordance with the terms of this Commitment Letter, and all such covenants shall be secured by the mortgage securing the Mortgage Loan, may be enforced by or for the benefit of the Agency as provided therein, and shall survive any sale or other transfer of the Development (whether or not the Agency has consented thereto), payment in full of the Permanent Loan, discharge of the Mortgage Loan, or any other circumstance whatsoever.

xii. The covenants contained in this paragraph 10 shall bind the Borrower, any substitute for, successor to, or assignee of, the Borrower, and those persons who have accepted this Commitment Letter on behalf of the Borrower, jointly and severally, in their corporate as well as their representative capacities.

11. Borrower acknowledges that as soon as practicable after acceptance of this Letter of Commitment and Intent to Finance by the Borrower or Borrower's representative, the Agency expects to issue Bonds with the intent that the proceeds of the Bonds shall defray in whole or in part the cost to the Agency of financing the Development.

In the event that, without the fault of the Borrower, the Agency is unable or elects not to issue the Bonds, the Agency's commitment to finance the Development shall remain in effect. However, Borrower understands that the ability of the Agency to issue the Bonds depends in part upon fulfillment of certain conditions likely to be set forth in the purchase contract pertaining to the Bonds between the Agency and the buyer or buyers of the Bonds (the "Bond Purchase Contract"). Borrower covenants that Borrower will provide to the Agency, effective on the date of Closing as defined in the Bond Purchase Contract, such certificate or certificates of the Developer and such opinion or opinions of counsel for the Developer as the Agency may be required to produce as a condition of the Bond Purchase Contract. Borrower shall be liable to the Agency for any loss, cost, or expense resulting from the failure of the Borrower to provide any such certificate or opinion.

12. This offer to enter into a Commitment will expire on June 15, 1989 unless on or before such date, Borrower executes the acceptance page, returns the acceptance and a copy of this letter to the Agency, and pays the commitment fee provided for in paragraph 5 of this Commitment Letter. Notwithstanding any other provision of this Commitment to the contrary, including paragraph 13, the Agency's Commitment is further subject to the following requirements: Borrower shall timely comply with all requirements of this Commitment Letter with respect to delivery of Construction Closing Documents.

12. This Commitment, once accepted by the Borrower, and assuming the timely start of Construction shall remain in force until May 31, 1990. The Agency shall extend the term of its commitment on the occurrence of construction delays arising from causes not within the control of the Borrower, such as natural disasters, fire, strikes, or general unavailability of materials. Additionally, the Agency may extend its Commitment for such reasonable period of time which in its discretion is necessary or prudent. Any extension shall be conditioned upon the payment of an additional commitment fee of one-twelfth of the commitment fee for each month's extension beyond the term originally

agreed upon by the parties, provided that there shall be no increase in the amount of the Mortgage Loan above the amount specified in this Commitment.

14. Borrower shall pay all expenses in connection with the Loan contemplated hereby, including, but not limited to, the fees and disbursements of the Agency's counsel, travel expenses of Agency personnel related to the making of the Loan or the issuance of Bonds, the proceeds of which are used to make the Loan, appraisal fees, title insurance premiums, survey charges, and recording charges. To the extent incurred, the foregoing expenses shall be paid by Borrower whether or not the Loan is made.

This Commitment is not assignable. Furthermore, Borrower and Merchants agree not to assign, transfer or sell any or all of their interest in the Development prior to or during the period of construction unless the Agency shall first approve in writing such assignment, transfer or sale, which approval will not be unreasonably withheld.

NOTE: All Agency requirements of the Borrower, including any required performance on documents set forth herein in any provision hereof, are express conditions precedent to the Agency's performance of this Commitment.

Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested to the Borrower in care of the addressee hereof and to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

_____ By: _____
Date Its Duly Authorized Agent

ACCEPTED BY BORROWER, a yet to be formed Vermont Limited Partnership by Housing Vermont on behalf of a yet to be formed wholly owned subsidiary of Housing Vermont that will be a general partner of BORROWER

_____ By: _____
Date Authorized Agent of Housing Vermont

ACCEPTED BY THE MERCHANTS BANK

_____ By: _____
Date Its duly authorized agent

GAJ554

VERMONT HOUSING FINANCE AGENCY

May 18, 1989

To: VHFA Board of Commissioners
From: Mark Koppelkam, Multi-Family Underwriter
Re: Status Report - Winchester Place

1. Project Summary

166 units - 108 two bedrooms, 50 two bedroom with loft, 8 handicapped 3 BR. Seventy of the units are rent restricted, and will be so for at least 26 years. Sponsors - subsidiaries of Housing Vermont and Merchants Bank. Location - Colchester, just west of Fort Ethan Allen.

Project Strengths - committed sponsors; all permits granted, ready to go; high market demand and excellent, highly visible location.

Project Weaknesses - tight budget despite low per unit costs due to lack of substantial public sector subsidy; not perpetual - project turned over to St Michael's College in year 32.

2. The financial summary pro forma for Winchester Place, as presented by Housing Vermont are available if you wish to see them. The sources and uses of funds is as follows:

Project Sources and Uses of Funds

Sources		
HV Equity	1,985,000	
Colchester	100,370	
VHFA Bond	7,644,239	@9.5% 26 years
Total	$9,729,885	

Uses	
Site Work	998,000
Construction	7,098,552
Contingency	152,568
Arch/Engineer	260,000
Legal/Acct	75,000

Permits/Fees	241,434
Taxes/Insur	30,000
Constr Loan Int	595,000
Constr Loan Fees	97,500
Perman Loan Fee	115,000
Marketing	41,500
Working Capital	0
Consultant's Fee	25,000
Total	$9,729,885

Construction financing will be provided by the Merchants Bank, at 8.5% interest. VHFA bond proceeds will take out those buildings completed by the end of 1989 in order to qualify the project for the Low Income Housing Tax Credits.

As proposed, the Merchants Bank will put up a soft-second loan of at least $528,000 to cover projected operating deficits in the first seven years. Merchants will also put up $30,000, which will be invested so as to provide a relocation fund of at least $4,000/rent restricted unit for use after Year 26. As negotiated in the ground lease with St Michael's College, the owners will turn over the entire project at no cost to St Michael's in Year 32.

3. Appraisal Value

Appraiser Frank Bredice has provided appraisal values on the project of $9,350,000. This value assumes 100% market value, and includes the land at market value sale price. Mr. Bredice gave a first year appraisal value of $8,970,000, which assumes that a new property has slightly less value due to the initial rent up period.

By its own rules, VHFA cannot loan more than 95% of the lesser of total project cost or appraised market value. The loan to value ratio on Winchester Place as proposed is:

$$\frac{\text{VHFA Loan } \$7,644,239}{\text{Total Proj Value } \$9,729,885} = 78.56\%$$

$$\frac{\text{VHFA Loan } \$7,644,239}{\text{Appraisal Value } \$9,350,000} = 81.76\%$$

VHFA Loan	$7,644,239		
	----------	=	85.22%
Year 1 Apprsl Val	$8,970,000		

4. Project Issues

a) VHFA staff has not decided how to incorporate the working capital reserve, given Merchants Bank's $525,000 operating deficit sinking fund to cover deficits for the first seven years. Typically the Agency policy is a cash sum or letter of credit equal to 40% of the annual debt service ($317,600) until breakeven operations have been reached.

b) Management fees as presented is low - 3% of gross income, and is more typically 5% to 6%. Maintenance expenses are also slightly low. Small percentage changes in these categories, or in the annual rent adjustments can have dramatic affect on the project viability.

c) The contingency budget is only 2.15% of the hard construction cost, which may be a bit tight despite the flat, easy site and the good reputation of Kessel Duff, the general contractor.

d) The project construction cost still has some variables. A required sewer pump station is included at $21,000, but may cost up to $90,000. The owners are trying to cut costs by switching from cedar clapboard siding to vinyl. The project as initially conceived included washers and dryers in each unit - these have been deleted, except for hookups. A separate laundry facility building is being proposed.

e) Details need to be worked out on the partial project takeout financing by VHFA in December, when 115 of the 166 units are projected to be completed.

FINANCIAL ANALYSIS

Project: WINCHESTER RUN DATE: 18-May-89 ft.

*********Summary**********		************Assumptions************	
Total Units:	166	Trend Factors:	
Restricted Units:	70	Increase/LIHTC Units	3.00%
Percent Restricted:	41.81%	Increase/Market Units	4.75%
Total Cost:	9,729,885	Expense increase:	5.00%
Total Cost/Unit:	58,614	Vacancy Rate:	3.50%
Merchants Loan	528,489	Partner's Tax Rate:	34.00%
Merchants Loan per Unit	3,184	Depreciation Schedule:	27.5
Sinking Fund interest rate	9.00%	Lease Term (years):	52

FINANCING SUMMARY		Orig. HCTB	Applic equity amount	1,461,000
Source	Amount	% of TDC	Per Unit	
V.E.F. EQUITY	1,985,000	20.40%	11,958	2,157,155	172,155
COLCHESTER	100,646	1.03%	606	Interest	Term
VHFA BOND	7,644,239	78.56%	46,050	9.50%	26
TOTAL COST	9,729,885	100.00%	58,614		
				Interest	Term
MERCHANTS LOAN (Deffered)		528,489	3,184	5.50%	10
MERCHANTS LOAN YEAR 10		998,356	6,014	5.50%	20

WINCHESTER INCOME & EXPENSE BUDGET 18-May-89

Tax Credit Units		INCOME			Number of Persons	Total	Total
Bedrooms	Type	Sq.Feet	Number	Rent	Assumed	Rent	Sq.Feet
2 Br	Townhouse	960	63	480	3	362,880	60,480
2 Br	Town/Loft	1,050	4	530	4	25,440	4,200
3 Br	Handicapped	1,175	3	530	4	19,080	3,525
	Totals	68,205	70	407,400		407,400	68,205

Market Rate Units					Total	Total
Bedrooms	Type	Sq.Feet	Number	Rent	Rent	Sq.Feet
2 Br	Townhouse	960	71	625	532,500	68,160
2 Br	Town/Loft	1,050	20	685	164,400	21,000
3 Br	Handicapped	1,150	5	730	43,800	5,750
	Totals	94,910	96	740,700	740,700	94,910

All Units	163,115	166	1,148,100
Office Space	1,500		
Tot.Sq.Ft.	164,615		
		Less Vacancy	(40,184)
		NET RENT	1,107,917
Laundry			0
Parking			0
Interest Income			2,475
Other			0
		OTHER INCOME	2,475
		TOTAL INCOME	1,110,392

Rent restricted unit rents include utilities.

WINCHESTER EXPENSE BUDGET 18-May-89

		1st Year	Per Unit Month	
Administration		66,264	33	48,000
Utilities		94,144	47	99,600
Maintenance		69,798	35	155,070
Taxes		107,900	54	214,700
Insurance	57,405	22,410	11	
Landlease	0	80,000	40	
Reserves	4.18%	48,000	24	
Other	55,396	0	0	
Total		488,516	245	

NET OPERATING INCOME	621,876
DEBT SERVICE	794,021
CASH FLOW (before Merchants Loan)	(172,145)

WINCHESTER DEVELOPMENT BUDGET 18-May-89

	9,729,885	Budget	Per Unit	Per Sq.Ft.
Acquisition	9,675,998	0	0	0.00
Site Work	53,887	998,000	6,012	6.12
Construction		7,098,552	42,762	43.52
Contingency		152,568	919	0.94
Arch/Engineering		260,000	1,566	1.59
Legal/Accounting		75,000	452	0.46
Permits/Fees		241,765	1,456	1.48
Taxes/Insurance		30,000	181	0.18
Construction Loan Interest	598,810	595,000	3,584	3.65
Construction Loan Fees	97,299	97,500	587	0.60
Permanent Loan Fee	114,664	115,000	693	0.71
Marketing		41,500	250	0.25
Working Capital		0	0	0.00
Consultants Fee		25,000	151	0.15
TOTAL DEVELOPMENT COST		9,729,885	58,614	59.65

LIHTC CALCULATION

Total Development Cost	9,729,885
Less Land	0
Less other non Capital items	254,000
Plus Syndication Fees	220,000
Equals Adjusted Basis	9,695,885
Low Income Percentage	41.81%
Qualified Basis	4,054,243
Tax Credit Percentage	4.00%
Annual Tax Credit	162,170
Percent of State Cap*	23.85%

* Does not require an allocation--tax exempt bonds

LOW INCOME PERCENTAGE CALCULATION

Percent of Units	Percent of Space
42.17%	41.81%

PRO FORMA — 18-May-89 FT. ETHAN ALLEN HOUSING

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Rent/LIHTC Units	407,400	419,622	432,211	445,177	458,532	472,288	486,457	501,051	516,082	531,565	547,512	563,937	580,855	598,281	616,229	634,716	653,757	673,370	693,571	714,378	735,810	757,884
Rent/Market Units	740,700	775,883	812,738	851,343	891,782	934,141	978,513	1,024,992	1,073,679	1,124,679	1,178,101	1,234,061	1,292,679	1,354,081	1,418,400	1,485,774	1,556,348	1,630,275	1,707,713	1,788,829	1,873,799	1,962,804
Less Vacancies	(40,184)	(41,843)	(43,573)	(45,378)	(47,261)	(49,225)	(51,274)	(53,411)	(55,642)	(57,969)	(60,396)	(62,930)	(65,574)	(68,333)	(71,212)	(74,217)	(77,354)	(80,628)	(84,045)	(87,612)	(91,336)	(95,224
Other Income	2,475	2,593	2,716	2,845	2,980	3,121	3,270	3,425	3,588	3,758	3,937	4,124	4,319	4,525	4,739	4,965	5,200	5,447	5,706	5,977	6,261	6,559
Total Actual Income	1,110,392	1,156,255	1,204,091	1,253,986	1,306,033	1,360,326	1,416,965	1,476,056	1,537,707	1,602,033	1,669,153	1,739,192	1,812,280	1,888,554	1,968,157	2,051,238	2,137,953	2,228,465	2,322,946	2,421,573	2,524,533	2,632,023
Less Operating Exp.	408,516	428,941	450,388	472,908	496,553	521,381	547,450	574,822	603,564	633,742	665,429	698,700	733,635	770,317	808,833	849,275	891,738	936,325	983,141	1,032,298	1,083,913	1,138,109
Less Lease Payment	80,000	80,000	80,000	80,000	80,000	100,000	100,000	100,000	100,000	100,000	120,000	120,000	120,000	120,000	120,000	136,000	136,000	136,000	136,000	136,000	136,000	136,000
Net Operating Income	621,876	647,314	673,702	701,078	729,479	738,945	769,516	801,234	834,144	868,291	883,724	920,491	958,645	998,237	1,039,324	1,065,963	1,110,214	1,156,140	1,203,804	1,253,274	1,304,620	1,357,914
Less VHFA LOAN	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021	794,021
Less Merchants Loan	0	0	0	0	0	0	0	0	0	74,583	74,583	74,583	74,583	74,583	74,583	74,583	74,583	74,583	74,583	74,583	74,583	74,583
Gross Cash Flow	(172,145)	(146,708)	(120,319)	(92,943)	(64,542)	(55,076)	(24,506)	7,213	40,123	(313)	15,120	51,887	90,040	129,633	170,720	197,359	241,610	287,536	335,200	384,670	436,016	489,310
Plus Merchants Loan	172,145	146,708	120,319	92,943	64,542	55,076	24,506	0	0	313	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	0	0	0	0	0	0	0	7,213	40,123	0	15,120	51,887	90,040	129,633	170,720	197,359	241,610	287,536	335,200	384,670	436,016	489,310
																				60,000	60,000	60,000

AFTER TAX EARNINGS

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Net Operating Income	621,876	647,314	673,702	701,078	729,479	738,945	769,516	801,234	834,144	868,291	883,724	920,491	958,645	998,237	1,039,324	1,065,963	1,110,214	1,156,140	1,203,804	1,253,274	1,304,620	1,357,914
Less VHFA LOAN Interest	(723,170)	(716,139)	(708,409)	(699,912)	(690,572)	(680,305)	(669,019)	(656,613)	(642,975)	(627,984)	(611,506)	(593,391)	(573,479)	(551,591)	(527,530)	(501,082)	(472,008)	(440,049)	(404,919)	(366,301)	(323,851)	(277,188)
Less Merch. Loan Interest	(4,734)	(13,502)	(21,106)	(27,713)	(33,205)	(38,019)	(42,034)	(44,799)	(47,110)	(49,057)	(47,617)	(46,096)	(44,489)	(42,791)	(40,998)	(39,104)	(37,102)	(34,988)	(32,755)	(30,395)	(27,903)	(25,270)
Less Depreciation	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)	(352,578)
Taxable Income (Loss)	(458,606)	(434,905)	(408,390)	(379,125)	(346,875)	(331,957)	(294,115)	(252,755)	(208,519)	(161,327)	(127,976)	(71,573)	(11,901)	51,277	118,218	173,200	248,526	328,525	413,553	504,000	600,289	702,879
Cash Flow	0	0	0	0	0	0	0	7,213	40,123	0	15,120	51,887	90,040	129,633	170,720	197,359	241,610	287,536	335,200	324,670	376,016	429,310
Plus Tax Savings	155,926	147,868	138,853	128,902	117,938	112,865	99,999	85,937	70,897	54,851	43,512	24,335	4,046	(17,434)	(40,194)	(58,888)	(84,499)	(111,698)	(140,608)	(171,360)	(204,098)	(238,979
Plus Tax Credits	162,170	162,170	162,170	162,170	162,170	162,170	162,170	162,170	162,170	162,170												
After Tax Cash Flow	318,096	310,037	301,022	291,072	280,107	275,035	262,169	255,319	273,189	217,021	58,632	76,222	94,087	112,199	130,526	138,471	157,111	175,837	194,592	153,310	171,918	190,331

Total 32 years		11,999,868	
NPV 32 Years	12.00%	2,157,155	215,716
Net of Fees		1,941,440	

Internal Rate of Return Calculation

Cash in	(2,157,155)	(146,708)	(120,319)	(92,943)	(64,542)	(55,076)	(24,506)	0	0	(313)	0	0	0	0	0	0	0	0	0	0	0	0
Cash Out	318,096	310,037	301,022	291,072	280,107	275,035	262,169	255,319	273,189	217,021	58,632	76,222	94,087	112,199	130,526	138,471	157,111	175,837	194,592	153,310	171,918	190,331
Net	(1,839,059)	163,330	180,704	198,129	215,565	219,959	237,663	255,319	273,189	216,708	58,632	76,222	94,087	112,199	130,526	138,471	157,111	175,837	194,592	153,310	171,918	190,331
IRR:	11.32%																					

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

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: FISCAL YEAR JUNE 1989 BUDGET

DATE: MAY 11, 1989

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

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

INCOME. Other than the collection of sizeable fees for at-risk projects related to the Multi-Family fee income category and interest earned on the State advance of funds, all other items seem to be on track. Both of the above mentioned items will be discussed in the separate memo regarding budget adjustments.

FUND TRANSFERS. The transfers of funds from the Programs to the General Fund have been collected as expected. The only potential change to this area could be relative to new programs completed before the end of the fiscal year.

EXPENSES. Total expenses after excluding the Subsidy accounts mainly relating to Housing Vermont and the adjustment related to the State advance of funds, discussed in the separate memo regarding budget adjustments are at 72% of the annual budgeted amounts.

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

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BUDGET PERFORMANCE REPORT
VERMONT HOUSING FINANCE AGENCY
MARCH 31, 1989

	ORIGINAL BUDGET FYE 6/30/89	CURRENT APPROVED BUDGET	ACTUAL YR TO DATE 3/31/89	% BUDGET RECOGNIZED TO DATE
INCOME				
SINGLE FAMILY FEES	233,500	233,500	219,173	93.86%
MULTI-FAMILY FEES	506,400	506,400	123,884	24.46%
PROJECT ADMIN FEES	115,000	115,000	116,325	101.15%
INTEREST INCOME	320,000	320,000	433,066	135.33%
MISCELLANEOUS	16,500	16,500	13,419	81.33%
TOTAL INCOME	1,191,400	1,191,400	905,867	76.03%
FUND TRANSFERS				
LOANS TO LENDERS 76-79	150,000	150,000	150,000	100.00%
SF-INS MTG PROG 76-77	100,000	100,000	50,000	50.00%
SF-MTG PUR PROG 78-82	1,250,000	1,250,000	1,220,000	97.60%
SF-HOME MTG PROG 83-88	(25,000)	(925,000)	(968,576)	104.71%
MF-MTG PROG 77-79/86-88	430,000	350,000	335,000	95.71%
MF-HOUS PROG 81-83	65,000	65,000	77,728	119.58%
MF-DIR PLAC PROG 85-86	10,000	10,000	10,000	100.00%
TOTAL TRANSFERS	1,980,000	1,000,000	874,152	87.42%
TOTAL INC & TFRS	3,171,400	2,191,400	1,780,019	81.23%
EXPENSES				
ADVERTISING & PROMOTION	45,150	52,650	18,788	35.68%
AUDIT	21,000	21,000	21,000	100.00%
ANNUAL REPORT	12,000	12,000	12,547	104.56%
COMMISSIONERS EXPENSES	4,000	4,000	2,374	59.35%
CONSULTING FEES	46,300	97,800	72,607	74.24%
DUES & SUBSCRIPTIONS	19,500	21,500	16,622	77.31%
INSURANCE	90,000	93,640	75,527	80.66%
INTEREST EXPENSE	3,400	3,400	238,455	7013.38%
LEGAL	50,000	50,000	27,966	55.93%
MISCELLANEOUS	5,000	5,000	2,759	55.18%
OFFICE EXPENSES	28,000	28,000	22,238	79.42%
PENSION PLAN	80,000	80,000	53,270	66.59%
POSTAGE	20,000	20,000	14,676	73.38%
RENT	68,000	74,000	55,713	75.29%
REPAIRS & MAINTENANCE	33,000	33,000	23,277	70.54%
SALARIES & WAGES	896,100	920,559	650,768	70.69%
STAFF TRAVEL & TRAINING	86,575	86,575	33,981	39.25%
SUBSIDY-HVT, ERH, RWJ	1,600,000	1,540,000	1,533,551	99.58%
TAXES-PAYROLL	65,000	66,837	52,832	79.05%
TELEPHONE	33,000	33,000	18,543	56.19%
TRUSTEE & CREDIT FEES	210,000	210,000	192,944	91.88%
DEPRECIATION	60,000	60,000	48,881	81.47%
TOTAL EXPENSES	3,476,025	3,512,961	3,189,319	90.79%
SURPLUS (DEFICIT)	(304,625)	(1,321,561)	(1,409,300)	106.64%

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: FISCAL YEAR JUNE 1989 BUDGET ADJUSTMENTS

DATE: MAY 11, 1989

In reviewing the budget performance report for the period ending March 31st, there are a few line items that we feel need adjusting before the end of the fiscal year.

MULTI-FAMILY FEE INCOME. Even though we have been expending a great deal of time and effort on multi-family projects including at-risk project financing, the fees to be collected have been delayed until next fiscal year. A decrease in the amount of $250,000 for this fiscal year is necessary.

INTEREST INCOME AND EXPENSE. In July of last year, VHFA was extended a loan from the State Treasurer's office through the Housing and Conservation Trust Fund. These funds are being invested and interest being paid at the rate of 8%. Since this was not being contemplated at the time of the original budget, we need to adjust both income and expense by $320,000. This has no bottom line impact.

EXPENSES. We foresee increases required in only two accounts, while three accounts are projected not to need the full amount of the original budget allocation. Other expenses are in line with expectations.

Advertising. A decrease of $10,000 from the existing budget of $52,650 can be absorbed which is due to the fact that the number of brochures printed and distributed was less than expected.

Consulting. Special adjustments have been previously approved for the "Gates" projects and Fort Ethan Allen. In addition to these special projects, we have absorbed quite a bit of expenses related to the Secondary Market program. This equates to paying outside underwriters for these services. The expected shortage in this category is $8,000.

Office Expenses. The tremendous documentation mandated by the housing initiatives undertaken has increased the burden of paper and supply costs. This category is expected to exceed the originally budgeted amount of $28,000 by $3,000.

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Salaries & Wages. Due to the vigorous demand of the last mortgage program, an additional field representative contemplated for the past fiscal year was not hired. This action results in saving $18,000 from the existing budget.

Staff Travel & Training. Not hiring the additional field representative whose mission was to travel extensively, and lesser trips than anticipated along with good controls of costs when traveling would appear to save $20,000 in this category of expense.

The total of all the above amendment requests would amount to a net decrease of expenses by $37,000 for the year.

If you have any questions or need clarification of any of these items, contact me at your convenience.

Requested Board Action: Approval of the budgetary requests.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: 1989A SINGLE FAMILY BOND FINANCING

DATE: MAY 11, 1989

As discussed and approved at the last Board meeting, we have begun a full scale assault in preparation for a new bond issue for single family mortgages. As you have heard the last issue is now totally reserved. We are on schedule to have the Preliminary Official Statement mailed next week, probably on the Board meeting day. After the P.O.S. has been mailed we would be ready for our bonds to be priced in the market place within a week. We are currently contemplating pricing for sale the week of Memorial Day (May 29th). After the underwriters price the bonds, we will need to have a special Board conference call to approve the sale of the bonds. At this point in time, all indications are for a mortgage rate of about 9.25% and a size of $40 million lendable proceeds.

The only significant feature which has changed since the last Board meeting is that the Interest Rate Reduction option, which was to give us some protection in a falling rate environment, is no longer available. This is due to tax law changes which have given the bond lawyers pause as to the legality of the option and also that even if legal would preclude the Agency from recycling mortgage loans for more than two years.

We will certainly keep the Board informed if there are any substantive changes regarding the financing and hope to be talking to you via the conference call about the acceptance of the issue the last of May or first of June.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: VHFA Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Re: Legislative Wrap-up

Date: May 10, 1989

As you know, the Legislature adjourned early in the morning of May 7. In the last week of the session, both of the bills we were interested in passed both houses and will be sent to the Governor for signature.

S. 87, the bill amending our enabling statute, authorizes the agency to make loans to finance mobile home parks, to more easily finance mobile homes located on leased land, and to make equity loans on existing projects.

S. 190, the bill creating housing subsidy covenants, was the subject of some last minute scurrying to try to satisfy people with a number of different interests. A version passed by the House was improved by some amendments adopted by the Senate and finally accepted by the House. We are planning to utilize a housing subsidy covenant for the Winchester Place development.

The Omnibus Housing bill will likely be the subject of much discussion between now and next January. We will try to improve the bill and gain support for the Home Start provisions before the start of the adjourned session.

S. 108, the density bonus/inclusionary zoning bill, will need to overcome some stiff opposition from the Homebuilders if it is to have much chance to pass next year.

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RESOLUTION PERTAINING TO EXECUTION

OF A CERTAIN DOCUMENT RELATING

TO HEINEBERG SENIOR HOUSING DEVELOPMENT

WHEREAS, the Heineberg Senior Housing Development (the "Development") has previously been given a Commitment Letter and Intent to Finance by the Agency; and

WHEREAS, the Vermont Housing and Conservation Board, as a condition of funding the Development, has requested the Executive Director to sign an "Enforcement Agreement" giving that organization the power to enforce the Declaration of Covenants and Restrictions of the Chittenden County Senior Citizens Alliance, Inc. relating to the land on which the Development is situated; and

WHEREAS, the Executive Director has signed the Enforcement Agreement to enable the owner of the Development to secure funding from the Vermont Housing and Conservation Board; it is hereby

RESOLVED: The Executive Director is authorized to sign the Enforcement Agreement relating to the Heineberg Senior Housing Development for the purposes contained therein and contemplated thereby and the action of the Executive Director in signing that Enforcement Agreement is ratified and adopted as the action of the Agency.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 18, 1989.

_____

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

VERMONT HOUSING FINANCE AGENCY

June 12, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, June 22, at 1:30 p.m., here at the office of the VHFA, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

M E M O R A N D U M

DATE: June 16, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, June 22, here at the VHFA office, One Burlington Square, Burlington, Vermont.

Attached is the agenda and board packet. Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on June 22.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, June 22, 1989 at 1:30 p.m.

1. Review and approval of minutes of May 18, 1989

2. Review and approval of minutes of May 25, 1989

3. Executive Director's Report

   A. Update and Possible Action on Dalton Drive Property [**Hunt//Enclosure**]
   B. Job Classification and Pay Study [**Hunt**]
   C. Introduction of FNMA Representatives [**Hunt//Enclosure**]

4. Operations

   A. MOVE 1988B Update [**Lothrop//Enclosure**]

5. Development

   A. Discussion of Rental Condominium Conversion with 7.9% funds [**Crady//Enclosure**]
   B. Vermont Secondary Market Program Discussion and Possible Approval [**Crady//Enclosure**]

6. Finance

   A. Final Review of 1989A Single Family Program [**Schoenbeck**]
   B. Discussion of Lease Renewal for One Burlington Square [**Schoenbeck//Encl.**]
   C. Fiscal Year 1990 Proposed Budget [**Schoenbeck//Encl.**]

7. Legal

   A. Discussion of Modification of Multi-Family Resolution and Prepayment Policy [**Jarrett//Enclosure**]
   B. Winchester Place Update [**Jarrett//Enclosure**]
   C. Discussion of Heineberg Commitment Resolution [**Jarrett//Enclosure**]

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, May 18, 1989

Present: Commissioners Shaw, Seelig, Babcock, Ruse, Hahn, Myette

VHFA Staff: Mr. Hunt, Ms. Pond, Mr. Jarrett, Ms. Hope, Mr. Lothrop, Mr. Schoenbeck, Mrs. B. Parker, Ms. Crady, Ms. Ballew, Ms. P. Parker, Mr. Koppelkam, Ms. Wadhams (Consultant to VHFA); Mr. Richardson, Ms. Mullikin of Housing Vermont; Ms. Russell of VHMGB.

Guests Present Included: Dan Irvin, Andrew Gurley of Drexel Burnham Lambert; Suzanne Swanson, Travor Underwood of Shearson Lehman Hutton; Douglas McFadden, Tim Frost of Dean Witter Reynolds.

The meeting was called to order at 1:50 p.m. Upon a motion duly made and seconded, the minutes of April 20, 1989, were unanimously accepted as written.

Ms. Pond reviewed the status of Winchester Place, and Mr. Koppelkam distributed a memo updating the project in detail. A redraft of the commitment letter was distributed and reviewed by Mr. Jarrett, who reacquainted the Board with the various legal obligations connected with this commitment, including a modification of the Agency's usual Replacement Reserve Fund policy and a recognition in the tenant selection process of persons who live or work in the Town of Colchester. Mr. Jarrett also distributed a proposed "Resolution Re: Letter of Commitment for Winchester Place Development;" some concern was expressed by Mr. Hahn regarding the proposed conveyance of the land and buildings back to St. Michael's College after 32 years, at no cost to St. Michael's College. Following further discussion, a motion was duly made and seconded to adopt this resolution as drafted and attached to these minutes, with the stipulation that the minutes reflect that the Agency has a compelling reason to provide financing for this project in this instance, and with the further understanding and recognition of the Board that this is a unique method of providing affordable housing; this motion passed unanimously.

The "Proposed Changes to Replacement Reserve Policies for Multi-Family Developments," as drafted in her memo of May 11,

included in the Board packet, were reviewed by Ms. Pond. Following an extensive discussion regarding the use of letters of credit in lieu of cash, a motion was duly made, seconded, and unanimously agreed to adopt the proposed changes, with the further provision that a letter of credit would not be allowed for more than 50% of reserves.

Mr. Hunt next reported on the "Gates" projects, informing the Board that he had attended a meeting at the Department of Housing and Urban Development (HUD) in Washington, D.C., the previous week. An Option Agreement has been signed for the Gates projects, and according to HUD representatives, Northgate is viewed as a potential model for future preservation issues. The outlook for early HUD action on the other "Gates" was less optimistic. No Board action was necessary.

The May 11 memo "Next Steps - Secondary Market Program," was reviewed by Ms. Crady and Ms. Ballew. Mr. Hahn stated that he would prefer to have the reinvestment requirement set at higher than 50%; according to Ms. Ballew, several lenders had viewed an 80% restriction as too limiting. After further discussion, during which no formal vote was taken, the Board instructed staff to continue negotiations with a preference for a higher than 50% reinvestment requirement, and to have Mr. Hahn and Ms. Babcock meet with staff following the May 30 completion of the lender interviews and prior to the June Board meeting in an effort to determine the reinvestment requirement percentage.

Mr. Lothrop informed the Board that reservations for the 1988B MOVE program had exhausted funds available at 8.9%, 9.1% and 9.7%; reservations are being taken at 10%, in anticipation of the 1989A sale of bonds.

The "Farmers Home Administration (FmHA) Loan Participation Program Update" was offered next by Mr. Lothrop, who reviewed his memo of May 10, included in the Board packet. Mr. Lothrop reported that 12 additional loans had been received in the past eight days, and nine counties have participated in the program. Mr. Seelig commended the staff for efforts on the FmHA program.

Next, Ms. Pat Parker addressed the Board, offering an update on the Robert Wood Johnson Foundation grant, for which she had been hired as project director. The project, which is referred to as TEAM (Tenant Education and Assistance Model), is designed to provide supportive services for the elderly, dealing primarily with the problem of aging in place. A coordinator has been hired in the St. Johnsbury area, and the grant application for Years 2 and 3 will be completed and submitted in June.

Mr. Schoenbeck then reviewed the "Fiscal Year June 1989 Budget," and "Fiscal Year June 1989 Budget Adjustments" as

detailed in his memos dated May 11 and included in the Board packet. Mr. Hahn commended the staff for remaining on target for budget expenditures, and a motion was duly made, seconded and unanimously agreed to adopt the adjustments to the budget as proposed.

The "1989A Single Family Bond Financing" was addressed next by Mr. Schoenbeck, who reviewed his memo of May 11 and updated the Board on recent activity regarding the bond issue. Ms. Babcock expressed concern about the VHMGB's capacity to insure mortgages through this program, and inquired about a revision to the Agency's bond resolution. Mr. Irvin cautioned that such a revision would require changes in the Official Statement delaying 1989A and might cause concern on the part of rating agencies such as Moody's. Mr. Hunt assured the Board that a review of the insurance coverage would be conducted over the summer, to be finalized prior to any future bond issue. Mr. Schoenbeck informed the Board that the current plan was to issue $40 million in lendable bonds (with $10 million as a builders set aside and $4 million as the lowest income set aside). Mr. Myette advised that such a figure might be too low, but Ms. Crady cautioned that stricter targeting of lower income limits as approved previously by the Board may result in a smaller target market, and therefore may affect the current level of demand. Mr. Schoenbeck reminded the Board that a larger issue may be necessary prior to the end of 1989, depending upon the extension or sunset of Mortgage Revenue Bonds. Mr. Irvin commended the staff for an excellent job in preparation for the bond sale. A conference call was to be scheduled for the sale of the bonds.

Mr. Hunt reported that although the University of Vermont was not willing to lower the price for the buildings and land on Dalton Drive (Fort Ethan Allen), Mr. Moulton had stated that he might be able to find a way to absorb the cost of the asbestos removal. In the latest configuration, the number of units has been increased from 72 to 78, and purchase prices range from $60,000 to $120,000, including total rehabilitation of each unit, which may not be necessary. After a tour of the property just prior to the Board meeting, Mr. Hahn advised the Board that he was impressed by the condition of the buildings, and how well they had been preserved. He further urged the Board to allow staff to be imaginative on packaging the project, cautioning that purely conventional wisdom may not apply. Mr. Seelig, who also had toured the property at the same time, expressed appreciation for the size of the proposed units and the condition of the buildings, and reminded the Board that what happens to the buildings along Dalton Drive will have an impact on the rest of the buildings at the Fort. In an effort to preserve the historic beauty of the buildings, Ms. Wadhams informed the Board, the heating systems would be replaced and air infiltration would be reduced, but insulation would not be installed in the brick

walls. According to preliminary figures, the cost of having office space at the Fort for the Agency would be approximately one-third more expensive than the space currently occupied. Mr. Schoenbeck reminded the Board that renewal of the lease rate for One Burlington Square is due to be exercised before the end of July, 1989. No official action was taken, but the consensus of the Board was to have staff continue to move ahead with negotiations and strategy regarding the project.

Mr. Jarrett briefly reviewed the "Legislative Wrap-Up" as per his memo of May 10, included in the Board packet. A proposed "Resolution Pertaining to Execution of a Certain Document Relating to Heineberg Senior Housing Development" was distributed to the Board by Mr. Jarrett; following a motion duly made and seconded, it was unanimously agreed to approve the resolution as drafted and attached to these minutes.

A brief review was offered by Mr. Jarrett of a project in St. Albans currently financed by the Agency, in which the owner would like to subdivide and have three acres released from the mortgage to allow construction of additional affordable units while pledging to maintain affordability in the existing project; a motion was duly made, seconded and unanimously agreed to approve the release of the three acres as proposed.

"It's Your Move," the most recent publication from the Communications department was distributed to the Board. This publication will be made available to all attendants at Home Buyer Days.

The next meeting was rescheduled for Thursday, June 22, 1989, to be held in Burlington at 1:30. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:10 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

RESOLUTION RE: LETTER OF COMMITMENT FOR WINCHESTER PLACE DEVELOPMENT

WHEREAS, the Merchants Bank, a wholly owned subsidiary of Merchants Bancshares, and Housing Vermont ("HV") have presented a proposal for construction of 166 units of rental housing in Colchester, Vermont (the "Winchester Place Development" or the "Development"); and,

WHEREAS, the Winchester Place Development has been the subject of a prior resolution of the Agency adopted on April 20, 1989; and

WHEREAS, the proposal contemplates that the Winchester Place Development shall constitute a "qualified low-income housing project" within the meaning of §42(g) of the Internal Revenue Code of 1986 (the "Code") and a "qualified residential rental project" within the meaning of § 142(d) of the Code

WHEREAS, the owner of the Development (the "housing sponsor") is expected to be a limited partnership organized on a limited profit basis within the meaning of the Vermont Housing Finance Agency Act (the "Act") and which shall include a wholly owned subsidiary of Housing Vermont as the sole general partner or a wholly owned subsidiary of Housing Vermont and Merchants Properties, Inc., a Community Development Corporation, as co-general partners and the Merchants Bank as the sole limited partner; and,

WHEREAS, the total development cost of the Development is approximately $9.7 million; and,

WHEREAS, the Agency has determined that the Winchester Place Development will assist in fulfilling the purposes of the Act and is financially feasible, it is hereby

DETERMINED:

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

2. The acquisition and construction costs incurred or 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 the persons and families.

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

WHEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized, in his discretion, to issue a combined letter of intent and commitment letter (the "Commitment Letter") to provide a first Mortgage Loan for permanent financing for the Development.

2. The Commitment Letter shall be addressed to Housing Vermont and the Merchants Bank as the representatives of the housing sponsor.

3. The commitment for permanent financing shall be in an amount that the Agency determines that the Development can reasonably repay based on current projections, but not to exceed the lesser of (a) $8.00 million, or (b) 95% of the fair market value of the Development as shown by an appraisal based on completion of the Development in accordance with the approved design.

4. The commitment of the Agency shall be subject to receipt, on or before June 15, 1989, of a commitment fee in an amount equal to one and one-half percent of the permanent financing commitment, and not less than $112,500.00.

5. The Commitment Letter shall provide that the interest rate to be charged on the Mortgage Loan shall be as determined by the Agency.

6. The Commitment Letter shall require the Developer to demonstrate to the satisfaction of the Executive Director, that equity funds are available in an amount at least equal to the difference between the total development cost as accepted by the Agency and the amount of the permanent financing commitment.

7. The Commitment Letter shall contain such other terms and conditions as are required or customary in connection with the financing of multi-family developments and as the Executive Director shall deem necessary or appropriate in the circumstances.

8. The Executive Director is authorized to make preliminary arrangements for financing consistent with this Resolution.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont May 18, 1989.

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

RESOLUTION PERTAINING TO EXECUTION

OF A CERTAIN DOCUMENT RELATING

TO HEINEBERG SENIOR HOUSING DEVELOPMENT

WHEREAS, the Heineberg Senior Housing Development (the "Development") has previously been given a Commitment Letter and Intent to Finance by the Agency; and

WHEREAS, the Vermont Housing and Conservation Board, as a condition of funding the Development, has requested the Executive Director to sign an "Enforcement Agreement" giving that organization the power to enforce the Declaration of Covenants and Restrictions of the Chittenden County Senior Citizens Alliance, Inc. relating to the land on which the Development is situated; and

WHEREAS, the Executive Director has signed the Enforcement Agreement to enable the owner of the Development to secure funding from the Vermont Housing and Conservation Board; it is hereby

RESOLVED: The Executive Director is authorized to sign the Enforcement Agreement relating to the Heineberg Senior Housing Development for the purposes contained therein and contemplated thereby and the action of the Executive Director in signing that Enforcement Agreement is ratified and adopted as the action of the Agency.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on May 18, 1989.

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

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, May 25, 1989

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

Agency Staff: Mr. Hunt, Mr. Jarrett, Mrs. Parker, Mr. Baker, Mr. Schoenbeck (via speakerphone)

Guests (via speakerphone): Andrew Gurley of Drexel Burnham Lambert; Walter St. Onge and David Bannard of Palmer & Dodge; Harlan Sylvester of Shearson Lehman Hutton; Kathy Crost of Orrick Herrington & Sutcliffe.

The meeting was called to order at 1:15 p.m. Participants were identified by name. Each of the Board members present confirmed receipt of the draft series resolution, except Mr. Hahn. It was agreed that all votes would be done by roll call.

Mr. Gurley reviewed the background of negotiations and pricing related to the proposed sale of 1989 Series A bonds, indicating that the final mortgage rates would be 7.80% for 10% of the lendable proceeds and 8.80% for the balance. According to Mr. Gurley, the size of the issue had been set at $55,540,000 with $50,000,000 in lendable proceeds, an increase of $10,000,000 due to the attractive rate. Mr. Gurley further reviewed the individual spreads and costs as distributed previously to the Board and attached to these minutes.

Mr. Hahn questioned limiting 10% of the bond issue for lower income set aside, and was assured by Mr. Schoenbeck and Mr. St. Onge that this had been done in accordance with the negotiations with rating agencies and as a result of unfavorable cashflows if more than 10% of the funds carries a lower rate. However, Mr. St. Onge indicated the Agency did have legal authority to increase that percentage if the cashflow proved to be favorable. Mr. St. Onge then reviewed the series resolution, explaining the various authorizations effective with its adoption by the Board. A motion was duly made and seconded to adopt the "Series Resolution Authorizing the Issuance and Sale of Home Mortgage Purchase Bonds, 1989 Series A," as drafted and attached to these minutes; this was unanimously agreed to, with the Chair not voting.

Mr. Jarrett then reviewed the "Resolution Authorizing...1989 Mortgage Purchase Program," as attached to these minutes; upon a motion duly made and seconded it was unanimously agreed to adopt this resolution as drafted, with an amendment to Section IV (D) to read "(unless a higher percentage is permitted by the Agency's Bond Resolutions and the rating agencies)," the Chair did not vote.

Mr. Hunt cautioned the Board that publicity of this bond sale would be kept to a minimum until mortgage applications received had already exhausted available recycled funds and until after the Closing, which is scheduled for June 21.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 1:45 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

RESOLUTION AUTHORIZING
VERMONT HOUSING FINANCE AGENCY
1989 MORTGAGE PURCHASE PROGRAM

WHEREAS, pursuant to its Home Mortgage Purchase Bond Resolution adopted July 8, 1983, (the "General Resolution"), Vermont Housing Finance Agency has this date adopted its Series Resolution Authorizing the Issuance and Sale of $55,540,000 Home Mortgage Purchase Bonds, 1989 Series A (the "Series Resolution", together with the General Resolution hereinafter called the "Resolutions"); and

WHEREAS, the staff of the Agency has proposed the creation of the 1989 Mortgage Purchase Program (the "1989 Program") and has presented the Mortgage Loan Application and Commitment Agreement dated as of May 25, 1989 (the "Commitment Agreement") incorporating the Mortgage Loan Purchase and Servicing Agreement referenced therein (the "Purchase Agreement") and the Mortgage Purchase Program Procedural Guide, as amended (the "Procedural Guide"), both of which were approved by resolution of the Board of Commissioners adopted June 11, 1987;

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

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

2. The Agency's 1989 Program is hereby approved.

3. The form of the Commitment Agreement is hereby approved and the Executive Director and the Director of Operations, or either of them, is authorized to execute and deliver the same to Mortgage Lenders participating in the 1989 Program.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of VHFA held May 25, 1989.

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

VERMONT HOUSING FINANCE AGENCY
1989 MORTGAGE PURCHASE PROGRAM
MORTGAGE LOAN APPLICATION AND COMMITMENT AGREEMENT

Dated as of May 25, 1989

THIS APPLICATION MUST BE DELIVERED TO VERMONT HOUSING FINANCE AGENCY ON OR BEFORE JUNE ____, 1989.

The undersigned Mortgage Lender hereby commits itself by this application to participate in the Vermont Housing Finance Agency (the "Agency") 1989 Mortgage Purchase Program (the "1989 Program"), it being understood that the Agency will rely on such commitment in marketing its Home Mortgage Purchase Bonds, 1989 Series A (the "Bonds") and in making representations to prospective purchasers of Bonds.

Section I. Agreement to Originate, Sell and Service Mortgage Loans

In accordance with all of the terms and conditions of the Mortgage Loan Purchase and Servicing Agreement and the Procedural Guide which is a part thereof, the undersigned Mortgage Lender agrees to originate Mortgage Loans from time to time during the 1989 Program, to sell the same to the Agency at a price of par, and to service the same on behalf of the Agency. With the understanding that it is not obligated to originate, and the Agency is not obligated to reserve funds for, any particular dollar-volume of Mortgage Loans, the Mortgage Lender has estimated a demand on it for approximately $_____ aggregate principal amount of Mortgage Loans under the 1989 Program. With respect to such Mortgage Loans:

A. All Mortgage Loans shall be Eligible Mortgage Loans originated after the date hereof for the purpose of sale to the Agency. For purposes of the definition of "Eligible Mortgage Loan" as used herein and otherwise under the Program, and notwithstanding any more limiting definition set forth in the Mortgage Loan Purchase and Servicing Agreement, "Eligible Residence" means a Residence which meets the requirements of Section 2.1 of the Procedural Guide.

B. The term of each Mortgage Loan shall be 30 years.

C. The interest rate on each Mortgage Loan financed under the 1989 Program shall be as specified by the Agency in writing from time to time, but shall not exceed 10% per annum.

D. Unless the Agency exends the time limits stated in this paragraph by subsequent written notice, Mortgage Loans for which the Agency has reserved funds shall have a Loan Closing Date not later than December 31, 1990, and must be delivered to the Agency not later than January 30, 1991. (Each Mortgage Loan must still be offered for sale within 30 days after its Loan Closing Date).

E. Notwithstanding any other provision of the Mortgage Loan Purchase and Servicing Agreement, Mortgage Loans to be purchased hereunder or otherwise under the 1989 Program shall be limited to Mortgage Loans guaranteed by the Vermont Home Mortgage Guarantee Board, insured by the Federal Housing Administration or by private mortgage insurance, guaranteed by the Veterans' Administration, or meeting the requirements specified in the Procedural Guide for uninsured Mortgage Loans. Additionally, an otherwise Eligible Borrower shall not be ineligible by reason of any prior ownership of a Principal Residence if his or her Principal Residence to be financed under the Program is located in one of the counties specified in Section IV(C), below.

Section II. Fees

A. Origination Fees

The Mortgage Lender shall collect on the Loan Closing Date an origination fee equal to 2.00% of the principal amount of each Mortgage Loan. Three quarters of one percent (0.75%) shall be remitted to the Agency and one and one-quarter percent (1.25%) shall be retained by the Mortgage Lender.

B. Servicing Fees

After collection of each monthly payment due under a Mortgage Loan, the Mortgage Lender may deduct as its Servicing Fee, prior to remittance to the Agency, one-twelfth of three-eighths of one percent of the outstanding principal balance of the Mortgage Loan before crediting the monthly payment to the account of the Mortgagor.

C. Participation Fee

The undersigned delivers herewith its participation fee in the amount of $_____. The participation fee will be refunded in full if the Agency does not deliver the Bonds to the purchasers thereof on or before August 1, 1989. Otherwise, $500.00 of the participation fee shall be non-refundable and the balance shall be refunded to the Mortgage Lender upon timely completion of the Mortgage Lender's obligations to the Agency in connection with the origination of Mortgage Loans under the 1989 Program, less any amounts retained pursuant to Section IV(E) below.

Section III. Mortgage Loan Purchase and Servicing Agreement

The undersigned has previously executed a Mortgage Loan Purchase and Servicing Agreement or will execute a Purchase and Servicing Agreement in the form attached hereto and effective as of the date hereof. Such Mortgage Loan Purchase and Servicing Agreement and the Procedural Guide as amended from time to time, which constitutes a part thereof, are incorporated herein by reference.

Section IV. Special Allocations and Schedules

A. The Mortgage Lender understands and agrees that, notwithstanding the general eligibility of Borrowers proposed for Mortgage Loans under the 1989 Program, from the total proceeds of the Bonds available to the Agency for the purpose of purchasing Mortgage Loans (the Proceeds Pool), during the first three months of the 1989 Program the Agency may elect to reserve funds in the amounts and for the special purpose specified below:

(i) Up to 30% of the Proceeds Pool may be reserved by the Agency exclusively for the purpose of purchasing Mortgage Loans made to Eligible Borrowers whose Federal Act Income, as determined pursuant to the Procedural Guide, does not exceed 80% of Area Median Income, as determined by the Agency. Loans made under Paragraph D, below, will be included in this program.

B. After the expiration of such period of three months, the entire remaining Proceeds Pool will be available generally for Eligible Borrowers, subject, however, to the provisions of paragraph C of this section.

C. The Mortgage Lender understands and agrees that the Agency will reserve at least 20% of the Proceeds Pool for the financing of Eligible Residences located in one or more of the following counties: Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham.

D. The Agency reserves the right to set aside up to 10% (unless a higher percentage is permitted by the Agency's Bond Resolutions and the rating agencies) of the Proceeds Pool for purchasing Mortgage Loans made to certain low income but otherwise Eligible Borrowers at an interest rate of not more than 1% lower than the interest rate on other Mortgage Loans made under the Program.

E. The Agency reserves the right to set aside a portion of the Proceeds Pool for the use of homebuilders.

F. The Agency reserves the right to make direct Mortgage Loans under the Program.

G. The Agency reserves the right to finance construction loans under the Program.

H. The Agency may amend the Procedural Guide to permit Qualified Rehabilitation Loans (within the meaning of § 143 of the Internal Revenue Code).

I. Mortgage Loans for which the Agency has reserved funds pursuant hereto must be committed to Eligible Borrowers by written Mortgage Loan commitments by the Mortgage Lender not later than 6 (six) months after the date the Bonds are delivered (the "Commitment Period").

J. All Mortgage Loans which are the subject of the Agency's preliminary approval under the 1989 Program and which are originated by the Mortgage Lender shall be offered by the Mortgage Lender for sale to the Agency in accordance with the requirements of the Procedural Guide. Such offer shall be made within 30 days of the respective Loan Closing Date for each Mortgage Loan. With respect to each Mortgage Loan not so offered within such 30-day period, and as to each day after the thirtieth day which passes before the Mortgage Loan is offered, the Agency shall be entitled to collect as liquidated damages, $3.00 per day (the "Late Fee") from the Mortgage Lender. On each Closing Date, the Mortgage Lender shall tender its separate check payable to the Agency in an amount equal to the aggregate amount of Late Fees then due. In the event that Mortgage Loans are tendered for purchase unaccompanied by such check, the Agency, at its option, may elect to reject any or all of such Mortgage Loans until such check is delivered, or may elect to deduct unpaid Late Fees from the amount of the participation fee otherwise refundable pursuant to Section II (C), above.

K. All Mortgage Loans must be delivered to the Agency not later than 8 (eight) months after the expiration of the Commitment Period.

Section V. Reservation System

Funds from the Proceeds Pool will be allocated to the Mortgage Lender and other participating Mortgage Lenders on a "first come first served" basis in accordance with the reservation procedures specified in the Procedural Guide.

Section VI. Commitment Irrevocable

The commitment by the undersigned to participate in the 1989 Program is irrevocable provided that it is accepted by the Agency on or before August 1, 1989. It is understood that this commitment and any acceptance by the Agency is expressly conditioned on delivery of the Bonds on or before August 1, 1989.

Section VII. Acceptance of Depository

The undersigned (if a Bank or Trust Company) agrees to serve as a Depository under the 1989 Program.

Section VIII. Authorized Signers.

The following employees of the Mortgage Lender are authorized to sign documents relating to Mortgage Loans to be purchased under the 1989 Program:

_____

_____.

Any additions or deletions in the list of authorized employees shall be made in writing and delivered to the Agency on or before the effective date of such change.

Section IX. Designated Liaison

_____ is hereby appointed designated liaison pursuant to Section 1.0(C) of the Procedural Guide.

Section X. Active Vermont Participation Requirement

Notwithstanding any other provision of this Mortgage Loan Application and Commitment Agreement, the Mortgage Loan Purchase and Servicing Agreement, or the Procedural Guide, in the event that the undersigned Mortgage Lender or its successors fails to maintain a staffed business office having qualified personnel charged with the duty of servicing Mortgage Loans in Vermont in accordance with the requirements of the Procedural Guide, then the Agency at its election may take any one or more of the following actions on written notice to the Mortgage Lender:

(i) Immediately cease the issuance of preliminary approvals for the purchase of Mortgage Loans under the 1989 Program;

(ii) Refuse to purchase any further Mortgage Loans from the Mortgage Lender except those Mortgage Loans which were the subject of preliminary approval prior to the date of notice;

(iii) Recapture and reallocate all funds reserved hereunder and not previously disbursed or required to honor preliminary approvals; and

(iv) Direct the Mortgage Lender to assign to the Agency or its designee, without further consideration and within 60 days of the date of notice, all of the Mortgage Lender's servicing rights and responsibilities for any Mortgage Loans sold to the Agency by the Mortgage Lender under the 1989 Program and/or any other mortgage purchase program of the Agency.

Further, if the Mortgage Lender or its successors cease to maintain a staffed business office in Vermont having personnel charged with the duty of originating Mortgage Loans, then the Agency on written notice to the Mortgage Lender, may take any one or more of the actions specified in subparagraphs (i), (ii), or (iii), above.

IN WITNESS WHEREOF, the undersigned Mortgage Lender has caused this instrument to be signed by its duly authorized agent, effective as of the date first above written.

_____
NAME OF MORTGAGE LENDER

_____
ADDRESS

BY _____
ITS DULY AUTHORIZED AGENT

ACCEPTANCE BY VERMONT HOUSING FINANCE AGENCY

Pursuant to the terms of the foregoing Application and Commitment Agreement, the Agency agrees to purchase Mortgage Loans from the Mortgage Lender named above in accordance with the terms of the 1989 Program.

VERMONT HOUSING FINANCE AGENCY

BY _____
ITS DULY AUTHORIZED AGENT

DATE _____

GAJ560

As adopted

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of

Home Mortgage Purchase Bonds, 1989 Series A

Adopted May 25, 1989

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of

Home Mortgage Purchase Bonds, 1989 Series A

May 25, 1989

WHEREAS, the Vermont Housing Finance Agency (the "Agency") in furtherance of the purposes of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act") anticipates the purchase from Mortgage Lenders of Mortgage Loans made to persons and families of low and moderate income in the State of Vermont pursuant to the Act; and

WHEREAS, the Agency heretofore has adopted on July 8, 1983 a Resolution entitled "Home Mortgage Purchase Bond Resolution" (the "Bond Resolution"); and

WHEREAS, in order to obtain funds to purchase such Mortgage Loans it is deemed necessary and advisable to issue Home Mortgage Purchase Bonds of the Agency as hereinafter provided;

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

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 101 Short Title. This resolution is hereinafter sometimes referred to as the "1989 Series A Resolution".

Section 102 Definitions. (A) Except as otherwise provided in this Section, all terms used herein shall have the same meanings as are given such terms in Section 102 of the Bond Resolution.

(B) In this 1989 Series A Resolution unless a different meaning clearly appears from the context:

"Areas of Chronic Economic Distress" means the areas established pursuant to Section 143(j)(3) of the Code.

"Beneficial Owner" means the person or entity that is considered to be the beneficial owner of any 1989 Series A Bond pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository.

"Bond Counsel" means Palmer & Dodge, Boston, Massachusetts, or any successor firm of attorneys having nationally recognized expertise as bond counsel in municipal finance.

"Bond Depository" means The Depository Trust Company, New York, New York, and its successors and any replacement securities depository appointed pursuant to Sections 202(2) and 202(3) hereof.

"Bond Year" means the twelve (12) month period beginning on the date of original delivery of the 1989 Series A Bonds and each successive twelve month period thereafter, or such other twelve (12) month period as the Agency may select and as may be permitted by Section 148 of the Code (as evidenced by an Opinion of Bond Counsel).

"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.

"Code" means the Internal Revenue Code of 1986, and the applicable Treasury regulations thereunder and shall include the Treasury Regulations (final, temporary or proposed) under the Internal Revenue Code of 1954, as amended, to the extent applicable to the Bonds.

"Nationally Recognized Credit Rating Agency" means (1) Moody's Investors Service, Inc., (2) any other credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned a rating to the 1989 Series A Bonds at the request of the Agency and (3) any successor to any of the foregoing by merger, conversion, consolidation or otherwise.

"Official Statement" means the Official Statement of the Agency describing the 1989 Series A Bonds, in preliminary form dated May 17, 1989 and in final form as presented at this meeting and included in the minutes hereof.

"Participant" means securities brokers or dealers, banks, trust companies, leasing corporations and various other entities, some of whom and/or their representatives own the Bond Depository.

"Purchase Contract" means the Contract dated May 25, 1989 by and between the Agency and the Underwriters named therein and providing for the terms and conditions of sale of the 1989 Series A Bonds in the form presented at this meeting and included in the minutes hereof.

"Qualified Rehabilitation Loan" means a Mortgage Loan that is a "qualified rehabilitation loan" within the meaning of Section 143(k)(5) of the Code and which meets the requirements of Section 403(A) hereof.

"Rebate Account" means the Home Mortgage Purchase Bonds 1989 Series A Rebate Account established pursuant to Paragraph (D) of Section 301 hereof.

"Rebate Requirement" means, with respect to the 1989 Series A Bonds, an amount equal to the cumulative net sum calculated and determined in accordance with the requirements of Section 148(f) of the Code that must be paid or credited to the United States pursuant to Section 401 hereof.

"Reimbursement Agreement" means the Reimbursement Agreement dated as of May 25, 1989 between the Agency and The First National Bank of Boston, as amended from time to time in accordance therewith.

"Representation Letter" means the letter from the Agency and the Trustee to the Bond Depository attached hereto in Exhibit A.

"1989 Series A Bonds" means the $55,540,000 aggregate Principal Amount of Home Mortgage Purchase Bonds, 1989 Series A, authorized by this 1989 Series A Resolution.

"Term Bond" means any of the 1989 Series A Bonds maturing on June 1, 2009, December 1, 2011 or December 1, 2029.

"Yield" means the yield on the 1989 Series A Bonds, the effective rate of interest on any Mortgage Loan, or the yield on any other investment under the Bond Resolution calculated as required by Sections 143 and 148 of the Code, as applicable.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in the 1989 Series A Resolution, refer to this 1989 Series A Resolution.

(C) Unless a different meaning clearly appears from the context, any reference in the Bond Resolution and this 1989 Series A Resolution to the exemption from federal income tax of interest on any 1989 Series A Bond or the exclusion of interest on any 1989 Series A Bond from gross income for federal income tax purposes shall not include reference to inclusion of interest on any 1989 Series A Bond in any computation of the alternative minimum tax imposed on individuals or corporations by the Code.

Section 103. Authority. This 1989 Series A Resolution is adopted pursuant to the Bond Resolution and the Act.

Section 104. Allocation of State Volume Cap to 1989 Series A Bonds. The Agency hereby determines to allocate to the 1989 Series A Bonds $7,900,000 of the Agency's $7,900,000 remaining unused 1987 private activity bond limit and $47,640,000 of the Agency's $55,678,000 remaining unused 1988 private activity bond limit that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing qualified mortgage bonds pursuant to Section 143 of the Code.

ARTICLE II

AUTHORIZATION OF 1989 SERIES A BONDS

Section 201 1989 Series A Bonds. (A) A Series of Bonds, designated "Home Mortgage Purchase Bonds, 1989 Series A" is hereby authorized to be issued in the aggregate Principal Amount of $55,540,000.

(B) The Agency hereby determines (1) that the original aggregate Principal Amount of the 1989 Series A Bonds is necessary to provide sufficient funds to be used and expended for the Program, (2) that Mortgage Loans made on behalf of the Agency with the proceeds of the 1989 Series A

Bonds can be issued bearing 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 (3) that the Agency will derive receipts, revenues or other income from the Mortgage Loans purchased with the proceeds of the 1989 Series A Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the 1989 Series A Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the 1989 Series A Bonds are being issued.

(C) The purposes for which the 1989 Series A Bonds are being issued are to provide funds for deposit in the 1989 Series A Capitalized Interest Account, the Bond Reserve Fund, the 1989 Series A Cost of Issuance Account and the 1989 Series A Home Mortgage Purchase Program Account, subject to the limitations and provisions provided in Article IV of the Bond Resolution and in the amounts determined by or pursuant to Article III hereof.

(D) Subject to Section 202 hereof, the 1989 Series A Bonds shall be issued only in the form of fully registered Bonds without coupons in denominations of $5,000 in Principal Amount or any multiple thereof not exceeding the aggregate Principal Amount of the 1989 Series A Bonds maturing in the year of maturity of the 1989 Series A Bonds for which the denomination is to be specified. Notwithstanding the foregoing, coupon bonds payable to bearer, exchangeable as provided in Section 304 of the Bond Resolution for fully registered 1989 Series A Bonds, may be issued if the Agency so provides by a Supplemental Bond Resolution adopted and becoming effective pursuant to Section 802 of the Bond Resolution and filed with the Trustee accompanied by an opinion of Bond Counsel to the effect (1) required

by Section 805 of the Bond Resolution and (2) that issuance of coupon 1989 Series A Bonds will not adversely affect the exclusion of interest on the 1989 Series A Bonds from gross income for federal income tax purposes. Any 1989 Series A Bonds authenticated and delivered before December 1, 1989 shall be dated, and bear interest from, June 1, 1989. Notwithstanding Section 301 of the Bond Resolution, any 1989 Series A Bonds authenticated and delivered on or after December 1, 1989 shall be dated, and bear interest from, the Interest Payment Date next preceding their date of authentication and delivery, unless such date of authentication and delivery is an Interest Payment Date, in which case such 1989 Series A Bonds shall be dated as of such date of authentication and delivery. Notwithstanding the foregoing, any 1989 Series A Bond authenticated and delivered subsequent to the record date for any interest payment (as provided in Paragraph (F) of this Section 201) and on or prior to the next succeeding Interest Payment Date shall be dated, and bear interest from, such next succeeding Interest Payment Date. Unless the Agency shall otherwise direct, the 1989 Series A Bonds shall be lettered and numbered separately from one consecutively upward in order of maturity, preceded by the letters "AR", and the last two digits of the year of maturity prefixed to the number.

(E) The 1989 Series A Bonds shall mature in the respective Principal Amounts on June 1 and December 1 in the respective years, and shall bear interest from their dates payable on December 1, 1989 and semiannually thereafter on each June 1 and December 1 at the rates shown below:

Date	Principal Amount	Interest Rate
December 1, 1991	$ 125,000	6.75%
June 1, 1992	125,000	6.80
December 1, 1992	125,000	6.80
June 1, 1993	135,000	6.90
December 1, 1993	140,000	6.90
June 1, 1994	140,000	6.90
December 1, 1994	150,000	6.90
June 1, 1995	150,000	7.00
December 1, 1995	160,000	7.00
June 1, 1996	160,000	7.05
December 1, 1996	170,000	7.05
June 1, 1997	175,000	7.10
December 1, 1997	185,000	7.10
June 1, 1998	185,000	7.15
December 1, 1998	195,000	7.15
June 1, 1999	205,000	7.20
December 1, 1999	205,000	7.20
June 1, 2000	220,000	7.25
December 1, 2000	220,000	7.25
June 1, 2001	235,000	7.30
December 1, 2001	175,000	7.30
June 1, 2009	5,000,000	7.65
December 1, 2011	2,370,000	7.70
December 1, 2029	44,590,000	7.85

(F) The Principal Amount and Redemption Price of 1989 Series A Bonds shall be payable at the Principal Office of the Trustee, who is hereby appointed Paying Agent for the 1989 Series A Bonds. Interest on the 1989 Series A Bonds shall be payable by check or draft drawn upon the Trustee, bearing on its face or by attached notation the CUSIP number of the 1989 Series A Bond on account of which such payment is made, and mailed to the address of the registered owner thereof as it shall appear on the registry books of the Trustee, determined as of the close of business on the applicable record date. The record date of payment of interest on the 1989 Series A Bonds is the fifteenth (15th) day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue

interest or interest payable on redemption of such 1989 Series A Bonds other than on the first day of any month or interest on any overdue amount, the Trustee may establish a special record date. The special record date shall be not more than 20 days before the date set for payment. The Trustee shall give notice of a special record date by mailing a copy of such notice to the registered owners of all 1989 Series A Bonds Outstanding in the manner provided in the Bond Resolution at least ten (10) days before the special record date or in such other time and manner as the Trustee may deem appropriate. The Principal Amount and Redemption Price of and interest on 1989 Series A Bonds 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 Bond Resolution. Notwithstanding anything in the Bond Resolution or this Paragraph (F) to the contrary, if at any time the 1989 Series A Bonds 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 202 hereof, the Principal Amount and Redemption Price of and interest on the 1989 Series A Bonds of any registered owner of 1989 Series A Bonds 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, by wire transfer to the account of such registered owner on file with the Trustee.

(G) Pursuant to Section 308 of the Bond Resolution, the Agency may charge for every exchange or transfer of a 1989 Series A Bond a fee sufficient to reimburse the Agency for any fee required to be paid to the Trustee with respect to such exchange or transfer, which 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 202. Book Entry System. Notwithstanding the foregoing provisions of Section 201 hereof and Article III of the Bond Resolution:

(1) The 1989 Series A Bonds shall be initially issued in the form of one fully registered bond for each maturity of the 1989 Series A Bonds in the amount of such maturity. Upon initial issuance, the ownership of the 1989 Series A Bonds 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 1989 Series A 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 1989 Series A 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 1989 Series A Bonds, (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 1989 Series A Bonds, 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 or Redemption Price of, or interest on, the 1989 Series A Bonds. The Trustee shall pay all principal or Redemption Price of, and interest on, the 1989 Series A Bonds 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 or Redemption Price of, and interest on, the 1989 Series A Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated 1989 Series A Bond evidencing the obligation of the Agency to make payments of principal or Redemption Price of, and interest pursuant to the Bond 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 1989 Series A Resolution shall refer to such new nominee of the Bond Depository.

(2) 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 1989 Series A Bonds 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 Bondholders transferring or exchanging 1989 Series A Bonds shall designate, in accordance with the provisions of the Bond Resolution.

(3) In the event the Agency determines that Beneficial Owners should be able to obtain 1989 Series A Bond certificates, the Agency shall notify the Bond Depository and the Trustee of the availability of 1989 Series A Bond certificates. In such event, the Trustee shall issue, transfer and exchange 1989 Series A Bond certificates as requested by the Bond Depository

(or, pursuant to Section 202(2), any other Bondholder) 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 1989 Series A Bonds to any Participant having 1989 Series A Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 1989 Series A Bonds.

(4) Notwithstanding any other provision of this 1989 Series A Resolution to the contrary, so long as any 1989 Series A Bond 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 203. Redemption Provisions. (A) The 1989 Series A Bonds shall be subject to redemption prior to maturity on and after June 1, 1999 in whole or in part at any time from moneys deposited in the Optional Redemption Account in the Redemption Fund at the following Redemption Prices, expressed as percentages of the Principal Amount of each 1989 Series A Bond or portion thereof redeemed, plus accrued interest to the redemption date:

Redemption Dates (Both Dates Inclusive)	Redemption Prices
June 1, 1999 through May 31, 2000	102%
June 1, 2000 through May 31, 2001	101 1/2
June 1, 2001 through May 31, 2002	101
June 1, 2002 through May 31, 2003	100 1/2
June 1, 2003 and thereafter	100

(B) All 1989 Series A Bonds shall be subject to redemption prior to maturity at any time in whole or in part (from such maturities of 1989 Series A Bonds of similar tenor and in such amounts as the Agency shall determine in accordance with the Bond Resolution and by lot within a maturity of 1989 Series A Bonds of similar tenor) at a Redemption Price equal to the Principal Amount of each 1989 Series A Bond or portion thereof to be redeemed, plus accrued interest, if any, to the redemption date, from any moneys deposited in the Special Redemption Account in the Redemption Fund in accordance with the Bond Resolution.

(C) As security for the payment to the Trustee for deposit in the Special Redemption Account of amounts, if any, which may be necessary, pursuant to Paragraph (J) of Section 510 of the Bond Resolution, to purchase or redeem Bonds, the Agency will deliver to the Trustee prior to delivery of the 1989 Series A Bonds an irrevocable letter of credit issued or guaranteed by a commercial bank in an amount up to $355,000 and having an initial term of at least five (5) years. The Agency hereby instructs the Trustee to draw upon such letter of credit to the extent the amount of Bonds to be redeemed at any time as stated in any Officer's Certificate delivered pursuant to said Paragraph (J) exceeds the amount available therefor in the Special Redemption Account including without limitation amounts paid by the Agency

to the Trustee for such purpose from the General Fund or from any other lawful source.

(D) The Term Bonds maturing June 1, 2009, December 1, 2011 and December 1, 2029 shall be subject to redemption prior to maturity in part by operation of Sinking Fund Installments as provided in the Bond Resolution, upon notice as provided in Article VII of the Bond Resolution, commencing on December 1, 2001, December 1, 2009 and June 1, 2012, respectively, and on each June 1 and December 1 thereafter to and including December 1, 2008, June 1, 2011 and June 1, 2029 respectively, as herein provided, at a Redemption Price equal to the Principal Amount of each such Bond or portion thereof to be redeemed, together with accrued interest to the date of redemption. Unless none of the Term Bonds shall then be Outstanding, the Agency shall be required to pay on June 1 and December 1 of each year set forth in the following table, for the retirement of such Term Bonds, the amount set opposite such year in said table, and the said amount so to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such Term Bonds; provided, however, that where there has been special or optional redemption of such Term Bonds subject to Sinking Fund Redemption, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Officer's Certificate filed pursuant to Section 510 of the Bond Resolution prior to such special or optional redemption.

$5,000,000 Term Bonds Maturing June 1, 2009

Date	Sinking Fund Installment	Date	Sinking Fund Installment
December 1, 2001	$ 65,000	December 1, 2005	$320,000
June 1, 2002	250,000	June 1, 2006	340,000
December 1, 2002	260,000	December 1, 2006	350,000
June 1, 2003	270,000	June 1, 2007	365,000
December 1, 2003	280,000	December 1, 2007	375,000
June 1, 2004	290,000	June 1, 2008	395,000
December 1, 2004	300,000	December 1, 2008	405,000
June 1, 2005	315,000	June 1, 2009*	420,000

$2,370,000 Term Bonds Maturing December 1, 2011

Date	Sinking Fund Installment	Date	Sinking Fund Installment
December 1, 2009	$440,000	June 1, 2011	$490,000
June 1, 2010	455,000	December 1, 2011*	510,000
December 1, 2010	475,000		

$44,590,000 Term Bonds Maturing December 1, 2029

Date	Sinking Fund Installment	Date	Sinking Fund Installment
June 1, 2012	$530,000	June 1, 2021	$1,055,000
December 1, 2012	550,000	December 1, 2021	1,105,000
June 1, 2013	575,000	June 1, 2022	1,140,000
December 1, 2013	590,000	December 1, 2022	1,190,000
June 1, 2014	620,000	June 1, 2023	1,235,000
December 1, 2014	640,000	December 1, 2023	1,285,000
June 1, 2015	670,000	June 1, 2024	1,335,000
December 1, 2015	695,000	December 1, 2024	1,390,000
June 1, 2016	720,000	June 1, 2025	1,440,000
December 1, 2016	750,000	December 1, 2025	1,495,000
June 1, 2017	775,000	June 1, 2026	1,560,000
December 1, 2017	810,000	December 1, 2026	1,615,000
June 1, 2018	840,000	June 1, 2027	1,685,000
December 1, 2018	875,000	December 1, 2027	1,745,000
June 1, 2019	910,000	June 1, 2028	1,815,000
December 1, 2019	945,000	December 1, 2028	1,890,000
June 1, 2020	980,000	June 1, 2029	1,960,000
December 1, 2020	1,020,000	December 1, 2029*	6,155,000

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* Maturity

(E) For so long as all 1989 Series A Bonds shall be Outstanding solely in fully registered form, the requirements of Section 702 of the Bond.

Resolution for the publication of notice of redemption in an Authorized Newspaper shall not apply to the 1989 Series A Bonds. Notwithstanding said Section 702, notice of redemption of 1989 Series A Bonds, bearing, in addition to such other information as may be required by Section 702 of the Bond Resolution, the "CUSIP" number of each 1989 Series A Bond or portion thereof to be redeemed, shall be sufficiently given for all purposes of the Resolution if given by mailing a copy of such notice, postage prepaid, not more than sixty (60) days and not less than days thirty (30) before the redemption date, to the registered owners of all 1989 Series A Bonds or portions thereof to be redeemed at their addresses appearing on the registry books. Failure to mail any redemption notice to the registered owner of any 1989 Series A Bond or any defect in such notice shall not affect the redemption of any other 1989 Series A Bond for which the required notice has been given. Notwithstanding anything herein or in the Bond Resolution to the contrary, notice of redemption of any 1989 Series A Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of 1989 Series A Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt requested. If any 1989 Series A Bonds called for redemption as provided herein are not presented for payment within sixty (60) days of the redemption date, the Trustee shall mail an additional notice of the redemption of such 1989 Series A Bonds to the registered owners thereof, provided failure to mail such notice or any defect therein shall not affect

the redemption of such 1989 Series A Bonds on the redemption date therefor. Notice having been given by mailing as aforesaid, the 1989 Series A Bonds so called for redemption shall be due and payable on the redemption date in the manner and with the effect provided in Section 704 of the Bond Resolution.

Section 204. Sale of 1989 Series A Bonds. (A) The 1989 Series A Bonds shall be sold to Drexel Burnham Lambert Incorporated, Shearson Lehman Hutton Inc. and The First National Bank of Boston at the price, on the terms and conditions, and upon the representations set forth in the Purchase Contract which is hereby approved in all respects. The Chairman, the Vice Chairman and the Executive Director are each hereby authorized to execute the Purchase Contract evidencing the acceptance thereof by the Agency.

(B) The distribution of the preliminary Official Statement by the Executive Director is hereby ratified and confirmed in all respects. The final Official Statement is hereby approved and the Chairman, the Vice Chairman and the Executive Director of the Agency are each hereby authorized to permit the distribution of the final Official Statement, with such changes, omissions, insertions and revisions as they shall deem advisable and made pursuant to the Purchase Contract, and to sign and deliver such final Official Statement to Drexel Burnham Lambert Incorporated, Shearson Lehman Hutton Inc. and The First National Bank of Boston.

(C) The 1989 Series A Bonds shall be delivered upon compliance with the provisions of Section 204 of the Bond Resolution, at such time and place as provided by the Purchase Contract.

(D) The proceeds of the good faith check received by the Agency under the Purchase Contract shall be deposited with the Trustee or a Depository in

a special account established by the Agency and invested in Investment Obligations, subject to the terms of the Purchase Contract.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF 1989 SERIES A BOND PROCEEDS

Section 301. Establishment of Accounts.

(A) There is hereby established a separate account designated the "1989 Series A Cost of Issuance Account," moneys in which shall be used for the purposes and as authorized by Paragraph (A) of Section 403 of the Bond Resolution.

(B) There is hereby established a separate account designated the "1989 Series A Capitalized Interest Account," moneys in which shall be used for the purposes and as authorized by Paragraph (B) of Section 403 of the Bond Resolution.

(C) There is hereby established a separate account designated the "1989 Series A Home Mortgage Purchase Program Account," moneys in which shall be used for the purposes and as authorized by Section 402 of the Bond Resolution.

(D) There is hereby established in the General Fund a separate trust account, to be held by the Trustee but not subject to the pledge or lien of the Bond Resolution, designated the "Home Mortgage Purchase Bonds 1989 Series A Rebate Account", moneys in which are pledged to and shall be used for the purposes set forth in Section 401 hereof. As part of the contract of the Agency with the Holders of the Bonds and as required by Section 148 of the Code, the Rebate Account shall not be subject to the claim of any party

(including Bondholders) and shall not be paid over to any party other than the United States or to the Agency to the extent provided in Paragraph (E) of Section 401 hereof.

(E) The Agency hereby covenants to establish such other separate accounts or sub-accounts within the Funds and Accounts established pursuant to the Bond Resolution as may be necessary or desirable to account for proceeds of the 1989 Series A Bonds, Revenues derived from or related to the Program for which the 1989 Series A Bonds are being issued, and all moneys and securities in any Fund or Account in order to comply with Sections 143 and 148 of the Code. Such accounts or sub-accounts may be established at any time upon the written direction of an Authorized Officer.

Section 302. Bond Reserve Requirement. From the date of authentication and delivery of the 1989 Series A Bonds to May 31, 1990 inclusive, the Bond Reserve Requirement shall be the amount determined in accordance with Section 102 of the Bond Resolution but not less than $23,453,520. From June 1, 1990 to November 30, 1990 inclusive, the Bond Reserve Requirement shall be the amount determined in accordance with Section 102 of the Bond Resolution but not less than $21,953,520. On and after December 1, 1990, the Bond Reserve Requirement shall be an amount determined in accordance with the Bond Resolution. In order to determine Bonds allocable to Mortgage Loans financed with the 1989 Series A Bonds, the Agency shall deliver to the Trustee upon the delivery of the 1989 Series A Bonds an Officer's Certificate identifying such Bonds.

Section 303. Transfer from the General Fund; Application of Proceeds.

(A) Upon the delivery of the 1989 Series A Bonds, the Agency shall pay from the General Fund to the Trustee for deposit to the Loan Loss Claim Fund

the sum of $750,000 or such greater or lesser amount such that following such deposit the amount on deposit in the Loan Loss Claim Fund shall equal the Loan Loss Claim Fund Requirement.

(B) The net proceeds of sale of the 1989 Series A Bonds shall be deposited by the Trustee as follows:

(1) To the Interest Account in the Bond Fund the amount of interest accrued on the 1989 Series A Bonds to the date of delivery of such Bonds;

(2) To the 1989 Series A Capitalized Interest Account, $406,197;

(3) To the 1989 Series A Cost of Issuance Account, $185,770;

(4) To the Bond Reserve Fund, $4,115,000, or such greater or lesser amount such that following such deposit the amount on deposit in the Bond Reserve Fund shall at least equal the Bond Reserve Requirement; and

(5) To the 1989 Series A Home Mortgage Purchase Program Account, the balance of such moneys remaining after the foregoing payments.

Section 304. Deposit of Revenues and Withdrawals from Revenue Fund.

(A) Pursuant to Section 503(A)(1) of the Bond Resolution, the Agency hereby determines that until June 1, 1999, all Revenues constituting payments of principal on Mortgage Loans or Defaulted Mortgage Loans financed with the proceeds of the 1989 Series A Bonds shall be deposited in the 1989 Series A Home Mortgage Purchase Program Account, and after June 1, 1999, all such Revenues shall be deposited in the Principal Account in the Bond Fund. Pursuant to Section 405(F) of the Bond Resolution, the Agency hereby determines that until June 1, 1999, there shall be filed with the Trustee at least semi-annually in each year the Officer's Certificate set forth in said Section 405(F). A copy of each such Officer's Certificate shall also be

delivered to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding.

(B) On or before the date of authentication and delivery of the 1989 Series A Bonds, the Agency shall deliver to the Trustee an Officer's Certificate specifying the amounts, if any, on deposit in the Revenue Fund which shall be deposited in the Principal Account in the Bond Fund pursuant to Section 504(B) of the Bond Resolution and the Interest Payment Dates as of which each such payment shall be made. A copy of such Officer's Certificate shall also be delivered to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding.

Section 305. Application of Certain Amounts in Program Account.

(A) Notwithstanding anything in the Bond Resolution to the contrary, if there shall be remaining in the 1989 Series A Home Mortgage Purchase Program Account two years after the date of delivery of the 1989 Series A Bonds any amount deposited therein pursuant to Section 401(6) of the Bond Resolution and Section 303(B)(5) hereof and the Trustee or the applicable Depository shall have transferred such amount to the Principal Account in the Bond Fund as provided in Section 402(D) of the Bond Resolution, the Agency may direct the Trustee to redeposit all or any portion of such amount in the 1989 Series A Home Mortgage Purchase Program Account (provided that following such transfer the amount on deposit in the Principal Account shall be not less than the Principal Account Requirement) by delivering to the Trustee (i) an Officer's Certificate specifying the amount to be so redeposited and setting forth a schedule of anticipated Revenues to be derived from all Mortgage Loans outstanding (exclusive of Mortgage Loans purchased from the proceeds of Notes outstanding) and all Mortgage Loans

expected to be made from amounts then held in the Program Accounts (including the amount to be redeposited in the 1989 Series A Home Mortgage Purchase Program Account), giving effect to any estimated prepayments of principal on Mortgage Loans prior to maturity and stating that the Agency expects that such prepayments will be made on or before the dates as of which they have been estimated to be made in such schedule, together with a schedule of Principal Installments of and interest on all Bonds Outstanding, and showing that such anticipated Revenues, together with any other amounts then held in the Program Accounts, the Bond Fund, the Bond Reserve Fund and the Redemption Fund, will be at least sufficient to pay as and when due all of such Principal Installments and interest and (ii) an opinion of Bond Counsel to the effect that redeposit of such amount will not adversely affect the exclusion from gross income of interest on the 1989 Series A Bonds for federal income tax purposes.

(B) All moneys redeposited in the 1989 Series A Mortgage Purchase Program Account as provided in Paragraph (A) of this Section 305 shall be applied to the purchase of Mortgage Loans in accordance with Section 402(E) of the Bond Resolution or as otherwise provided in the Bond Resolution or herein, provided that any such moneys shall be applied to the purchase of Mortgage Loans or to the redemption of 1989 Series A Bonds, in either case, no later than the date which is 42 months after delivery of the 1989 Series A Bonds. For so long as any such moneys shall remain on deposit in the 1989 Series A Mortgage Purchase Program Account, the Agency shall file with the Trustee and each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding not less often than semi-annually an

Officer's Certificate satisfying the requirements of Section 405(F) of the Bond Resolution.

(C) If at any time the Agency shall be unable to file with the Trustee an Officer's Certificate (i) satisfying the requirements of Section 405(F) of the Bond Resolution or (ii) satisfying the requirements of Section 402(E) of the Bond Resolution, in either case without application of amounts on deposit in the 1989 Series A Mortgage Purchase Program Account to the payment of Principal Installments of 1989 Series A Bonds Outstanding pursuant to Section 506 of the Bond Resolution or to the redemption of 1989 Series A Bonds Outstanding pursuant to Section 510 of the Bond Resolution and Section 204(B) hereof, the Trustee shall transfer to the Principal Account in the Bond Fund all amounts on deposit in the 1989 Series A Mortgage Purchase Program Account or such portion thereof as may be directed by the Agency in an Officer's Certificate satisfying the requirements of said Section 405(F).

(D) The Agency covenants that at least 90 percent (90%) of the amount originally deposited in the 1989 Series A Mortgage Purchase Program Account shall be applied to the purchase of Mortgage Loans bearing interest at a rate of 8.80% per annum and the balance of such moneys shall be applied to the purchase of Mortgage Loans bearing interest at not less than 7.80% per annum; provided that the Agency may apply amounts in the 1989 Series A Mortgage Purchase Program Account in excess of ten percent (10%) of the amount originally deposited in the 1989 Series A Mortgage Purchase Program Account to the purchase of Mortgage Loans bearing interest at a rate of less than 8.80% (but not less than 7.80%) if the Agency delivers or causes to be delivered to the Trustee (i) an Officer's Certificate satisfying the

requirements of Section 402(E) of the Bond Resolution (a copy of which shall also be delivered to each Nationally Recognized Credit Rating Agency then maintaining a rating on any Outstanding Bonds) and (ii) written confirmation from each Nationally Recognized Credit Rating Agency then maintain a rating on any Outstanding Bonds that such purchase of Mortgage Loans will not cause such Nationally Recognized Credit Rating Agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned to the Bonds Outstanding.

(E) The Agency further covenants that no more than five percent (5%) of the amount originally deposited in the 1989 Series A Mortgage Purchase Program Account shall be applied to the purchase of Mortgage Loans for the construction of a residence, provided that the Agency may apply amounts in the 1989 Series A Mortgage Purchase Program Account to the purchase of such Mortgage Loans in excess of such amount if the Agency delivers or causes to be delivered to the Trustee written confirmation from each Nationally Recognized Credit Rating Agency then maintaining a rating on any Outstanding Bonds that such purchase of Mortgage Loans will not cause such Nationally Recognized Credit Rating Agency to lower, suspend, remove or otherwise modify adversely the credit ratings then assigned to the Bonds Outstanding.

ARTICLE IV

SPECIAL COVENANTS

Section 401. Rebate Account. (A) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall deposit to the Rebate Account at least once every five (5) 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 that would have been earned if such Nonpurpose Investments were invested at a Yield equal to the Yield on the 1989 Series A Bonds, plus (ii) any income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amounts to the United States in a manner and at the times consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the Rebate Account and available therefor is sufficient for such payment, and to establish such accounting procedures as are required to determine the Rebate Requirement.

(B) In the event that, at the time of any required payment out of the Rebate Account, the amount in the Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall deposit in the Rebate Account the amount of the deficiency from the General Fund or from any other moneys available to the Agency and not subject to the pledge or lien of the Bond Resolution.

(C) In the event that on any Interest Payment Date the amount on deposit in the Rebate Account exceeds the Rebate Requirement (calculated as of such Interest Payment Date), the Trustee, at the written direction of an Authorized Officer of the Agency, shall pay such excess amount to the Agency for deposit in the General Fund.

(D) For the purposes of this Section 401 and Section 403(D) the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code.

(E) The Agency and the Trustee shall keep such records as will enable them to fulfill the responsibilities under this section and Section 148(f)

and shall retain such records for at least six years following final payment of the 1989 Series A Bonds.

(F) The purpose of this Section 401 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 402. Covenant to Comply with the Code. The Agency covenants at all times to do and perform all acts and things permitted by law and necessary or desirable in order to comply with the Code to assure that interest paid by the Agency on the 1989 Series A Bonds will be and will remain excluded from gross income for federal income tax purposes and to refrain from any action which would cause interest on the 1989 Series A Bonds to become included in such gross income.

Section 403. Additional Requirements for Purchase of Mortgage Loans.

(A) Each Mortgage Loan acquired by the Agency out of amounts in the 1989 Series A Home Mortgage Purchase Program Account shall meet the following requirements at the date of purchase thereof in addition to the requirements set forth in Section 406 of the Bond Resolution:

(1) The Mortgagor shall have certified that the proceeds of the Mortgage Loan (a) will be used only to acquire or, in the case of a Qualified Rehabilitation Loan, rehabilitate a one or two family residence (which for purposes of this clause does not include property which under applicable local law is not a fixture, or land appurtenant to such residence which does not reasonably maintain the basic livability of such residence or which provides the Mortgagor, other than incidentally, with a source of income) owned or to be owned by the Mortgagor and located in the State, and

(b) except in the case of a Qualified Rehabilitation Loan, will not be used to acquire or replace an existing mortgage or debt for which the Mortgagor is liable, except a construction period loan, bridge loan or similar temporary initial financing (within the meaning of the Code), including for such purpose temporary financing by the Agency in anticipation of the issuance of the 1989 Series A Bonds provided under a line of credit or from other money available to the Agency, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that the Mortgagor has failed to apply said proceeds in accordance with this clause (1)

(2) The Mortgagor shall have certified with respect to the residence to be acquired or rehabilitated that on the date of execution or assumption of the Mortgage Loan that the Mortgagor (a) occupies or intends to occupy such residence (or in the case of a two family residence, a unit of such residence) as his principal and permanent place of residence within sixty (60) days (ninety (90) days in the case of a Mortgage Loan for the purchase and rehabilitation of a residence or a reasonable time, as determined by the Agency, in the case of a Mortgage Loan for the construction of a residence) after the date of execution or assumption of the Mortgage Loan, (b) intends thereafter to continually occupy the residence (or a unit in such residence) as his principal and permanent residence, and (c) does not intend to use such residence (or such unit of such residence) primarily in a trade or business, as an investment property or as a recreational or seasonal residence, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any of such Mortgagor certifications were not made in good faith. With respect to any

Mortgage Loan the proceeds of which were used to acquire or rehabilitate a two family residence, the Mortgagor shall have certified that such residence was first occupied as a residence at least five (5) years before the date that the Mortgage Loan was executed, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that such Mortgagor certification is not true.

(3) Except in the case of a residence located in an Area of Chronic Economic Distress or in the case of a Qualified Rehabilitation Loan, the Mortgagor shall have certified that the Mortgagor had no present ownership interest in a principal residence of the Mortgagor at any time during the three (3) year period ending on the date the Mortgage Loan is executed, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any Mortgagor certification required by this clause (3) is not true. Furthermore, the Mortgage Lender or the Agency shall (a) examine copies of the income tax returns as filed by the Mortgagor with the Internal Revenue Service for the three years preceding the date each such Mortgage Loan is executed or other evidence sufficient to verify that during the preceding three (3) years the Mortgagor did not claim deductions for taxes or interest on indebtedness with respect to property constituting a principal residence, or (b) obtain an affidavit that the Mortgagor was not required to file a federal income tax return during one or all of the preceding three (3) years in accordance with Section 6012 of the Code because the Mortgagor did not satisfy the minimum income limits contained therein, provided, however, that such requirement need only be satisfied with respect to at least 95% of the proceeds of the 1989 Series A Bonds not used to purchase Mortgage Loans made to finance residences located

in Areas of Chronic Economic Distress or to purchase Mortgage Loans which constitute Qualified Rehabilitation Loans.

(4) The Mortgagor and the seller, if any, of the residence shall have certified that the acquisition cost of the residence (determined, in the case of a Qualified Rehabilitation Loan, as provided in Paragraph (6) of this Section 403(A)) does not exceed 90% (or, if the residence is located in an Area of Chronic Economic Distress, 110%) of the currently effective "safe harbor" average area purchase price applicable to such residence published by the U.S. Treasury Department for the statistical area in which the residence is located, and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any Mortgagor certification required by this clause (4) is not true.

(5) The Mortgagor shall have certified that the Mortgagor's family income does not exceed 115% (100% in the case of a family of two or less individuals), or 140% (120% in the case of a family of two or less individuals) in the case of mortgage financing provided for residences located in Areas of Chronic Economic Distress, of the greater of (i) the median family gross income for the area in which the residence is located or (ii) the statewide median family gross income. For the purpose of this certification, the Mortgagor's family income shall be determined in accordance with the Code. The Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any Mortgagor certification required by this clause (5) is not true.

(6) With respect to any Qualified Rehabilitation Loan, the Mortgagor and, if applicable, the seller of the property shall have certified the following:

(a) that the Mortgagor will be the first resident of the residence after completion of the rehabilitation;

(b) that there is a period of at least twenty (20) years between the date on which the building was first used and the date on which physical work on the rehabilitation began or will begin;

(c) in the rehabilitation process,

(i) 50 percent or more of the existing external walls of the building will be retained in place as external walls,

(ii) 75 percent or more of the existing external walls of the building will be retained in place as internal and external walls, and

(iii) 75 percent or more of the existing internal structural framework of the building will be retained in place;

(d) that the expenditures for rehabilitation are twenty-five percent (25%) or more of the Mortgagor's adjusted basis in the residence (including the land on which the residence is located) determined in accordance with Section 1221 of the Code as of the date of completion of the rehabilitation or, if later, the date of the Mortgagor's acquisition of the residence; and

(e) the Mortgagor's adjusted basis in the residence determined as provided in clause (d) above does not exceed ninety percent (90%) (or, if the residence is located in an Area of Chronic Economic Distress, one hundred and ten percent (110%)) of the "average area purchase price" applicable to such residence, as defined in Section 143(e) of the Code, for the statistical area in which the residence is located and effective at the closing of the Qualified Rehabilitation Loan,

and such Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any of such Mortgagor certifications required by this clause (6) are not true.

(7) The Agency shall not permit the assumption of any Qualified Rehabilitation Loan. The Agency shall not permit the assumption of any other Mortgage Loan unless the assuming Mortgagor makes the certifications required by clauses (2), (3), (4) and (5) of this Paragraph and the Mortgage Loan shall provide that it shall become immediately due and payable if the Agency discovers that any of the Mortgagor certifications required by clauses (2), (3), (4) and (5) were not made in good faith.

(8) The Agency is authorized to purchase Mortgage Loans made to finance the construction as well as the ownership of single family residential housing consisting of only one unit provided that any such Mortgage Loan satisfies the requirements of the Act, the Code, the Bond Resolution and this 1989 Series A Resolution.

(B) In the event the Agency discovers that any Mortgage Loan fails to meet any of the requirements of Paragraph (A) of this Section 403, the Agency shall, within ninety (90) days of such discovery, either (1) sell the Mortgage Loan, (2) declare the Mortgage Loan to be immediately due and payable and take all action necessary to promptly recover from the Mortgagor all amounts due on the Mortgage Loan, or (3) substitute for such Mortgage Loan another Mortgage Loan satisfying all of the requirements of Paragraph (A) of this Section 403 and all other requirements of the Bond Resolution.

(C) At least twenty per cent (20%) of the amount deposited in the 1989 Series A Home Mortgage Purchase Program Account shall be reserved, for at least one (1) year from the date financing is first made available for

Mortgage Loans with the proceeds of the 1989 Series A Bonds, to purchase Mortgage Loans the proceeds of which will be used to acquire or, in the case of Qualified Rehabilitation Loans, rehabilitate residences in Areas of Chronic Economic Distress.

(D) At no time during any Bond Year shall the amount of Gross Proceeds (as defined in Section 148(f)(6)(B) of the Code) of the 1989 Series A Bonds which are invested in Nonpurpose Investments at a Yield in excess of the Yield on the 1989 Series A Bonds exceed 150% of the "debt service" on the 1989 Series A Bonds for such Bond Year. The aggregate amount invested as provided in the preceding sentence shall be promptly and appropriately reduced by the Agency as the Mortgage Loans financed with the proceeds of the 1989 Series A Bonds are repaid, provided, however, that the Agency shall not be required to sell or dispose of any Nonpurpose Investment if such sale or disposition would result in a loss which exceeds the amount which would be paid to the United States under Section 401(A) of this 1989 Series A Resolution (but for such sale or disposition) at the time of such sale or disposition. In calculating the "debt service" due in a Bond Year on all 1989 Series A Bonds, the Agency shall not take into account amounts scheduled with respect to any 1989 Series A Bonds which have been redeemed before the beginning of such Bond Year. The requirement of this Section 403(D) shall not apply to (1) proceeds of the 1989 Series A Bonds invested for an initial temporary period until such proceeds are needed for the governmental purpose of the 1989 Series A Bonds, and (2) temporary investment periods related to debt service.

(E) In order to comply with the requirements of Section 143(m) of the Code, the Agency covenants to cause to be provided to each Mortgagor, if

any, whose Mortgage Loan is closed after December 31, 1990, (i) at the time of closing of such Mortgage Loan, a written statement informing the Mortgagor of the potential recapture of the federal subsidy under Section 143(m) and (ii) within 90 days of the closing of the Mortgage Loan a written statement specifying the federally-subsidized amount with respect to such indebtedness (as defined in Section 143(m)) and a schedule of recapture amounts for each category of family size for each year of the ten (10) year period referred to in Section 143(m).

(F) The provisions of this Section 403 shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the 1989 Series A Bonds shall be and remain excludable from gross income for federal income tax purposes; provided, however, that the Agency shall not be required to comply with any such provision with respect to the 1989 Series A Bonds in the event the Agency receives an Opinion of Bond Counsel 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 Section 403 will satisfy the requirements of the Code, in which case compliance with such other provision specified in the Opinion of Bond Counsel shall constitute compliance with the provisions specified in this Section 403. The Agency shall adopt a Supplemental Resolution reflecting the deletion or substitution of any such provision of this Section 403 in the same manner as provided for Supplemental Resolutions adopted in accordance with Section 801 of the Bond Resolution.

ARTICLE V

FORM OF 1989 SERIES A BONDS

Section 501. Form of 1989 Series A Bonds. (A) All 1989 Series A Bonds authenticated and delivered hereunder shall be in such form and shall bear such terms and conditions, not inconsistent with the Bond Resolution or this 1989 Series A Resolution, as the Chairman or Executive Director of the Agency shall determine and certify to the Trustee on or prior to the date of original authentication and delivery of any 1989 Series A Bonds hereunder.

ARTICLE VI

MISCELLANEOUS

Section 601. Authorization of Officers. The Chairman, Vice Chairman or any other Commissioner, Treasurer, Executive Director, Director of Finance, Director of Operations and Secretary are, and each of them is, hereby authorized and directed to do all acts and things and to execute and deliver the Representation Letter substantially in the form attached hereto as Exhibit A and any and all other documents, certificates, and instruments necessary or desirable to effectuate the transactions contemplated by this 1989 Series A Resolution, the Bond Resolution, the Purchase Contract and the Official Statement.

Section 602. Governmental Program Requirement. The Agency shall not make any arrangement, formal or informal, pursuant to which any Mortgage Lender or other person (including any related person as defined in Section 144(a)(3) of the Code) from whom the Agency may purchase a Mortgage Loan

under the Program, shall purchase Bonds in an amount related to the amount of such Mortgage Loan.

Section 603. Reimbursement Agreement. The Reimbursement Agreement and the Note (as defined in the Reimbursement Agreement) are hereby approved in substantially the forms presented to this meeting with such changes, omissions, insertions and revisions thereto as the Chairman, Vice-Chairman or any other Commissioner, Treasurer, Executive Director or Director of Finance executing the same may deem advisable, the execution thereof by such person to be conclusive evidence of their approval of all such changes, omissions, insertions and revisions. Each of said officers are, and each of them is, hereby authorized and directed to execute the Reimbursement Agreement and the Note referred to therein and to deliver the same to The First National Bank of Boston.

Section 604. Record Date for Consents. For so long as the 1989 Series A Bonds shall be registered solely in the name of the Bond Depository, the record date for purposes of obtaining Bondholder consent shall be the date of mailing by the Trustee of a request for such consent to the Bond Depository.

Section 605. Effective Date. This 1989 Series A Resolution shall take effect immediately.

Exhibit A

June 21, 1989

The Depository Trust Company
7 Hanover Square, 24th Floor
New York, New York 10004

Attention: General Counsel's Office

Re: $55,540,000 Vermont Housing Finance Agency Home Mortgage Purchase Bonds, 1989 Series A (the "Bonds")

Gentlemen:

The purpose of this letter is to set out certain matters relating to the issuance by the Vermont Housing Finance Agency (the "Issuer") of the Bonds. The Howard Bank, N.A., Burlington, Vermont (the "Trustee") is acting as trustee with respect to the Bonds pursuant to a General Bond Resolution adopted on July 8, 1983 and a Series Resolution adopted on May 25, 1989 (the "Series Resolution") (collectively, the "Resolutions"). Drexel Burnham Lambert Incorporated, Shearson Lehman Hutton Inc. and The First National Bank of Boston (the "Underwriters") are distributing the Bonds to The Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC and act in accordance with its Rules with respect to the Bonds, the Issuer and the Trustee make the following representations to DTC:

1. Subsequent to closing on the Bonds on June 21, 1989 the Issuer will cause the Underwriters to deposit with DTC one Bond certificate registered in the name of DTC's nominee, CEDE & CO., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds.

2. In the event of any solicitation of consents from and voting by holders of the Bonds, the Issuer or Trustee shall establish a Record Date for such purposes and give DTC notice of such Record Date not less fifteen (15) calendar days in advance of such Record Date to the extent possible.

3. In the event of a redemption or any other similar transaction resulting in retirement of all Bonds outstanding or a reduction in aggregate principal amount of Bonds outstanding ("full or partial redemption") or an advance refunding of all or part of the Bonds outstanding, the Issuer or Trustee shall give DTC notice of such event not less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.

4. In the event of a partial redemption or an advance refunding of part of the Bonds outstanding, the Issuer or Trustee shall send DTC a notice specifying: 1) the amount of the redemption or refunding; 2) in the case of a refunding, the maturity date(s) established under the refunding; and 3) the date such notice is to be mailed to Bondholders or published (the "Publication Date"). Such notice shall be sent to DTC by a secure means (e.g. legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or Trustee will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers which includes a manifest or list of each CUSIP submitted in that transmission. (The Issuer or Trustee sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Publication Date shall not be less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.

5. In the event of an invitation to tender the Bonds, notice to Bondholders by the Issuer or Trustee specifying the terms of the tender and the date such notice is to be mailed to Bondholders or published (the "Publication Date") shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. (The Issuer or Trustee sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.)

6. All notices and payments addressed to DTC shall contain the CUSIP number of the Bonds.

7. Notices to DTC by facsimile transmission shall be sent to DTC's Call Notification Department at (516) 227-4039 or (516) 227-4190. Notices to DTC by any other means shall be forwarded to:

The Depository Trust Company
Call Notification Department
Muni Reorganization Manager
711 Stewart Street
Garden City, New York 11530

8. Interest payments shall be received by CEDE & CO., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between the Issuer or Trustee and DTC). Such payments shall be made payable to the order of "CEDE & CO."

9. Payments of principal shall be received by CEDE & CO., as nominee of DTC, or its registered assigns in next day funds on each payment date. Principal payments shall be made payable to the order of CEDE & Co., and shall be addressed as follows:

The Depository Trust Company
Muni Redemption Department
55 Water Street - 23rd Floor
New York, New York 10041
Attention: Collection Supervisor

10. DTC may direct the Trustee to use any other telephone number for facsimile transmission, address or department of DTC as the number, address or department to which payments of interest or principal or notices may be sent.

11. In the event of a redemption, acceleration or any other similar transaction (e.g., tenders made and accepted in response to the Issuer's or Trustee's invitation) necessitating a reduction in aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC, in its discretion, (a) may request the Issuer to issue and the Trustee to authenticate a new Bond certificate or (b) the Trustee shall make an appropriate notation on the Bond certificate indicating the date and amounts of such reduction in principal, except in the case of final maturity, in which case the certificate must be presented to the Trustee prior to payment.

12. In the event the Issuer determines pursuant to the Resolutions that beneficial owners of the Bonds shall be able to obtain certificated Bonds, the Issuer or Trustee shall notify DTC of the availability of Bond certificates and the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates in appropriate amounts as required by DTC and others.

13. DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Trustee (at which time DTC will confirm with the Issuer or Trustee the aggregate principal amount of the Bonds outstanding) and discharging its

responsibilities with respect thereto under applicable law. Under such circumstances, whenever DTC requests the Issuer and Trustee to do so, the Issuer and the Trustee will cooperate with DTC in taking appropriate action to make available one or more separate certificates evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account.

14. Nothing herein shall be deemed to require the Trustee to advance funds on behalf of the Issuer.

Upon request, DTC will provide the Trustee with exemplars of signatures of those authorized to act on its behalf, which will be subject to change by DTC, and the Trustee, and the Issuer agree to accept direction from such persons or their designated successors on behalf of DTC.

Very truly yours,

THE HOWARD BANK, N.A.

By: _____
Authorized Officer

VERMONT HOUSING FINANCE AGENCY

By: _____
Authorized Officer

Accepted by:

THE DEPOSITORY TRUST COMPANY

By: _____
Authorized Officer

cc: Drexel Burnham Lambert Incorporated
Shearson Lehman Hutton Inc.
The First National Bank of Boston
Orrick, Herrington & Sutcliffe

Schedule A

$55,540,000 Vermont Housing Finance Agency
Home Mortgage Purchase Bonds, 1989 Series A

Date	Principal Amount	Interest Rate
December 1, 1991	$ 125,000	6.75%
June 1, 1992	125,000	6.80
December 1, 1992	125,000	6.80
June 1, 1993	135,000	6.90
December 1, 1993	140,000	6.90
June 1, 1994	140,000	6.90
December 1, 1994	150,000	6.90
June 1, 1995	150,000	7.00
December 1, 1995	160,000	7.00
June 1, 1996	160,000	7.05
December 1, 1996	170,000	7.05
June 1, 1997	175,000	7.10
December 1, 1997	185,000	7.10
June 1, 1998	185,000	7.15
December 1, 1998	195,000	7.15
June 1, 1999	205,000	7.20
December 1, 1999	205,000	7.20
June 1, 2000	220,000	7.25
December 1, 2000	220,000	7.25
June 1, 2001	235,000	7.30
December 1, 2001	175,000	7.30
June 1, 2009	5,000,000	7.65
December 1, 2011	2,370,000	7.70
December 1, 2029	44,590,000	7.85

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: June 16, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: DALTON DRIVE UPDATE

Option Status: We are continuing negotiations in earnest with UVM. Most of the issues have been resolved, and I am hopeful to have a signed option by the day of the Board meeting.

Architectural Services: We have negotiated the next phase of the architectural services for this project. While we attempted to structure the contract on an hourly basis with a not-to-exceed limit, we found that it was going to be much too expensive. Rather, we have signed a lump sum contract for $53,000 with a provision allowing us to stop work at any time and pay only a *pro rata* share of the total. The lump sum will get us to the point of starting construction.

Negotiations with Engelberth Construction: Emily Wadhams and I had a long meeting with Otto Engelberth and Dave Fuerney representing Engelberth Properties, to discuss the possibility of them taking on the role of developer in conjunction with us. They would assume the risk of the upper-end units, as well as handle more of the coordination of the project (design coordination, permits, marketing, etc.). While we did not discuss fees, we did make it clear that the project cannot incur significant additional soft costs and remain affordable.

We believe that Engelberth is the obvious choice to develop this project. Not only are they familiar with the project from a construction/cost perspective, they also have their offices at the Fort and have expressed desire to do more work in affordable housing.

I would hope to have a preliminary proposal to discuss with the Board on June 22, although Engelberth has not given us a proposal as of this date.

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

M E M O R A N D U M

DATE: June 16, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: FANNIE MAE ATTENDANCE AT BOARD MEETING

Jack Gallagher, Director of Public Finance for Fannie Mae, and John Carlisi, Investment Officer for Low- and Moderate-Income Housing for Fannie Mae, will both be attending the VHFA Board meeting on June 22, 1989.

Jack and John wish to express their enthusiasm and appreciation to the Board for the active role VHFA has played in developing programs to further affordable housing and in enlisting Fannie Mae as a partner in those programs. Specifically, they regard the Vermont Secondary Market Program ("Fannie Moo") and the Heineberg project as innovative and significant models Fannie Mae can replicate in doing business with other state HFAs.

John and Jack will also discuss briefly Fannie Mae's potential involvement in the Northgate project as an equity investor and in the Dalton Drive project as purchaser of the loans on the market-rate units.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: June 16, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: THE (FISCAL) YEAR IN REVIEW

As we approach our new fiscal year, it may be helpful for all of us to review what we have accomplished over the past year.

Single Family Production: The Agency committed or purchased 859 loans totalling $51,412,000. In addition, we have reserved funds for an additional 394 loans amounting to over $23 million. We issued 102 Mortgage Credit Certificates (MCCs), made 17 energy loans, 27 Farmers Home loans and 10 energy loans through CVPS. Total dollars involved were $58,482,000!

Multi-Family Production: Three significant projects received VHFA commitments; Riverside $2.7 million, Heineberg $2.0 million, and Winchester Place $7.7 million.

In addition, we committed $700,000 worth of tax credits resulting in 160 additional affordable units being produced.

Housing Vermont Equity Fund Sale: VHFA assisted Housing Vermont in soliciting investors to pledge $4.5 million of equity to finance affordable housing.

Preservation: A major amount of time has been devoted to the preservation of existing subsidized projects. While the Gates are the biggest (700 units, $40 million), we have also negotiated HAP Contract lock-ins and/or options to purchase on 144 units of Section 8, are negotiating on an additional 175 units, and discussing financing the sale of 102 units of Section 8 to Housing Vermont.

Vermont Housing Ventures: The VHV revolving loan fund has loaned or committed to loan $187,000 involving 588 units.

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Special Projects:

> Dalton Drive (Fort Ethan Allen)

> Secondary Market: We have received FNMA's approval for a $100 million MBS program

> Energy Rated Homes: ERH of Vermont has conducted 420 home energy ratings, resulting in 126 energy efficient mortgages.

> Home Buyer Days: Six home buyer workshops were held around the state, serving over 350 Vermonters.

> TEAM (Tenant Education and Assistance Model): VHFA received a grant from the Robert Wood Johnson Foundation as part of a three-year grant to assess and develop supportive services for seniors.

> Funded Burlington Housing Authority/VEIC co-generation project.

Special Publications:

> Nonprofit Housing Resource Guide

> First Time Home Buyer's Workbook

STATISTICAL REPORT PROGRAM ID: 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans:	569
Total Loan Amount:	$36,349,666
Average Loan Amount:	$63,883

EXISTING:	$27,418,138	76.9%	438 Loans
NEW CONSTRUCTION:	$8,931,528	23.0%	131 Loans
NEW DETACHED HOUSING:	$7,632,538	85.4%	111 Loans
NEW CONDOMINIUM:	$1,298,990	14.5%	20 Loans

Total Insured or Guaranteed Loans:	526
Loans Guaranteed by VHMGB:	522

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$68,881	$74,423	$70,731
Avg. Loan Amount	$61,731	$68,176	$63,883
Avg. Borrower Income	$28,403	$29,812	$28,873
Avg. Housing Debt-Income Ratio	25.7%	27.5%	26.3%
Avg. Total Debt	$794.59	$867.50	$818.93
Avg. Total Debt-Income Ratio	33.5%	34.9%	34.0%
Total No. of Loans	379	190	569
% of Total Loan Amount	64.4%	35.6%	100.0%
First Time Homebuyers	82.3%	100.0%	88.2%
% Meeting Low Income Set Aside	30.6%	41.0%	34.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	22	3.9%	$1,445,761	5,000	5.8%	1.9-
Bennington	23	4.0%	$1,443,654	6,000	7.0%	3.0-
Caledonia	31	5.4%	$1,723,989	5,000	5.8%	0.4-
Chittenden	130	22.8%	$9,143,253	16,000	18.6%	4.2
Essex	2	0.4%	$70,675	1,000	1.2%	0.8-
Franklin	90	15.8%	$5,940,645	6,000	7.0%	8.8
Grand Isle	4	0.7%	$266,005	1,000	1.2%	0.5-
Lamoille	32	5.6%	$1,942,404	3,000	3.5%	2.1
Orange	17	3.0%	$1,037,172	4,000	4.7%	1.7-
Orleans	29	5.1%	$1,421,070	4,000	4.7%	0.4
Rutland	80	14.1%	$5,156,018	10,000	11.6%	2.5
Washington	63	11.1%	$3,853,090	9,000	10.5%	0.6
Windham	35	6.2%	$2,251,093	7,000	8.1%	1.9-
Windsor	11	1.9%	$654,837	9,000	10.5%	8.6-
TOTAL	569	100.0%	$36,349,666	86,000	100.0%	

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

AS OF: 06/14/89
PAGE NO. 1

Vermont Housing Finance Agency
1988 Series B - $54,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.900%
Date : 06/14/89

Report: 1130
PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$2,857,160	5.2%	$2,320,714	4.2%	$1,204,645	$1,116,069
Bennington Coop Savings & Loan Assn Inc		$269,025	0.4%	$269,025	0.4%	$188,275	$80,750
Caledonia National Bank of Danville, The		$768,800	1.4%	$573,900	1.0%	$246,725	$327,175
Chittenden Trust Company		$8,134,885	15.0%	$7,521,966	13.9%	$3,208,407	$4,313,559
Commonwealth Mortgage Company, Inc		$291,500	0.5%	$291,500	0.5%	$0	$291,500
Community National Bank		$781,549	1.4%	$681,649	1.2%	$160,274	$521,375
Factory Point National Bank, The		$243,425	0.4%	$181,675	0.3%	$52,000	$129,675
First Northern Mortgage Corporation		$66,500	0.1%	$66,500	0.1%	$0	$66,500
First Twin-state Bank		$129,598	0.2%	$129,598	0.2%	$0	$129,598
Franklin-Lamoille Bank		$1,772,656	3.2%	$1,497,129	2.7%	$836,904	$660,225
Granite Savings Bank and Trust Company		$132,900	0.2%	$132,900	0.2%	$132,900	$0
Howard Bank, National Assn, The		$2,933,684	5.4%	$2,140,204	3.9%	$921,900	$1,218,304
Lyndonville Savings Bank & Trust Company		$319,350	0.5%	$259,350	0.4%	$70,775	$188,575
Marble Bank		$795,434	1.4%	$463,126	0.8%	$121,287	$341,839
Merchants Bank, The		$2,470,600	4.5%	$1,889,755	3.4%	$706,600	$1,183,155
National Bank of Middlebury, The		$512,055	0.9%	$444,130	0.8%	$150,900	$293,230
New England IBM Employees Fed Crdt Union		$706,126	1.3%	$706,126	1.3%	$265,400	$440,726
Northfield Savings Bank		$852,745	1.5%	$576,815	1.0%	$353,040	$223,775
Passumpsic Savings Bank		$1,301,314	2.4%	$803,877	1.4%	$396,075	$407,802
Peoples Trust Company of St Albans		$351,005	0.6%	$259,205	0.4%	$0	$259,205
Proctor Bank		$599,295	1.1%	$460,100	0.8%	$170,000	$290,100
Randolph National Bank		$304,605	0.5%	$164,955	0.3%	$0	$164,955
Statewide Funding Corporation		$1,128,812	2.0%	$920,412	1.7%	$169,100	$751,312
Union Bank		$1,747,344	3.2%	$1,438,994	2.6%	$565,365	$873,629
Valley Bank		$191,400	0.3%	$104,000	0.1%	$0	$104,000
Vermont Federal Bank, FSB		$8,868,549	16.4%	$7,006,065	12.9%	$3,546,772	$3,459,293
Vermont Mortgage Group, Inc		$1,251,469	2.3%	$835,469	1.5%	$323,950	$511,519
Vermont National Bank		$5,442,092	10.0%	$4,369,615	8.0%	$1,136,504	$3,233,111
TOTALS	715 Loans	$45,223,884	83.7%	$36,508,754	67.6%	$14,927,798	$21,580,956

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: June 15, 1989

TO: VHFA Board of Commissioners

FROM: Patricia A. Crady PAC

SUBJECT: 7.9% Perpetually Affordable Housing Program

We received a request for a reservation of 7.9% funds from Lake Champlain Housing Development Corporation for a limited equity condomimium project they are considering in Winooski. LCHDC is presently negotiating with THA Associates for the purchase of their 24 unit rental project at 300 Main Street, Winooski. All units are currently market rate. ($565 - $600 not including utilities) Attached is a copy of LCHDC's application and summary of the proposed project.

VHFA's current condominium policy restricts our financing of units in conversion projects until they have been in control of the homeowners for at least two years and limits our financing of units to the individuals occupying the property at the time notice of conversion was given. When establishing this policy, we assumed that all projects would be the conversion of market rate rental to market rate homeownership and did not contemplate market rate rental to perpetually affordable homeownership.

Other nonprofit housing developers are working on converting rental projects to limited equity cooperatives and at one time this option was being considered for Northgate. We feel that we will be asked to finance a number of such projects in the near future and look for your guidance in establishing a policy for the conversion of rental to limited equity home ownership.

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802/864-5743 • 1-800/222-VHFA

VERMONT HOUSING FINANCE AGENCY

Perpetually Affordable Housing Program

REQUEST FOR RESERVATION
(please complete for each project)

Name of Applicant/Organization: Lake Champlain Housing Development Corporation

Address: 27 West Allen Street, Winooski, VT 05404

Contact Person: Kenn Sassarossi
Erhard Mahnke **Telephone:** 655-1080

Type of Project: (briefly describe and include number of units.)
See Attachment

Projected Purchase Prices of units: $43,000 - $45,000 per unit

Location of Project: 300 Main Street, Winooski, VT

Status of Permits: N/A

Scheduled dates for completion: (If phased, please indicate number of units in each phase and completion dates.)
Conversion to limited equity condominiums would be phased in over the next nine months to two years, in accordance with Vermont condo conversion statutes.

Perpetual Affordability Formula: (Briefly describe how the units will be perpetually affordable and attach copies of any lease agreements, deed restrictions, etc.) See Attached

Selection Process: (Briefly describe how home buyers will be selected or attach a copy of your written process.)
See Attached

Requested reservation 7.9% funds: $ 630,000 **for** 14 **units**

Type of Project:

LCHDC proposes to acquire the existing 24 unit market rate rental property, hold the land in trust perpetually, and sell the apartments to either the current tenants or to income eligible applicants as limited equity condominiums.

Current rents are between $565 and $600 per month, not including utilities. Heat is gas hot water. Twenty apartments are two bedroom townhouses, four are flats, and two of the units are handicapped accessible. The project was constructed in 1985-86.

At a sales price of $43,000 per unit, 7.9% financing will make units affordable to a household earning $22,240 a year, which is 58% of median area income for a household of four, 64% for a household of three, and 72% for a two person household. The sales price of the units is for the apartments only, since the land would remain in LCHDC ownership forever. Monthly mortgage costs, taxes, insurance and condo fee are projected at $560, which is just below the lowest current rents. The anticipated downpayment required is approximately $2,250.

Perpetual Affordability Formula:

LCHDC will work with the Burlington Community Land Trust (BCLT) and the Winooski Coop Program to devise a limited equity formula that keeps the units perpetually affordable. It is anticipated that either BCLT's current single family formula, which allows for 25% of market rate appreciation, or Winooski's formula, which allows for appreciation in the amount of actual debt retirement plus an inflation factor, would be used.

Selection Process:

Existing income eligible tenants would be given first priority. All applicants will be screened for income elligibility, income or benefit stability, employment history, credit history and ability to meet the responsibilities of home ownership. Criteria developed for the Winooski Coop Program (see attached) will be modified and adapted to correspond to VHFA underwriting criteria and to the limited equity condo situation.

Winooski Coop Program

Tenant Selection Policy

Since tenants selected for properties purchased for the Coop Program will, upon conversion, become coop members, the criteria followed in their selection are somewhat different from those normally used by a landlord in selecting tenants. The criteria used are grouped according to whether they are threshold criteria for acceptance into the Coop Program or bonus criteria for establishing priority status among applicants accepted into the program.

Threshold Criteria

* Low/Moderate Income: Tenants must have a combined gross income that is at or below 80% of median area income adjusted for family size, as defined annually by the U.S. Deparment of Housing & Urban Development (HUD).

* Stability of Income: Tenants must have a stable source of income. Stability may be demonstrated in a number of ways, such as ability to remain successfully employed for 2 or more years in either a current or previous job; regular receipt of financial assistance through ANFC, Section 8, SSI or other benefit programs; regular employment in seasonal work over the course of the past two years; or a stable history of self-employment. Whatever the source of income may be, its history should be sufficient to ensure the reasonable assumption of its future stability.

* Household Size: A tenant's household size must match the capacity of the available unit based on criteria established under HUD's Section 8 Program. No tenant shall be placed in a unit that would result in overcrowding. Tenants may be "overhoused" according to HUD criteria as long as they can meet the affordabilty criteria outlined below.

* Potential Bankability: While the 2-3 year development period prior to a property's conversion from rental housing to a tenant-owned coop will be used to establish a tenants "bankability", tenants should be able to demonstrate that no more than 28% of their gross monthly income will be needed to pay for their pro-rated share of the coop's mortgage, taxes and insurance. If tenants cannot meet this requirement initially, they should be able to give evidence of their potential for increased income sufficient to meet the requirement within two years. Rent subsidies provided through the Section 8 Program will be counted as income.

* Affordability: Tenants must have sufficient income for an available unit to be affordable. Affordability shall mean that the monthly shelter cost of a unit shall be equal to or less than 35% of the household's gross monthly income. If an applicant can demonstrate a positive history of paying a larger percentage of income for total shelter costs, the 35% may be exceeded.

* Credit History: Applicants should demonstrate financial responsibility, i.e. the ability to pay rent or meet installment debt payments in a timely manner. In instances where an applicant has had difficulty meeting financial obligations, s/he should demonstrate a history of establishing and meeting reasonable repayment terms.

* Debt Load: Tenants' monthly consumer debt payments should be equal to or less than 8% of their gross monthly income. If they cannot meet this criterion initially, they should demonstrate an ability to meet it within two years, either through increased income or the retirement of outstanding debt. If an applicant's pro-rated share of the coop's mortgage, taxes and insurance is below 28% of their gross monthly income, their consumer debt may exceed the 8% cap by that amount. In other words, their combined consumer and mortgage debt, taxes and insurance should not exceed 36%.

* Available Assets: Tenants should have enough cash resources available to pay for the first month's rent, a one month security deposit and utility deposits. If an applicant cannot meet this requirement, s/he must demonstrate the ability to pay the security deposit in no more than six monthly installments. The requirement for first month's rent & utility deposits cannot be waived.

* Property Damage: Prospective tenants will be required to show that they have not damaged their previous apartments or buildings.

* Control Over Life: Applicants should demonstrate that they either currently have a reasonable degree of control over their lives or have made decisions that will lead to such control. Such factors as relationship or family stability, employability, training and job experience, as well as future opportunities will be taken into account. The overall objective in selecting applicants is to enhance the likelihood of the coop's success. Therefore, an applicant whose own life is unstable may threaten the stability of the coop itself. Thus, for example, an applicant with a past history of substance abuse may lead a disfunctional life whose instability would be a threat to the success of the coop and would result in their rejection from the program. If, however, the applicant were involved in training or therapeutic programs designed to help them achieve control over their life, they could reasonably be expected to contribute positively to the stability of the coop in the future and would be accepted into the program.

* Non-discrimination: The Coop Program will not discriminate against applicants on the basis of race, color, religion, ethnic background, national origin, gender, age, physical or emotional handicap, sexual preference or class. Since coop members will eventually be involved in the selection of future coop members, they too must be tolerant of such individual distinctions and agree with the program's policy of non-discrimination.

* Cooperative Spirit: Since the essence of a housing cooperative is cooperation, the likelihood of a coop's success will depend largely on individual members ability to get along with each other and their willingness to make compromises. Applicants must therefore demonstrate a reasonable ability to get along with other people.

Bonus Criteria

All individuals meeting the above threshold criteria will be accepted into the Coop Program. For purposes of evaluating and prioritizing applicants once they have been accepted into the program, the following guidelines will be used:

* Community Involvement: An applicant will recieve priority status if s/he can demonstrate current or past involvement in community, neighborhood or volunteer service organizations. A demonstrated willingness to get involved in volunteer group activities will be seen as indicating a willingness to commit time and energy to the type of unremunerated volunteer tasks necessary to the success of a coop.

* Skills: The degree to which coop members can maintain and manage their property themselves will have a direct bearing on monthly costs. Therefore, applicants possessing any practical skills useful to the coop or for bartering, such as bookkeeping, carpentry, painting, gardening, etc., would receive priority status.

* Group Decision Making: While coop members will be faced with most of the same decision and responsibilities of the traditional home owner, these decisions and responsibilities will be shared among coop members. As a result, individuals with past experience in situations involving group decision making and problem solving would be an asset to the coop and would therefore be given priority.

* Property Improvement: An applicant will receive priority if s/he has shown initiative in caring for and improving current or past apartments. Since coop members will not have a landlord to rely on for repairs or improvements to their property, they will need to possess a certain degree of self-reliance and motivation. A past history of painting or otherwise fixing up their own apartments, gardening or other care for common areas will serve to demonstrate such initiative.

* Access to Funds: Although the cost of coop membership has been kept extremely low, individuals who can afford higher member share costs, while still meeting the low and moderate income criteria, will help make monthly carrying costs lower and enhance the financial stability of the coop. Therefore applicants with access to financial resources above and beyond the minimum member share costs will receive priority status. This bonus criterion must be reviewed with extreme care, however, so as not to exclude applicants with no more than the minimum required resources. A balance of very low, low and moderate income households should be achieved at all times.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: June 15, 1989

TO: VHFA Board of Commissioners

FROM: Pat Crady PC and Lynne Ballew LB

SUBJECT: Vermont Secondary Market Program Update

Since the last VHFA Board meeting, we have

Completed our individual meetings with all the Vermont lenders that wish to participate in the program,

Hosted a training and orientation seminar held by Fannie Mae in Burlington, attended by 45 lender representatives,

Received the approval of Fannie Mae's Credit Policy Committee for the program transaction (see attached),

Received and installed the free MORNET computer software that will be used for program reporting, and

Trained VHFA staff in the mechanics and procedures of the program.

Our next steps are to

Request your authorization for the staff to create and to enter into contractual agreements with Vermont lenders and with Fannie Mae for purposes of consummating the transaction,

Collect loan-level detail on tape from lenders for roll-up by VHFA and aggregation into the most cost-effective MBS pools by Fannie Mae,

Submit draft contracts to lenders for their review, and

Explore opportunities for private placement of the MBS with Vermont institutions (pension funds, etc.).

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Discussion

At every one of our individual meetings, Vermont lenders have indicated their enthusiasm and support for the program. Virtually all these lenders have felt very strongly that, while they believe they can successfully reinvest 50% of their loan proceeds from the program in affordable housing activities, a reinvestment requirement that is more stringent than 50% **for this first phase** would render their participation in the program perfunctory at best and nonexistent at worst.

The lenders, and VHFA staff, agree that it is essential to begin this enterprise with a first phase whose parameters all participants can support wholeheartedly and which will not prove so onerous as to drive lenders away. Future phases may well involve reinvestment requirements of as much as 70% or 80% of loan proceeds in affordable housing.

The reinvestment issue was the only transaction issue to elicit universal concern among lenders. The other issues--semiannual reporting on reinvestment progress, a noncollateralized recourse pledge of 10% of the balance of loans sold, a servicing fee of 25 basis points, and loan accounting on a scheduled/scheduled basis--received widespread support.

Fortunately, market prices for fixed-rate MBS (particularly for those with shorter maturities) have improved drastically over the past month. For example, Fannie Mae 9.5% 15-year MBS were selling at just over par on Monday, June 12. If prices remain fairly stable, we should have no problem purchasing $100 million worth of mortgages from participating lenders.

Action requested from the Board

Approval of the attached Resolution authorizing staff to enter into contractual agreements with Vermont lenders and with Fannie Mae.

LB100

RESOLUTION AUTHORIZING
VERMONT HOUSING FINANCE AGENCY
1989 VERMONT SECONDARY MARKET PROGRAM

WHEREAS, pursuant to Chapter 25, Title 10, Vermont Statutes Annotated, the Vermont Housing Finance Agency ("the Agency") has the statutory authority to issue taxable securities in the course of transactions that further its goal of providing housing for Vermont families;

WHEREAS, the staff of the Agency has proposed the creation of the Vermont Secondary Market Program ("the Program"), in which it will purchase seasoned single-family mortgages from Vermont lending institutions to facilitate their investment in affordable housing for Vermont families; and

WHEREAS, those Vermont lending institutions have agreed in principle to participate in the Program and to reinvest a minimum of half of their loan proceeds from the Program in activities that support the housing needs of low- to moderate-income Vermont families; and

WHEREAS, the Federal National Mortgage Association ("Fannie Mae") has agreed to exchange the mortgages purchased by the Agency for mortgage-backed securities (MBS) guaranteed by Fannie Mae;

NOW THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to enter into contracts with Vermont lending institutions for their participation in the Program and for the commitment and sale of eligible mortgages in the Program.

2. The Executive Director is authorized to enter into contracts with Fannie Mae for the exchange of the eligible mortgages with Fannie Mae MBS.

3. The Executive Director is authorized to enter into discussions with Fannie Mae, Vermont institutions, or other securities brokers or dealers for the sale of the MBS.

June 16, 1989

^F1^
^F2^
^F3^
^F4^

Re: Vermont Secondary Market - Loan-Level Detail

Dear ^F5^:

Great news! Prices quoted for Fannie Mae MBS in the June 12 issue of the Wall Street Journal indicate substantial improvement in the MBS market since our meeting in May. Securities yielding 10% for a remaining term of 29 years and a weighted average life of 8.6 years were paying 101.16 and securities yielding 9.5% for a remaining term of 14.5 years and a weighted average life of 6.1 years were paying 100.16.

We need to be in a position to take advantage of the improved MBS market. The next steps are:

* Compiling loan-level detail on all of the fixed-rate, seasoned loans, in your portfolio that you wish to sell.

* VHFA will create a master tape of all loans for submission to Fannie Mae.

* Lenders and VHFA will execute a transaction contract agreeing to the elements of the deal.

* Fannie Mae will sort the loans into pools that provide the best pricing and price each pool.

* VHFA will assist lenders in installing MORNET and PC LASER.

* Lenders and VHFA will agree on a price and execute a commitment contract.

* Lenders will establish required custodial bank accounts for principal and interest, and for taxes and insurance (if applicable).

* Lenders will sell loans to VHFA, VHFA will swap loans for Fannie Mae MBS and VHFA will sell the MBS through the Fannie Mae Customer Service Desk.

* Lenders will deliver to VHFA the original note, assignment of mortgage, and mortgage insurance certificate (if applicable).

* VHFA will conduct a post-purchase review of a very small percentage of each lender's loan files.

* Lenders will report and remit to VHFA and VHFA will report and remit to Fannie Mae according to the timetable established in the contracts.

Enclosed are guidelines--by now familiar to you--for loans eligible in Phase I. You will need to review your loans for eligibility and provide us with a magnetic tape of information on individual loans. I have enclosed specifications for the layout of this tape. We ask that you provide us with this information no later than Monday, July 17, 1989. Please include only those loans that you are committed to selling, subject to pricing that is acceptable to your institution. If you have specific questions as to the eligibility of any loan, please call me.

Within the next several weeks we will be mailing you draft contracts for your review. If you have not already done so, I encourage you to complete your application for Fannie Mae approval as soon as possible. If you have any questions or need assistance with your application, I would be happy to assist you.

Now would also be a good time to set up the required custodial bank accounts for principal and interest and for taxes and insurance, if your loans have escrow accounts. Information on setting up these accounts was provided to you by Fannie Mae at the May 31st workshop. If you did not attend the workshop, I would be happy to provide you with this information. Also, since our meeting, we have learned that lenders will need to provide a recorded assignment of each mortgage to VHFA. VHFA will then complete an assignment of the mortgage to Fannie Mae.

Thank you yet again for your continued enthusiasm and support, and speedy response to this request for loan-level detail. After several years in the discussion and development stage, Fannie Moo is close to being a reality. If I may assist you in any way, please do not hesitate to call.

Sincerely,

Patricia A. Crady
Development Coordinator

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: June 16, 1989

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

RE: RENEWAL OF LEASE FOR ONE BURLINGTON SQUARE

As of July 31, 1989, we will have completed four years in our original five-year lease for the office space occupied at One Burlington Square. According to the terms of our lease, upon written notice by August 1, 1989, we may renew our lease at an average monthly rate over the five year period of $10.75 per square foot. This compares with current market rates in the downtown Burlington area of at least $13 per square foot. The building owner has been very cooperative in allowing us to expand our space as we have needed it over the last four years.

Discussions on office space availability at Fort Ethan Allen are continuing, but we are still awaiting actual figures on the amount of space which would be usable and the projected cost of renovation for Building 600. Renewal of our lease at this time would allow us the financial peace of mind to continue renting at a rate far less than the current market rate for office space in the downtown Burlington area. Should a move to the Fort or another location be determined to be necessary, we believe that we would be able to sublet the office space or terminate the lease at One Burlington Square.

RECOMMENDED ACTION:

Authorization to the Director of Finance or Executive Director to renew the lease on office space at One Burlington Square.

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VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: FISCAL YEAR JUNE 1990 BUDGET

DATE: JUNE 19, 1989

Attached is the proposed budget for the next fiscal year showing the approved budget for the current year, the estimated actual results for the current year and the staff proposal for the next fiscal year. For informational purposes, I have also included a column showing the dollar differences between the estimated actual and the proposed budget. Comments will basically be directed at the third column representing the proposed budget.

Following are areas of significance as identified by staff as well as those in which Commissioners have traditionally expressed an interest.

Overall Summary. Looking at the bottom line first, you will notice that for the projection of the next fiscal year, there will be a increase in the surplus of the General Fund of approximately $2,600,000. This will not entirely show up in the audited financials due to the accounting principle of recognizing fee income over the life of the loans as opposed to showing the income completely as received. The major reasons for the change from the current fiscal year is that fee income is projected to increase by $600,000+, no contributions to single family or multi-family bond programs are included which saves $1.3 million from last year and the Housing Vermont subsidy drops to $500,000 from $1,500,000 the prior year.

Fund Balance Transfers. The only pertinent change in this area is regarding the Bond resolution we are currently operating under, the Home Mortgage Purchase Program, which includes a contribution to the new 88A program of $225,000 for the Loan Loss Claim Fund and an expected recapture to the Agency of $200,000 during the year. Note also that if prepayments accelerate during the fiscal year, we might be required to contribute additional funds to the old series of bonds under this resolution.

Salaries and Wages. The results of the consultant survey are included as a seperate enclosure and will be discussed at the Board meeting. Positions included in the budget that are not currently being staffed including the second field represenative which was held over from last year along with temporary personnel in both the underwriting area and development in conjunction with the Secondary market program.

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Staff Travel & Training. This category shows a significant increase due to the fact that we cut this budget by $20,000 from the prior year budget, most specifically related to the vacant field represenative position. The increased staff size and the continued commitment and need for training represents the real increase of about $14,000.

Capital Budget. For the upcoming year we are budgeting $105,000 for capital purposes. This is a decrease of $33,000 from this year. The major components of the capital budget are computer related software and hardware of approximately $60,000. The balance of the replacement carpeting and storage reorganization will add close to $10,000.

Contingency Budget. Not included in this budget is the potential need for additional personnel which could be required due to program development such as in the Secondary Market program. It seems to make more sense to amend the budget for this purpose when the program is ready to implement as part of the total impact statement of the program.

If you would like to discuss any areas of the budget prior to the Board meeting, please call upon Allan or myself at your convenience.

Recommendation: Approval of operating and capital budgets as shown on the attached.

PROPOSED BUDGET
VERMONT HOUSING FINANCE AGENCY
F/Y/E JUNE 30, 1990

	APPROVED BUDGET FYE 6/30/89	ESTIMATED ACTUAL 6/30/89	PROPOSED BUDGET FYE 6/30/90	$ INC/DEC PROPOSED VS ACTUAL
INCOME				
SINGLE FAMILY FEES	233,500	300,000	730,500	430,500
MULTI-FAMILY FEES	256,400	250,000	564,000	314,000
PROJECT ADMIN FEES	115,000	116,325	106,400	(9,925)
INTEREST INCOME	640,000	675,000	550,000	(125,000)
MISCELLANEOUS	16,500	15,000	18,000	3,000
TOTAL INCOME	1,261,400	1,356,325	1,968,900	612,575
FUND TRANSFERS				
LOANS TO LENDERS	150,000	150,000	180,000	30,000
SHAWMUT MTG PURCHASE	100,000	100,000	100,000	0
HOWARD MTG PURCHASE	1,250,000	1,220,000	1,250,000	30,000
HOWARD HOME MTG PURCH	(925,000)	(1,075,000)	150,000	1,225,000
HOWARD MULTI-FAMILY	350,000	335,000	430,000	95,000
CONN NATL MULTI-FAMILY	65,000	77,728	80,000	2,272
DIRECT PLACEMENT BONDS	10,000	10,000	10,000	0
TOTAL TRANSFERS	1,000,000	817,728	2,200,000	1,382,272
TOTAL INC & TFRS	2,261,400	2,174,053	4,168,900	1,994,847
EXPENSES				
ADVERTISING & PROMOTION	42,650	40,000	67,100	27,100
AUDIT	21,000	21,000	24,500	3,500
ANNUAL REPORT	12,000	10,541	15,000	4,459
COMMISSIONERS EXPENSES	4,000	2,200	4,000	1,800
CONSULTING FEES	105,800	60,000	72,000	12,000
DUES & SUBSCRIPTIONS	21,500	19,500	22,275	2,775
INSURANCE	93,640	95,000	119,400	24,400
INTEREST EXPENSE	323,400	320,000	321,500	1,500
LEGAL	50,000	52,000	44,000	(8,000)
MISCELLANEOUS	5,000	5,300	5,500	200
OFFICE EXPENSES	31,000	30,000	32,000	2,000
PENSION PLAN	80,000	72,000	85,000	13,000
POSTAGE	20,000	20,000	22,000	2,000
RENT	74,000	74,000	79,000	5,000
REPAIRS & MAINTENANCE	33,000	31,000	33,000	2,000
SALARIES & WAGES	902,559	900,000	1,070,600	170,600
STAFF TRAVEL & TRAINING	66,575	62,000	90,450	28,450
SUBSIDY-HOUSING VT, ERH	1,540,000	1,550,000	550,000	(1,000,000)
TAXES-PAYROLL	66,837	67,000	74,850	7,850
TELEPHONE	33,000	30,000	33,000	3,000
TRUSTEE & CREDIT FEES	210,000	180,000	225,000	45,000
DEPRECIATION	60,000	62,500	65,000	2,500
TOTAL EXPENSES	3,795,961	3,704,041	3,055,175	(648,866)
SURPLUS (DEFICIT)	(1,534,561)	(1,529,988)	1,113,725	2,643,713

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Board of Commissioners

From: Glenn A. Jarrett CAJ

Re: Supplemental Multi-Family Bond Resolution

Date: June 16, 1989

Palmer & Dodge has discovered that the 1977 Multi-Family Bond Resolution contains an inconsistency relating to partial prepayments of mortgages. Certain provisions of the Resolution contemplate partial prepayments, but section 407 requires that each prepayment equal the entire unpaid principal amount of the Mortgage Loan plus amounts sufficient to redeem all Bonds allocable to the Mortgage Loan.

Section 802 of the 1977 Resolution permits the adoption of a supplemental resolution "to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Bond Resolution". Palmer & Dodge is of the opinion that the restrictive provisions of section 407 are inconsistent with the other provisions of the 1977 Resolution governing the receipt of partial payments of principal, and with standard banking practice, and omit to address the receipt of partial Prepayments as contemplated by the Mortgage Loans. Palmer & Dodge have suggested a supplemental resolution to cure the problem, a copy of which is attached. None of the Series Resolutions or Official Statements for the outstanding Series of Bonds under the 1977 Resolution contain any provision or representation restricting or otherwise pertaining to the partial prepayment of the applicable Mortgage Loans that is inconsistent with the conclusions Palmer & Dodge has reached.

Besides Board approval, all that is required is approval of the Trustee, who has been sent a copy of the proposed resolution with a request for approval.

RECOMMENDED ACTION

Approval of the Second Supplemental Multi-Family Mortgage Bond Resolution in the form attached hereto.

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VERMONT HOUSING FINANCE AGENCY

Second Supplemental Multi-Family
Mortgage Bond Resolution

June __, 1989

WHEREAS, the Agency heretofore adopted on February 3, 1977, a resolution entitled "Multi-Family Mortgage Bond Resolution" (the "Bond Resolution"); and

WHEREAS, the Agency has determined that the Bond Resolution contains inconsistent and incomplete provisions relative to the receipt of partial Prepayments on Mortgage Loans held thereunder; and

WHEREAS, the Agency now desires to clarify the treatment of certain Prepayments under the Bond Resolution;

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

Section 1. Short Title. This resolution is hereinafter sometimes referred to as the "Second Supplemental Resolution."

Section 2. Definitions. All terms used herein shall have the same meanings as are given such terms in the Bond Resolution.

Section 3. Authority. This Second Supplemental Resolution is adopted pursuant to and in accordance with Section 802 of the Bond Resolution.

Section 4. Amendment. Section 407 of the Bond Resolution, as amended by the Agency's First Supplemental Multi-Family Mortgage Bond Resolution adopted July 16, 1986, is hereby further amended by deleting said section in its entirety and inserting the following in place thereof:

Section 407. Prepayments. The Agency shall not permit a Mortgagor to make a Prepayment unless it shall require, with respect to any such Prepayment so permitted, that the same be in an amount which together with

amounts paid by the Agency from the General Fund for deposit in the Redemption Fund is equal to the aggregate of (i) the principal amount of the Mortgagor's Mortgage Loan remaining unpaid or, in the case of a partial Prepayment, the portion of such unpaid principal amount attributable to the Prepayment, (ii) the unpaid principal amount of the proportionate share of the Bonds issued to fund the applicable Capitalized Interest Account, if any, the applicable Cost of Issuance Account, if any, and the Debt Service Reserve Fund pursuant to Section 401 allocable to such Prepayment, (iii) the proportionate share of the unamortized discount on the Bonds issued to make the Mortgage Loans, if any, allocable to such Prepayment, (iv) the interest to accrue on all Bonds to be redeemed upon the making of such Prepayment to the next redemption date thereof not previously paid by the Mortgagor, (v) the redemption premium on the Bonds so to be redeemed, and (vi) the cost and expenses of the Agency in effecting the redemption of the Bonds so to be redeemed, less the amount of moneys available in the Optional Redemption Account in the Redemption Fund and for withdrawal from the Debt Service Reserve Fund and application to the redemption of such Bonds in accordance with the terms and provisions of this Resolution, as determined by the Agency; provided, however, that in the event the Bonds issued to provide the funds with which the Agency has made a Mortgage Loan are being or have been refunded and the refunding Bonds issued or to be issued for the purpose of refunding such original Bonds are in a principal amount in excess of the principal amount of the Bonds refunded, the Bonds referred to in items (ii) through (vi), inclusive, above, shall be such refunding Bonds. The Trustee shall set aside the amounts referred to in items (ii) through (vi), inclusive, above, in a special trust fund pending directions from the Agency for deposit of such amounts or portions thereof at the times and in the amounts set forth in an Officer's Certificate for deposit in the Debt Service Fund or the Optional Redemption Account in the Redemption Fund; provided, however, that in the event the Agency directs the Trustee to deposit any Prepayment into a Mortgage Loan Account in the Program Fund pursuant to Section 503(C) of this Bond Resolution, all or any portion of the amounts set aside in such special trust fund may, upon application of such Prepayment to make or to purchase a Mortgage Loan and at the direction of the Agency, be repaid to the Mortgagor that made such Prepayment.

Section 5. Effective Date. In accordance with Section 802 of the Bond Resolution, this Second Supplemental Resolution shall take effect upon (a) filing with the Trustee of a copy of this Second Supplemental Resolution certified by the Secretary of the Agency and (b) filing with the Trustee and the Agency of an instrument in writing made by the Trustee consenting to this Second Supplemental Resolution.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Re: Winchester Place

Date: June 16, 1989

Since the May 18 Board meeting, staff have been negotiating the contents of the Housing Subsidy Covenants, making preparations for the issuance of bonds, and working on various documents for the loan to Winchester Associates.

The key issue in the drafting of the Housing Subsidy Covenants has been the displacement mechanism. The Bank has agreed to put up $30,000 to be invested in an account controlled by the Bank and VHFA. This money will grow and in twenty-six years will be the primary source of funds for displacement payments to tenants. As currently proposed (and, I hope, signed by the time of the meeting), the tenants in the rent-restricted units at the end of year 26 will have a choice of staying in the apartment for up to four more years with a restricted rent or moving during that four year period. If the tenant chooses to move, he or she will receive the greater of (a) $4,000 or (b) a pro-rated allowance equal to the difference between the rent for rent-restricted units and market rate units at Winchester Place. The pro-ration will compensate the tenant for the period remaining between the time the tenant moves out and the end of the thirtieth year the development is in operation. Any additional funds needed will come from development revenues.

The bond side of the deal is continuing to progress. Palmer & Dodge has drafted a new Multi-Family Bond Resolution and has made revisions to it after receiving comments from Standard & Poor's. P&D has also produced a draft of a Series Resolution. We expect to receive a draft of the Preliminary Official Statement from Orrick, Herrington between the date of this memorandum and the time of the Board meeting. The tentative schedule calls for the mailing of the P.O.S. in the last few days of June, pricing and sale the week of July 10, and closing the last full week in July. If this schedule holds, there will be a need for a meeting to approve the sale of the bonds sometime around July 12-14.

RECOMMENDED ACTION

Authorize the Executive Director or the Director of Finance to execute the Housing Subsidy Covenants in substantially the form attached hereto.

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802/864-5743 • 1-800/222-VHFA

DRAFT 6/12/89

Marked Against Draft of 5-25-89

WINCHESTER PLACE

HOUSING SUBSIDY COVENANTS

St. Michael's College, a Vermont not-for-profit educational corporation with a business address of 25 College Parkway, Winooski, Vermont 05404 ("St. Michael's"), The Merchants Bank, a Vermont banking corporation with a business address of 123 Church Street, Burlington, Vermont 05401 (the "Merchants"), Housing Vermont, a Vermont non-profit corporation with a business address of One Burlington Square, Burlington, Vermont 05401, and Vermont Housing Finance Agency, a body politic and corporate and an instrumentality of the State of Vermont having a business address of P.O. Box 408, Burlington, Vermont 05402 ("VHFA") (collectively, the "Parties") desire to enter into certain housing subsidy covenants (the "Covenants") relating to a parcel of land located in Colchester, Vermont (the "Premises") and more particularly described in Schedule A attached hereto.

WHEREAS, Housing Vermont and the Merchants have sponsored a 166 unit residential rental apartment development known as Winchester Place (the "Development") to be constructed on the Premises, which will be leased from St. Michael's by Merchants pursuant to a lease dated May 1, 1989 (the "Lease"); and

WHEREAS, a wholly owned subsidiary of Housing Vermont and/or an affiliate of the Merchants will be the general partner(s) of the limited partnership owning the Development and Merchants will be the limited partner of such partnership (the "Partnership"); and

WHEREAS, the development is intended to qualify for low income housing tax credits pursuant to Section 42 of the Internal Revenue Code; and

WHEREAS, Housing Vermont and the Merchants have requested, and VHFA has committed, in a commitment letter dated May 18, 1989, subject to certain conditions, to make a permanent mortgage loan for the Development from the proceeds of tax-exempt private activity bonds to the Partnership;

NOW, THEREFORE, the Parties enter into these Covenants that will run with the Premises for the period hereinafter set forth, said Covenants designed to insure the continued availability of affordable rental housing for low and moderate income persons.

1. Duration.

Unless otherwise specified, these restrictions shall extend for a period of twenty-six years from the earlier of (i) the last disbursement of mortgage proceeds from the VHFA loan for the Development or (ii) December 31, 1990 (the "Trigger Date").

2. Restrictions.

A. For a period of twenty-six (26) years from the Trigger Date, the Development shall be leased and operated in a manner so that the Development at all times meets the requirements for a qualified low income housing project pursuant to Section 42(g) of the Internal Revenue Code of 1986 as those requirements exist as of the date such section first applies to the Development.

B. For a period of twenty-six (26) years from the Trigger Date, the Development shall be leased and operated in a manner so that the Development at all times meets the requirements for a qualified residential rental project pursuant to Section 142(d) of the Code as those requirements exist as of the date such section first applies to the Development.

C. For a period of twenty-six (26) years from the Trigger Date, not less than 125 apartments (75% of the apartments in the Development), which number shall include the apartments whose rents are restricted in accordance with Paragraphs 2A and 2B above, shall be occupied or held available for occupancy by persons or families who are persons and families of low and moderate income, as defined in 10 V.S.A. § 601(11) and by VHFA's regulations existing as of the date of these Covenants.

D. At least six (6) months prior to the twenty-sixth (26th) anniversary of the Trigger Date, each tenant residing in an apartment that is rent-restricted as set forth in Paragraphs 2A and 2B above and who is not in default under the terms of the tenant's apartment sublease from the Partnership shall be given notice by the Partnership of the termination of such restrictions on such anniversary date and shall have the right to continue to occupy the apartment and to pay rent for a period of up to four years after such anniversary date in accordance with rent restrictions calculated as if Paragraphs 2A and 2B apply, so long as such tenant is not in default under the tenant's apartment sublease, and shall receive a prorated displacement allowance commencing at the time the tenant moves out of the Development calculated as follows: the full displacement allowance shall be equal to the greater of (x) $4,000 or (y) a sum equal to four times the difference, as of such anniversary date, between the annual rent paid by tenants at Winchester Place for unrestricted units of the type rented by the tenant and the annual rent paid by tenants at Winchester

Place for units of the type rented by the tenant subject to the rent restrictions set forth in Paragraphs 2A and 2B; the prorated displacement allowance shall be the full displacement allowance multiplied by a fraction, the numerator of which is the number of full months between the date the tenant vacates the apartment and the 30th anniversary of the Trigger Date and the denominator of which is 48 months. Any displacement allowance for a tenant shall be paid in a manner which ensures that the funds are utilized to subsidize the tenant's housing costs for replacement housing. Within ninety days following the execution of these Covenants, the Merchants will deposit in a separate interest-bearing account for the benefit of the Merchants and VHFA the sum of $30,000 to fund a displacement allowance for each of the apartments subject to this Paragraph 2D; any additional funding required for the displacement allowance shall be provided from Development revenues. In no event shall VHFA or St. Michael's have any responsibility or liability to the Parties, any tenant, or any other person or entity with respect to the funding or payment of the displacement allowances described herein, and the Merchants shall indemnify and hold VHFA or St. Michael's harmless therefrom, and shall defend and pay all costs of defense, including reasonable attorneys' fees, any action arising from the relocation of any tenant or the termination of any lease.

3. Assignment and Enforceability.

VHFA shall be permitted to assign its rights hereunder, but only as a whole, to an agency, instrumentality or political subdivision of the State of Vermont or to a nonprofit corporation organized for the purpose of promoting affordable housing. No such assignment shall be effective until notice of such assignment is given to all the Parties at the addresses first set forth above. VHFA or its permitted assignee may take any actions reasonably designed to insure that the Covenants are being adhered to, including, but not limited to: reviewing records of the owner of the apartments to insure compliance with rental restrictions, reviewing income tax returns or other records of tenants to insure compliance with income limitations, and physical inspection of apartments. If VHFA or its permitted assignee is of the opinion that these Covenants are being violated, it shall immediately notify the manager of the Development and all of the other Parties of the alleged violation. If a violation is not cured within thirty (30) days of receipt of notice by the manager, VHFA or its permitted assignee shall be entitled to bring an action for injunctive relief, damages, or both, in the Chittenden Superior Court, or any successor court of general jurisdiction located in Chittenden County, to enforce this covenant. Nothing contained in these Covenants is intended to give any tenant or anyone other than VHFA or its permitted assignee the right to enforce these Covenants. St. Michael's shall have no liability or responsibility with respect to the

Covenants set forth in Paragraphs 2A, 2B, and 2C, and the Merchants shall indemnify and hold VHFA or St. Michaels harmless from any action alleging the Merchants violation of said covenants and shall only be liable under Paragraph 2D if it has forced tenants who are not in default under their sublease with the Partnership to involuntarily vacate the Development within the four-year period if the tenant has elected to stay during that period.

4. Subordination to Lease.

These Covenants are subject and subordinate to the Lease, and upon the expiration or sooner termination of the Lease, (unless VHFA has elected to reinstate the Lease according to its terms), these Covenants shall automatically terminate and be of no further force and effect.

5. Modification or Termination.

Subject to Section 4, these Covenants may be modified or terminated only upon written consent of VHFA or its permitted assignee and all other Parties, which consent shall be executed, acknowledged and recorded in the manner provided by law for the execution, acknowledgement and recording of deeds.

Dated at _____, Vermont, this _____ day of _____, 1989.

ST. MICHAEL'S COLLEGE

_____

_____ By_____
Its Duly Authorized Agent

Dated at _____, Vermont, this _____ day of _____, 1989.

THE MERCHANTS BANK

_____

_____ By_____
Its Duly Authorized Agent

Dated at _____, Vermont, this _____ day of _____, 1989.

HOUSING VERMONT

_____

_____ By_____
Its Duly Authorized Agent

Dated at _____, Vermont, this _____ day of _____, 1989.

VERMONT HOUSING FINANCE AGENCY

_____

_____ By_____
Its Duly Authorized Agent

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

At _____, Vermont this _____ day of _____, 1989, personally appeared before me _____. the _____ and duly authorized agent of _____ and acknowledged this HOUSING SUBSIDY COVENANT to be ____ free act and deed and the free act and deed of _____.

_____
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

At _____, Vermont this _____ day of _____, 1989, personally appeared before me _____. the _____ and duly authorized agent of _____ and acknowledged this HOUSING SUBSIDY COVENANT to be ____ free act and deed and the free act and deed of _____.

_____
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

At _____, Vermont this _____ day of _____, 1989, personally appeared before me _____. the _____ and duly authorized agent of _____ and acknowledged

this HOUSING SUBSIDY COVENANT to be ____ free act and deed and the free act and deed of _____.

_____
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

At _____, Vermont this _____ day of _____, 1989, personally appeared before me _____. the _____ and duly authorized agent of _____ and acknowledged this HOUSING SUBSIDY COVENANT to be ____ free act and deed and the free act and deed of _____.

_____
Notary Public

B4/17.0518

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Board of Commissioners

From: Glenn A. Jarrett, General Counsel

Re: Heineberg Commitment

Date: June 16, 1989

VHFA has received a draft of a commitment from Fannie Mae to purchase the mortgage we will be receiving from Heineberg Senior Housing Partnership when we make the permanent loan on the Development later this year. Fannie Mae will issue an MBS pass-through certificate to VHFA, which can then sell the certificate. Fannie Mae is giving VHFA very favorable terms on this pass-through, including a waiver of an assumption fee on the first assumption of the mortgage after the first 15 years. VHFA will receive a 0.25% servicing fee and is prepaying the Fannie Mae guaranty fee for the first 15 years of the loan.

RECOMMENDED ACTION

Approval of the attached resolution giving the Executive Director and the Director of Finance authority to accept the Fannie Mae commitment to purchase the mortgage on the Heineberg development and to take all necessary steps to achieve that transaction.

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

RESOLUTION AUTHORIZING ACCEPTANCE OF
FEDERAL NATIONAL MORTGAGE ASSOCIATION COMMITMENT
TO PURCHASE HEINEBERG SENIOR HOUSING MORTGAGE

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously committed to make a permanent loan to the Heineberg Senior Housing Partnership (the "Partnership") upon completion of construction and the satisfaction of the conditions of a certain Commitment Letter issued by the Agency on November 17, 1988; and

WHEREAS, the Agency has negotiated the purchase of the mortgage the Agency will receive from the Partnership upon the making of the permanent loan (the "Mortgage") with the Federal National Mortgage Association ("Fannie Mae"); and

WHEREAS, Fannie Mae has offered a Commitment Letter to the Agency setting out the conditions on which Fannie Mae will purchase the Mortgage from the Agency;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency accepts the Commitment Letter offered by Fannie Mae pertaining to the loan the Agency expects to make to the Partnership.

2. The Executive Director and the Director of Finance, or either of them, are authorized to execute the Commitment Letter from Fannie Mae and to take all necessary steps toward the sale of the Mortgage to Fannie Mae.

VERMONT HOUSING FINANCE AGENCY

BOARD OF COMMISSIONERS

MR. HORACE B. SHAW, JR. (Chairman) 863-3987
20 North Williams Street
Burlington, VT 05401

THE HONORABLE PAUL W. RUSE, JR. (Vice Chairman) 828-2301
State Treasurer (Ida Marineau)
133 State Street
Montpelier, VT 05602

THE HONORABLE GRETCHEN G. BABCOCK 828-3301
Commissioner of Banking and Insurance (Diane Lewis)
120 State Street FAX: 828-3306
Montpelier, VT 05602 [**Deliver**: 89 Main St.]

THE HONORABLE JEFF FRANCIS 828-3211
Secretary (Denise)
Agency of Development and Community Affairs
109 State Street
Montpelier, VT 05602

EMORY A. HEBARD 525-3420
Box 286
Barton, VT 05822

MR. RICHARD A. MYETTE 862-5804
2001 Spear Street **Phone after 2 p.m.**
Shelburne, VT 05482

MR. GUSTAVE A. SEELIG 828-3250
Executive Director FAX: 828-3203
Vermont Housing and Conservation Trust Fund
136½ Main Street 456-7407 (home)
Montpelier, VT 05602

****

MR. ALLAN S. HUNT 864-5743
Executive Director, VHFA

Home Address:
80 Austin Drive #153 862-6730 (home)
Burlington, VT 05401

Rev. 11/27/89

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE RAS

RE: 1989A (WINCHESTER) BOND FINANCING UPDATE

DATE: JULY 21, 1989

Enclosed in this package are several documents related to the proposed sale of the 1989 Series A Multi-Family Housing Development Mortgage Bonds, also known as the Winchester Project. The Preliminary Official Statement (POS) is the document that potential investors receive prior to ordering bonds; the Bond Resolution is the guiding instrument containing all the rules that different Series of bonds are issued under; the Series Resolution is the legal document authorizing this particular bond issue.

As you know, a telephone conference call is scheduled for Wednesday the 26th of July at 1 PM for the purpose of considering the approval of the bond financing based on the prices obtained by the underwriters. In approving the financing you would also be accepting the attached documents.

PROJECT STATUS

Prior to releasing the POS, the Agency has reviewed and accepted the signed ground lease, construction contract, commitment agreement, subsidy covenants and three party agreement. At this point in time the project is moving along quickly with all the foundations poured and three out of the 37 buildings nearing completion. As a reminder, Merchants Bank is providing the construction financing during the construction phase.

BOND AND SERIES RESOLUTIONS

The Bond Resolution attached is new and was conceived to "modernize" the old resolution that was adopted in 1977. The proposed resolution gives us a good deal more flexibility in the area of investments and individual bond structuring, while still maintaining the moral obligation of the State to cover potential shortages in the Reserve funds. This feature makes it a great deal easier to obtain an "A" rating on the bonds making them saleable in the marketplace, which in turn, allows us to charge the project a lower rate on the mortgage. The Series Resolution is specifically defining the individual restrictions and allowances pertinent to the Winchester Project.

AGENCY FINANCIAL IMPLICATIONS

Assuming a 7.80% bond cost, VHFA can charge the project an allowable mortgage rate of 9.35%, which based on the cash flow proforma, would provide an annual "takeout" from the project of $40,000. In an effort to assist the project and the developer, we have also run a cash flow decreasing the rate to 9.10% for the first five years and "stepping up" the rate to 9.50% for the balance of the mortgage term. This has the effect of decreasing our takeout to $25,000 for the first five years but increasing the takeout to $50,000 for the remaining 21 years. This stepped rate mortgage also has the effect of decreasing the additional contribution required of Merchants from $680,000 to $560,000 which contribution is to fund early year operating deficits. In addition, the Agency has collected a commitment fee in the amount of $120,000 but is expected to have to contribute $47,000 into the financing to cover Costs of Bond Issuance that are not bondable.

BOND MARKETING AND RATING

Standard & Poor's, the nationally recognized rating agency, relies heavily on the moral obligation feature of the Resolution mentioned previously. We are expecting an "A" rating relying on informal discussions with S & P at this time. Based on the rating, the underwriters are expecting to sell these bonds at a cost of 7.80%. Because of the size of the issue, it is expected that a couple of large institutions will be the purchasers of these bonds. A distribution of the POS was circulated to dealers in Vermont to make sure that bonds could be purchased by institutional or individual investors within the state.

If you have any questions either prior to or during the call, please do not hesitate to ask.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: July 16, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: CANCELLATION OF UPCOMING BOARD MEETING

This is to remind you that the July meeting of the Vermont Housing Finance Agency Board of Commissioners has been cancelled. The next scheduled meeting will take place at 1:30 p.m. Thursday, August 17, here at the VHFA office, One Burlington Square, Burlington, Vermont.

The August meeting will constitute the Annual Meeting of the Board of Commissioners, as stipulated in the Agency Bylaws.

I look forward to seeing you in Burlington on August 17.

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

VERMONT HOUSING FINANCE AGENCY

August 7, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, August 17, at 1:30 p.m., here at the office of the VHFA, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: August 10, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, August 17, here at the VHFA office, One Burlington Square, Burlington, Vermont.

Attached is the agenda and board packet. The minutes for the July 26, 1989, Board Meeting indicate that the General Resolution is attached. In fact, in the interest of saving paper, this has not been included in the Board packets being mailed since copies were previously distributed to members of the Board who participated in the conference call. The master copy of the Board minutes kept on file here at the Agency does include this Resolution, and copies will be made available should any Board members be interested in reviewing the General Resolution.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Burlington on August 17.

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

VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, August 17, 1989 at 1:30 p.m.

1. Review and approval of minutes of June 22, 1989

2. Review and approval of minutes of July 26, 1989

3. Annual Meeting and Election of Officers

4. Executive Director's Report

   A. Update on Northgate, et al. **[Hunt]**

5. Operations

   A. MOVE 1988B Update **[Lothrop//Enclosure]**
   B. Discussion and Possible Approval of Grandview Condominiums **[Lothrop//Enclosure]**
   C. Discussion and Possible Approval of Energy Conservation Rule Changes in the Single Family Mortgage Purchase Program **[Lothrop//Enclosure]**

6. Development

   A. 1989/90 Business Plan **[Pond//Enclosure]**
   B. Vermont Secondary Mortgage Market Update **[Crady]**
   C. Discussion and Possible Approval of New Development Position **[Pond//Enclosure]**
   D. Dalton Drive: Preliminary Presentation by Engelberth Properties **[Hunt//Enclosure]**

7. Finance

   A. Discussion of Underwriter Request for Proposal (RFP) Selection Process **[Schoenbeck//Encl.]**
   B. Vermont Community Loan Fund **[Schoenbeck//Encl.]**

8. Legal

   A. Winchester Place Update **[Jarrett]**
   B. Request for Board Certification of Hillcrest Views Apartments as Qualified Housing Project **[Jarrett//Encl.]**

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

VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, June 22, 1989

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

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Ms. Crady, Mr. Gutchell, Ms. Ballew, Ms. Hope; Ms. Pearson of VHMGB; Ms. Wadhams, consultant to VHFA; Mr. Kochman of F.L. Kochman, Inc.

Guests: Joan Palmer of Palmer & Associates; Jack Gallagher, John Carlisi of Fannie Mae.

The meeting was called to order at 1:30 p.m.

Upon a motion duly made and seconded, the minutes of May 18, 1989 were accepted as written. A motion was duly made and seconded to accept the minutes of the Conference Call of May 25, 1989; these minutes were also accepted as written.

Mr. Hunt then introduced Joan Palmer, president of Palmer & Associates, who had conducted a job classification study for the Agency. According to Mr. Hunt, a concurrent study was conducted for the staff of the Vermont Home Mortgage Guarantee Board, and the Board of Commissioners for VHMGB had voted to adopt the study as presented, pending its approval and adoption by the VHFA Board. Ms. Palmer explained that the basic purpose of the study was to develop a staff classification and compensation program to formalize the rationale and process for setting pay rates. The results of that study showed that the existing compensation practices and policies of the Agency were generally sound and equitable. For the most part, the formal job structure that was developed is a direct reflection of the informal structure under which the Agency has been operating. According to Ms. Palmer, an analysis of current salaries was used as a basis for determining salary ranges, based initially on internal relationships with existing positions, and then upon comparability with positions outside of the Agency, such as the Vermont State Housing Authority, the Maine State Housing Authority, and comparable positions in the Vermont banking industry, and the public and private sector. Plans for the implementation and ongoing maintenance of the system were discussed. After a motion was

duly made and seconded, it was unanimously agreed to adopt the salary structure and position classification as proposed by Palmer & Associates.

Mr. Hunt then introduced Mr. Carlisi, an investment officer for Fannie Mae, who handles the low and moderate income programs in the Philadelphia area, and Mr. Gallagher, director of public finance for Fannie Mae. Both have been instrumental in helping staff develop the Vermont Secondary Market program, financing of the Heineberg Senior Housing project, and were involved in early discussions on the possibility of Fannie Mae investing a substantial sum in the "Gates" projects. They have also been involved in Dalton Drive (Fort Ethan Allen), helping to obtain Fannie Mae approval of the Fort as a condominium project, as well as the Merchants Bank/Northshore project in the north end of Burlington. Mr. Gallagher presented a letter to the Board from the Credit Policy Committee of Fannie Mae, a copy of which is attached to these minutes, approving the Vermont Secondary Mortgage Market program, for financing up to $100 million. According to Mr. Gallagher, the secondary market is something which more housing finance agencies across the country should be doing, and he praised the Agency's efforts in leading the country. Fannie Mae is most interested in working with agencies such as VHFA, and with their more typical customers, the financial institutions with which both the Agency and Fannie Mae do business to provide affordable housing. No Board action was necessary.

An update on the status of Dalton Drive (Fort Ethan Allen) was presented by Mr. Hunt, who informed the Board that a signed Option Agreement had been received from the University of Vermont (UVM), which Mr. Hunt is in turn prepared to sign and return to UVM. A building-by-building and unit-by-unit evaluation is being conducted by the development group, led by Ms. Wadhams, to determine the amount of renovation work necessary. The problem of asbestos containment or removal has been reviewed in detail by the development group, with the recommendation that removal would be the best way to avoid future problems; due to the renovation work involved, isolation or containment would not be possible. Each building appears to be unique, and not as uniform as was originally assumed, causing some problems with proposed floor plans and the number of units available. Engelberth Construction Co., Inc., has expressed an interest in a joint venture with the Agency during the development stage; no less than 50% of the units would have to be affordable, and the Agency would retain control as far as determining what higher percentage of affordable units would be possible. Of major concern is whether the Agency or Board would need to go through a bid process to select a developer. Mr. Hahn expressed concern as to whether

Engelberth has enough experience to take on this type of rehabilitation project. According to Mr. Hunt, Breadloaf Construction and Kessel/Duff Construction were considered originally; however, the Towns of Essex and Colchester were straightforward in expressing their preference for Engelberth to handle the development, due to Engelberth's physical location at the Fort and their past experience with both towns. Mr. Hunt assured the Board that a formal and complete proposal would be presented to the Board at the next Board meeting; however, guidance was being sought from the Board on the selection process for the developer prior to further negotiations.

A lengthy discussion followed, detailing the implications inherent in selecting Engelberth as developer; concerns raised included confirmation of Engelberth's willingness to handle construction/rehabilitation of this project with little or no potential for profit. According to Mr. Hunt, Engelberth is willing to enter into an agreement to become the project developer, knowing that their only profit potential would be in the sale of the market-rate units, as well as a fixed fee of 6%-8% on construction. Furthermore, Mr. Hunt indicated that Engelberth was prepared to bid out about 70% of the project and that the Agency would be a party in reviewing the bids. Mr. Hunt further recapped the Fort/Dalton Drive project thus far, explaining that the Agency has spent approximately $27,000 to date, and has signed a contract worth about $53,000 plus the cost for the title survey (approximately $7,000). At the Board's direction, the option agreement was signed by Mr. Hunt.

Mr. Hunt next reported to the Board that he had met with Governor Kunin several weeks ago regarding the "Gates" projects. The Governor had expressed some concern about the "amount of state resources" going into the preservation of the "Gates," and wondered if HUD alone could deal with the problem. Mr. Hunt had presented the Governor with a brief review of the comparative costs of the various "Gates" projects, as well as assuring the Governor that he would keep Tom Menson, Secretary of Administration, apprised of any significant changes in the financing plan. No Board action was necessary.

An update of 1988B, as per his memo included in the Board packet, was offered by Mr. Lothrop, who reported that the program was being phased out due to the introduction of 1989A, which appears to be an attractive program based on the amount of reservations received during the first week of the program.

Ms. Crady presented background information on a proposed condominium conversion project in Winooski which does not conform with the Agency's current condominium policy. Due to lack of

site control, no information is available on the income level of current tenants which might enable the tenants to qualify for affordable housing mortgage assistance. Mr. Hahn suggested that the Board review the impact on tenants on a case-by-case basis before taking any action, advising that he was uncomfortable with how to apply a blanket policy. Mr. Hunt cautioned the Board that the situation raises the issue of whether it is good public policy to remove existing rental units from the market to make them affordable purchase units, or whether the Agency should concentrate on creating new stock. In this particular case, the rental housing is not particularly affordable; however, the units were rented quickly, but financing of the converted units might not be an appropriate use of Agency funds. Mr. Hahn further expressed concern over the lack of a relocation plan, and dissatisfaction at the prospect of removing rental units from the marketplace. No formal action was taken, but staff was instructed to gather more information about the potential displacement of tenants before a Board recommendation could be made.

The Vermont Secondary Mortgage Market was the next topic of discussion, and the Chair recognized the information as laid out well in the memo distributed in the Board packet, includinga proposed resolution, "Authorizing VHFA 1989 Vermont Secondary Mortgage Market Program." Of major concern is the percentage of funds to be reinvested in the affordable housing area. During the May 18, 1989, Board meeting, Ms. Babcock had raised the issue of the percentage of reinvestment requested; staff later met with lenders and concluded, along with Ms. Babcock, that a percentage requirement higher than 50% would be detrimental to the program. Once the program is up and running it may be possible to raise the percentage level, but this is not advised by staff at the program's outset. Mr. Hahn expressed his opinion that a 50% reinvestment would be inadequate in terms of the benefits that will accrue to the participants in the program; lenders are already exercising some resistance as to how frequently or thoroughly they are going to have to report to the Agency on the reinvestment of funds. Mr. Seelig also supported setting a higher standard at the beginning. Mr. Hunt cautioned that the program would mean a potential revenue source to the Agency of $150,000-$200,000. The Board acknowledged and praised Ms. Ballew's efforts on the Vermont Secondary Mortgage Market.

Following further discussion, a motion was duly made and seconded to amend the resolution proposed and increase the percentage of reinvestment to 60%, with the Board reviewing any staff proposal to waive this requirement for any small banks that may want to get involved in other kinds of community reinvestment activities, and move forward with the program; this motion

failed, with Commissioners Ruse, Myette and Shaw opposed. A motion was then made and seconded to adopt the program as presented in the resolution as attached to these minutes; this motion was carried, with Commissioners Hahn and Seelig opposed.

Next, Mr. Schoenbeck reviewed the status of the Agency's most recent bond issue, 1989A, which had successfully closed Thursday, June 15. $50,000,000 in loan proceeds available; $45,000,000 at 8.8% (including $10,000,000 for a builder's set aside); $5,000,000 committed at 7.8%. Moody's rating agency was concerned about 10% of the funds being set aside for lower income borrowers, and right up to the closing requested that the Agency would covenant not to allow the lower rate funds to go out at a faster rate than the higher rate funds (which is not likely to happen). A higher potential loss would result in a worst-case scenario if only lower rate mortgages are originated. Mr. Schoenbeck then reviewed the earning stream of the 1989A bond issue.

The renewal of the lease for One Burlington Square was addressed by the Board, as per Mr. Schoenbeck's memo included in the Board packet; a motion was duly made, seconded and unanimously approved to renew the lease as recommended.

A discussion of the proposed budget for the fiscal year July 1, 1989 through June 30, 1990, was led by Mr. Schoenbeck; two errors were pointed out: "Fund Balance Transfers" paragraph in the narrative should be ignored as it was information carried over from last year's memo, and "Advertising Expense" from the budget worksheet should be $10,000 less. Further Fund Balance Transfers may be necessary during the fiscal year, depending upon any future bond issues. Specific line items were reviewed and explained. A motion was duly made, seconded, and unanimously approved to adopt the budget for the fiscal year ending June 30, 1990, as presented and included in the Board packet.

Mr. Jarrett briefly reviewed the need for revisions to the Multi-Family Bond Resolution; a motion was duly made, seconded and unanimously agreed to adopt the changes entitled "Second Supplemental Multi-Family Mortgage Bond" as proposed and attached to these minutes.

The status of the Winchester Place resolution regarding the letter of commitment was reviewed; a construction contract has not yet been signed, nor have any other documents related to this project. Mr. Jarrett was commended by Mr. Hunt for handling the complicated negotiations related to Winchester Place. The resolution was distributed for Board review; a brief discussion followed, and a motion was duly made, seconded, and unanimously

agreed to adopt the resolution as proposed and attached to these minutes.

At this point, Mr. Myette expressed his regrets and stated that he would not be available for the remainder of the meeting.

According to Mr. Jarrett, a commitment letter for the Heineberg Senior Housing Project should be signed and delivered to the Agency during the last week of June, 1989. Commendations to Mr. Jarrett were offered by the Board; a motion was duly made, seconded, and unanimously agreed to adopt the resolution accepting the Fannie Mae commitment to purchase Heineberg Senior Housing Mortgage as proposed and attached to these minutes.

A resolution regarding the Northgate project was distributed for the Board to review, allowing signators other than Mr. Hunt to execute various documents related to title issues and various partnerships of the owners of Northgate, during Mr. Hunt's absence from the office and upon advice of Counsel (Mr. Kochman). A motion was duly made, seconded and approved to adopt the resolution as presented and attached to these minutes.

In a related issue on the Northgate project, the "Premium Note" was reviewed by Mr. Hunt; Northgate Non-Profit has expressed reservations and objections to the Agency's insistence that the Premium Note, if it becomes necessary, would be an obligation of the Northgate project (although they have been assured that the Agency would virtually subordinate all of the other financing sources for the "Gates," reserving the right to extract payments if at some point the project could afford to make them). Staff is not recommending granting Northgate Non-Profit any relief, as no long-term cash flow projections showing the future status of the project have been presented. Mr. Hunt cautioned the Board that it would be irresponsible not to receive and review cash flows prior to taking any action. No Board action was taken.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:07 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

FannieMae

June 21, 1989

Mr. Allan Hunt
Executive Director
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05402

Subject: Taxable Single Family Credit Enhancement Program ("Vermont Secondary Market Program") - $100 Million

Dear Allan:

I am pleased to communicate that our Credit Policy Committee has approved Fannie Mae's participation in the Vermont Secondary Market Program as recommended by our Office on June 9, 1989.

As we have agreed, the Vermont Housing Finance Agency (VHFA) will purchase approximately $100,000,000 of seasoned, fixed-rate, single-family mortgages on primary residences from participating Fannie Mae-approved lenders and swap these mortgages for Mortgage-Backed Securities (MBS) guaranteed by Fannie Mae under our Regular Servicing Option. The VHFA will issue taxable bonds (or collateralized mortgage obligations) backed by our MBS securities. Alternatively, the VHFA will sell the MBS securities in the market for cash if the issuance of taxable bonds proves not to be as efficient as a direct sale of the MBS securities.

The VHFA will take all of the real estate risk in this transaction by providing Fannie Mae with full recourse in the event of loan default, and by agreeing to pass through scheduled principal and interest on the MBS securities to Fannie Mae, whether or not said payments are received by the VHFA from the participating lenders. Fannie Mae will charge an annual guaranty fee of .25% on the unpaid principal balance of the MBS securities, and we have agreed to waive our standard MBS pooling fee.

Proceeds from the sale of the securities will be used to purchase the subject mortgages from the participating lenders. The VHFA will require the participating lenders to reinvest at least 50% of the proceeds in debt or equity investments that will serve the housing needs of low and moderate income families residing within the State of Vermont.

Except as specified in the attached Terms and Conditions of the Vermont Secondary Market Program, all loans submitted to Fannie Mae for securitization must conform to Fannie Mae's requirements as contained in the Selling, Servicing, and MBS Guides, as well as to the standard warranties specified in the Fannie Mae Selling and Servicing Contract. All mortgage loans will be serviced by Fannie Mae-approved lenders under subservicing contracts with the VHFA as approved by Fannie Mae.

We are delighted to be able to work with you and your staff, and the participating lenders in this transaction. The Vermont Housing Finance Agency is to be commended for developing this thoughtful and innovative approach for providing affordable housing opportunities for the residents of the State of Vermont. We look forward to our continued association.

Sincerely,

John E. Gallagher
Director of Public Finance

JEG/bas

Except as specified in these Terms and Conditions, all loans must conform to Fannie Mae's published guidelines in the Selling, Servicing, and MBS Guides, as well as to the standard warranties specified in the Fannie Mae Selling and Servicing Contract.

Amount. The total amount of mortgage loans to be purchased by VHFA and securitized by Fannie Mae under the pilot phase of the Vermont Secondary Market Program shall not exceed $100 million in principal amount of single-family conventional mortgage loans.

Security. The mortgage loans will be secured by permanent first liens on single-family properties (homes, condos, or PUDs) which are primary residences and which are located within the State of Vermont.

Term of Agreement. All mortgage loans to be purchased by VHFA and guaranteed by Fannie Mae under this agreement must have commitments for purchase from VHFA dated no later than December 31, 1989.

Loans. Mortgage loans must be at least 12 months old on the date of their commitment for purchase by VHFA and must not have had more than one 30-day delinquent payment during the previous 12 months. All mortgage loans must be conventional, fixed-rate, level-payment loans with remaining terms of no more than 30 years.

Loan-to-Value ratios. Loans with loan-to-value ratios exceding 80% must have private mortgage insurance covering the top 25% of the loan amount.

Nonconforming features. The following nonconfirming features will be acceptable for loans in the pilot phase of the Vermont Secondary Market Program:

- Land values exceeding 30% of appraised value of the property,
- Incomplete verification of income and documentation for self-employed borrowers,
- Use of nonstandard documents (including appraisals) and mortgage instruments,
- Condominium loans secured by units in projects which do not have Fannie Mae project approval,
- Use of an attorney's opinion of title instead of a new title insurance policy.
- Initial borrower debt ratios higher than those prescribed by the Fannie Mae Guide,
- And other characteristics relating to the rural nature of the properties such as wood central heat, wells or springs for water supply, unpaved roads, etc.

Mortgage-backed securities. All mortgage loans submitted to Fannie Mae for securitization under the Regular Servicing Option must conform to Fannie Mae's requirements as contained in the Selling, Servicing, and MBS Guides, as well as to the standard warranties specified in the Fannie Mae Selling and Servicing Contract. The VHFA will provide Fannie Mae with full real estate recourse in the event of mortgage defaults.

Fee to Fannie Mae. In exchange for its provision of credit enhancement, VHFA will pay Fannie Mae an annual guaranty fee, or its equivalent, in the amount of .25% of the total unpaid principal balance of the mortgage loans. Fannie Mae will waive the standard MBS pooling fee.

Reporting to Fannie Mae. VHFA will utilize the MORNET system for monthly MBS reporting to Fannie Mae and will also provide Fannie Mae with status reports on the progress of the Vermont Secondary Market Program on a quarterly basis.

Revised 6/21/89

RESOLUTION RE: AUTHORIZING VERMONT HOUSING FINANCE AGENCY 1989 VERMONT SECONDARY MORTGAGE MARKET PROGRAM

WHEREAS, pursuant to Chapter 25, Title 10, Vermont Statutes Annotated, the Vermont Housing Finance Agency (the "Agency") has the statutory authority to issue taxable securities in the course of transactions that further its goal of providing housing for Vermont families;

WHEREAS, the staff of the Agency has proposed the creation of the Vermont Secondary Mortgage Market Program (the "Program"), in which it will purchase seasoned single-family mortgages from Vermont lending institutions to facilitate their investment in affordable housing for Vermont families; and

WHEREAS, those Vermont lending institutions have agreed in principle to participate in the Program and to reinvest a minimum of half of their loan proceeds from the Program in activities that support the housing needs of low- to moderate-income Vermont families; and

WHEREAS, the Federal National Mortgage Association ("Fannie Mae") has agreed to exchange the mortgages purchased by the Agency for mortgage-backed securities ("MBS") guaranteed by Fannie Mae;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to enter into contracts with Vermont lending institutions for their participation in the Program and for the commitment and sale of eligible mortgages in the Program.

2. The Executive Director is authorized to enter into contracts with Fannie Mae for the exchange of the eligible mortgages with Fannie MAE MBS.

3. The Executive Director is authorized to enter into discussions with Fannie Mae, Vermont institutions, or other securities brokers or dealers for the sale of the MBS.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 22, 1989.

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

RESOLUTION RE: SECOND SUPPLEMENTAL MULTI-FAMILY MORTGAGE BOND

WHEREAS, the Agency heretofore adopted on February 3, 1977, a resolution entitled "Multi-Family Mortgage Bond Resolution" (the "Bond Resolution"); and

WHEREAS, the Agency has determined that the Bond Resolution contains inconsistent and incomplete provisions relative to the receipt of partial Prepayments on Mortgage Loans held thereunder; and

WHEREAS, the Agency now desires to clarify the treatment of certain Prepayments under the Bond Resolution;

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

Section 1. Short Title. This resolution is hereinafter sometimes referred to as the "Second Supplemental Resolution."

Section 2. Definitions. All terms used herein shall have the same meanings as are given such terms in the Bond Resolution.

Section 3. Authority. This Second Supplemental Resolution is adopted pursuant to and in accordance with Section 802 of the Bond Resolution.

Section 4. Amendment. Section 407 of the Bond Resolution, as amended by the Agency's First Supplemental Multi-Family Mortgage Bond Resolution adopted July 16, 1986, is hereby further amended by deleting said section in its entirety and inserting the following in place thereof:

> Section 407. Prepayments. The Agency shall not permit a Mortgagor to make a Prepayment unless it shall require, with respect to any such Prepayment so permitted, that the same be in an amount which together with amounts paid by the Agency from the General Fund for deposit in the Redemption Fund is equal to the aggregate of (i) the principal amount of the Mortgagor's Mortgage Loan remaining unpaid or, in the case of a partial Prepayment, the portion of such unpaid principal amount attributable to the Prepayment, (ii) the unpaid principal amount of the proportionate share of the Bonds issued to fund the applicable Capitalized Interest Account, if any, the applicable Cost of Issuance Account, if any, and the Debt Service Reserve Fund pursuant to Section 401 allocable to such Prepayment, (iii) the proportionate share of the unamortized discount on the Bonds issued to make the Mortgage Loans, if any, allocable to such Prepayment, (iv) the interest to accrue on all Bonds to be redeemed upon the making of such Prepayment to the next

redemption date thereof not previously paid by the Mortgagor, (v) the redemption premium on the Bonds so to be redeemed, and (vi) the cost and expenses of the Agency in effecting the redemption of the Bonds so to be redeemed, less the amount of moneys available in the Optional Redemption Account in the Redemption Fund and for withdrawal from the Debt Service Reserve Fund and application to the redemption of such Bonds in accordance with the terms and provisions of this Resolution, as determined by the Agency; provided, however, that in the event the Bonds issued to provide the funds with which the Agency has made a Mortgage Loan are being or have been refunded and the refunding Bonds issued or to be issued for the purpose of refunding such original Bonds are in a principal amount in excess of the principal amount of the Bonds refunded, the Bonds referred to in items (ii) through (vi), inclusive, above, shall be such refunding Bonds. The Trustee shall set aside the amounts referred to in items (ii) through (vi), inclusive, above, in a special trust fund pending directions from the Agency for deposit of such amounts or portions thereof at the times and in the amounts set forth in an Officer's Certificate for deposit in the Debt Service Fund or the Optional Redemption Account in the Redemption Fund; provided, however, that in the event the Agency directs the Trustee to deposit any Prepayment into a Mortgage Loan Account in the Program Fund pursuant to Section 503(C) of this Bond Resolution, all or any portion of the amounts set aside in such special trust fund may, upon application of such Prepayment to make or to purchase a Mortgage Loan and at the direction of the Agency, be repaid to the Mortgagor that made such Prepayment.

Section 5. Effective Date. In accordance with Section 802 of the Bond Resolution, this Second Supplemental Resolution shall take effect upon (a) filing with the Trustee a copy of this Second Supplemental Resolution certified by the Secretary of the Agency and (b) filing with the Trustee and the Agency of an instrument in writing made by the Trustee consenting to this Second Supplemental Resolution.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 22, 1989.

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

RESOLUTION RE: LETTER OF COMMITMENT

FOR WINCHESTER PLACE DEVELOPMENT

WHEREAS, the Winchester Place Development has been the subject of prior resolutions of the Agency adopted on April 20, 1989 and May 18, 1989; and

WHEREAS, the May 18, 1989 Resolution contained several requirements for the contents of a Commitment Letter that the Executive Director was authorized to issue; and

WHEREAS, because of continuing discussions with the sponsors of the Development the Commitment Letter has not yet been issued, but will be issued in the very near future; and

WHEREAS, certain of the requirements in the May 18, 1989 Resolution should be modified,

NOW, THEREFORE, it is hereby RESOLVED that the May 18, 1989 Resolution of the Agency is modified in the following particulars:

1. The Executive Director and the Director of Finance, or either of them are authorized, in their discretion, to issue the Commitment Letter authorized in the May 18, 1989 Resolution of the Agency.

2. The Commitment Letter may be addressed to Housing Vermont and Merchants Properties, Inc. as the representatives of the housing sponsor, Winchester Associates.

3. The commitment of the Agency shall be subject to receipt, on or before June 30, 1989, of a commitment fee in an amount equal to one and one-half percent of the permanent financing commitment, and not less than $112,500.00.

4. In the absence of the Executive Director, the Director of Finance is authorized to take all actions permitted the Executive Director by the May 18, 1989 Resolution of the Agency.

5. The Executive Director and the Director of Finance, or either of them, are authorized to execute the Housing Subsidy Covenants and any other necessary documents for the Winchester Place Development.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 22, 1989.

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

RESOLUTION RE: AUTHORIZING ACCEPTANCE OF FEDERAL NATIONAL MORTGAGE ASSOCIATION COMMITMENT TO PURCHASE HEINEBERG SENIOR HOUSING MORTGAGE

WHEREAS, the Vermont Housing Finance Agency (the "Agency") has previously committed to make a permanent loan to the Heineberg Senior Housing Partnership (the "Partnership") upon completion of construction and the satisfaction of the conditions of a certain Commitment Letter issued by the Agency on November 17, 1988; and

WHEREAS, the Agency has negotiated the purchase of the mortgage the Agency will receive from the Partnership upon the making of the permanent loan (the "Mortgage") with the Federal National Mortgage Association ("Fannie Mae"); and

WHEREAS, Fannie Mae has offered a Commitment Letter to the Agency setting out the conditions on which Fannie Mae will purchase the Mortgage from the Agency;

NOW, THEREFORE, it is hereby RESOLVED:

1. The Agency accepts the Commitment Letter offered by Fannie Mae pertaining to the loan the Agency expects to make to the Partnership.

2. The Executive Director and the Director of Finance, or either of them, are authorized to execute the Commitment Letter from Fannie Mae and to take all necessary steps toward the sale of the Mortgage to Fannie Mae.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 22, 1989.

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

RESOLUTION RE: AUTHORIZED SIGNERS

WHEREAS, the Agency has entered into an Option Agreeement dated May 1, 1989 with the owners of Northgate Associates, Greenfield Associates, Highgate Associates, Applegate Associates and Westgate Associates (the "Option Agreement"); and

WHEREAS, certain matters may arise in connection with the Option Agreement that require an authorized person to act for the Agency; and

WHEREAS, the Executive Director is expected to be away from the office in the near future;

NOW, THEREFORE it is hereby RESOLVED:

That the Director of Finance, the Director of Development, and the General Counsel of the Agency, or any of them, are authorized to act for the Agency in connection with any matters arising under the Option Agreement in the absence of the Executive Director.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Burlington, Vermont on June 22, 1989.

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

VERMONT HOUSING FINANCE AGENCY

BOARD CONFERENCE CALL MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Wednesday, July 26, 1989

PRESENT: Commissioners (via speakerphone) Shaw, Francis, Babcock, Myette

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mrs. Parker

Guests (via speakerphone): Andrew Gurley of Drexel Burnham Lambert; Walter St. Onge of Palmer & Dodge; Harlan Sylvester of Shearson Lehman Hutton; Kathy Crost and Laurene St Germain of Orrick Herrington Sutcliffe

The meeting was called to order at 1:25 p.m. Participants were identified by name. Each of the Board members present confirmed receipt of the draft series resolution. It was agreed that all votes would be done by roll call.

Mr. Gurley reviewed the background of negotiations and pricing related to the proposed sale of 1989 Series A Multi-Family Bonds for Winchester Place. According to Mr. Gurley, Standard & Poor's had issued a rating of A for this bond issue. The size of the issue had been set at $8,970,000. Mr. Gurley reviewed the Preliminary Official Statement as distributed previously to the Board, as well as current prices and interest rates.

Comparable issues from Massachusetts and Maine were briefly reviewed by Mr. Gurley, who also assured the Board that the final pricing book would be made available to the Board and the Agency. Mr. Shaw commended Mr. Gurley for his work on this most recent bond issue.

Ms. Crost discussed proposed changes to the Official Statement. The General Resolution and the Series Resolution were reviewed briefly by Mr. St. Onge. A brief discussion followed on the risks and use of the moral obligation. A motion was duly made and seconded to approve the General Resolution as proposed and attached to these minutes; this motion carried unanimously.

Next, a motion was duly made, seconded and unanimously agreed to adopt the Series Resolution as proposed and attached to these minutes; the Chair abstained.

After a brief explanation by Mr. Jarrett a motion was duly made, seconded and unanimously carried recognizing Winchester Place as a qualified housing project for purposes of 8 V.S.A. §1108.

An amendment to the Resolution regarding the Secondary Mortgage Market, as passed at the June 22, 1989 meeting, was proposed by Mr. Jarrett; a motion was duly made, seconded and unanimously agreed to amend the resolution as proposed and attached to these minutes.

The next Board meeting was scheduled for Thursday, August 17, to be held in Burlington. There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 2:00 p.m.

Respectfully submitted,

Allan S. Hunt
Executive Director

RESOLUTION AUTHORIZING
VERMONT HOUSING FINANCE AGENCY
1989 VERMONT SECONDARY MARKET PROGRAM

WHEREAS, pursuant to Chapter 25, Title 10, Vermont Statutes Annotated, the Vermont Housing Finance Agency ("the Agency") has the statutory authority to issue taxable securities in the course of transactions that further its goal of providing housing for Vermont families;

WHEREAS, the staff of the Agency has proposed the creation of the Vermont Secondary Market Program ("the Program"), in which it will purchase seasoned single-family mortgages from Vermont lending institutions to facilitate their investment in affordable housing for Vermont families; and

WHEREAS, those Vermont lending institutions have agreed in principle to participate in the Program and to reinvest a minimum of half of their loan proceeds from the Program in activities that support the housing needs of low- to moderate-income Vermont families; and

WHEREAS, the Federal National Mortgage Association ("Fannie Mae") has agreed to exchange the mortgages purchased by the Agency for mortgage-backed securities (MBS) guaranteed by Fannie Mae;

NOW THEREFORE, it is hereby RESOLVED:

1. The Executive Director is authorized to enter into contracts with Vermont lending institutions for their participation in the Program and for the commitment and sale of eligible mortgages in the Program.

2. The Executive Director is authorized to enter into contracts with Fannie Mae for the exchange of the eligible mortgages with Fannie Mae MBS.

3. The Executive Director is authorized to enter into discussions and any necessary agreements with Fannie Mae, Vermont institutions, or other securities brokers or dealers for the sale of the MBS.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of VHFA held July 26, 1989.

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

VERMONT HOUSING FINANCE AGENCY

Series Resolution Authorizing the Issuance and Sale of $8,970,000 Housing Development Mortgage Bonds, 1989 Series A

Adopted July 26, 1989

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VERMONT HOUSING FINANCE AGENCY
SERIES RESOLUTION AUTHORIZING THE ISSUANCE AND
SALE OF $8,970,000 HOUSING DEVELOPMENT MORTGAGE BONDS,
1989 SERIES A

July 26, 1989

WHEREAS, the Vermont Housing Finance Agency (hereinafter referred to as the "Agency") anticipates the financing of a Mortgage Loan for multi-family housing for persons and families of low and moderate income in the State of Vermont pursuant to the provisions of the Vermont Housing Finance Agency Act being Act No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (hereinafter referred to as the "Act"); and

WHEREAS, the Agency heretofore adopted on July 26, 1989, a resolution entitled "Housing Development Mortgage Bond Resolution" (hereinafter referred to as the "Bond Resolution"); and

WHEREAS, in order to obtain funds with which to finance such Mortgage Loan it is deemed necessary and advisable to issue the Housing Development Mortgage Bonds of the Agency 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 101. Definitions. (a) Except as provided in Paragraph (b) of this Section, all defined terms contained in the Bond Resolution shall have the same meanings in this 1989 Series A Resolution as such defined terms are given in the Bond Resolution.

(b) As used in this 1989 Series A Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Beneficial Owner" means the person or entity that is considered to be the beneficial owner of any 1989 Series A Bond pursuant to the arrangements for book entry determination of ownership applicable to the Bond Depository;

"Bond Counsel" means Palmer & Dodge, Boston, Massachusetts, or any successor firm of attorneys having nationally recognized expertise in municipal finance;

"Bond Depository" means The Depository Trust Company, and its successors and any replacement depository appointed pursuant to Section 201(F) hereof;

"Bond Year" means the twelve month period beginning on the date of original delivery of the 1989 Series A Bonds and each successive twelve month period thereafter.

"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;

"Developer" means Winchester Associates Partnership, a Vermont limited partnership, its successors and assigns, as the developer of the Project.

"Official Statement" means the Official Statement of the Agency describing the 1989 Series A Bonds, in preliminary form dated July 18, 1989 and in final form as presented at this meeting and included in the minutes hereof.

"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;

"Project" means the Development to be constructed and operated by the Developer in Colchester, Vermont, as more completely described in the Official Statement.

"Purchase Contract" means the Contract of Purchase dated July 26, 1989, by and between the Agency and the Underwriters named therein providing for the terms and conditions of the sale of the 1989 Series A Bonds in the form presented at this meeting and included in the minutes hereof.

"1989 Series A Bonds" means the Bonds of the Agency of the Series authorized by this 1989 Series A Resolution.

"1989 Series A Rebate Account" means the account created and designated in Section 401 of this 1989 Series A Resolution.

"1989 Series A Resolution" means the Series Resolution Authorizing the Issuance and Sale of $8,970,000 Housing Development Mortgage Bonds, 1989 Series A adopted by the Agency on July 26, 1989, authorizing the 1989 Series A Bonds.

"Record Date" means with respect to the payment of interest on a 1989 Series A Bond, the first day of the month in which interest is to be paid on such 1989 Series A Bond or, if such first day is not a business day, the next preceding business day; provided that, with respect to overdue interest or interest

payable on a 1989 Series A 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 20 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 in the manner provided in the Bond Resolution to the Holders of all 1989 Series A Bonds Outstanding to which such special record date is applicable at least 10 days before the special record date or in such other time and manner as the Trustee may deem appropriate.

"Representation Letter" means the letter from the Trustee and the Agency to the Bond Depository in substantially the form attached hereto as Exhibit A;

"Yield" means the yield on the 1989 Series A Bonds, or the yield on the Mortgage Loan financed with the proceeds of the 1989 Series A Bonds or the yield on any other investment under the Bond Resolution or this 1989 Series A Resolution calculated as required by the Code.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this 1989 Series A Resolution, refer to this 1989 Series A Resolution.

Section 102. Authority for 1989 Series A Resolution. This 1989 Series A Resolution is adopted pursuant to and in accordance with the provisions of the Act and the Bond Resolution.

Section 103. Allocation of State Volume Cap to 1989 Series A Bonds. The Agency hereby determines to allocate to the 1989 Series A Bonds $8,970,000 of the Agency's $27,095,000 remaining unused 1987 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

ARTICLE II
AUTHORIZATION, TERMS AND ISSUANCE OF 1989 SERIES A BONDS

Section 201. 1989 Series A Bonds. (A) In order to provide sufficient funds necessary for the Program, in accordance with and subject to the terms, conditions and limitations established in the Bond Resolution and this 1989 Series A Resolution, a series of Housing Development Mortgage Bonds, designated "Housing Development Mortgage Bonds, 1989 Series A", is hereby authorized to be issued in the aggregate Principal Amount of $8,970,000. The Agency is of the opinion and hereby determines (1) that the issuance of Bonds in the Principal Amount of $8,970,000 is necessary to provide sufficient funds to be used and expended for

the Program; (2) that the Mortgage Loan to be made on behalf of the Agency with the proceeds of the 1989 Series A Bonds can be issued bearing a rate of interest that will be less than the prevailing rate of interest on comparable mortgage loans available in the State of Vermont without the assistance of the Agency; and (3) that the Agency will derive receipts, revenues and other income from the Mortgage Loan made with the proceeds of the 1989 Series A Bonds sufficient to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the 1989 Series A Bonds and the payment of all costs and expenses incurred by the Agency with respect to the Program for which the 1989 Series A Bonds are issued. All 1989 Series A Bonds shall be issued as "Fixed-Rate Bonds" as described in Section 201(B) of the Bond Resolution.

(B) The purposes for which the 1989 Series A Bonds are being issued are to provide funds for deposit in the Debt Service Reserve Fund, the Mortgage Reserve Fund, the 1989 Series A Cost of Issuance Account, the 1989 Series A Capitalized Interest Account and the 1989 Series A Mortgage Loan Account and to provide for the discount realized upon the sale of the 1989 Series A Bonds pursuant to the Purchase Contract, subject to the limitations and provisions provided in Article IV of the Bond Resolution and in the amounts determined by or pursuant to Article III hereof.

(C) All 1989 Series A Bonds shall be issued only in the form of fully registered bonds subject to the provisions of Section 201(F) of this 1989 Series A Resolution. The 1989 Series A Bonds shall each be in the denomination of $5,000 or any whole multiple thereof. The 1989 Series A Bonds shall be lettered and numbered separately from one consecutively upward in order of maturity preceded by the letters "AR" and with such further or alternate designation as the Trustee shall determine with the approval of the Agency.

(D) All 1989 Series A Bonds shall be dated July 15, 1989 and shall bear interest from the December 15 or June 15 to which interest has been paid or duly provided for next preceding their date of authentication or, if no interest has been paid, from July 15, 1989, or if the date of authentication of any 1989 Series A Bond is subsequent to the Record Date for any interest payment and on or prior to the Interest Payment Date therefor and if interest is paid on such Interest Payment Date, from such Interest Payment Date. The 1989 Series A Bonds shall mature on the dates and in the Principal Amounts shown below. Interest on each 1989 Series A Bond shall be payable on December 15, 1989 and semi-annually thereafter on June 15 and December 15 of each year and at the rates shown below:

Due	Principal Amount	Interest Rate
June 15, 2004	$1,280,000	7.50%
June 15, 2009	3,000,000	7.60
June 15, 2016	4,690,000	7.75

(E) The Principal Amount and Redemption Price of the 1989 Series A Bonds shall be payable at the Principal Office of the Trustee. Interest on the 1989 Series A 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 1989 Series A 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 1989 Series A Bonds 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 Bond Resolution. Notwithstanding anything in the Bond Resolution or this Paragraph (E) to the contrary, if at any time the 1989 Series A Bonds 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 Paragraph (F) of this Section 201, the Principal Amount and Redemption Price of and interest on the 1989 Series A Bonds of any registered owner of 1989 Series A Bonds 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 Clearinghouse funds by wire transfer to the account of such registered owner on file with the Trustee. Each such wire transfer shall bear the CUSIP number, with the specific dollar amount for each such CUSIP number, of the 1989 Series A Bond on account of which such payment is made.

(F) Notwithstanding the foregoing:

(1) The 1989 Series A Bonds shall be initially issued in the form of a separate single authenticated fully registered bond in the amount of each separately stated maturity of the 1989 Series A Bonds. Upon initial issuance, the ownership of the 1989 Series A Bonds 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 1989 Series A 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 1989 Series A 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 1989 Series A Bonds, (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 1989 Series A Bonds, 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 or purchase price of, or interest on, the 1989 Series A Bonds. The Trustee shall pay the Principal Amount or Redemption Price or purchase price of and interest on, the 1989 Series A Bonds 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 or purchase price of, and interest on, the 1989 Series A Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated 1989 Series A Bond evidencing the obligation of the Agency to make payments of Principal Amount or Redemption Price or purchase price of, and interest pursuant to the Bond 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., and subject to the provisions in the Bond Resolution with respect to consents, the words "Cede & Co." in this 1989 Series A Resolution shall refer to such new nominee of the Bond Depository.

(2) 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 willing and able to undertake such functions upon reasonable and customary terms, then the 1989 Series A Bonds 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 1989 Series A Bondholders transferring or exchanging 1989 Series A Bonds shall designate, in accordance with the provisions of the Bond Resolution.

(3) In the event the Agency determines that Beneficial Owners be able to obtain 1989 Series A Bond certificates, the Agency may notify the Bond Depository and the Trustee of the availability of 1989 Series A Bond certificates. In such event, the Trustee shall issue, transfer and exchange 1989 Series A Bond certificates for 1989 Series A Bonds as requested by the Bond Depository (or, pursuant to Section 201(F)(2), any other 1989 Series A Bondholder) 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 1989 Series A Bonds to any Participant having 1989 Series A Bonds credited to its Bond Depository account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the 1989 Series A Bonds.

(4) Notwithstanding any other provision of this 1989 Series A Resolution to the contrary, so long as any 1989 Series A Bond 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 or purchase price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to the Bond Depository as provided in the Representation Letter.

(G) The Howard Bank, N.A., in the City of Burlington, Vermont, is hereby appointed the Paying Agent for the 1989 Series A Bonds, subject to Section 1102 of the Bond Resolution.

Section 202. Costs of Exchange or Transfer. Pursuant to Section 305(C) of the Bond Resolution, after December 15, 1990, the Agency in its sole discretion may charge for every exchange or transfer of a 1989 Series A Bond a fee sufficient to reimburse the Agency for the cost of preparing each new 1989 Series A Bond 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 203. Redemption Provisions. (A) The 1989 Series A Bonds shall be subject to redemption, either in whole at any time, or in part on any Interest Payment Date, on or after June 15, 1999 from moneys deposited in the Optional Redemption Account in the Redemption Fund upon receipt of the Officer's Certificates as provided in Section 508 of the Bond Resolution, and upon notice as provided in Section 203(D) hereof at the following Redemption Prices (expressed as a percentage of the Principal Amount of each 1989 Series A Bond to be so redeemed) set opposite such period in said table, plus accrued interest to the redemption date:

Period During Which Redeemed (both dates inclusive)	Redemption Prices (Expressed as a Percentage
June 15, 1999 to June 14, 2000	103%
June 15, 2000 to June 14, 2001	102
June 15, 2001 to June 14, 2002	101
June 15, 2002 and thereafter	100

(B) The 1989 Series A Bonds are also subject to redemption in whole or in part at any time at par plus accrued interest to the redemption date from moneys deposited in the Special Redemption Account in the Redemption Fund, upon receipt of the Officer's Certificates as provided in Section 508 of the Bond Resolution and the following sentence and upon notice as provided in Section 203(D) hereof. Notwithstanding Section 402(F) of the Bond Resolution, in the event the Agency determines not to make all or any portion of a Mortgage Loan from the proceeds of the 1989 Series A Bonds deposited in the 1989 Series A Mortgage Loan Account, as certified by the Agency in an Officer's Certificate filed with the Trustee, the Agency may, pursuant to such Certificate, direct the Trustee to deposit such moneys in the Special Redemption Account in the Redemption Fund, which moneys shall be applied only to the redemption of 1989 Series A Bonds. Notwithstanding Section 402(F) of the Bond Resolution, in the event the Agency determines not to make any Mortgage Loan from Prepayments deposited in the 1989 Series A Mortgage Loan Account, as certified by the Agency in an Officer's Certificate filed with the Trustee, the Agency may, pursuant to such Certificate, direct the Trustee to deposit such moneys in the Optional Redemption Account in the Redemption Fund, which moneys shall be applied only to the redemption of 1989 Series A Bonds.

(C) The 1989 Series A Bonds maturing June 15, 2004, June 15, 2009 and June 15, 2016 shall be subject to redemption in part by operation of Sinking Fund Installments as provided in the Bond Resolution, upon notice as provided in Section 203(D) hereof, commencing June 15, 1991, with respect to the 1989 Series A Bonds maturing on or before June 15, 2009 and June 15, 2010, with respect to the 1989 Series A Bonds maturing on June 15, 2016, and on each June 15 thereafter to and including June 15, 2003, June 15, 2008 and June 15, 2015, respectively, as herein provided, and at the Redemption Price equal to the Principal Amount of each 1989 Series A Bond or portion thereof to be redeemed, together with accrued interest to the date of redemption. Unless none of the 1989 Series A Bonds shall then be Outstanding, the Agency shall be required to pay on June 15, of each year set forth in the following table, for the retirement of such 1989 Series A Bonds, the amount set opposite such year in said table, and the said amount so to be paid on each such date is hereby established as and shall constitute a Sinking Fund Installment for retirement of such 1989 Series A Bonds: provided, however, that where there has been special or optional redemption of 1989 Series A Bonds subject to sinking fund redemption, the amount of each future Sinking Fund Installment shown will be reduced as provided in the Officer's Certificate filed pursuant to Section 508 of the Bond Resolution prior to such special or optional redemption.

$1,280,000 1989 Series A Bonds maturing June 15, 2004

Year	Amount	Year	Amount
1991	$20,000	1998	$ 95,000
1992	65,000	1999	100,000
1993	70,000	2000	110,000
1994	75,000	2001	115,000
1995	60,000	2002	125,000
1996	80,000	2003	135,000
1997	85,000	2004*	145,000

$3,000,000 1989 Series A Bonds maturing June 15, 2009

Year	Amount	Year	Amount
1991	$35,000	2000	$100,000
1992	60,000	2001	110,000
1993	65,000	2002	120,000
1994	70,000	2003	130,000
1995	60,000	2004	135,000
1996	80,000	2005	305,000
1997	85,000	2006	325,000
1998	90,000	2007	350,000
1999	95,000	2008	380,000
		2009*	405,000

$4,690,000 1989 Series A Bonds maturing June 15, 2016

Year	Amount	Year	Amount
2010	$440,000	2013	$ 550,000
2011	470,000	2014	590,000
2012	510,000	2015	635,000
		2016*	1,495,000

*Maturity

(D) Notice of redemption of 1989 Series A Bonds bearing, in addition to such other information as may be required by Section 705 of the Bond Resolution, the "CUSIP" number of each 1989 Series A Bond or portion thereof to be redeemed, shall be sufficiently given for all purposes of the Bond Resolution if given by mailing a copy of such notice by first-class mail, postage prepaid, not more than sixty (60) days and not less than thirty (30) days before the redemption date, to the registered

owners of all 1989 Series A Bonds or portions thereof to be redeemed at their addresses appearing on the registry books; provided, however, that failure to mail such notice to any Holder of a 1989 Series A Bond or any defect in such notice shall not affect the redemption of any other 1989 Series A Bond for which the required notice has been given. Notwithstanding anything herein or in the Bond Resolution to the contrary, notice of redemption of any 1989 Series A Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of 1989 Series A Bonds Outstanding shall, upon the prior written request of such owner to Trustee, be mailed by certified mail, return receipt requested. If any 1989 Series A Bonds called for redemption as provided herein are not presented for payment within sixty (60) days of the redemption date, the Trustee shall mail an additional notice of the redemption of such 1989 Series A Bonds to the registered owners thereof; provided, however, that failure to mail such notice or any defect therein shall not affect the redemption of such 1989 Series A Bonds on the redemption date therefor. Notice having been given by mailing as aforesaid, the 1989 Series A Bonds so called for redemption shall be due and payable on the redemption date in the manner and with the effect provided in Section 705 of the Bond Resolution.

Section 204. Sale of 1989 Series A Bonds. (A) The 1989 Series A Bonds shall be sold to the underwriters identified in the Purchase Contract (collectively the "Underwriters"), at the prices, on the terms and conditions, and upon the representations set forth in the Purchase Contract, which Purchase Contract and the execution thereof on behalf of the Agency is hereby accepted and approved in all respects. The Chairman, the Vice-Chairman, the Executive Director and the Director of Finance of the Agency are each hereby authorized to execute the Purchase Contract and, upon such execution, to deliver it to the Underwriters.

(B) The Official Statement is hereby approved with such changes as the Chairman, Vice-Chairman, the Executive Director or the Director of Finance of the Agency may approve. The execution by one of such parties shall be conclusive evidence of such approval, and the Chairman, the Vice-Chairman, the Executive Director and the Director of Finance of the Agency are each hereby authorized to permit the distribution of the Official Statement and to sign and deliver such Official Statement to the Underwriters.

(C) The 1989 Series A Bonds shall be delivered upon compliance with the provisions of Section 204 of the Bond Resolution at the time and place provided by the Purchase Contract.

ARTICLE III

ESTABLISHMENT OF ACCOUNTS AND APPLICATION OF 1989 SERIES A BOND PROCEEDS

Section 301. Establishment of Accounts within the Program Fund. (A) There is hereby established within the Program Fund an Account to be designated as the 1989 Series A Cost of Issuance Account, moneys in which shall be used for the purposes and as authorized by Section 403 of the Bond Resolution.

(B) There is hereby established within the Program Fund an Account to be designated as the 1989 Series A Capitalized Interest Account, moneys in which shall be used for the purposes and as authorized by Section 403 of the Bond Resolution.

(C) There is hereby established within the Program Fund an Account to be designated as the 1989 Series A Mortgage Loan Account, moneys in which shall be used for the purposes and as authorized by Section 402 of the Bond Resolution.

Section 302. Mortgage Reserve Requirement; Debt Service Reserve Requirement. (A) The amount to be maintained in the Mortgage Reserve Fund with respect to the 1989 Series A Bonds at any date of calculation is hereby determined to be one percent (1%) of the sum of (i) the outstanding principal balance of all Mortgage Loans allocable to the 1989 Series A Bonds and (ii) the aggregate amounts then held in the 1989 Series A Mortgage Loan Account. For purposes of Section 105 and Section 202(B)(3) of the Bond Resolution, upon the authentication and delivery of the 1989 Series A Bonds, the Funded Mortgage Reserve Requirement shall equal the Mortgage Reserve Requirement.

(B) Upon the authentication and delivery of the 1989 Series A Bonds, the Debt Service Reserve Requirement shall be the minimum amount provided in Section 105 of the Bond Resolution and specified in a certificate of an Authorized Officer delivered to the Trustee at or before the delivery of the 1989 Series A Bonds. For purposes of Section 105 and Section 202(B)(3) of the Bond Resolution, upon the authentication and delivery of the 1989 Series A Bonds, the Funded Debt Service Reserve Requirement shall equal the Debt Service Reserve Requirement.

Section 303. Application of Proceeds and Other Moneys. (A) Upon the authentication and delivery of the 1989 Series A Bonds, the Agency shall transfer to the Trustee from any moneys of the Agency available therefor an amount not to exceed $68,988 (or such lesser amount as an Authorized Officer of the Agency shall determine on or prior to the delivery of the 1989 Series A Bonds), which amount, together with the proceeds of sale of the 1989 Series A Bonds, shall be deposited by the Trustee as follows:

(1) To the Debt Service Fund an amount equal to the interest, if any, accrued on the 1989 Series A Bonds from their dates to the date of delivery thereof;

(2) To the 1989 Series A Cost of Issuance Account, the amount of $70,000;

(3) To the 1989 Series A Mortgage Loan Account, the amount of $7,825,000;

(4) To the Debt Service Reserve Fund, from the remaining amount contributed by the Agency and otherwise from such proceeds, the amount of $809,000, or such greater or lesser amount such that following such deposit the amount on deposit in the Debt Service Reserve Fund will equal the Debt Service Reserve Requirement;

(5) To the Mortgage Reserve Fund, the amount of $78,250; and

(6) To the 1989 Series A Capitalized Interest Account, the balance of such proceeds and moneys.

Section 304. Investment Restrictions. Notwithstanding the provisions of the Bond Resolution, moneys allocable to the 1989 Series A Bonds deposited in the Debt Service Reserve Fund, the Mortgage Reserve Fund or the Revenue Fund shall not be invested in any Investment Obligation described in clause (8) of the definition of Investment Obligations.

ARTICLE IV

ESTABLISHMENT OF REBATE ACCOUNT AND SPECIAL COVENANTS

Section 401. Establishment of the 1989 Series A Rebate Account. (A) There is hereby established in the Rebate Fund a separate account designated the "1989 Series A Rebate Account", moneys in which shall be used for the purposes and as authorized by this Section 401 and Section 511 of the Bond Resolution.

(B) Pursuant to the requirements of Section 148(f) of the Code, the Agency shall deposit to the 1989 Series A Rebate Account at least once every five (5) 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 rate equal to the Yield on the 1989 Series A Bonds, plus (ii) any

income attributable to the investment of the excess described in clause (i) above. The Agency further covenants to pay such amounts to the United States, in a manner and at the times consistent with the requirements of Section 148(f) of the Code, whether or not the amount on deposit in the 1989 Series A 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 1989 Series A Rebate Requirement.

(C) In the event that, at the time of any required payment of the 1989 Series A Rebate Account, the amount in the 1989 Series A Rebate Account available for such payment shall be insufficient to make such payment, the Agency shall pay the amount of the deficiency from any moneys available to the Agency and not pledged under the Bond Resolution to the Bonds.

(D) In the event that on any Interest Payment Date of the 1989 Series A Bonds the amount on deposit in the 1989 Series A Rebate Account exceeds the amount then required to be paid pursuant to Section 148 (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.

(E) For purposes of this Section 401 and Section 402(x), the term "Nonpurpose Investments" shall have the meaning given in Section 148(f) of the Code. Nonpurpose Investments shall be valued at market for the purposes of this Section 401. In determining the aggregate amount earned on Nonpurpose Investments, any gain or loss on the disposition of such Investments shall be taken into account.

(F) Records. The Trustee and the Agency shall keep such records as will enable them to fulfill their responsibilities under this Section 401 and §148(f) and shall retain such records for at least six years following final payment of the 1989 Series A Bonds.

(G) The purpose of this Section 401 is to satisfy the requirements of Section 148(f) of the Code and any applicable regulations thereunder or official interpretation thereof. Accordingly, this section shall be construed so as to meet such requirements.

Section 402. Tax Status of the 1989 Series A Bonds. Without limiting the generality of Section 605 of the Bond Resolution, to ensure the exclusion of interest on the 1989 Series A Bonds from gross income for federal income tax purposes, the Agency hereby represents, warrants and agrees, and if applicable, shall require the Mortgagor under the Mortgage Loan financed with the proceeds of the 1989 Series A Bonds similarly

to represent, warrant and agree, as set forth below with terms not otherwise defined herein used as defined in the applicable provisions of the Code.

(i) Pursuant to and in accordance with Section 142(a)(7) and (d) of the Code, at least ninety-five percent (95%) of the net proceeds of the 1989 Series A Bonds will only be used for the purpose of financing a "qualified residential rental project". No proceeds of the 1989 Series A Bonds will be used for any "private business use" or otherwise used for any purpose that, in either case, would cause the 1989 Series A Bonds not to be treated as "exempt facility bonds" within the meaning of Section 142(a)(7) of the Code.

(ii) The Development to be financed with the proceeds of the 1989 Series A Bonds will at all times during the "qualified project period" (as defined in Section 142(d)(2) of the Code) be operated as a "qualified residential rental project". Pursuant to and in accordance with Section 142(d)(1) of the Code, the Agency hereby elects to require that at all times during the qualified project period at least forty percent (40%) of the residential units in the Development be occupied by individuals whose income is sixty percent (60%) or less of median gross income as determined in accordance with the applicable provisions of the Code.

(iii) The determination of whether a resident of the Development meets the income requirement described in clause (ii) shall be made by the Mortgagor at least annually on the basis of the current income of the resident pursuant to and in accordance with Section 142(d)(3) of the Code. If the income of a resident of a unit in the Development did not exceed the income limit described above upon commencement of such resident's occupancy of such unit (or as of any prior determination under the preceding sentence), the income of such resident shall be treated as continuing to not exceed such income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under the preceding sentence exceeds 140 percent of the income limit, if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Development is occupied by a new resident whose income exceeds the applicable income limit.

(iv) The average maturity of the 1989 Series A Bonds (determined by taking into account the respective issue prices of the 1989 Series A Bonds) does not exceed one hundred and twenty percent (120%) of the average reasonably expected economic life of the facilities being financed with the proceeds of the 1989 Series A Bonds. The reasonably expected economic life of the facilities has been or will be determined as of the later of the date of original delivery of the 1989 Series A Bonds or the date

on which the facility is placed in service (or expected to be placed in service).

(v) Less than twenty-five percent (25%) of the net proceeds (within the meaning of §150(a)(3) of the Code) of the 1989 Series A Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of the net proceeds of the 1989 Series A Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

(vi) The Mortgagor will be the first user of all property (or interest therein) to be acquired with proceeds of the 1989 Series A Bonds.

(vii) No portion of the proceeds of the 1989 Series A Bonds will be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling or store, the principal business of which is the sale of alcoholic beverages for consumption off premises.

(viii) Notwithstanding the definition of the Debt Service Reserve Requirement and Mortgage Reserve Requirement in the Bond Resolution, the amounts in the Debt Service Reserve Fund and Mortgage Reserve Fund applicable to the proceeds of 1989 Series A Bonds invested at a Yield higher than the Yield on the 1989 Series A Bonds shall not exceed ten percent (10%) of the proceeds of the 1989 Series A Bonds. At no time shall the amount of the proceeds from the sale of the 1989 Series A Bonds on deposit in the Debt Service Reserve Fund and Mortgage Reserve Fund exceed ten percent (10%) of the proceeds of the 1989 Series A Bonds.

(ix) The amount of "issuance costs" (within the meaning of the Code) financed with proceeds of the 1989 Series A Bonds shall not exceed 2% of the proceeds of the 1989 Series A Bonds.

(x) At no time during any Bond Year shall the amount of Gross Proceeds of the 1989 Series A Bonds invested in Nonpurpose Investments with a Yield in excess of the Yield on the 1989 Series A Bonds exceed one hundred and fifty percent (150%) of the "debt service" on the 1989 Series A Bonds for such Bond Year. The aggregate amount invested as provided in the previous sentence shall be promptly and appropriately reduced by the Agency as the amount of 1989 Series A Bonds Outstanding is reduced, provided, however, that the Agency shall not be required to sell or dispose of any Nonpurpose Investment if such sale or disposition would result in a loss which exceeds the amount which (but for such sale or disposition) would be paid to the United States pursuant to Section 148(f) of the Code at the time of such sale or disposition. In calculating the debt service due in a Bond Year for all 1989 Series A Bonds, the Agency shall not take

into account amounts scheduled with respect to any 1989 Series A Bonds which have been redeemed before the beginning of such Bond Year. The requirements of this subsection (x) shall not apply to (1) proceeds of the 1989 Series A Bonds invested for an initial temporary period until such proceeds are needed for the governmental purpose of the 1989 Series A Bonds, and (2) temporary investment periods related to debt service.

(xi) The Agency will take all lawful action necessary under the Code to ensure that interest on the 1989 Series A Bonds will remain excludable from gross income for federal income tax purposes and will refrain from taking any action which would cause interest on the 1989 Series A Bonds to become includable in gross income for federal income tax purposes.

Section 403. Compliance with Article IV. The provisions of this Article IV shall be complied with by the Agency in order to meet the requirements of the Code such that interest on the 1989 Series A Bonds shall be and remain excludable from gross income for federal income tax purposes; provided, however, that the Agency shall not be required to comply with any such provision with respect to the 1989 Series A Bonds in the event the Agency receives a Counsel's Opinion that compliance with such provision is no longer required to satisfy the requirements of the Code or that compliance with some other provision in lieu of a provision specified in this Article IV will satisfy said requirements, in which case compliance with such other provision specified in the Counsel's Opinion shall constitute compliance with the provisions specified in this Article IV. The Agency shall adopt a Supplemental Resolution reflecting the deletion or substitution of any such provision of this Article IV in the same manner as provided for Supplemental Resolutions adopted in accordance with Section 801 of the Bond Resolution.

ARTICLE V

FORM OF 1989 SERIES A BONDS

Section 501. Form of 1989 Series A Bonds. Subject to the provisions of the Bond Resolution and Article II hereof, each 1989 Series A Bond shall be in substantially the following form, with such insertions or variations as to any redemption or amortization provisions and such other insertions or omissions, endorsements and variations as may be required or permitted by the Bond Resolution:

(1) The front side of all 1989 Series A Bonds shall be substantially as follows:

VERMONT HOUSING FINANCE AGENCY
HOUSING DEVELOPMENT MORTGAGE BOND, 1989 SERIES A

$_____ No. AR-_____

Maturity Date:

Interest Rate: _____ % Per Annum

Bond Date: July 15, 1989

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to _____, or registered assigns, on the Maturity Date the principal sum of _____ Dollars ($_____), upon presentation and surrender hereof at the principal office of the Trustee, and to pay interest on such principal sum at the Interest Rate from the December 15 or June 15 to which interest has been paid next preceding the date of authentication of this bond or, if no interest has been paid, from the Bond Date, or if the date of authentication of any bond is subsequent to the Record Date for any Interest Payment and on or prior to the Interest Payment Date therefore, and if interest is paid on such Interest Payment Date, from such Interest Payment Date, payable on December 15, 1989, and semiannually thereafter on the fifteenth day of June and December in each year until payment of such principal sum. This bond, as to principal, interest and redemption price when due, is payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The principal or redemption price of this bond is payable at the principal office of The Howard Bank, N.A., in the City of Burlington, Vermont, Trustee under the Bond Resolution hereinafter mentioned, or its successor in trust (the "Trustee").

Interest on this bond shall be payable by a check or draft mailed to the registered owner at its address appearing on the registration books of the Agency kept for that purpose at the principal office of the Trustee, determined as of the close of business on the applicable record date or in such other matter as is permitted by the rules of any national securities depository in which this bond is on deposit, provided that the registered owner of 1989 Series A Bonds (hereinafter defined) of $1,000,000 or more in Principal Amount may make arrangements with the Trustee for payment of interest by wire transfer. The record date for payment of interest is the first day of the month in which the interest is to be paid, or, if such first day is not a business day, the next preceding business day, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on the fifteenth day of December or June or interest on any overdue amount, the Trustee may establish a special record date. The special record date may

be not more than 20 days before the date set for payment. The Trustee will give notice of a special record date by mailing a copy of such notice to the registered owners of all Bonds outstanding in the manner provided in the Bond Resolution at least 10 days before the special record date or in such other time and matter as the Trustee may deem appropriate.

The terms and provisions of this bond and definitions of certain terms used herein are continued on the reverse side hereof and such continued terms and provisions and definitions shall for all purposes have the same effect as though fully set forth at this place.

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

This bond shall not be entitled to any security, right or benefit under the Bond Resolution or be valid or obligatory for any purpose unless the Certificate of Authentication hereof has been duly executed by the Trustee.

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this bond to be signed in its name and on its behalf by the facsimile signature of its Chairman, and its corporate seal to be affixed hereto or imprinted hereon and attested by the facsimile signature of its Secretary or Assistant Secretary.

VERMONT HOUSING FINANCE AGENCY

By _____
Chairman

[SEAL]

Attest:

_____
Secretary

(2) The reverse side of all 1989 Series A Bonds shall be substantially as follows:

VERMONT HOUSING FINANCE AGENCY

This bond is a general obligation of the Agency and is one of the Housing Development Mortgage Bonds of the Agency (the "Bonds") issued or to be issued under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to the resolution of the Agency adopted July 26, 1989 (herein called the "General Bond Resolution") entitled "Housing Development Mortgage Bond Resolution", as the same from time to time has been or may be amended or supplemented by further resolutions of the Agency (such General Bond Resolution and any and all such further resolutions being herein collectively called the "Bond Resolution").

The Agency is not obligated to pay this bond or the interest hereon except from the revenues or assets of the Agency pledged under the General Bond Resolution and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest on this bond.

As provided in the General Bond Resolution, Bonds may be issued from time to time in one or more series in various principal amounts, may mature at different times, may bear interest at different rates, and may otherwise vary as provided in the General Bond Resolution, and the aggregate principal amount of Bonds which may be issued is not limited except as provided in or pursuant to the Act or the General Bond Resolution. All Bonds issued and to be issued under the General Bond Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in or pursuant to the General Bond Resolution.

This bond is one of a Series of Bonds designated as "Housing Development Mortgage Bonds, 1989 Series A" (herein called the "1989 Series A Bonds"), limited to the aggregate principal amount of $8,970,000 and duly issued under and by virtue of the Act and under and pursuant to the General Bond Resolution and a resolution of the Agency adopted on July 26, 1989, and entitled "Series Resolution Authorizing the Issuance and Sale of $8,970,000 Housing Development Mortgage Bonds, 1989 Series A" (the "Series Resolution"). Copies of the General Bond Resolution and the Series Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and at the principal office of the Trustee, and reference to the General Bond Resolution and any and all resolutions supplemental thereto (including the Series Resolution) and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing the Bonds, the nature, manner and extent of enforcement of such pledge and covenants, the

rights and remedies of the bearers or registered owners of the Bonds with respect to such pledge and covenants, the terms and conditions upon which the Bonds are issued and may be issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency and of the Trustee. Such pledge and other obligations of the Agency under the General Bond Resolution may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the General Bond Resolution.

To the extent and in the respects permitted by the General Bond Resolution, the provisions of the General Bond Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended by action on behalf of the Agency taken in the manner and subject to the conditions and exceptions prescribed in the General Bond Resolution. The owner of this bond shall have no right to enforce the provisions of the General Bond Resolution or to institute action to enforce the pledge or covenants made therein or to take any action with respect to an event of default under the General Bond Resolution or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the General Bond Resolution.

The Bonds are issuable solely in the form of registered Bonds without coupons in the denominations of $5,000 or any integral multiple thereof. This bond is transferable, as provided in the General Bond Resolution, only upon the books of the Agency kept for that purpose at the principal office of the Trustee, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate Principal Amount and series, designation, maturity and interest rate as the surrendered Bond as provided in the General Bond Resolution and upon the payment of the charges therein prescribed. The Agency, the Trustee and any paying agent of the Agency may treat and consider the person in whose name this bond is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the Principal Amount or Redemption Price hereof and interest due hereon and for all other purposes whatsoever.

The 1989 Series A Bonds are subject to redemption on or after June 15, 1999, at the option of the Agency in whole at any time, or in part on any Interest Payment Date, upon mailed notice as hereinafter set forth, at the following redemption prices, expressed as a percentage of the Principal Amount of each 1989 Series A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date:

Period During Which Redeemed (both dates inclusive)	Redemption Price
June 15, 1999 to June 14, 2000	103%
June 15, 2000 to June 14, 2001	102
June 15, 2001 to June 14, 2002	101
June 15, 2002 and thereafter	100

The 1989 Series A Bonds are also subject to redemption in whole or in part at any time from moneys deposited in a Special Redemption Account, upon mailed notice as hereinafter set forth, at a redemption price equal to the Principal Amount of each 1989 Series A Bond or portion thereof to be redeemed plus accrued interest to the redemption date.

The 1989 Series A Bonds maturing on June 15, 2004, June 15, 2009 and June 15, 2016 are also subject to redemption by the Agency in part on June 15, 1991, with respect to the 1989 Series A Bonds maturing on or before June 15, 2009 and June 15, 2010, with respect to the 1989 Series A Bonds maturing on June 15, 2016, and on each June 15 thereafter to and including June 15, 2003, June 15, 2008 and June 15, 2015, respectively, by operation of Sinking Fund Installments as provided in the General Bond Resolution and the Series Resolution, at a redemption price equal to the Principal Amount of each 1989 Series A Bond or portion thereof to be redeemed, plus accrued interest, if any, to the redemption date.

If less than all of the 1989 Series A Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected as provided in the General Bond Resolution. Notice of redemption of 1989 Series A Bonds will be given by mailing a copy of such notice by first-class mail not more than sixty (60) days and not less than thirty (30) days prior to the redemption date to the registered owners of all 1989 Series A Bonds or portions thereof to be redeemed (provided failure to mail such notice to any Bondholder or any defect therein shall not affect the redemption of any other 1989 Series A Bond for which required notice of redemption shall have been given). Notice of redemption of any 1989 Series A Bonds or portions thereof given to the registered owner of $1,000,000 or more Principal Amount of 1989 Series A Bonds Outstanding shall, upon the prior written request of such owner to the Trustee, be mailed by certified mail, return receipt

requested. If notice of redemption shall have been given as aforesaid, the 1989 Series A Bonds or portions thereof specified in said notice shall become due and payable at the applicable Redemption Price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the Redemption Price of all the 1989 Series A Bonds to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such 1989 Series A Bonds shall cease to accrue and become payable. If less than all of a 1989 Series A Bond shall be so redeemed, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the Principal Amount of such Bond, registered Bonds of like series, designation, maturity and interest rate in any of the authorized denominations, all as more fully set forth in the General Bond Resolution.

No recourse shall be had for the payment of the Principal Amount or Redemption Price of or the interest on the 1989 Series A Bonds or for any claim based thereon or on the General Bond Resolution against any commissioner of the Agency or any person executing the Bonds.

ARTICLE VI

MISCELLANEOUS

Section 601. Authorization of Officers. The Chairman, Vice Chairman, or any other Commissioner, Treasurer, Executive Director, Secretary, Director of Finance and Director of Operations are, and each of them is, hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates and other instruments necessary or desirable to effectuate the transactions contemplated by this 1989 Series A Resolution, the Bond Resolution, the Purchase Contract, and the Official Statement.

Section 602. Effective Date. This resolution shall take effect immediately.

Exhibit A

VERMONT HOUSING FINANCE AGENCY

_____, 1989

The Depository Trust Company
7 Hanover Square, 24th Floor
New York, New York 10004

Attention: General Counsel's Office

Re: $8,970,000 Vermont Housing Finance Agency
Housing Development Mortgage Bonds, 1989 Series A
(the "Bonds")

Gentlemen:

The purpose of this letter is to set out certain matters relating to the issuance by the Vermont Housing Finance Agency (the "Issuer") of the Bonds. The Howard Bank, N.A., Burlington, Vermont (the "Trustee") is acting as Trustee with respect to the Bonds pursuant to the Housing Development Mortgage Bond Resolution adopted on July 26, 1989 (the "General Resolution") and the Series Resolution Authorizing the Issuance and Sale of $8,970,000 Housing Development Mortgage Bonds, 1989 Series A (the "Series Resolution" and collectively, the "Resolutions"). Drexel Burnham Lambert Incorporated, Shearson Lehman Hutton Inc. and The First National Bank of Boston (the "Underwriters") are distributing the Bonds through the Depository Trust Company ("DTC").

To induce DTC to accept the Bonds as eligible for deposit at DTC and act in accordance with its Rules with respect to the Bonds, the Issuer and the Trustee make the following representations to DTC:

1. Subsequent to closing on the Bonds on August __, 1989 the Issuer will cause the Underwriters to deposit with DTC one Bond certificate in registered form registered in the name of DTC's nominee, CEDE & CO., for each stated maturity of the Bonds in the face amounts set forth on Schedule A hereto, the total of which represents 100% of the principal amount of such Bonds.

2. In the event of any solicitation of consents from and voting by holders of the Bonds, the Issuer or Trustee shall establish a Record Date for such purposes and give DTC notice of such Record Date not less than 15 calendar days in advance of such Record Date to the extent possible.

3. In the event of a redemption or any other similar transaction resulting in retirement of all Bonds Outstanding or a reduction in aggregate principal amount of Bonds Outstanding ("full or partial redemption") or an advance refunding of all or part of the Bonds Outstanding, the Issuer or Trustee shall give DTC notice of such event not less than 30 days nor more than 60 days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.

4. In the event of a partial redemption or an advance refunding of part of the Bonds Outstanding, the Issuer or Trustee shall send DTC a notice specifying: 1) the amount of the redemption or refunding; 2) in the case of a refunding, the maturity date(s) established under the refunding; and 3) the date such notice is to be mailed to Bondholders or published (the "Publication Date"). Such notice shall be sent to DTC by a secure means (e.g. legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. The Issuer or Trustee will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers which includes a manifest or list of each CUSIP submitted in that transmission. (The Issuer or Trustee sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Publication Date shall not be less than thirty (30) days nor more than sixty (60) days prior to the redemption date or, in the case of an advance refunding, the date the proceeds are deposited in escrow.

5. In the event of an invitation to tender the Bonds, notice to Bondholders by the Issuer or Trustee specifying the terms of the tender and the date such notice is to be mailed to Bondholders or published (the "Publication Date") shall be sent to DTC by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in DTC's possession no later than the close of business on the business day before the Publication Date. (The Issuer or Trustee sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.)

6. All notices and payments addressed to DTC shall contain the CUSIP number of the Bonds.

7. Notices to DTC by facsimile transmission shall be sent to DTC's Call Notification Department at (516) 227-4039 or (516) 227-4190. Notices to DTC by any other means shall be forwarded to:

The Depository Trust Company
Call Notification Department
Muni Reorganization Manager
711 Stewart Street
Garden City, New York 11530

8. Interest payments shall be received by CEDE & CO., as nominee of DTC, or its registered assigns in next-day funds on each payment date (or the equivalent in accordance with existing arrangements between the Issuer or Trustee and DTC). Such payments shall be made payable to the order of "CEDE & CO."

9. Payments of principal shall be received by CEDE & CO., as nominee of DTC, or its registered assigns in next day funds on each payment date. Principal payments shall be made payable to the order of CEDE & Co., and shall be addressed as follows:

The Depository Trust Company
Muni Redemption Department
55 Water Street - 23rd Floor
New York, New York 10041
Attention: Collection Supervisor

10. DTC may direct the Issuer or Trustee to use any other telephone number for facsimile transmission, address or department of DTC as the number, address or department to which payments of interest or principal or notices may be sent.

11. In the event of a redemption, acceleration or any other similar transaction (e.g., tenders made and accepted in response to the Issuer's or Trustee's invitation) necessitating a reduction in aggregate principal amount of Bonds Outstanding or an advance refunding of part of the Bonds Outstanding, DTC, in its discretion, (a) may request the Issuer to issue and the Trustee to authenticate a new Bond certificate or (b) the Trustee shall make an appropriate notation on the Bond certificate indicating the date and amounts of such reduction in principal, except in the case of final maturity, in which case the certificate must be presented to the Trustee prior to payment.

12. In the event the Issuer determines pursuant to the Resolutions that beneficial owners of the Bonds shall be able to obtain certificated Bonds, the Issuer or Trustee shall notify DTC of the availability of Bond certificates and the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates in appropriate amounts as required by DTC and others.

13. DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Trustee (at which time DTC will confirm with the Issuer or Trustee the aggregate principal amount of the Bonds Outstanding) and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, whenever DTC requests the Issuer and Trustee to do so, the Issuer and the Trustee will cooperate with DTC in taking appropriate action to make available one or more separate certificates evidencing the Bonds to any DTC Participant having Bonds credited to its DTC account.

14. Nothing herein shall be deemed to require the Trustee to advance funds on behalf of the Issuer.

Upon request, DTC will provide the Trustee with exemplars of signatures of those authorized to act on its behalf, which will be subject to change by DTC, and the Trustee and the Issuer agree to accept direction from such persons or their designated successors on behalf of DTC.

Very truly yours,

THE HOWARD BANK, N.A.

By: _____
Authorized Officer

VERMONT HOUSING FINANCE AGENCY

By: _____
Authorized Officer

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: _____
Authorized Officer

cc: Drexel Burnham Lambert Incorporated
Shearson Lehman Hutton Inc.
The First National Bank of Boston
Orrick, Herrington & Sutcliffe

Schedule A

Vermont Housing Finance Agency
Housing Development Mortgage Bonds,
1989 Series A

Due	Principal Amount	Interest Rate
June 15, 2004	$1,280,000	7.50%
June 15, 2009	3,000,000	7.60
June 15, 2016	4,690,000	7.75

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: August 9, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Status Reports for the MOVE Program

Attached are copies of the statistical reports for the 1989A and 1989B Program Series as of August 9, 1989.

The report showing activity by bank could not be generated for this reporting period due to a computer malfunction caused by an electrical storm. Fortunately, only this and one other report cannot be generated at this time.

Future status reports will include this report.

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

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans:	97
Total Loan Amount:	$6,064,549
Average Loan Amount:	$62,521

EXISTING:	$4,600,604	75.2%	73 Loans
NEW CONSTRUCTION:	$1,463,945	24.7%	24 Loans
NEW DETACHED HOUSING:	$1,084,192	74.0%	18 Loans
NEW CONDOMINIUM:	$379,753	25.9%	6 Loans

Total Insured or Guaranteed Loans:	84
Loans Guaranteed by VHMGB:	84

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,454	$73,067	$70,795
Avg. Loan Amount	$60,987	$65,120	$62,521
Avg. Borrower Income	$27,422	$28,001	$27,637
Avg. Housing Debt-Income Ratio	26.0%	27.6%	26.6%
Avg. Total Debt	$773.68	$816.30	$789.50
Avg. Total Debt-Income Ratio	33.9%	35.2%	34.4%
Total No. of Loans	61	36	97
% of Total Loan Amount	61.3%	38.7%	100.0%
First Time Homebuyers	75.4%	100.0%	84.5%
% Meeting Low Income Set Aside	32.7%	50.0%	39.1%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	3	3.1%	$187,875	5,000	5.8%	2.7-
Bennington	10	10.3%	$641,399	6,000	7.0%	3.3
Caledonia	8	8.2%	$484,579	5,000	5.8%	2.4
Chittenden	21	21.8%	$1,364,738	16,000	18.6%	3.2
Essex	2	2.1%	$110,200	1,000	1.2%	0.9
Franklin	14	14.4%	$907,060	6,000	7.0%	7.4
Grand Isle	1	1.0%	$71,000	1,000	1.2%	0.2-
Lamoille	4	4.1%	$239,125	3,000	3.5%	0.6
Orange	4	4.1%	$218,773	4,000	4.7%	0.6-
Orleans	8	8.2%	$411,825	4,000	4.7%	3.5
Rutland	9	9.3%	$533,235	10,000	11.6%	2.3-
Washington	10	10.3%	$662,915	9,000	10.5%	0.2-
Windham	2	2.1%	$152,500	7,000	8.1%	6.0-
Windsor	1	1.0%	$79,325	9,000	10.5%	9.5-
TOTAL	97	100.0%	$6,064,549	86,000	100.0%	

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

STATISTICAL REPORT PROGRAM ID: 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
EFFECTIVE: 08/09/89
Loan Status: CC,UC,O

Total Number of Loans:	627
Total Loan Amount:	$40,037,858
Average Loan Amount:	$63,856

EXISTING:	$29,399,684	74.8%	469 Loans
NEW CONSTRUCTION:	$10,638,174	25.1%	158 Loans
NEW DETACHED HOUSING:	$9,237,658	86.8%	136 Loans
NEW CONDOMINIUM:	$1,400,516	13.1%	22 Loans

Total Insured or Guaranteed Loans:	579
Loans Guaranteed by VHMGB:	571

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,029	$74,392	$70,783
Avg. Loan Amount	$61,870	$67,944	$63,856
Avg. Borrower Income	$28,410	$29,742	$28,846
Avg. Housing Debt-Income Ratio	25.8%	27.5%	26.3%
Avg. Total Debt	$797.46	$862.66	$818.78
Avg. Total Debt-Income Ratio	33.6%	34.8%	34.0%
Total No. of Loans	422	205	627
First Time Homebuyers	82.7%	99.5%	88.1%
% Loans with 2 or more Wage Earners	51.6%	49.7%	51.0%
% of Total Loan Amount	65.2%	34.8%	100.0%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	25	4.0%	$1,621,642	5,115	5.7%	1.7-
Bennington	25	4.0%	$1,554,674	6,538	7.3%	3.3-
Caledonia	33	5.3%	$1,837,157	4,500	5.0%	0.3
Chittenden	137	21.8%	$9,637,868	17,415	19.4%	2.4
Essex	2	0.3%	$70,491	1,455	1.6%	1.3-
Franklin	98	15.6%	$6,418,021	5,798	6.5%	9.1
Grand Isle	6	1.0%	$393,005	932	1.0%	0.0
Lamoille	37	5.9%	$2,258,895	3,234	3.6%	2.3
Orange	21	3.3%	$1,310,997	4,221	4.7%	1.4-
Orleans	30	4.8%	$1,485,930	4,149	4.6%	0.2
Rutland	89	14.2%	$5,757,794	10,051	11.2%	3.0
Washington	70	11.2%	$4,326,109	9,282	10.3%	0.9
Windham	42	6.7%	$2,643,883	6,944	7.7%	1.0-
Windsor	12	1.9%	$721,392	10,120	11.3%	9.4-
TOTAL	627	100.0%	$40,037,858	89,754	100.0%	

* Estimated number of households, $15,000 to $35,000 income.
ACI, 1988 County Sourcebook

VERMONT HOUSING FINANCE AGENCY
MEMORANDUM

DATE: August 7, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Request for approval for eligibility of Grandview Condominiums for Single Family Programs

HISTORY

Grandview Condominiums is an eighty unit development just off Kennedy Drive in South Burlington that was built in 1978-79. At the board meeting of January 10, 1979 the project was approved for financing of up to 25 of the eighty units.

In 1982, VHFA received a request to increase the number of units that were available for financing. The request was turned down as the project had taken on a "rental character".

Because of this "rental character", Grandview was subsequently removed from eligibility. In 1985 we received a request to reconsider the eligibility of this project. The request was turned down as 60% of the units were non-owner occupied.

We have recently received a request from a local realtor to reconsider Grandview's eligibility for our programs. In addition, we have received numerous phone calls inquiring as to why this very affordable condominium project is not eligible.

The reasoning used to support the assumption that a heavy concentration of non-owner occupied units in a condominium makes it more risky to mortgage units is based on the following:

* Renters do not take care of the property as well as owners. This may cause a slower appreciation than would normally be expected and even a depreciation in some cases; and

* Owners who do not occupy the units are less interested in participation in the condominium association which may involve a resistance to spend monies for needed repairs, possibly impair the association from acting by not having a quorum at association meetings, etc.

Our new Condominium Procedures allows staff to review a project for continued eligibility in our programs if any detrimental condition is brought to our attention. Based on the affordable purchase price and request from the marketplace, staff initiated a review of the project. VHMGB and VHFA have been discussing this type of review process for condominiums for over a month. VHMGB is considering this type of review procedure at their board meeting of August 14, 1989. Assuming favorable action, I will present the data and research we have done on Grandview to VHMGB staff to assist in their consideration for approval for guarantee.

The following areas were reviewed in this process:

* Recent sales prices;

* A property inspection;

* Review of condominium by-laws;

* Review of financial statements; and

* Review of local economic conditions.

REVIEW FINDINGS

Recent Sales Prices:

An examination of recent sales indicates that a typical unit at Grandview sells for approximately $71,000. Back in 1979-80, the sales price was $38,500. In comparison, Cardinal Woods Condominium Phases I & III had a typical sales price of $50,000 back in 1979-80 and now sells for around $85,000. Both projects have had over a 50% appreciation in value during the same time frame. Cardinal Woods Condominium presently is at a 26% non-owner occupied status. This would indicate that no loss of appreciated value has been caused by the high number of non-owner occupied units. The two projects are practically side by side in South Burlington.

Based on the recent sales data, a borrower whose income is as low as $27,000 can afford to purchase a unit at Grandview with a mortgage that has a 95% loan to value, 30 year term, and an 8.8% mortgage interest rate. $27,000 represents 70% of the Burlington, MSA median income of $38,500. This compares very favorably with an income of $32,000 needed to purchase a unit with a similar mortgage at Cardinal Woods.

The average purchase price for a primary residence was $114,151 in Chittenden County for 1988 as indicated by the property transfer tax returns on file with the State. Based on this, Grandview appears to be one of the more affordable possibilities for a primary residence in Chittenden County.

Property Inspection:

On August 4, 1989 I inspected the exterior of Grandview. The buildings appear to be in good shape overall. Some asphalt repair is needed, and some of the buildings are in need of painting. A letter from the association indicates that the funds for this work is in this year's budget.

The project is now ten years old and ongoing maintenance will become an important factor in keeping up the property. The association appears to be aware of this. The landscaping looked good. The lawn was mowed and the shrubbery appeared healthy. I did not note any bare spots in the lawn or any signs of erosion. There are funds in the budget for continued landscaping work.

It appeared to me that this condominium is being maintained in a satisfactory manner.

Review of By-Laws:

The condominium by-laws have been reviewed by Glenn. He feels that neither the association or the board of directors are adversely affected in running the association by the concentration of non-owner occupied units. A unit owner may assign their proxy to vote for them if they can not make a meeting.

A quorum of members is reached if 25% of the votes are present at a meeting whether in person or by proxy. It takes only a majority of the votes present to carry a motion. The powers of the board of directors are adequate to conduct the necessary business of the association, and may be done by a majority of the directors.

Review of Financial Statements:

Roger has reviewed two years of financial statements of the association and finds them to be acceptable. He does point out that if they tap their reserves this year as they did last year the reserves would be wiped out. The reserves were used to solve some drainage problems at cluster I and II. He suggests that 20% of budget expense would be a good target for this reserve figure.

Condominium fees for Grandview range from $55.00 to $60.00 at the present time, which should bring the reserves close to the 20% of budget. Twelve of the units are past due in their dues. Of the twelve, only six are non-owner occupied units.

Local Economic Conditions:

The economy of the greater Burlington area is strong, and I would anticipate that it would remain so unless a disaster hits (i.e. IBM closes their plant). There appears to be enough demand for housing to offset any slowdown in the economy. The approximate time from listing to contract on a sale of a unit in Grandview is 30 days.

FINDINGS

Based on the analysis done by staff, no compelling reason can be found to recommend to the board that Grandview not be eligible for our programs. Appreciation is comparable with other condominiums in the area that have a considerably lower non-owner occupied percentage, the property is very affordable, the physical appearance indicates it is maintained adequately, the project is financially sound, economic conditions of the area are strong, and the percentage of non-owner occupied units does not prohibit the normal conduct of business by the association.

An argument could be made that because of the degree of penetration of non-owner occupied units they could actually be a more secure investment. Units in Grandview are not approved for purchase on the secondary market, nor can they get private mortgage insurance. Therefore, the investors are forced to put more equity into the units when they purchase in order to get financing. This fact will cause them to be very concerned and interested as to how the project is maintained and operated.

If financing for units in Grandview is difficult for investors then it probably is almost non-existent for owner occupants. VHFA can play a major role in bringing this affordable housing within reach of low to moderate-income homebuyers by approving Grandview for eligibility for our financing.

RECOMMENDED BOARD ACTION

That the Board approve eligibility of Grandview Condominiums in South Burlington for the VHFA homeownership programs.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: August 8, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Single Family Mortgage Purchase Program Energy Conservation Rule Changes

BACKGROUND

On June 18, 1980, the VHFA Board of Commissioners adopted certain Energy Conservation Standards that newly built homes had to meet in order to be eligible for our programs. Adopted at the same time were guidelines to be used for the financing of existing homes. The purpose of this action was to put VHFA on the leading edge of promoting energy conservation in housing while at the same time maintaining the affordability of the house.

This process was done in compliance with the Administrative Procedures Act and the requirements of 3 V.S.A. Chapter 25. A copy of the adopted rule is attached.

New and improved tools have been forthcoming to assist us in making the public aware of the benefits for energy efficiency in housing and to bring it to a reality. An example of this is the Energy Rated Homes rating system. With the use of this tool a homeowner or potential borrower will not only know how energy efficient their home is compared to a benchmark house, but will get information on what energy improvements are the most cost effective, an estimated cost of getting the work done, and the projected annual savings in fuel costs.

In addition to the above, staff is recommending that the rules be modified to make it easier for very affordable homes to be financed in our programs. An example of these types of homes would be mobile homes, log cabins, etc.

Staff recommends that the VHFA Single Family Mortgage Purchase Program Energy Conservation Rules be amended as follows:

SECTION 1: Definitions - *add the following*

D. "Energy Rating" means any rating received from Energy Rated Homes of Vermont or a rating from another entity deemed comparable by VHFA staff.

E. "Manufactured Housing" means any housing, preconstructed in whole or in part at a location different than the permanent home site, that is to be erected or moved to the permanent home site.

SECTION 4: Alternative Compliance Rule *(New Section)*

A. In lieu of complying with SECTIONS 2 and 3, the house may obtain an energy rating that is deemed comparable to the guidelines in SECTION 2 or the standards in SECTION 3.

SECTION 5: Manufactured Housing *(New Section)*

A. Manufactured housing must either meet the guidelines, standards, obtain an energy rating which demonstrates acceptable energy efficiency, or have the most energy efficient package available for the structure.

REQUESTED BOARD ACTION

Authorize the Executive Director to take those measures necessary to make the recommended Single Family Mortgage Purchase Program Energy Conservation rule changes.

UNIFORM ADOPTING PAGE

VERMONT ADMINISTRATIVE RULE

☐ Proposed Rule

☒ Adopted Rule

TITLE OR SUBJECT: Single Family Mortgage Purchase Program
Energy Conservation Rules

AGENCY: Vermont Housing Finance Agency

AGENCY'S REFERENCE NUMBER (IF ANY):

EFFECT ON EXISTING RULES: New Rules

STATUTORY AUTHORITY: 10 V.S.A. Sec. 626

PLEASE DON'T WRITE IN THIS SPACE. THANKS.

Effective Date: August 12, 1980

Expiration Date:

Action 1.

The following Single Family Mortgage Purchase Program Energy Conservations Rules are hereby adopted:

SECTION 1: Definitions

A. "Existing Housing" means residential property, except "New Construction," which is in existence and suitable for occupancy as of the date a mortgage on such property is first proposed to a mortgage lender for purchase by the Agency.

B. "New Construction," except as limited in subsection C below, means residential property not yet in existence or never occupied as a residence as of the earlier of (i) the date on which a mortgage on such property is first proposed to a mortgage lender for purchase by the Agency; or (ii) the date on which the Agency reserves funds for such a purchase pursuant to a reservation of funds agreement with a Builder participating in the Agency's new homes program.

C. For the purpose of this rule, any dwelling on which construction began on or before April 23, 1980 shall be deemed to be existing housing.

SECTION 2: Existing Housing Rules

A. Provided that the amount financed will not thereby exceed applicable program limits, Mortgage Loans otherwise eligible to be purchased by the Agency may include as part of the amount financed, an amount sufficient to bring Existing Housing into conformity with the following guidelines:

1. Attic or ceiling insulation should be R-19 or maximum practicable without altering the basic architectural design of the dwelling.
2. Floors of heated space over unheated crawl spaces, unheated basements (those not containing a primary heating plant) and/or unheated garage spaces should have an insulation value of R-19 where practicable. All floor joist headers/rim joists should be insulated to R-11 level.

3. Outside walls should be insulated to R-11 or maximum practicable without altering the basic architectural design of the dwelling.
4. Attic spaces should be properly ventilated using soffit venting and either gable end vents or continuous ridge vents where practicable.
5. All exterior doors should be insulated and weather stripped. A solid wood door is considered insulated. A storm door should be installed when the primary door is a hollow core type or contains in excess of 25% glass.
6. Windows should be double-glazed. Single-glazed windows are acceptable with the installation of storm windows.
7. Other energy conservation related improvements, the cost of which, in the reasonable judgement of the Mortgage Lender, would not exceed the amount by which such improvements would increase the market value of the property.

B. With respect to each mortgage loan on Existing Housing proposed for purchase by the Agency, and as a condition of such purchase, the buyer and the Agency shall be provided with the seller's statement, on a form to be provided by the Agency, of the extent to which the Existing Housing will conform, at time of sale, to the foregoing guidelines.

C. Any amount included in a Mortgage Loan for the purpose of bringing the Existing Housing into compliance with the foregoing standards shall be used soley for such purpose by the Buyer, and the Buyer's covenant to that effect, as indicated on a form to be provided by the Agency, shall be a condition of the Agency's commitment to purchase the Mortgage Loan.

SECTION 3: New Construction Rules

Commencing with transactions financed by proceeds of the Agency's Single Family Mortgage Purchase Bonds, 1980 Series A, and in addition to all other Agency requirements, New Construction securing

mortgage loans purchased by the Agency shall be designed to meet, and shall meet, all of the energy conservation standards set forth below:

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

(ii) Outside walls shall be insulated to R-19 (i.e. 6" of fiberglass or equivalent).

(iii) Floors of heated space over unheated crawl spaces, unheated basements and/or unheated garage areas (those not containing a primary heating plant) shall be insulated to R-19. All floor joists headers/rim joists shall be insulated to R-11.

(iv) Vapor barriers must be properly installed to prevent moisture damage.

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

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

(vii) All exterior doors shall be insulated and weather stripped. A storm door is required when the primary door is a hollow core door or is over 25% glass.

(viii) All exterior joints and openings shall receive proper caulking or sealant to prevent air infiltration.

(ix) Maximum practical solar orientation shall be employed which includes, minimum window area to the north and maximum window area to the south.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: August 10, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: VHFA Business Plan for Fiscal Year 1989-90

Attached is a draft copy of the VHFA Business Plan for FY 1989-90. The format has changed slightly from last year in an effort to make the document shorter, more concise and easier to update. The largest change was to separate the homeownership and rental initiatives into separate groups thereby achieving at a glance a sense of where we put our energies.

Essentially there are three sections. The first part is a recap of our mission along with a statement from Allan about the activity in this year's plan. The second part is a one page summary of all of our programs and initiatives, both current and anticipated. The third part is a compendium of the descriptions of all programs and initiatives.

There is a fourth element that goes unmentioned in the actual plan but without which the plan would not achieve its purpose: that is the action plan that goes with each new program or initiative. This action plan is the responsibility of the point person for that given initiative and is done at the departmental level. The point person will gather together the relevant staff from across the Agency in creating the action plan.

I hope that this plan will stir some active discussion about what we are hoping to achieve between now and the end of next June. We look forward to discussing its content with you at the upcoming board meeting.

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

DRAFT

VERMONT HOUSING FINANCE AGENCY

BUSINESS PLAN

FISCAL YEAR 1989 - 90

AUGUST 1989

VHFA'S FISCAL YEAR 1989-90

THE CHALLENGE AHEAD

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

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

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

Allan S. Hunt
Executive Director

MISSION

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

GOALS

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

2. To target low cost mortgage financing to those persons who are not able to qualify for conventional financing.

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

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

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

ONGOING PROGRAMS

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

Rental
Preservation
  Section 8 Restructuring/Sale
  The Gates
Case-by-Case Bond Deals
LIHTC
Multi-Family Management
TEAM
Vermont Housing Ventures

PROGRAMS TO IMPLEMENT

Homeownership	Implementation Target Date
1. Vermont Secondary Mortgage Market (Phase 1)	October '89
2. Joint Agency Pilot (Mobile Home/Park Financing)	January '90
3. Affordable Housing Demonstration	March '90
4. Prequalifying Pilot	August '89
Rental	
1. Section 8 Rent Comparability,	September '89
2. Bonds with Credit Enhancements	November '89
3. Nonprofit Training Series	October '89
4. Cooperative (Blanket) Financing	January '90
5. Construction Financing	February '90
6. Section 8 Refinancing Program	July '90

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

1. Taxable Bonds: Single Family
2. Energy Elements Incorporation into MOVE
3. Linked Deposits
4. Portfolio: Proactive Servicing (Single Family)
5. Mortgage Delivery/Servicing Systems
6. Homestart
7. Section 8 Advance Refunding Proposal

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

MOVE: Revision of Procedure Guide - Lender Training
MCC: Restructuring - Lender Training
Program Evaluation
Housing Policy: Participate at State and Federal Level
MRB Extension Campaign
Housing Vermont: Funding
Tax Credits: Vermont Equity Fund
Revenue Production
Cash Flow: Analyze Alternative Programs
Bid Proposal for Underwriters
Public Relations
Nonprofit Conference
Homebuyer Workshops
Hotline
Portfolio Servicing
Electronic Mail

ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Mortgages for Vermonters (MOVE)	OPERATIONS: Ongoing mortgage purchase program authorized under current mortgage revenue bond regulations.
Mortgage Plus Program [Mortgage Credit Certificate] (MCC)	OPERATIONS: The Mortgage Plus program provides a tax credit against a borrowers' federal tax liability. The reduction in taxes is intended to be applied against the borrower's mortgage payment.
Builders MOVE Reserve	DEVELOPMENT/Operations: Builders reserve MOVE funds for their projects by paying a 1% reservation fee. Initially $20 million was set aside for this program from the 8.9% and 8.8 funds.
Energy Rated Homes of Vermont (Energy Efficient Mortgage)	AFFILIATED ENTITIES, Operations: This program encourages making energy efficiency improvements to the Vermont housing stock with emphasis on doing it at the time of purchase or refinance. Incentives are being used to encourage participation from all areas of the shelter industry.
Rural Vermont Mortgage Program	AFFILIATED ENTITIES, Operations, Finance: This program uses VHFA funds in conjunction with FmHA funds to expand the supply of mortgage money available to lower income borrowers.
Perpetually Affordable Reserve	DEVELOPMENT: Nonprofit housing developers/sponsors reserve 7.9% and 7.8% funds for their projects. Units financed must provide for perpetual affordability and the maximum income of the purchasers may not exceed 80% of the greater of area or statewide median income.
Home Energy Improvement Loan Program (HE/ILP)	OPERATIONS, Affiliated Entities: This installment loan program is based on the premise that it is cost effective to do energy improvements to a home and use non-bank originators.
CVPS/VHFA/Chittenden Bank Energy Loans	OPERATIONS: This is a public/private initiative to bring affordable energy improvement financing within the reach of qualified CVPS customers. VHFA provides the capital (Up to $150,000), CVPS provides buydown funds (effective rate to the borrower is 4%), Chittenden Bank originates, obtains the VHMGB guarantee, and services the loans.

ONGOING PROGRAMS (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Downpayment Assistance Program	OPERATIONS: VHMGB and VHFA teamed up to sponsor a pilot program where the normal downpayment of qualified VHFA prospective borrowers can be included in the amount financed. This program was designed to address one of the most often quoted reasons why families are not in a position to purchase a home-insufficient funds for a downpayment.
Fort Ethan Allen	EXECUTIVE DIRECTOR: An initiative to combine State resources to create affordable units from the historical fort buildings on Dalton Drive.
Preservation	EXECUTIVE DIRECTOR/Development/Operations: Initiatives to preserve existing affordable housing rather than allowing it to convert to market rate housing.
Case-by-Case Bond Deals	DEVELOPMENT/Finance: Bonding for funds targeted to specific multi-family developments. Done case-by-case because customizing each deal is necessary for success.
Low Income Housing Tax Credits (LIHTC)	DEVELOPMENT: Multi-family rental tax credit program administered by VHFA. Credits are utilized to support Housing Vermont projects as well as to promote small nonprofit and for-profit developments.
Multi-family Management	OPERATIONS: Ongoing monitoring through regulatory agreements of VHFA financed developments.
TEAM (Tenant Education and Assistance Model)	OPERATIONS: This program addresses the issue of aging in place by working with project owners and existing service provider agencies. Funding for this project is provided by a grant from the Robert Wood Johnson Foundation, VHFA, and project owners.
Vermont Housing Ventures	DEVELOPMENT: On July 1, 1988, $250,000 was made available for this revolving loan fund. Loans of up to $50,000 are made to nonprofits to cover the pre-development expenses incurred in creating an affordable housing project.

PROGRAMS TO IMPLEMENT

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Vermont Secondary Mortgage Market (Phase 1)	DEVELOPMENT/Operations: Purchase up to $100 million in seasoned conventional mortgages from Vermont lenders and aggregate the mortgages into pools for MBS. Lenders will be required to reinvest a minimum of 50% of the proceeds in housing for low- and moderate-income Vermonters.
Joint Agency Pilot (Mobile Home Park Financing)	DEVELOPMENT/Finance: Coordinate resources from the Department of Community Affairs, Vermont Housing and Conservation Fund, Vermont Community Loan Fund, and VHFA to purchase mobile home parks. VHFA's responsibility is to produce a source of permanent fixed-rate financing.
Affordable Housing Demonstration	DEVELOPMENT: Combine new building technology and perpetual affordability to create new energy efficient housing for lower income Vermonters.
Prequalifying Pilot	COMMUNICATIONS/Operations: Explore the possibility of creating a "pre-eligibility certificate" to give to income-eligible home buyers at VHFA home buyer days. The certificate may lend credibility to the buyer in the eyes of the seller, lender and real estate person. It also may give the buyer more confidence as they proceed in the home buying process.
Section 8 Rent Comparability	OPERATIONS: Create the process by which VHFA and VSHA respond to a HUD directive about Section 8 rent increases.
Bonds with Credit Enhancements	FINANCE/Development: Determine ways to reduce the longterm and/or up-front costs of multi-family bonds, with primary focus on co-insurance or other credit enhancements. Co-insurance is offered through several HUD programs, and involves the lender sharing the lending risk with HUD.
Nonprofit Training Series	DEVELOPMENT: Provide 8 or 9 workshops for nonprofits on subjects such as Board Development and Fundraising, Financing, Construction Process, etc.

PROGRAMS TO IMPLEMENT (continued)

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Cooperative (Blanket) Financing	DEVELOPMENT/Finance: Determine ways to finance multi-family cooperative developments (i.e. blanket mortgages), as the bond market is unfamiliar with cooperatives. Cooperatives are somewhat different from rental and homeownership options and are a relatively new concept in Vermont.
Construction Financing	FINANCE: Create a facility to enable us to make short-term construction loans on multi-family projects pending permanent financing. This would probably be accomplished through the sale of short-term notes to Vermont institutional investors. This may be either taxable or tax-exempt depending on the plan for permanent takeout.
Section 8 Refinancing Program	OPERATIONS/Development/Finance: Refinance up to twenty-nine VHFA-financed Section 8 projects which currently carry interest rates of 12-14%.

PROGRAMS/INITIATIVES TO ANALYZE FOR FUTURE IMPLEMENTATION

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Taxable Bonds: Single Family	FINANCE: Perform analysis as to the feasibility of issuing taxable bonds if our authority to issue tax-exempt bonds expires.
Energy Elements Incorporated into MOVE	OPERATIONS/Development: Allow the cost of energy to be taken into consideration in the underwriting process. This might be an energy credit applied against housing expense for an efficient home, stretched ratios for energy efficient homes, or some other appropriate mechanism. It is envisioned that the energy rating would be the device used for determining energy efficiency.
Linked Deposits	FINANCE/Development: Investing funds with Vermont banking institutions under the provisions of our investment policy and in turn requiring the institutions to invest a like amount of funds into projects or activities that they would not normally invest in (through a loan agreement).
Portfolio Pro-Active Servicing (Single Family)	FINANCE: Provide direct billing to the lenders involved in our programs as opposed to responding to their monthly reports. Their reports would only notify us of exceptions to the standard payment billing and a reconciliation of the payment to our billing.
Mortgage Delivery/Servicing Systems	OPERATIONS: Set up a mortgage delivery system through approved nonprofits and/or community action groups which would allow better access to low income Vermont families. The servicing aspect would allow for direct servicing of mortgages by VHFA staff.
Homestart	DEVELOPMENT/Operations/Finance: Combine funds from the State to subsidize monthly mortgage payments for lower income Vermonters. VHFA would provide mortgage financing.
Section 8 Advance Refunding Proposal	OPERATIONS/Finance: Refinance the Section 8 projects with high interest rates; to be analyzed as part of the Section 8 Refinancing Program (see above).

INTERNAL ACTIVITIES IN SUPPORT OF NEW PROGRAMS AND ONGOING PROGRAMS

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
MOVE: Revision of Procedural Guide; Lender Training	OPERATIONS/Communications: Activities to enhance the success of MOVE program.
MCC: Restructuring; Lender Training	OPERATIONS/Communications: Restructuring MCC program to enhance its success.
Program Evaluation	OPERATIONS, Development, Finance, Communications: Based on experience and data from any given program, an evaluation will be performed to ascertain the effectiveness of the program in reaching predetermined goals and to suggest changes.
Housing Policies: Participate at State and Federal Level	DEVELOPMENT, Administration: Several initiatives are being considered at the federal level to develop housing solutions for the future. VHFA will keep abreast of these developments and participate, as appropriate, in cooperation with other state housing agencies.
Mortgage Revenue Bond (MRB) Extension Campaign	COMMUNICATIONS, Operations, Executive Director: Congressional authority to issue MRBs sunsets December, 1989. Ongoing effort to promote continuation of Mortgage Revenue Bonds.
Housing Vermont: Funding	FINANCE: Finance evaluates and monitors the funding agreement of $2,000,000 for the development of new multi-family projects.
Tax Credits: Vermont Equity Fund	ADMINISTRATION: The companion entity to Housing Vermont is the Vermont Equity Fund, that utilizes the LIHTC credits to pull equity into housing development through Housing Vermont.
Revenue Production	FINANCE, Development, Operations: Staff will examine revenue generation viability for any and all programs.
Cash Flow: Analyze Alternative Programs	FINANCE: A study will be conducted to determine the most cost-effective way to generate timely, responsive cash flow data for the purpose of determining finances available and what-if scenarios.
Bid Proposal for Underwriters	FINANCE: Will create an RFP for bond underwriters to establish where VHFA can procure the best underwriting service for the best cost.

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

ACTIVITY	RESPONSIBILITY AND EXPLANATION/COMMENTS
Public Relations	COMMUNICATIONS/Administration: An ongoing effort to inform the public of VHFA's purpose and activities.
Nonprofit Conference	DEVELOPMENT/Communications: Annual conference to reach out to nonprofit housing developers.
Homebuyer Workshops	COMMUNICATIONS: A series of affordability workshops designed and implemented to reach Vermonters otherwise not reached with VHFA homeownership programs. Forums serve to empower home buyers in a neutral, non-intimidating setting.
Hotline	COMMUNICATIONS: A toll-free hotline that serves Vermonters by providing access to and general information about VHFA homeownership programs.
Portfolio: Service Existing Loans	OPERATIONS, Finance: The servicing of approximately 5,000 Single Family and 92 Multi-Family mortgage loans requiring ongoing analysis and action on the part of staff.
Electronic Mail	OPERATIONS: Research and implementation of internal electronic mail capacity.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: August 10, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: Proposed New Development Staff Position

Over the past year we have heard repeatedly about the need for a financing program for mobile home parks, a blanket cooperative loan program, as well as programs to better meet the needs of a particular group such as elderly, single parent families, or the homeless. Each of these requests has been heard but staff has found it difficult to actually plan and claim time to do the development research that these ideas deserve.

Currently the Development staff is quite busy with a variety of endeavors. Pat Crady is primarily focusing on the Vermont Secondary Market Program and its implementation. Mark Koppelkam underwrites the multi-family developments as well as handles a multitude of associated development responsibilities. Stacy Markman handles the Agency's research support and numerical analysis needs. Christina Wadsworth manages the Vermont Housing Ventures fund, is coordinating the nonprofit training series, and has picked up several program responsibilities inherited from Pat Crady. We have shuffled many of our job responsibilities in order to try to accommodate more duties.

In this year's budget, I had included an amount ($30,000) for a consultant to develop the mobile home park financing for us. I had hesitated to make a request for a permanent position due to not knowing about the future of MRBs and the LIHTC. I have since changed my mind and am convinced that we in fact have more than enough work for another full-time person perhaps because of the transitional nature of how HFAs do business.

I am recommending to you that we expand the Development Department's potential to respond to the requests for programs that meet an alternative housing need. For this year, there is already money allocated for a consultant that could be switched over to the category for salaries. For succeeding years, we would do our best to factor in fees related to new programs that could help defray the cost of the increased staff expense.

Board Action:

Authorize the addition of a permanent position in the Development Department to be called Special Needs Housing Development Officer. Funds for this new position would be transferred from the Development budget for consultants to the salary category.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: August 10, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: DALTON DRIVE (Fort Ethan Allen)

Engelberth Properties has been working with us to develop an overall proposal to enter into a joint venture with VHFA. We had hoped to have this available for this meeting. It is not ready at this point.

However, I have asked Engelberth representatives to be available at our meeting to discuss their plans, thoughts and approach to this project. Hopefully, it will be an opportunity to provide their constructive feedback to help them better frame their formal proposal, which they hope to present in September.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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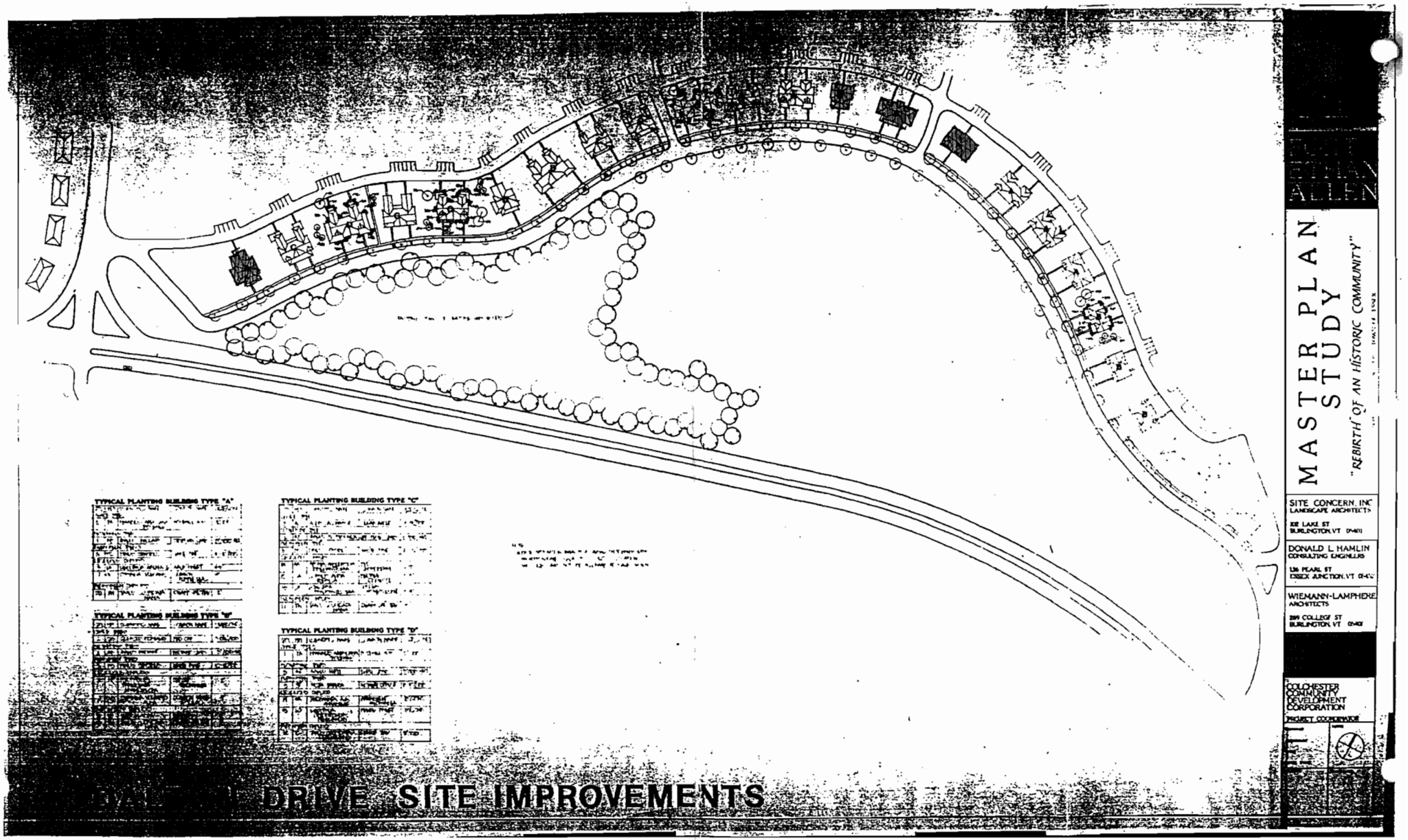

MASTER PLAN STUDY

"REBIRTH OF AN HISTORIC COMMUNITY"

SITE CONCERN, INC
LANDSCAPE ARCHITECTS
108 LAKE ST
BURLINGTON, VT 05401

DONALD L. HAMLIN
CONSULTING ENGINEERS
136 PEARL ST
ESSEX JUNCTION, VT 05452

WIEMANN-LAMPHERE
ARCHITECTS
199 COLLEGE ST
BURLINGTON, VT 05401

COLCHESTER
COMMUNITY
DEVELOPMENT
CORPORATION
PROJECT COORDINATOR

VERMONT HOUSING FINANCE AGENCY

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: UNDERWRITER SELECTION PROCESS (RFP)

DATE: AUGUST 8, 1989

At a previous Board meeting, there was a discussion regarding the status of our current underwriters (Drexel Burnham Lambert), and whether VHFA had reviewed the selection of underwriter firms recently. Although no formal RFP (request for proposal) process has been undertaken, there has been an informal review of underwriters over the last several years. This has occurred when Andy Gurley changed firms and the Agency staff, in consultation with the Board, decided to move with Andy. In addition, we have added The First National Bank of Boston to the underwriting group and EF Hutton has merged with Shearson Lehman to form the underwriting cartel we have employed over the last several bond financings.

The process of an RFP is a time consuming and demanding task which has several choices as to implementation. Following are areas of the process which require Board direction before we proceed.

Selection Process

The first choice in this area is whether to open up the process to all the firms or select a group of underwriters to submit proposals. Often the underwriters are asked to apply for either the lead position or as members of the working group. We would feel more comfortable in choosing a list limited to a maximum of twenty underwriters (see attached list) for the lead position and including a question as to whether they would be willing to participate as a co-manager to cut down the time required for review of the narratives. A questionnaire is usually provided requiring the underwriters to respond to areas of concern to the Agency. These narratives are usually reviewed by a committee comprised of Board and staff. A limited number of underwriters (usually three to five) are then invited to make a formal presentation to the same or expanded committee.

Format of Questionnaire
As briefly mentioned above, underwriters are asked to respond in a narrative form to questions about their ability to service the needs of VHFA. Attached is a suggested format put together by reviewing other state agencies questions and concerns of staff. If any Board members would like to add or delete questions on this list, please let us know. The purpose of this questionnaire is to enable the committee to select a manageable number of applicants for formal presentations.

Review of Narrative Package
A time frame of two to four weeks is usually provided for the underwriters to respond to the questionnaire. Upon receipt of the questionnaire the committee needs to meet to review the narratives or to circulate them to the members. A grading criteria needs to be employed to assist in the selection of the finalists for presentation purposes.

Interview of Selected Presenters
Upon the completion of the narratives, the finalists are notified and asked to do a presentation in person responding to concerns raised in the narratives or to new tie breaking questions developed by the committee. The presentation time is usually limited and all finalists are asked to present on a given day or over a short time frame. The committee would obligate itself to make a decision to notify the participants in some timely fashion.

Proposed Time Schedule

September 1st	Requests for Proposal Distributed
October 2nd	Deadline for questionnaire returned
October 16th	Interview finalists

This is the process as currently envisioned. We would like Board input into the direction as described especially in the areas of Board participation in the process and also ask you to express any suggestions or concerns with the process in general and any of the questions or narratives in particular.

INVESTMENT BANKER BID LIST

REQUEST FOR PROPOSAL

AUGUST 1989

CURRENT UNDERWRITER TEAM

DREXEL BURNHAM LAMBERT (LEAD MANAGER)

SHEARSON LEHMAN HUTTON (CO-MANAGER)

FIRST NATIONAL BANK OF BOSTON (CO-MANAGER)

The following firms are well known and active in the housing bond field, have expressed an interest in the Agency or have had previous experience with staff.

BEAR STEARNS

CHEMICAL SECURITIES

CITICORP

DEAN WITTER REYNOLDS

DONALDSON, LUFKIN & JENRETTE

A G EDWARDS

FIRST BOSTON

GOLDMAN SACHS

KIDDER PEABODY

MERRILL LYNCH

MORGAN STANLEY

PAINE WEBBER

PIPER, JAFFRAY & HOPWOOD

PRUDENTIAL BACHE

SMITH BARNEY

VERMONT HOUSING FINANCE AGENCY

REQUEST FOR PROPOSAL

NARRATIVE RESPONSES

AUGUST 1989

GENERAL INFORMATION

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

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

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

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

HOUSING FINANCE EXPERIENCE AND RESOURCES

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

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

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

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

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

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

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

ISSUE COSTS

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

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

FINANCING RECOMMENDATIONS

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

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

3. There has been quite a lot of discussion regarding FAF refinancings. How would you approach this problem and assist the Agency.

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

OTHER

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: VERMONT COMMUNITY LOAN FUND REQUEST

DATE: AUGUST 9, 1989

We have received a request (copy attached) from the Vermont Community Loan Fund asking the Board to consider a "significant investment" in their Loan Fund. This request is not totally without precedent since at the November meeting the Board authorized an investment in a community development credit union pending insurance and Banking & Insurance Department approval. According to the prospectus enclosed with VCLF's letter, there exists substantial uninsured risks with investments in the "fund," which should be considered before investing. The Fund has raised nearly $400,000 to date.

Pursuant to the investment policy established by the Agency, which has been filed with the Rating Agencies, we have limited investment alternatives on unsecured deposits to "banks" approved by the State of Vermont Commissioner of Banking and Insurance, located in the state and yielding no less than 25 basis points less than rates quoted in the Wall Street Journal. By statute, discretionary investment of funds is only permitted in the same manner as funds belonging to the state or held in the treasury.

It should also be noted that our own Vermont Housing Ventures revolving loan fund serves a similar but not identical function as the Vermont Community Loan Fund. The initial $250,000 deposited to the Venture fund is rapidly being committed and could be depleted by the end of the year.

Based on the above criteria, it would be difficult for me to recommend VHFA to invest in the Vermont Community Loan Fund, due to the high risk and conflict with our investment policy.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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Vermont Community Loan Fund

P.O. Box 827 • Montpelier • Vermont 05602 • (802)223-1448

May 30, 1989

Mr. Allan Hunt
Vermont Housing Finance Agency
One Burlington Square
Burlington, VT 05401

Dear Allan:

Over the past year, the Vermont Community Loan Fund (VCLF) has established itself as an important player in the development and financing of affordable housing in the state. As a financial intermediary directing private below-market rate investments to community-based projects providing affordable housing, VCLF offers investors a way to effectively do something about Vermont's housing situation.

In its first year, the Loan Fund has raised $390,000 from socially-concerned private individuals and organizations and committed $350,000 to twelve different non-profit housing developers or cooperatives. These funds have leveraged an additional $4.5 million to preserve or develop over 180 units of affordable housing projects in fourteen communities. Investors in the Fund know that their money will be put to work for the direct benefit of Vermont communities and effectively monitored by the Loan Fund.

The VCLF has been able to support a wide variety of housing opportunities including perpetually affordable home ownership opportunities in Montpelier and Fair Haven, mobile home park conversions in Westminster and Woodstock, nonprofit ownership of rental housing in Barton, Vergennes and Shoreham, elder housing in Williston, transitional housing in Burlington and Middlebury, conversions to cooperative ownership in Bellows Falls and Hartford and housing for the mentally retarded in Bradford. In almost all of these cases, VCLF was an essential part of a package which included grants and bank loans.

Many of the financing needs of these innovative housing programs will undoubtedly be addressed by VHFA programs that are currently being developed. VCLF's unique niche is its ability to respond to developing housing financing needs as soon as they become apparent. In some cases, VCLF-financed projects hope to receive VHFA financing in the future. In other cases, the Loan Fund's short-term participation will allow a borrower to handle full bank financing within a few years. In all cases, the Loan Fund strives to meet those financing needs which are not

commercially serviceable. The Loan Fund is playing an important role in developing community-based affordable housing projects and seasoning projects for potential VHFA financing.

The Loan Fund continues to have a strong need for investment capital, particularly for terms of five years and up. In discussing these needs with Gus Seelig, he suggested we approach the Finance Agency. Knowing of your ongoing concern for developing both affordable housing and alternative community finance institutions to meet Vermont's housing needs, we ask that the Board consider a significant investment in the Loan Fund.

I have enclosed our Offering Memorandum for your review. I would welcome the opportunity to further discuss a Loan Fund investment with either you or the VHFA Board.

Sincerely,

Nancy Wasserman
Fund Manager

enc.
cc: Gustave Seelig

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Board of Commissioners

From: Glenn A. Jarrett GAJ

Re: Eaglewood Apartments/Hillcrest Views

Date: August 10, 1989

The owners of Hillcrest Views, formerly The Eaglewood Apartments, a 34 unit development in St. Albans, have requested approval from the Board of Hillcrest Views as a "qualified housing project" under 8 V.S.A. § 1108. As you may recall, banks need approval of our board to invest as limited partners in affordable housing. That section defines "qualified housing project" as residential real estate in Vermont that is intended to primarily benefit lower income Vermonters throughout the period of the [bank's] investment.

Hillcrest Views is owned by a limited partnership consisting of the Vermont State Housing Authority as a general partner and the Merchants Bank as a limited partner. The project was constructed in 1988, but has not been occupied previously. The former owner lost the property to the Merchants through foreclosure and the bank is transferring the property to the partnership as I write this memo. VHFA allocated tax credits to the project at the end of 1988 with the knowledge that there would be a new owner. The project is the subject of a Farmers Home Administration (FmHA) mortgage and will receive rental assistance from FmHA. All of the 34 units will be rented to tenants whose income is less than the median income for Franklin County. Twenty four (70%) of the units are tax credit units and will also receive rental assistance from FmHA. The project's rents will average $349 for the 34 two bedroom apartments. FmHA prohibits prepayment of the mortgage for 20 years and the rents can be raised only with FmHA approval.

REQUESTED ACTION:

Staff recommends that the Board determine that Hillcrest Views (formerly, Eaglewood Apartments) in St. Albans is a "qualified housing project" for purposes of 8 V.S.A. § 1108.

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VERMONT HOUSING FINANCE AGENCY

September 11, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, September 21, at 1:30 p.m., at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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

BOARD MINUTES
Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont
Thursday, August 17, 1989

PRESENT: Commissioners Shaw, Seelig, Ruse, Myette, Babcock, Francis

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Ms. Hope, Mrs. Parker, Ms. Pond, Ms. Crady .

The meeting was called to order at 1:35 p.m.

Upon a motion duly made and seconded, the minutes of June 22, 1989 were unanimously accepted as written. A motion was duly made, seconded and unanimously adopted to accept as written the minutes of the Conference Call of July 26, 1989. At the direction of the Board, attachments referenced in the minutes of future meetings will be maintained in the master file at the Agency.

Mr. Lothrop reviewed the "Status Reports for the MOVE Program," as per his memo dated August 9 and included in the Board packet. Differences in the 1988B and 1989A programs (primarily income limits) were pointed out. Mr. Hunt announced that a recognition luncheon is being planned for the fall to honor major loan producers from participating lenders. Mr. Lothrop further emphasized that the ongoing "Home Buyer Days" have proven useful for the programs, offering exposure for Agency programs.

Ms. Babcock joined the meeting at this time.

The "Request for Approval for Eligibility of Grandview Condominiums for Single Family Programs," as detailed in his memo of August 7, included in the Board packet, was reviewed next by Mr. Lothrop. Following an in-depth discussion of the ramifications of such action, a motion was duly made, seconded and unanimously agreed to approve Grandview Condominiums as eligible for the Agency's Single Family Programs.

Next, Mr. Lothrop presented the proposed "Single Family Mortgage Purchase Program Energy Conservation Rule Changes" as detailed in his memo dated August 8 and included in the Board packet. Mr. Jarrett further amended the proposed language regarding "Manufactured Housing" to include the word "substantial" following "in whole or in *substantial* part." A

motion was duly made, seconded and unanimously adopted authorizing the Executive Director to take any measures necessary to make the recommended Single Family Mortgage Purchase Program Energy Conservation rule changes.

The Annual Meeting was conducted next, during which Mr. Ruse was nominated and elected as Vice-Chairman and Mr. Schoenbeck was nominated and elected as Treasurer; votes for both positions were unanimous.

At this point a motion was made and unanimously adopted to table discussion of the 1989-90 Business Plan until the September Board meeting; upon further discussion, it was agreed that a *draft* of the Business Plan could be distributed to the Vermont League of Cities and Towns and the Regional Planning Commissions as a step toward compliance with Act 200. Ms. Babcock praised Ms. Pond for having been instrumental in the production of such a readable document; other Board members concurred.

Ms. Pond presented the "Proposed New Development Staff Position" as detailed in her memo dated August 10, included in the Board packet. The proposed position had been approved in the 1989-90 budget as a consulting position; thus, fiscal impact would be on the 1990-91 budget year. A motion was duly made and seconded to create an additional permanent position in the Development Department to be called "Special Needs Housing Development Officer;" this motion was carried unanimously.

An update on the Vermont Secondary Mortgage Market was offered by Ms. Crady, who informed the Board that preliminary information from lenders had resulted in $22 million of initial interest in the first pool of funds; Phase I is limited to $100 million. According to Ms. Crady, detail on the pools will be available at the September Board meeting. Ms. Hope announced that a luncheon will be held August 28 in Montpelier, to be hosted by Governor Kunin, to introduce the "Green Mountain Mortgage Market," which will be known colloquially as "Sugar Mae." Invitations to the luncheon have been sent to more than 90 individuals who have expressed an interest in the success of the secondary mortgage market. Mr. Myette commended the staff for a "super job" on this program.

Ms. Babcock then announced that Ms. Russell, Executive Director of VHMGB, has tendered her resignation, effective September 15. The position has been advertised and posted internally at both the Agency and VHMGB.

At this time, Mr. David Furney of Engelberth Properties, Inc., and Mr. Otto Engelberth of Engelberth Construction joined the meeting and addressed the Board regarding preliminary discussions on the Dalton Drive/Fort Ethan Allen project. (Ms. Wadhams and Mr. Kochman also arrived.) Engelberth Construction

has a development arm, called Engelberth Properties, which would be interested in directing the development and rehabilitation of the Dalton Drive buildings. Mr. Furney addressed the Board, citing several issues which would need to be addressed in order to assure the success of the project. Some of these include the need to create or maintain a sense of community; asbestos removal; parking. Mr. Furney assured the Board that a written proposal addressing these and other issues would be presented to Mr. Hunt by the end of August. Mr. Hunt and Ms. Wadhams expressed their appreciation to Engelberth Construction for the work they have done on the Dalton Drive project so far, and pointed out to the Board that Engelberth has shown great sensitivity toward the Agency's goal of providing affordable housing. Mr. Kochman cautioned the Board and Engelberth that the concept of a "joint venture," which Mr. Furney had mentioned, would need to be approached cautiously, as there are statutory constraints on the Agency not to enter a joint venture. Any developer working with the Agency on the Dalton Drive project would do so not as a partnership, but with a sense of shared responsibility and risk; this was acknowledged by Mr. Furney.

Mr. Seelig expressed his appreciation for the efforts on this project so far, and commented that the Dalton Drive buildings appear to be entering their ninth life.

Mr. Furney further explained to the Board that the project as now envisioned would include four buildings viewed as potentially commercial office space, with parking available behind three of the buildings. The project as currently configured would still consist of 71 units of housing in addition to the commercial property. In response to a question from Mr. Shaw, Mr. Furney explained that permits needed for the project would include permits from Essex, Colchester, zoning or sub-division permits and Act 250. Mr. Furney assured the Board that the planning boards of Essex and Colchester have agreed to combine their reviews for this project, eliminating the need to gain approval from two separate and distinct boards. Having concluded their presentation, and with no action necessary by the Board, Mr. Furney, Mr. Engelberth, Mr. Kochman and Ms. Wadhams left the meeting.

Turning next to Mr. Schoenbeck's memo on the "Underwriter Selection Process (RFP)," dated August 8 and included in the Board packet, a brief discussion followed on the need for a request for proposal (RFP) at the present time. Mr. Seelig urged the Board to consider delaying a change in underwriters until after the January 1, 1990, due to the uncertainty of the extension of Mortgage Revenue Bonds (MRBs). Although no formal motion was made, staff was instructed to plan to mail out RFP's by mid-Autumn, explaining to potential respondents that no change was anticipated prior to January 1, 1990.

Ms. Babcock expressed her regrets and informed the Board that she was unable to remain for the rest of the meeting.

The "Vermont Community Loan Fund Request" as detailed in Mr. Schoenbeck's memo of August 9, included in the Board packet, was discussed next by the Board. Following a brief discussion, a motion was duly made, seconded and unanimously agreed to *grant* $15,000.00 in permanent loan capital to the Vermont Community Loan Fund, subject to the determination by general counsel of the legal authority of the Agency to make such a grant. A larger loan was considered, but found not to meet Agency investment criteria.

Mr. Hunt next offered an update on the status of the "Gates" projects, informing the Board that the flexible subsidy, transfer of physical assets, and other issues still need to be resolved. A visit to the Department of Housing and Urban Development (HUD) in Manchester, New Hampshire, is anticipated before the end of August.

Turning to legal matters, Mr. Jarrett informed the Board that the Winchester Place project was on schedule, having had the bond closing August 16. Mr. Jarrett further reviewed a letter regarding Hillcrest Views (formerly Eaglewood Apartments); a motion was duly made, seconded and unanimously approved to accept Hillcrest Views as a qualified housing project under 8 V.S.A. §1108. A motion was made and seconded to approve Enosburg Housing Partnership's development in Enosburg as a qualified housing project under 8 V.S.A. §1108; this motion carried unanimously.

Mr. Koppelkam joined the meeting and presented a slide presentation on the status of construction at Salmon Run (formerly referred to as Riverside), the Heineberg Senior Housing Project, and Winchester Place. According to Mr. Koppelkam, the Salmon Run project has used most of the contingency portion of their budget; no further change orders are anticipated, and the site work is running approximately three weeks behind schedule. The Heineberg Senior Housing project consists of 81 units, and 80 acceptance letters for occupancy applications have been sent. At Winchester Place, 12 of the 37 buildings have been completed; 100 applicants have expressed an interest in the project.

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

Respectfully submitted,

Allan S. Hunt
Executive Director

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 15, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, September 21, at the Office of the Commissioner of Banking and Insurance, 89 Main Street, Montpelier, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Montpelier September 21.

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

VHFA BOARD MEETING AGENDA

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

Thursday, September 21, 1989 at 1:30 p.m.

1. Review and approval of minutes of August 17, 1989

2. Executive Director's Report

   A. Update on Northgate, et al. **[Hunt]**
   B. Dalton Drive Issue Update **[Hunt//Enclosure]**

3. Operations

   A. MOVE 1989A Update **[Lothrop//Enclosure]**

4. Development

   A. Green Mountain Mortgage Market:
      Discussion of Contract Terms **[Crady]**
   B. Sherwood Associates Proposal **[Crady//Enclosure]**

5. Finance

   A. Pension Vesting Proposal **[Schoenbeck//Encl.]**
   B. Rating Agency - Winchester Resolution **[Schoenbeck//Encl.]**

6. Legal

   A. Rent Comparability **[Jarrett/Falzone//Encl.]**

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

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 15, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: ENGELBERTH NEGOTIATIONS (FORT ETHAN ALLEN/DALTON DRIVE)

We have had several discussions with Engelberth Properties regarding their potential involvement in this project in an attempt to draft an agreement. While there are a whole host of issues involved in arriving at a viable "partnership," the major ones are as follows:

RISK SHARING: The original concept was that Engelberth would take the risk on the market units and we would take the risk on the affordable units. This doesn't seem practical, so we are now discussing a more broad-based brisk sharing formula. It is clear that Engelberth sees this project as having a very thin upside, a substantial downside, and thus are very cautious about the degree of financial exposure they are willing to take.

COMMERCIAL PROPERTY: The proposal now envisions four buildings being used as commercial/office space. There is some profit potential for Engelberth through historic tax credits and property appreciation on the two buildings VHFA would not occupy, or all four if we decide not to move.

They have indicated that they would be a great deal more comfortable if we were committed to moving. Obviously, we are not ready to make that commitment.

The other component is their desire to have us provide construction financing for this piece. We are not sure we can do so, either legally or politically.

COST OF MARKET RATE UNITS: We need to decide how restrictive we want to be on the purchase price of the market units: do we want to cap them, or do we leave them to seek their own level, thus increasing the profit potential for Engelberth?

I would like to discuss these issues with the Board and get some feedback.

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STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans:	207
Total Loan Amount:	$12,791,813
Average Loan Amount:	$61,796

EXISTING:	$9,406,925	74.3%	154 Loans
NEW CONSTRUCTION:	$3,384,888	25.6%	53 Loans
NEW DETACHED HOUSING:	$2,543,680	75.1%	40 Loans
NEW CONDOMINIUM:	$841,208	24.8%	13 Loans

Total Insured or Guaranteed Loans:	176
Loans Guaranteed by VHMGB:	176

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$69,463	$72,085	$70,312
Avg. Loan Amount	$60,615	$64,262	$61,796
Avg. Borrower Income	$27,259	$27,526	$27,345
Avg. Housing Debt-Income Ratio	26.2%	28.0%	26.8%
Avg. Total Debt	$769.97	$813.68	$784.12
Avg. Total Debt-Income Ratio	33.9%	35.8%	34.5%
Total No. of Loans	140	67	207
% of Total Loan Amount	66.3%	33.7%	100.0%
First Time Homebuyers	76.4%	100.0%	84.0%
% Meeting Low Income Set Aside	31.4%	50.7%	37.6%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	11	5.3%	$678,025	5,000	5.8%	0.5-
Bennington	12	5.8%	$736,924	6,000	7.0%	1.2-
Caledonia	20	9.7%	$1,150,804	5,000	5.8%	3.9
Chittenden	33	16.0%	$2,140,098	16,000	18.6%	2.6-
Essex	4	1.9%	$225,300	1,000	1.2%	0.7
Franklin	31	15.0%	$1,965,345	6,000	7.0%	8.0
Grand Isle	3	1.4%	$192,562	1,000	1.2%	0.2
Lamoille	10	4.8%	$574,872	3,000	3.5%	1.3
Orange	9	4.3%	$524,373	4,000	4.7%	0.4-
Orleans	14	6.8%	$726,100	4,000	4.7%	2.1
Rutland	22	10.6%	$1,310,685	10,000	11.6%	1.0-
Washington	20	9.7%	$1,323,795	9,000	10.5%	0.8-
Windham	10	4.8%	$684,925	7,000	8.1%	3.3-
Windsor	8	3.9%	$558,005	9,000	10.5%	6.6-
TOTAL	207	100.0%	$12,791,813	86,000	100.0%	

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

Vermont Housing Finance Agency
1994 - $35,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 09/14/89

Report: 1130
PERSTATU

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$1,291,200	3.6%	$805,325	2.3%	$0	$805,325
Caledonia National Bank of Danville, The		$456,800	1.3%	$300,050	0.8%	$0	$300,050
Chittenden Trust Company		$4,855,080	13.8%	$2,513,730	7.1%	$589,830	$1,623,900
Commonwealth Mortgage Company, Inc		$151,750	0.4%	$151,750	0.4%	$0	$151,750
Community National Bank		$486,085	1.3%	$234,100	0.6%	$0	$234,100
Factory Point National Bank, The		$129,546	0.3%	$101,046	0.2%	$0	$101,046
First Twin-state Bank		$147,950	0.4%	$0	0.0%	$0	$0
Franklin-Lamoille Bank		$767,851	2.1%	$397,161	1.1%	$0	$397,161
Granite Savings Bank and Trust Company		$75,000	0.2%	$75,000	0.2%	$0	$75,000
Howard Bank, National Assn, The		$845,950	2.4%	$700,700	2.0%	$80,750	$619,950
Lyndonville Savings Bank & Trust Company		$403,475	1.1%	$219,500	0.6%	$73,000	$146,500
Marble Bank		$701,550	2.0%	$386,150	1.1%	$45,125	$341,025
Merchants Bank, The		$1,118,985	3.1%	$396,028	1.1%	$0	$396,028
National Bank of Middlebury, The		$123,775	0.3%	$123,775	0.3%	$64,000	$59,775
New England IBM Employees Fed Crdt Union		$525,535	1.5%	$338,635	0.9%	$124,925	$213,710
Northfield Savings Bank		$476,775	1.3%	$313,500	0.8%	$39,000	$274,500
Passumpsic Savings Bank		$1,298,875	3.7%	$792,450	2.2%	$113,700	$678,750
Peoples Trust Company of St Albans		$144,850	0.4%	$0	0.0%	$0	$0
Proctor Bank		$365,500	1.0%	$118,700	0.3%	$0	$118,700
Randolph National Bank		$463,250	1.3%	$127,100	0.3%	$0	$127,100
Statewide Funding Corporation		$123,405	0.3%	$123,405	0.3%	$0	$123,405
Union Bank		$815,854	1.7%	$453,644	1.3%	$182,125	$276,519
Valley Bank		$420,953	1.2%	$214,853	0.6%	$0	$214,853
Vermont Federal Bank, FSB		$4,336,780	12.3%	$2,343,850	6.6%	$535,675	$1,808,175
Vermont Mortgage Group, Inc		$663,761	1.8%	$482,606	1.3%	$82,452	$400,153
Vermont National Bank		$2,368,880	6.7%	$1,073,755	3.0%	$74,575	$999,180
TOTALS	384 Loans	$23,361,418	66.7%	$12,791,813	36.5%	$2,005,156	$10,786,655

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Pat Crady, Development Coordinator

SUBJECT Sherwood Associates Proposal - Sweat Equity

DATE: September 14, 1989

History:

We have been working with Sherwood Associates, developers of a 48 lot subdivision in West Brattleboro, for the past year and a half on several aspects of their proposed development. This proposal has received our attention largely because of the area need for affordable units as well as the developer's commitment to affordable housing. The development process has had its fits and starts, however we believe there is a high likelihood of completion now that they have received their Act 250 permit.

Last year the Board approved a $10,000 grant (matched by $10,000 from the Housing and Conservation Trust Fund) to Sherwood Associates for research into the feasibility of increasing the density and including a nonprofit (South East Vermont Community Action). This attempt was unsuccessful on both counts, hence we are looking at the original 46 lot subdivision proposal.

Although the nonprofit participation did not work out as hoped, there have been other elements unique to the development that we have been pleased to support. As part of an initiative authorized by the Board two years ago to support an Affordable Housing Demonstration Program, we have committed $2500 to purchase options for five building lots for a modular home design demonstration. Additionally, we have reserved funds under the Builder's Move Reserve Program for permanent mortgage financing at 8.9% for 15 units. We also are supporting a Builder Design Competition, to be primarily funded ($10,000) by the Bank of Vermont, with $500 to defray the costs of administration.

Current Proposal: Self-Help Housing

Sherwood Associates has asked us to recognize sweat equity as allowable equity for up to nine units.

Under their plan, each family would provide 330 hours of labor, valued at approximately $4000, which would be applied toward the purchase price of their unit. The estimated gross cost of the unit would be in the area of $89,000.

Each unit would be panelized construction. The work to be completed by the home buyer would be supervised by Pioneer Construction, a partnership of Daryl Johns and Randy Balcom. Sherwood Associates has contracted with David Deen to help with the design of this program. David Deen developed a number of self-help projects while with SEVCA. Sherwood Associates has requested that we recognize the labor provided by the homebuyer, or sweat equity, as equity available to meet the minimum downpayment of 5% required by our MOVE Program.

Each family will be required to make approximately a 30 hour time commitment each week for approximately 11-12 weeks. I feel that this commitment gives them an adequate vested interest in their home and presents no greater risk of default. While this program will not substantially reduce the affordability of the units, some cost savings will be realized from the bulk purchase of materials. What it does do is address the problem faced by a large percentage of first-time homebuyers, the lack of a source of funds for downpayment.

Recommendation: I recommend that we approve their request for this project on a pilot basis and work with the VHMGB on recognizing "sweat equity" in lieu of the 5% downpayment requirement.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 14, 1989

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Senior Management Officer
Glenn A. Jarrett, General Counsel

RE: SECTION 8 ANNUAL RENT ADJUSTMENT PROCEDURES

BACKGROUND

Over the past six years, HUD has struggled nationwide with the implementation of a concept known as "rent comparability." Rent increases on Section 8 properties occur yearly and are based on adjustment factors that are published by HUD annually. By regulation, these factors are referred to as Automatic Annual Adjustment Factors and, until 1983, were applied without question to increase all project rents yearly.

Beginning in 1983, HUD required HAP Contract Administrators to certify that annual rent adjustments did not result in material differences between the rents charged for assisted and those for comparable unassisted units. These certifications were to be based on a complicated and administratively burdensome process known as rent comparability. HUD's reason for changing the way rent adjustments were implemented, was in part an attempt to keep down the large sums of surplus cash that had begun to accumulate in some project operating accounts. Unfortunately, rent comparability has not only been unable to stop this accumulation of surplus cash, but has also been the target of appeals and legal actions initiated by owners, HFA's and the National Leased Housing Association.

Although VHFA is contract administrator for only 19% of our Section 8 portfolio, by agreement with VSHA, we have had primary responsibility for completing all rent comparability analyses required by HUD because of our fiscal oversight. From 1983 to 1986 we performed a modified version of comparability and both VHFA and VSHA submitted the required certifications to HUD. During this time, we never reduced a rent increase as a result of comparability and a 1984 HUD audit approved the process we were using as being in compliance with applicable regulations.

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In January '86, June '87 and May '88 HUD published revised annual rent adjustment procedures which require that rent comparability be conducted within a more rigid processing framework. VHFA had serious concerns with the potential adverse impact these new procedures might have on project cash flows and loan security. Over half of the projects in our portfolio would not only have had rent increases denied, but would also have faced a rent roll-back. As a result of these concerns, we continued to implement rent increases by applying the full annual adjustment factor, and we began working on proposed revisions to the process that would moderate its impact by allowing us greater flexibility in its implementation.

On November 11, 1987 we expressed our concerns in writing regarding the new procedures and submitted specific questions to HUD. In our letter we stated that until we had answers, it would be impossible for us to comply with the rent testing requirements. These questions also reflected our dismay, in that the revised HUD procedures totally ignored the important issues of preservation of at-risk units, energy conservation, and preservation of the long term funding which is committed to each project under the ACC and HAP Contracts.

HUD conducted an audit of VHFA and VSHA during the week of August 14, 1989 and, although they have not yet sent their letter of findings, we are sure to be cited for being out of compliance with Section 8 Annual Rent Adjustment procedures. Ironically, it was at this audit that HUD responded verbally to our questions that had gone unanswered for almost two years. On September 13, 1989 we finally received HUD's written answers to the questions. As we had feared, their responses did not provide a mechanism for us to adequately deal with the issues of at-risk housing preservation, energy conservation and long term funding shortfalls.

In the past several weeks, we have been exploring various ways in which to respond to the inevitable HUD directive to correct the rent comparability finding. Of the four options we have considered, there is one which appears to accomplish the intent of rent comparability by approving annual rent increases based on operating need. Operating need would be defined as reasonable operating expenses as approved by VHFA in the annual budget. Our actions under such a methodology would be guided by a desire to preserve ACC budget authority, encourage energy conservation, and achieve the common goal of preserving all Section 8 housing for the full term of the subsidy contract. This would be accomplished using project refinancing, secondary debt, and additional owner incentives as appropriate, in order to either transfer projects to nonprofit ownership, or secure owner lock-ins and an option to purchase the property at the time of sale or expiration of the HAP Contract. This alternative to the HUD mandated rent comparability procedures is now being researched by legal counsel to determine

if we have the legal authority to restrict rent increases as part of the budget process, and whether we have a reasonable and/or defensible position in the event that court action is necessary.

LEGAL CONSIDERATIONS

Several challenges to the HUD rent comparability process have been filed in the federal courts. One suit that was filed in Washington State resulted in a ruling from the 9th Circuit Court of Appeals that declared HUD's attempts to limit rent increases to be in violation of the HAP contracts. The court's ruling, which is effective in the entire northwestern part of the country, suggested that HUD could use comparability to modify the Annual Adjustment Factor, but since HUD had chosen to use an AAF in the contract, it could not later change its mind and seek to adjust the rent of individual projects because of rents on comparable, market rate apartments. HUD is seeking to have Congress overturn the 9th Circuit ruling. Another suit on behalf of the National Leased Housing Association is still pending in federal court in Washington, D.C. A suit was brought by the State of Oregon's Housing Authority challenging HUD's methods in attempting to implement rent comparability and Oregon was granted summary judgement by the court after the 9th Circuit decision discussed above.

Of the other five states in New England, four have implemented comparability and one is in the process of implementing it. Three of these states have done so under the threat of economic sanctions and the loss of future funding following HUD Regional and Inspector General audits. Many states have complied with HUD directives and found them workable for the most part. Other states are concerned about the implications of complying with directives which may have been improperly promulgated and which may adversely affect the financial stability of some of the developments in their portfolios.

COURSE OF ACTION

We will be updating the Board more fully in October after receipt of the HUD audit findings and after further discussions with other HFA's.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: September 15, 1989

TO: VHFA Board of Commissioners

FROM: Roger A. Schoenbeck, Director of Finance

RE: PENSION VESTING CHANGE

Vesting provisions of pension plans must be amended to comply with changes in federal legislation.

The current pension plan of VHFA allows for vesting of benefits at a rate of 10% per year until an employee has completed ten years of employment. In 1986 the Board approved a change in the contribution formula to contribute an amount equal to 10% of an employee's annual compensation (an increase from the original 5%) to the plan.

The proposed change, as recommended by the trustees of the pension plan, would be that vesting occur at a rate of 20% per year, to fully vest at the end of five years of employment. The minimum vesting schedule would require full vesting in seven years.

RECOMMENDED ACTION:

Although Board action is not required, we wanted you to be aware of this change as it has some impact on future costs of the pension plan.

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

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: RATING AGENCY REQUEST

DATE: SEPTEMBER 13, 1989

Near the conclusion of the last bond financing, Standard & Poor's, the rating agency reviewing the Winchester project, asked for additional comfort relating to the reserve fund investments purchased. As discussed in the past, there was quite a bit of negotiating with S&P related to the Winchester project because this was the first issue under a new general bond resolution.

In the instant case, S&P is concerned that since the reserve fund purchased is a Federal National Mortgage Association bond, there exists the possibility that if there were problems with the financing the Agency would have to cash in the bond at a price less than what the investment was purchased for and therefore adequate funds might not be available to fund deficits from the reserve fund.

The investment in question is an $811,000 face value FNMA maturing in 2016 at an 8.20% interest rate. If we ever had to cash in this investment, we have told S&P that we would purchase the FNMA into another program and replenish any loss from the General Fund. They have asked us to provide them with a board resolution confirming the conversation with them. They provided an "A" rating with the expectation that the resolution would be provided. Attached is a resolution addressing their concerns which should be satisfactory for their purposes.

RECOMMENDED ACTION
Approval of the attached resolution.

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RESOLUTION RE: 1989 SERIES A, HOUSING DEVELOPMENT MORTGAGE BOND RESERVE FUND INVESTMENT POLICY

WHEREAS, the Agency has invested bond proceeds of the 1989 Series A, Housing Development Mortgage Bond program by purchasing Federal National Mortgage Association bonds for the purpose of funding reserve fund requirements under the provisions of the Resolution; and

WHEREAS, Standard & Poor's, a nationally recognized rating agency, has expressed a concern that this particular investment may need to be converted to meet debt payments to bondholders arising from deficits incurred and that the Federal National Mortgage Association Bonds may have to be redeemed at less than the face value of the investment; it is hereby

RESOLVED: In the event that the Reserve fund investments must be liquidated under the terms of the Resolution, the Agency will fund any deficit resulting from the sale of the investment from monies of the General fund of the Agency.

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

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 4, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been rescheduled and confirmed. The meeting will be held at 1:30 p.m. Thursday, October 26, **at the Inn at Essex, Route 15 (Lang Farm Center), Essex.** As you are aware, the lender recognition event will also be held at the Inn at Essex that same day, from 4:00 to 7:00.

The agenda and Board packet will be sent under separate cover.

No meeting is scheduled for November. The December 7 meeting has been scheduled on the same day as the annual holiday party and this year's 15th anniversary celebration.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you in Essex at 1:30 on October 26.

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VERMONT HOUSING FINANCE AGENCY

October 16, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, October 26, at 1:30 p.m., at the Inn at Essex, Route 15 (Lang Farm Center), Essex, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 13, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 1:30 p.m. Thursday, October 26, at the Inn at Essex, Route 15 (Lang Farm Center), Essex.

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

Please feel free to contact me should you have any questions prior to the meeting. I look forward to seeing you at the Inn at Essex, October 26.

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
at the Inn at Essex
Route 15 (Lang Farm Center)
Essex, Vermont

Thursday, October 26, 1989 at 1:30 p.m.

1. Review and approval of minutes of September 21, 1989

2. Executive Director's Report

   A. Update on Northgate, et al. **[Hunt]**
   B. Dalton Drive/Homeless Update **[Hunt]**

3. Operations

   A. MOVE 1989A Update **[Lothrop/Enclosure]**
   B. Mortgage Plus: Possible Extension and Changes **[Lothrop/Enclosure]**

4. Development

   A. Business Plan* **[Pond]**
   B. Heineberg and Winchester Update **[Koppelkam/Enclosure]**
   C. Nonprofit Trainings **[Wadsworth/Enclosure]**
   D. Sugar Mae Update **[Crady/Enclosure]**

5. Finance

   A. Audit Distribution: Financial Year in Review **[Schoenbeck/Enclosure]**
   B. Proposed Single Family Bond Issue **[Schoenbeck/Enclosure]**

6. Legal

   A. Rent Comparability **[Jarrett/Falzone]**
   B. Legislation **[Jarrett]**

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

** Note: The Business Plan, as distributed in the June Board packet, should be brought to the October 26 meeting.*

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
Office of the Commissioner of Banking and Insurance
89 Main Street
Montpelier, Vermont
Thursday, September 21, 1989

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

Agency Staff: Mr. Hunt, Mr. Jarrett, Mr. Schoenbeck, Mr. Lothrop, Ms. Hope, Mrs. Parker, Mr. Falzone, Ms. Wadhams (Consultant); Ms. Pearson (VHMGB)

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

Upon a motion duly made and seconded, the minutes of August 17, 1989 were unanimously accepted as written.

The Executive Director's report was offered by Mr. Hunt, who informed the Board that he, Mr. Jarrett, Ms. Pond and Ms. Hope had attended the annual conference of the National Council of State Housing Agencies (NCSHA), held in Oklahoma City this year. VHFA received two out of ten awards for the most outstanding programs nationwide, in recognition of the Heineberg Senior Housing Project for rental housing and the Perpetually Affordable Housing Program for homeownership. The plaques received were displayed for the Board's review. In response to a question from Mr. Francis, Mr. Hunt assured the Board that the cake presented at the "Sugar Mae" introduction had been frozen and would be entered in next year's competition! Ms. Babcock and Mr. Seelig offered the Board's congratulations, thanks and appreciation to Mr. Hunt and the entire staff.

Mr. Hunt further reported that extensions of the Low Income Housing Tax Credits (LIHTC's) and Mortgage Revenue Bonds (MRB's) appeared to be more probable, as there is strong support for both programs in the Senate. Mr. Jarrett cautioned that any LIHTC extension would probably include conditions such as a housing needs analysis requirement to set priorities in awarding or allocating the minimum of tax credits to make a project viable (rather than a first come, first served basis). The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"--also referred to as the "savings and loan bailout") was also discussed at the NCSHA conference, and it appears that housing finance agencies (HFA's) will be asked to serve as a clearinghouse for properties recovered under this act; according to Ms. Babcock and Mr. Hunt, there are none in Vermont.

An update on the Northgate Apartments was presented by Mr. Hunt, who informed the Board that at a meeting held with the director of the Department of Housing and Urban Development (HUD) in Manchester, New Hampshire, attendees were assured that flex subsidy funds could be secured if the appropriate paperwork was submitted by September 18. The required documents were signed September 15 and delivered to HUD September 18. It appears that the financing pieces are almost in line. The Federal National Mortgage Association (Fannie Mae) investment, which is primarily being handled by Housing Vermont, has not been firmed up as yet, but should be solidified before the end of September.

Mr. Hunt next advised the Board of the status of the project at Fort Ethan Allen/Dalton Drive. Engelberth Construction is not interested in continuing as developer for the project, but they have expressed some comfort in handling the construction. Ms. Wadhams and Mr. Hunt reviewed two options for the Fort, including distributing an RFP (request for proposal) to selected developers offering information/details available to date; both cautioned that this would be a slow process and might not be completed prior to the date of exercising the option agreement with UVM. Another option would be to do minimal work on the units (wiring, heating, plumbing, asbestos removal) and sell the individual units for $35,000 to $45,000 each, with sweat equity provided by the buyers. The Town of Essex has agreed to expedite rezoning, including the Parade Grounds in the density zoning; the sale of three buildings as office sites could generate some income. Mr. Francis suggested a separate meeting be held prior to the next Board meeting, with Mr. Seelig, Mr. Francis, Mr. Hunt and Ms. Wadhams participating to discuss various options for the Fort. No Board action was necessary. (Ms. Wadhams then left the meeting.)

The MOVE 1989A program was reviewed by Mr. Lothrop, who advised the Board that if reservations continue at the same pace, funds should last approximately eight or nine weeks. Mr. Seelig requested that future reports indicate the level of funds remaining and that a quarterly comparison with pervious program(s) be provided to the Board. Mr. Seelig further assured staff that they should be proud of the program's results, and inquired if another bond issue was under consideration. Mr. Hunt advised the Board that staff would probably approach the Board for authorization of another Bond issue in October, with the actual issue to take place no earlier than November or December. Mr. Schoenbeck informed the Board that he had received a draft of a new bond resolution from bond counsel, but Mr. Jarrett cautioned that it may not be useful to change the bond resolution if MRB's are not extended and there are to be no further bond issues.

Mr. Hunt offered a brief update of the Green Mountain Mortgage Market (Sugar Mae), as Ms. Crady was unavailable for the meeting due to illness. To date, nearly $33 million in loans has

been submitted to the Agency on computer tapes. Following a brief discussion, and upon a motion duly made and seconded, it was unanimously agreed that the Executive Director be given the authority to amend the contract to reflect a revision to the effect that banks contractually should agree to insure a loss on all loans equal to 10% of the original loan amount.

The "Sherwood Associates Proposal--Sweat Equity," as detailed in Ms. Crady's memo to the Board dated September 14 and included in the Board packet, was reviewed by Mr. Hunt. Mr. Francis inquired if it would be useful to have VHMGB Board approval prior to the conclusion of the meeting, as he was in favor of the proposal; Mr. Ruse commented that he agreed it was a great idea, and Ms. Babcock assured Mr. Hunt that although no formal VHMGB Board meeting could take place without prior official notice, the project has the general support of the VHMGB Board of Commissioners. A motion was duly made, seconded, and unanimously adopted to proceed with the Sherwood Associates Sweat Equity Proposal subject to formal approval by the VHMGB Board and clarification of legal issues (such as tax code interpretation of the inflation of purchase price limits).

Mr. Hunt next proposed a revival of the "Affordable Housing Demonstration Program" as a competition for builders to demonstrate current technology in single family affordable housing. Five lots are available for the Agency to purchase in the Sherwood Hollow project in Brattleboro. According to Mr. Hunt, the competition would be open to panelized, modular and manufactured housing in order to show consumers what is available. The purchase of five additional lots in the northern part of Vermont is also recommended, with the builders assuming all risk for the sale of homes constructed on all ten lots. The home buyer would purchase the lots from the Agency (resulting in a pass-through cost for VHFA) and the house from the builder/developer/manufacturer. Mr. Seelig suggested that Mr. Hunt be given the authority to select sites, rather than have the Board specify particular lots. According to Mr. Hunt, the five sites in Brattleboro were chosen because of their proximity to the Westgate Apartments as well as to both New Hampshire and Massachusetts; it is hoped that manufacturers, builders and/or developers from those states will also participate in the competition. A motion was duly made and seconded that the Executive Director be authorized to purchase up to five lots in the southern part of Vermont to be used for the affordable housing demonstration; this motion passed unanimously.

The "Pension Vesting Change," as described in Mr. Schoenbeck's memo to the Board dated September 15 and included in the Board packet, was briefly discussed by the Board. Although no formal Board action was necessary, a motion was made, seconded and unanimously agreed to approve the pension vesting changes.

Following a brief discussion of the "Rating Agency Request" detailed in Mr. Schoenbeck's memo to the Board dated September 13, a motion was duly made and seconded to unanimously adopt the "Resolution re: 1989 Series A, Housing Development Mortgage Bond Reserve Fund Investment Policy" as proposed and attached to these minutes.

Turning next to the subject of Rent Comparability as recommended by HUD, Mr. Falzone and Mr. Jarrett reviewed the issue as detailed in their memo of September 14, included in the Board packet. Mr. Jarrett reviewed the legal implications of rent increases and HUD rulings. Mr. Falzone cautioned the Board that the Agency's at risk strategy would be prohibited by HUD's proposed Comparability act. Mr. Jarrett offered details of various suits pending against HUD. According to Mr. Falzone, other states are complying with Comparability as it does not have an adverse impact on owners in those states. Mr. Hunt cautioned the Board that implementation of rent comparability as HUD proposes does harm to the security of bondholders who could potentially sue VHFA as projects would not survive financially (the costs of mortgage and upkeep necessitate rent increases). No Board action was taken, but the Board was assured that further details will be provided at future Board meetings.

Discussion of the Business Plan will take place at the October Board meeting.

Mr. Hunt advised the Board that no formal action had been taken by the VHMGB Board on Grandview Condominiums; Ms. Babcock assured the Board that at the next formal meeting of the VHMGB Board, action would take place.

Ms. Hope announced that a lender recognition reception will be held October 26, from 4:00 to 7:00 p.m., at the Inn at Essex, to acknowledge top producing loan officers; Board members are invited and encouraged to attend.

The 15th Anniversary/Holiday Party will be held December 7, also at the Inn at Essex. A Board meeting will be scheduled for that day, but no Board meeting will be held in November.

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

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION RE: 1989 SERIES A, HOUSING DEVELOPMENT MORTGAGE BOND RESERVE FUND INVESTMENT POLICY

WHEREAS, the Agency has invested bond proceeds of the 1989 Series A, Housing Development Mortgage Bond program by purchasing Federal National Mortgage Association bonds for the purpose of funding reserve fund requirements under the provisions of the Resolution; and

WHEREAS, Standard & Poor's, a nationally recognized rating agency, has expressed a concern that this particular investment may need to be converted to meet debt payments to bondholders arising from deficits incurred and that the Federal National Mortgage Association Bonds may have to be redeemed at less than the face value of the investment; it is hereby

RESOLVED: In the event that the Reserve fund investments must be liquidated under the terms of the Resolution, the Agency will fund any deficit resulting from the sale of the investment from monies of the General fund of the Agency.

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

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 23, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, ASH Executive Director

RE: NORTHGATE UPDATE

I have some good news and some bad news.

First, the bad:

1. With the extension of tax credits in doubt this year, this project must be closed this year. This will be no easy task!

2. Caryl Stewart from BEAM (representing Northgate Non-Profit) and I met with the owner of the land at Northgate, John Derway. Mr. Derway had indicated at a previous meeting with representation of Northgate Non-Profit that he did not want to negotiate until the "deal" had been put together. After we outlined the "deal," Mr. Derway indicated his amazement that we hadn't spoken with him before, since he felt that our deal violated the lease and therefore would create a default (meaning he could hold us up for more money). However, he did indicate that he was willing to negotiate despite the lease issues.

3. Protracted negotiations with FNMA to purchase the tax credits remain in limbo. Last week, after two months of negotiations, they informed Housing Vermont that the proposed 12% after-tax return needed to be in the 15% to 16% range! The full impact of this is unclear, other than it is not good news.

Now, for the good news:

1. The Plan of Action and Flexible Subsidy loan request have been approved at the area and regional office levels of HUD, and should be in Washington this week. The Transfer of Physical Asset plan (TPA) has been reviewed in Manchester and no major problems have been raised.

2. Senator Leahy has apparently succeeded in getting a special $1.2 million appropriation approved by a House/Senate conference committee. A presidential signature is all that is needed. Not only is the money helpful, but it sends a strong message to HUD as well. Publicity on this would be premature.

3. We are getting close to having a real budget, a real 42-year proforma, etc. The numbers are getting a little firmer.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: October 20, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director
Emily Wadhams, Consultant

RE: DALTON DRIVE UPDATE

The proposal by the State of Vermont to use one of the buildings at Dalton Drive as an overflow shelter for the homeless has greatly increased the complexity/risk of an already complex/risky project. We have been asked to provide (and have done so) a great deal of information to the state for use in making application for a conditional use permit for the shelter. Community reaction has been less than positive.

Under the current plan, limited reversible renovations will be done to Building 504 so as to allow the building to be used this winter only. The permits and lease will be good only through May 15, 1990. The facility will be used on an as needed basis only to accommodate overflow from the Burlington shelters. The overflow would be transported to the Dalton Drive shelter at 7:30 p.m. and returned by 8:30 a.m. the following day. The shelter would be closed during the day.

It is difficult to gauge the political fall out as it affects our project. Our concern is that VHFA's credibility and sincerity may have been compromised by this latest event. We have spent countless hours trying to reassure both communities that this development will not jeopardize our broader effort to achieve affordable housing. Time will tell whether or not we have been successful.

NEW DEVELOPMENTS

On the good news front, the Town of Essex has approved our rezoning request to allow up to 24 units of housing. This is a major breakthrough. Additionally, the plans and specs for 71 units are complete, along with the cost estimates. Areas that we are still working on include disposition of the parade ground, condominium structure and fees and, most importantly, who the legal owner/developer will be.

In terms of a temporary owner/developer, we have asked Townsend Andersen of Preservation Investments, Ltd., to review the two development schemes and to present a proposal to act as developer/temporary owner. This firm is developing "The Marble Works" in Middlebury, a large retail/commercial project, and has extensive experience in restoration. They would work on a fee basis, with some additional incentives should the project market well.

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THE DEVELOPMENT SCHEMES

Plan A

Here are the results of the proposal to create 71 units. The total development cost approaches $7 million, an average of $97,730 per unit. After deducting proceeds from the sale of four buildings for commercial use and $500,000 in grants for asbestos removal and historic preservation, the average unit cost is $82,300. In terms of affordability, we estimate 52 units (73%) to be affordable to people at or below 100% of median income, and 20 units (28%) to borrowers at or below 80% of median, assuming Housing and Conservation Trust Fund loans amounting to $360,000. This proposal does not include a developer's fee/profit.

Plan B

This proposal contemplates selling 40 units "as is" with only the exterior renovation done, asbestos removed, interiors of units cleaned with mechanical systems functioning. The total cost would be approximately $3.3 million, with an average unit cost of $54,500 not including a developer's fee. 95% of the units (38) would be affordable to households below 100% of median income, and 65% (26) would be available to households under 80% of median income. No Housing and Conservation Trust Fund loans would be needed. This proposal also funds a rehabilitation coordinator to advise homeowners on how to go about rehabilitating their units.

While this proposal appears very attractive, it obviously has some downsides. The units will be expensive to heat. Any work that needs to be done will cost more on an individual basis than on an aggregate basis. Money spent on plans and specs will have been mostly wasted. The potential for community opposition may increase due to the fear that interior work will not be done and lower property tax revenue.

Plan C

We are exploring combining the best elements of Plans A and B. That is, we would sell the most expensive units in Plan A "as is" and rehab the lower cost units. We estimate that this would give us about 55 units total, all of them selling for less than $93,000.

RECOMMENDATION: We will need to trigger the option before the December 7 Board meeting. Therefore, with a deep breath, we would recommend going forward with this project. We would like to work more closely than ever with a subcommittee of Jeff Francis, Gus Seelig and Dick Myette.

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans: 298
Total Loan Amount: $18,366,344

EXISTING:	$13,844,352	76.8%	229 Loans
NEW CONSTRUCTION:	$4,521,992	23.1%	69 Loans
NEW DETACHED HOUSING:	$3,406,734	75.3%	52 Loans
NEW CONDOMINIUM:	$1,115,258	24.6%	17 Loans
Funds Remaining to be Reserved:	$7,538,734	21.5%	122 Loans (Est.)

Total Insured or Guaranteed Loans: 256
Loans Guaranteed by VHMGB: 256

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$68,163	$73,085	$69,848
Avg. Loan Amount	$60,085	$64,603	$61,632
Avg. Borrower Income	$27,226	$27,912	$27,461
Avg. Housing Debt-Income Ratio	26.1%	27.7%	26.7%
Avg. Total Debt	$770.64	$817.50	$786.68
Avg. Total Debt-Income Ratio	34.0%	35.3%	34.5%
Total No. of Loans	196	102	298
% of Total Loan Amount	64.1%	35.9%	100.0%
First Time Homebuyers	81.6%	100.0%	87.9%
% Meeting Low Income Set Aside	33.1%	50.9%	39.2%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	15	5.0%	$915,275	5,000	5.8%	0.8-
Bennington	16	5.4%	$1,018,911	6,000	7.0%	1.6-
Caledonia	30	10.1%	$1,709,145	5,000	5.8%	4.3
Chittenden	50	16.8%	$3,273,367	16,000	18.6%	1.8-
Essex	5	1.7%	$261,722	1,000	1.2%	0.5
Franklin	44	14.8%	$2,831,347	6,000	7.0%	7.8
Grand Isle	6	2.0%	$360,112	1,000	1.2%	0.8
Lamoille	11	3.7%	$629,497	3,000	3.5%	0.2
Orange	15	5.0%	$872,974	4,000	4.7%	0.3
Orleans	20	6.7%	$989,600	4,000	4.7%	2.0
Rutland	24	8.1%	$1,426,080	10,000	11.6%	3.5-
Washington	32	10.7%	$2,007,255	9,000	10.5%	0.2
Windham	15	5.0%	$1,049,154	7,000	8.1%	3.1-
Windsor	15	5.0%	$1,021,905	9,000	10.5%	5.5-
TOTAL	298	100.0%	$18,366,344	86,000	100.0%	

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

Vermont Housing Finance Agency
89A - $35,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 10/17/89

Lender		Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont		$1,643,271	4.6%	$1,177,246	3.3%	$275,381	$901,865
Bradford National Bank		$121,125	0.3%	$0	0.0%	$0	$0
Caledonia National Bank of Danville, The		$592,955	1.6%	$395,955	1.1%	$79,755	$316,200
Chittenden Trust Company		$5,730,115	16.3%	$3,853,550	11.0%	$1,226,360	$2,627,190
Commonwealth Mortgage Company, Inc		$151,750	0.4%	$151,750	0.4%	$0	$151,750
Community National Bank		$544,100	1.5%	$387,700	1.1%	$104,500	$283,200
Factory Point National Bank, The		$251,125	0.7%	$101,025	0.2%	$36,079	$64,946
First Twin-state Bank		$222,525	0.6%	$0	0.0%	$0	$0
Franklin-Lamoille Bank		$918,101	2.6%	$460,336	1.3%	$108,632	$351,704
Granite Savings Bank and Trust Company		$75,000	0.2%	$75,000	0.2%	$0	$75,000
Howard Bank, National Assn, The		$1,071,253	3.0%	$763,253	2.1%	$358,603	$404,650
Londonville Savings Bank & Trust Company		$439,100	1.2%	$355,975	1.0%	$97,000	$258,975
Marble Bank		$661,650	1.8%	$559,150	1.5%	$98,325	$459,825
Merchants Bank, The		$1,224,208	3.4%	$978,708	2.7%	$126,500	$852,208
National Bank of Middlebury, The		$249,775	0.7%	$123,775	0.3%	$64,000	$59,775
New England IBM Employees Fed Crdt Union		$525,535	1.5%	$469,535	1.3%	$272,135	$197,400
Northfield Savings Bank		$507,175	1.4%	$476,775	1.3%	$115,500	$361,275
Passumpsic Savings Bank		$1,353,268	3.8%	$990,168	2.8%	$357,100	$633,068
Peoples Trust Company of St Albans		$190,750	0.5%	$66,000	0.1%	$0	$66,000
Proctor Bank		$357,800	1.0%	$282,800	0.8%	$66,500	$216,300
Randolph National Bank		$514,200	1.4%	$260,400	0.7%	$0	$260,400
Statewide Funding Corporation		$123,405	0.3%	$123,405	0.3%	$0	$123,405
Union Bank		$817,979	2.3%	$458,644	1.3%	$242,125	$216,519
Valley Bank		$347,804	0.9%	$289,854	0.8%	$136,099	$153,755
Vermont Federal Bank, FSB		$5,154,625	14.7%	$3,166,900	9.0%	$1,857,725	$1,309,175
Vermont Mortgage Group, Inc		$1,001,260	2.8%	$752,560	2.1%	$82,453	$670,107
Vermont National Bank		$2,661,485	7.6%	$1,646,880	4.7%	$74,575	$1,572,305
TOTALS	450 Loans	$27,451,339	78.4%	$18,366,344	52.4%	$5,779,347	$12,586,997

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: October 16, 1989

TO: VHFA Board of Commissioners

FROM: Douglas R. Lothrop, Director of Operations

RE: Possible Extension and Changes to the Mortgage Plus Program

At the board meeting of October 17, 1989 you authorized the extension of the our Mortgage Credit Certificate Program, Mortgage Plus, and at the same time voted to convert $20 million dollars of Mortgage Revenue Bond (MRB) authority into $5 million of Mortgage Credit Certificate (MCC) authority.

The Mortgage Plus Program continues to grow, although very slowly, with 60 certificates having been issued as of September 23, 1989 as compared with 56 having been issued as of this same date in 1988. In looking at this comparison, we must remember that the 1989 program did not start until mid February.

At this time, staff is not requesting any additional conversion of MRB authority to MCC authority as we still have approximately $4 million left to be used from last years conversion.

It is the intention of staff to continue the Mortgage Plus program at least through 1990, assuming our authority to issue MCC's does not sunset. As of now, our authority to issue MCC's will sunset December 31, 1989. Based on information received from the National Association of State Housing Agencies, staff believes that Congress will extend this authority.

Staff recommends that we include in our Mortgage Plus Program the ability to have the certificates issued on mobile home loans and home improvement loans. Under our present program a certificate can only be used on a mortgage. These two changes, which require a 90 day public notice, will allow eligible borrowers to purchase one of the most affordable forms of homeownership available and provide a more affordable opportunity to do needed repairs on their existing primary residence.

At this time staff is not recommending any changes in the present program income limits and purchase price limits. After additional research staff may approach the board with a recommendation.

REQUESTED ACTION

That the board approve the publishing of the attached public notice amending the Mortgage Plus Program to include manufactured homes and home improvement loans.

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

INVITATION TO LENDERS

MORTGAGE CREDIT CERTIFICATE PROGRAM

This notice is published pursuant to Section 25 of the Internal Revenue Code of 1986 (the "Code") and Treasury Temp. Reg. Sec. 1.25-3T(J)(4).

Vermont Housing Finance Agency (VHFA") hereby invites all lenders lawfully doing business in the State of Vermont to participate in VHFA's Mortgage Credit Certificate Program (the "Program") to take effect on or after February 21, 1989.

Under the Program, VHFA will issue Mortgage Credit Certificates ("Certificates") through participating lenders for the purpose of aiding persons and families of low and moderate income to purchase affordable single family primary residences in the State of Vermont, *or mobile homes that meet certain conditions. Certificates will also be issued for qualified home improvement loans on the borrower's principal residence*. A Certificate will entitle the borrower to the annual federal income tax credit established by Section 25 of the Code.

Program Requirements.

Some requirements of the Program vary according to the location of the particular residence to be acquired. In general, the requirements are less restrictive in the following counties, known as "Targeted Areas": Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington, and Windham. Targeted Areas are entitled to a preference under the Program; therefore, Certificates pertaining to non-Targeted Areas may be delayed or unavailable from time to time. The basic requirements of the Program are explained below.

Income Limits. In Targeted Areas, annual borrower family income may not exceed 140% of the median gross income of the area (generally the county) in which the residence is located. In non-Targeted Areas, the applicable percentage is 115% of median gross income. Actual figures may vary from time to time as required by data published by the Federal government or as determined by VHFA. For the purposes of the Program, and until further notice, the table below sets forth maximum eligible borrower family income by area:

ADDISON	$29,095	WASHINGTON	$36,260
BENNINGTON	30,360	WINDHAM	36,120
BURLINGTON MSA*	37,720	WINDSOR	32,085
CALEDONIA	33,320		
CHITTENDEN	35,880	*BURLINGTON MSA MEANS:	
ESSEX	31,360	GEORGIA, SOUTH HERO, WINOOSKI,	
FRANKLIN	34,580	BURLINGTON, CHARLOTTE,	
GRAND ISLE	26,220	COLCHESTER, ESSEX, HINESBURG,	
LAMOILLE	34,580	JERICHO, MILTON, RICHMOND,	
ORANGE	32,060	ST. GEORGE, SHELBURNE,	
ORLEANS	31,360	SO. BURLINGTON, WILLISTON	
RUTLAND	37,380		

Principal Residence Requirement. The borrower must intend to occupy, and must occupy, the residence as the borrower's principal residence within 60 days of the time the mortgage loan is provided by the lender. A Certificate will cease to be valid, and will be revoked, if and when the residence to which it applies ceases to be the principal residence of the Borrower. For the purposes of this requirement, a "residence" may include any manufactured home which has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. A residence may also include a duplex that was first occupied at least five years prior to the date of the mortgage ("Qualified Duplex").

Three-Year Requirement. In non-targeted Areas, the borrower must not have held a present ownership interest in borrower's principal residence (excluding any manufactured housing not permanently affixed to real property) at any time during the three-year period ending on the date the mortgage is executed. **This rule does not apply in Targeted Areas.**

New Mortgage Requirement. Under the Program, ***except in the case of a qualified home improvement loan,*** a mortgage must be a new mortgage; it must not be used to acquire or replace any existing mortgage except for a construction loan or bridge financing or other temporary financing not exceeding 24 months. Further (subject only to these limited exceptions) the residence must not have been subject to any mortgage given by the borrower, whether or not paid off, at any time prior to execution of the mortgage given under the Program.

Purchase Price Limits. Subject to change as required by data published by the Federal government or as otherwise determined by VHFA, the purchase price of a residence under the Program may not exceed ***$93,000*** for a newly constructed one-family residence or ***$85,000*** for an existing one-family residence or Qualified Duplex.

Method by which Certificates will be issued under the Program.

Certificates will be issued through any lender that has entered a Program participation agreement with VHFA. Application for a Certificate will be taken by a participating lender at the same time as the lender takes a formal loan application. The opportunity to participate will be open to any lender. A list of currently participating lenders will be available from VHFA on or before the effective date of the Program.

Fees. Each applicant will be charged a processing fee of $150, in addition to other normal loan charges. Fees may be subject to change.

Further Information.

For further information, write to Vermont Housing Finance Agency, P.O. Box 408, Burlington, VT 05402, ATTN: Douglas R. Lothrop, or phone, toll free: 1-(800)-222-VHFA.

DRL/jeb:053

PUBLIC NOTICE

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*BURLINGTON MSA MEANS:
GEORGIA, SOUTH HERO, WINOOSKI, BURLINGTON, CHARLOTTE, COLCHESTER, ESSEX, HINESBURG, JERICHO, MILTON, RICHMOND, ST. GEORGE, SHELBURNE, SO. BURLINGTON, WILLISTON

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Further Information.

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DRL/jeb:052

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: October 20, 1989

RE: 1989-90 Fiscal Year Business Plan

Although we are knee-deep into the fiscal year, the time is still ripe for a Board discussion of the Plan's content.

In September we sent out the draft to all of the Regional Planning Commissions as well as the Vermont League of Cities and Towns. We received several positive responses with one being a suggestion to expand outreach of our programs to municipalities. All five of the respondents were pleased to have been consulted, indicating one of the benefits of soliciting input from beyond the Board and staff. When Act 200 is in full force, we will have a framework in place for gathering responses and ideas from throughout Vermont.

For the discussion on the Plan, I'm sending you some of the projected numbers relating to programs to give you better definition of the programs. These numbers are not intended to be a part of the plan for distribution; although, it may be wise to include some of them.

I look forward to the opportunity to discuss this with you and to hear your thoughts about where VHFA needs to be headed.

One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408
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-- INTERNAL USE ONLY --

ONGOING PROGRAMS

	DOLLAR AMOUNT	FAMILY SIZE	FEES PROJECTED
HOMEOWNERSHIP			
MOVE	$91 million	1500 families	$725,500 fees
MCC		100 families	$ 5,000 fees
Builder's MOVE Reserve	$20 million	260 families	$200,000 fees
ERH/EEM (In MOVE program):		100 families	
Rural Vermont Mortgage	$600,000	30 families	No fees
Perpetually Affordable Reserve	$11 million	200 families	$8,000 fees
DHE/ILP		100 families	No fees
CVPS/VHFA/Chittenden Bank Energy Loans	$150,000	20 families	No fees
Downpayment Assistance	$200,000	20 families	No fees
Fort Ethan Allen Affordable	$2.5 million	40 families	Fees included in Perpetually Reserve
RENTAL			
Preservation			
Section 8 Restructuring/Sale	$4 million	350 families	$ 60,000 fees
The Gates	$22 million	686 families	$199,000 fees
Case-by-Case Bond Deals	$15 million	250 families	$225,000 fees
LIHTC	----------	980 families (includes Gates)	$ 10,000 fees
Multi-family Management	----------	2,145 families	$106,000 fees
TEAM	----------	778 elderly families	$ 82,000 income
Vermont Housing Ventures	----------	250 families	No fees

PROGRAMS TO IMPLEMENT

HOMEOWNERSHIP			
1. Green Mountain Mortgage Market (Phase 1)	$50 million	400 loans	$75,000 fees
2. Joint Agency Pilot (Mobile Home Park Financing)	$2 million	4 loans	$15,000 fees
3. Affordable Housing Demonstration	$1.5 million	20 families	No fees
4. Prequalifying Pilot		500 families	No fees
RENTAL			
1. Section 8 Rent Comparability	----------	1,851 units	No fees
2. Nonprofit Training Series	----------	20 nonprofits	$3,000 gross fees
3. Cooperative (Blanket) Financing	$3 million	60 families	$22,500 fees
4. Construction Financing	$5 million		$75,000 fees
5. Section 8 Refinancing Program		510 units in 29 developments	$285,000 fees

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, MF Underwriter

DATE: October 20, 1989

RE: Status of Projects Under Construction

1. HEINEBERG

Heineberg has 80 units, 100% for the elderly. The total project cost is $3.9 million. Project completion was originally scheduled for December. The project is ahead of schedule and well within budget. 81% of the budget has been spent to date, and just 5% of contingency. The sponsors expect approval of the Certificate of Occupancy November 1st, with occupancy on December 1st. 75 tenant acceptances have been received to date, and there are 30 additional tenants on the waiting list. The project exterior and landscaping is essentially completed.

Permanent project financing is being provided by Fannie Mae (with VHFA purchase of a mortgage backed security tied to the project). A revised commitment letter has been received and executed by VHFA and the permanent financing closing planned to take place before year end. A resolution is attached for your review to authorize staff to complete both the VHFA and FNMA closings for the Heineberg project. Minor points relating to the housing subsidy covenants are still in negotiation and need to be approved by all parties.

2. WINCHESTER

This project has 166 units, 70 of which are tax credit (rent restricted). The completion date is December 31st for 115 units, with the remainder by June 1990. The overall project budget was increased from $9.85 million to $10.12 million to reflect small changes in design. To cover this additional cost, Merchants Properties Inc. is contributing $270,000 in additional equity, for a total of $2.295 million (not including the subsidy fund).

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Winchester construction is on schedule, and the sponsors hope to receive Certificates of Occupancy on October 25th. The first 74 units should be available for occupancy on November 15th.

The construction budget is 61% spent to date, compared to the original schedule of 52% (with both corrected for the revised costs). The contingency has not yet been touched due to the recent overall budget increase, and no significant new change order costs are anticipated at this time.

The management agent selected is Coburn and Feeley, which also manages the South Meadow project. 537 lease applications have been submitted to date, 70% by families in the rent restricted category. 12 applications have been approved, and 35 more are in the final verification process. Carol Ravenna of Coburn and Feeley reports very strong market demand, with 10-20 new inquiry calls per day. There has been no advertising to date (except for the project signage), pending completion of sidewalks and a model unit.

3. SALMON RUN

Salmon Run (a.k.a. Moose Run) is proceeding on schedule. The gabion walls have been completed, so the slopes should now withstand earthquakes and hurricanes. The project budget ($6.2 million) is 85% expended, with 92% of the contingency spent. We now expect the overall cost of the project to slightly exceed budget, due to the cost for interior site retaining walls. The final costs for these retaining walls (3) is still be determined, but should not exceed $40,000. Their original projected cost was only $6,000.

There has not been an official word from the sponsors as to how they will cover the cost overruns. The primary option is to contribute more equity to the project. The Agency does hold a $182,959 reserve fund (Guaranty of Development Fund) which derives from VHFA's Funding Agreement with Housing Vermont and which we can tap if necessary. The $113,000 loan from the Housing and Conservation Trust Fund also needs to be finalized.

The first three buildings were completed in July and are now fully occupied. The 4th of the seven buildings will be inspected for approval of the certificate of occupancy on Oct 24th, with a November 1st rent-up. All these units are already leased. Buildings E, F and G are due for completion on January 21st, but at least one or two should be delivered well ahead of that deadline. Management reports strong demand for all the rent restricted units (waiting list size of 75), and for the market rate two bedroom, but less for the market rate three bedroom. However no advertising has been done since June.

The site curbs and first paving have been completed. The interior sidewalks and landscaping are dependent upon completion of the retaining walls. There are several small slope areas that need remedial attention due to the heavy rains that fell during August and September, and while not very costly, the cost responsibility for these may become an issue.

RECOMMENDATION:

Board approval of the attached resolution pertaining to modification of conditions of permanent mortgage loan to Heineberg Senior Housing Partnership.

DRAFT

RESOLUTION PERTAINING TO MODIFICATION
OF CONDITIONS OF PERMANENT MORTGAGE LOAN
TO HEINEBERG SENIOR HOUSING PARTNERSHIP

WHEREAS, the Development undertaken by the Heineberg Senior Housing Corporation pursuant to the Agency's Commitment Letter of November 17, 1988 is substantially completed; and,

WHEREAS, certain events have occurred that bar strict compliance with the conditions of the Agency's agreement to make the Permanent Loan; and

WHEREAS, the construction of the Development has been accomplished ahead of schedule and well within the contemplated budget; and

WHEREAS, the Agency has accepted the Commitment of the Federal National Mortgage Association ("Fannie Mae") to purchase the mortgage that the Agency will receive from the owner of the Development; it is hereby

RESOLVED:

First, The Executive Director, in his discretion, is authorized to modify the conditions of the Permanent Loan, subject to the advice of counsel, in order to accomplish the intent of the Commitment Letter and to accomodate the requirements of Fannie Mae, including, but not limited to the following particulars: the Development may be subject to necessary additional encumbrances not specified in the Commitment Letter, including but not limited to, Housing Subsidy Covenants entered into by the Chittenden County Senior Citizens Alliance, Inc., and other parties providing subsidies to the Development, including the Agency; and documents required by the loan from the Vermont Housing and Conservation Board, which loan shall be subordinate to the Agency's Permanent Loan.

Second, the Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the closing of the Permanent Loan.

Third, the Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the sale of the Mortgage to Fannie Mae.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Essex, Vermont on October 26, 1989.

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

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Christina Wadsworth, Technical Assistant

DATE: October 19, 1989

RE: Nonprofit Training Workshops

As part of our nonprofit outreach, we have considered numerous ways to support neophyte and existing nonprofits. The nonprofit conferences that VHFA sponsored in 1987 and 1988 were designed to introduce developers, municipalities, and housing advocates to the issues of nonprofit development. These conferences were well received, and we realized that the housing community had an appetite for more intensive training.

As a next step, VHFA and the Vermont Housing and Conservation Board co-sponsored a full week of training in the fall of 1988 on multi-family development financing. The class was full, discussion was lively, and everybody learned a lot. Based on these successes, and due to the growing need for training on all aspects of organizational *and* housing development, we decided to broaden our efforts.

In March 1989, I sent out a survey to over 100 nonprofits and municipalities, asking for their input on the design of a series of workshops. The resulting workshop series is a direct result of the survey responses. In mid-September we mailed the attached flyer out to 290 nonprofits and municipalities.

Enrollment is limited to twenty people per class, with the minimum being ten. To date, each workshop has reached the minimum, and there are up to fourteen people registered for the first four. The participants come from all over the state, with a majority from the central and southern sections. They represent land trusts, community action agencies, social services, local and regional planning groups, and lenders. With the excellence of the trainers and the diversity of the participants, the workshops should be valuable learning experiences.

You are welcome to participate in or to visit one or more of the days--just let me know when you plan to join us.

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

Nonprofit Training Workshops

Vermont Housing Finance Agency (VHFA) is pleased to announce a series of nonprofit training workshops, designed to help board and staff members of nonprofit housing corporations develop their organizations *and* develop affordable housing. Below is the schedule, and the workshops and trainers are described on the next page. If you have any questions, please call Christina Wadsworth at 864-5743 or 1-800-336-5866.

WORKSHOP	TRAINER(S)	DATE	LOCATION*
Financial Management & Basic Accounting for Nonprofits	Dick Schramm Nancy Wasserman	October 27	Burlington
Board Development	Susan Edsall	November 17	Barre
Preserving Affordable Housing: Limited Equity Models & Formulas	John Davis	December 15	Montpelier
Managing Affordable Housing	Mark Maloney Kenn Sassorossi	March 16	Burlington
The Development/Construction Process	Jack Heaton	April 20	Brattleboro

*Location to be announced.

The fee for each workshop is $50. A deposit of $25 per workshop is required, with the balance due a month before each session. Financial aid is available on a limited basis. Enrollment is limited to 20 people per session. The workshops will begin at 9:00 AM and end at 4:00 PM, with an hour for lunch from 12:00 to 1:00 and two fifteen minute breaks. Lunch **will not** be offered--please bring a bag lunch or plan to purchase it. Two weeks before each workshop you will receive homework, an agenda, and directions to the location.

To register for one or more workshops, complete and mail the registration form below with your check by October 2 to: Christina Wadsworth, Technical Assistant, VHFA, P. O. Box 408, Burlington, VT 05402-0408.

NONPROFIT TRAINING REGISTRATION FORM

Name(s):_____ *Organization*:_____

Position(s)/Title(s):_____ *Address*:_____ *Telephone*:_____

WORKSHOPS:

____Financial Management & Basic Accounting for Nonprofits
____Board Development
____Preserving Affordable Housing: Limited Equity Models & Formulas
____Managing Affordable Housing
____The Development/Construction Process

FEE ENCLOSED:_____
(deposit of $25 per workshop)

REMEMBER: Deadline for registration is October 2, 1989.

WORKSHOPS & TRAINERS

Financial Management & Basic Accounting for Nonprofits

In this workshop you will cover basic accounting terms, creating and understanding financial statements, the financial planning process, and managing finances through budgets.

Richard Schramm has been the Director of the Center for Management and Community Development at Tufts University for the last six years. Dick has consulted with cooperatives, community development organizations, and loan funds on financial planning and management issues, business development, and program evaluation.

Nancy Wasserman is the Fund Manager of the Vermont Community Loan Fund, a nonprofit which makes loans and provides technical assistance to nonprofits in financial management and accounting, as well as all aspects of housing development.

Board Development

Through small group exercises, examination of case studies, and class discussion, you will learn about mission statements, goal setting and planning, the role of and job description for the board of directors. On the administrative side, you will discuss the decision-making process, training and orientation for board members, how to run a meeting, and the function of the nominating committee.

Susan Edsall is a private consultant from Lyme, New Hampshire, who works with nonprofits and conducts trainings on fund raising, strategic planning, and board development issues. Many of Susan's clients are Vermont nonprofits.

Preserving Affordable Housing: Limited Equity Models & Formulas

In this session, you will examine various types of ownership, discuss ways to keep real estate affordable, and study limited equity formulas--what issues are involved, how to design them, how to market them, and how to enforce them.

John Davis is the Assistant Director for Housing in the Community Economic Development Office for the City of Burlington. John has taught variations of this class at the Tufts Management and Community Development Institute for the past six years, as well as participating in conferences and other workshops.

Managing Affordable Housing

This workshop is geared to nonprofits who have some housing experience, but new people are welcome. In addition, it applies to nonprofits who contract management out and/or manage their own property. Using exercises, case study and discussion, you will learn about the fiscal, physical, and social issues and concerns of management.

Mark Maloney is the President of Maloney Properties, a full service property management company based in West Newton, Massachusetts. Maloney Properties primarily manages community sponsored, nonprofit owned and/or resident controlled low- and moderate-income communities. Northgate Nonprofit has selected Maloney to manage the Northgate/Greenfield Apartments.

Kenn Sassorossi is Executive Director of Lake Champlain Housing Development Corporation in Burlington, a nonprofit housing developer and manager. Previously, Kenn was the Executive Director of the Winooski Housing Authority for over 10 years.

The Development/Construction Process

This workshop is geared to nonprofits who understand the steps required to construct/rehab a building, but need more discussion of complicated issues, some of which are: negotiating contracts, Act 250--how to get through it most efficiently, insurance bonds for the contractor--when are they necessary?, and pitfalls in construction.

Jack Heaton is a private developer and property manager who has been creating affordable housing for the past 11 years. He owns Wooden Indian, Inc.--a construction company and THM--a property management company.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

TO: VHFA Board of Commissioners

FROM: Patricia Crady, Development Coordinator PC

DATE: October 18, 1989

SUBJECT: "Sugar Mae" Update

On September 12, 1989, a tape of loan-level detail on approximately $35 million in mortgages, from 11 lenders, was sent to Fannie Mae. A small number of the loans required corrective information. In addition, truncating loan numbers on several lenders created a problem with Fannie Mae's loan stratification program. Fannie Mae requested a new tape which was sent on October 12, 1989. Fannie Mae will be stratifying the loans (approximately 850) and assisting in the aggregation of pools that will generate the best possible price.

The next step will be to obtain preliminary pricing of the pools, to estimate the price that will be paid to lenders for each of their loans, so lenders may decide which loans they wish to sell. We hope to have this information within the next several days.

Lender response to the Transaction Contract, with the revised language dealing with the recourse arrangement VHFA will have with lenders, has been very positive. Contracts were mailed to all 11 lenders on October 3, 1989. Eight lenders have returned executed contracts.

We are working on an action plan that will detail the remaining steps, who is responsible for the completion, and a timetable for completion. The action plan will be presented to Lenders and they will be asked for their commitment to meet the timetable proposed. (If VHFA decides to trade a portion or all of the MBS through Fannie Mae's Customer Service Trading Desk, delivery is mandatory.) We are in the process of drafting a Commitment Contract for signature by lenders and VHFA. The Commitment Contract: commits a lender to the sale of their mortgages; provides the terms and conditions for the purchase; and provides dates for the delivery of documents, remitting of funds, and reporting of information.

Although, the market for Fannie Mae MBS has been stable, Fannie Mae has a high percentage of mortgages on California property in their portfolio. Yesterday's earthquake in the San Francisco area could possibly lower the price of their MBS. I will look forward to updating you further at the Board meeting next Thursday.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: FISCAL YEAR JUNE 30, 1989 AUDIT RESULTS

DATE: OCTOBER 20, 1989

Enclosed are the audited financial statements for the fiscal year ended June 30, 1989 as prepared by our auditors, Peat Marwick Main & Company. The auditors have no comments or criticisms on internal controls and therefore there will be no management letter issued this year!

A brief overview of the results of operations for the past year follows:

- Total assets increased from $396 million to $512 million for the year, mostly in connection with the issuance of four bond financings totalling $140 million.

- Revenues exceeded expenses for the year in the amount of $3 million compared to $1 million in fiscal year 1988; this was primarily accomplished through the increase in short term interest rates and the restructuring and sales at a gain of reserve fund investments.

- The General fund balance decreased from $5.1 million to $3.3 million which is in line with the budgeted decrease of $1.5 million and includes the deferral of loan fees in the amount of $255,000.

- Actual expenses were approximately $300,000 less than the budget and income was about $200,000 less than planned.

The increase in the overall fund balances of the programs should be looked at very favorably by outside credit reviewers and the general fund decrease was planned, and therefore explainable.

If you have any questions regarding the contents of the audited financials or the contents of this memo, feel free to contact me at your earliest convenience.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: SINGLE FAMILY BOND FINANCING (1989B)

DATE: OCTOBER 19, 1989

Members of the staff met yesterday with the Bond working group in Boston to discuss plans and schedules for a potential new single family bond financing. The news from Washington, which had been so positive recently, has changed dramatically. Due to the battles over capital gains and budget deficits, the Senate tax bill, which included provisions for permanent extensions of Mortgage Revenue Bond authority, Mortgage Credit Certificate issuance and Low Income Housing Tax Credits, has been stripped of these extensions. This puts our authority in jeopardy as of December 31st when current law "Sunsets." Our original plan was to have a new, more user friendly bond resolution in place before we did another single family financing. The conclusion at the meeting was that we should work on a dual track for the next financing. We should be ready to (a) proceed with a new issue under the current resolution and be prepared to sell the issue in early December and (b) also work on a schedule that would instead target for a February issuance with a new resolution if tax legislation extends our authority past December 31st. If we are issuing this year under the cloud of sunset, we should bond for enough money to carry us through 1990. Based on a current projected 8.75% mortgage rate and conventional rates of 10.25%, it is expected that we would need $80 million of lendable proceeds to carry us through the year.

LOAN LOSS CLAIM FUND

Under the provisions of the current bond resolution, we are required to contribute 1.5% of the mortgage amount into the loan loss claim fund. This is a General Fund contribution to the program which is used to cover potential losses on foreclosed properties. We continue to experience very low losses on properties since 1983 and we would expect to recover this contribution over time. A bond issue of $80 million lendable proceeds would require a contribution to the loan loss claim fund of $1.2 million. This significant contribution would have to be transferred from the surpluses of another bond program. A new cash flow will be required before the transfer is effected.

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OTHER BOND FEATURES

Interest Rate Reduction Bond. This gives us some protection in the event that we are caught with unexpended funds in a falling rate environment.

Underwriter Risk Sharing. Drexel Burnham has indicated that they would consider charging us a fee representing approximately half the normal cost of providing the financing unless all the proceeds are placed in mortgages; the other half of the fee would be escrowed to pay any remarketing of bonds required or saved if a redemption had to be implemented.

Letter of Credit Provider. A letter of credit will be required, the size unknown at present, and Moody's (rating agency) has indicated that they will accept the Bank of Boston as provider.

Recycling. Current tax law prohibits bond maturities in excess of 35 years, so recycling will be somewhat limited from prior deals. If we continue 30 year mortgages we will only be able to recycle for five years; alternatively, we could recycle 25 year mortgages for ten years.

Special Targeting. It is expected that current provisions for a lower income, split rate feature will be included along with another set-aside for Energy Efficient Mortgages. A special new construction builders set-aside is also contemplated. These special targeted loans will need to be restricted to a percentage of the issue.

Guaranty Board Insurance. We have spoken to Bond counsel about the issue of releasing coverage on new VHMGB insured loans at the point in time when the balance reaches 75% of the original value. I am somewhat confident that this could be implemented for this issue.

Manufactured Housing (Mobile Home) Financing. We discussed with the Bond group the implications of mobile home financing and decided that the best way to handle these units was to work with the nonprofit owned parks and pursue a long-term lease to qualify under existing requirements. It appears that even under a new resolution, financing manufactured housing situated on property with a short term lease would not be acceptable. A privately placed taxable bond seems to be the best vehicle to accomplish the financing of units on short term leased land.

RECOMMENDED BOARD ACTION

Authorize Agency staff to pursue the financing as outlined above with the understanding that if the "sunset" is extended, the new indenture schedule indicating a February issuance will be pursued.

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

To: Board of Commissioners

From: Glenn A. Jarrett GAJ

Re: Approval of Northgate as Qualified Housing Project

Date: October 20, 1989

F.L. Kochman has requested that the Board make a determination that Northgate Apartments in Burlington be approved by the Board as a "qualified housing project" under 8 V.S.A. § 1108. The Bank of Vermont is expected to be an investor in Northgate. As you recall, banks need approval of our board to invest as limited partners in affordable housing. That section defines "qualified housing project" as residential real estate in Vermont that is intended to primarily benefit lower income Vermonters throughout the period of the [bank's] investment.

You are all familiar with the Northgate Apartments.

REQUESTED ACTION:

Staff recommends that the Board determine that Northgate Apartments in Burlington (which includes the Northgate and Greenfield Partnerships) is a "qualified housing project" for purposes of 8 V.S.A. § 1108 and adopt the attached resolution.

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RESOLUTION REGARDING DETERMINATION

THAT NORTHGATE APARTMENTS IN BURLINGTON

IS A QUALIFIED HOUSING PROJECT UNDER 8 V.S.A. § 1108

WHEREAS, the Board of Commissioners of the Vermont Housing Finance Agency is familiar with the Northgate Apartments in Burlington (which includes two developments formally called Northgate and Greenfield); and

WHEREAS, the Bank of Vermont has requested a determination by the Board that Northgate Apartments is a qualified housing project pursuant to 8 V.S.A. § 1108 in order for the Bank of Vermont to make an investment in Northgate Apartments; it is hereby

RESOLVED:

Northgate Apartments is a qualified housing project for purposes of 8 V.S.A. § 1108.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Essex, Vermont on October 26, 1989.

_____

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

VERMONT HOUSING FINANCE AGENCY

DATE: October 26, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development
Christina H. Wadsworth, Technical Assistant

RE: LCHDC Request for 7.9/ 7.8% Perpetually Affordable Funds

At the June 1989 Board meeting, we discussed with you a request from the Lake Champlain Housing Development Corporation for a set-aside of the Perpetually Affordable funds for the 300 North Main Street development in Winooski. The reason for bringing the discussion to the Board was that the plan for utilizing the funds included a project conversion from the market rate rentals to nonprofit perpetually affordable units. The Board requested that further information be sought on the tenant income profile as well as an acceptable displacement plan.

The tenant income profile is as follows: out of the 24 units, 12 families are below the median income, 6 families are above the median income, and 6 family incomes are unknown. The displacement plan is tied in with the conversion: the units will be converted over a three year period with LCHDC allowing current residents to stay as renters as long as desired (providing terms of the lease are honored).

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KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
One Church Street
P.O. Box 564
Burlington, VT 05402

September 22, 1989

The Board of Directors
Vermont Housing Finance Agency:

We have audited the financial statements of Vermont Housing Finance Agency for the year ended June 30, 1989, and have issued our report thereon dated September 22, 1989. In planning and performing our audit of the financial statements of Vermont Housing Finance Agency we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

Very truly yours,

Peat Marwick Main & Co.

VERMONT HOUSING FINANCE AGENCY

October 17, 1989

The Honorable Don Hooper
Chairman
Joint Housing Committee
State Legislature
State House
Montpelier, VT 05602

Dear Don:

Thank you for the opportunity to appear before your committee to discuss the activities of VHFA. This past year has been a very busy one, highlighted by the following activities:

1. Sold nearly $137 million in Mortgage Revenue Bonds resulting in commitments to finance nearly 1,600 homes. Average borrower income was $27,900 and the average purchase price was $63,800. It is also interesting to note that VHFA-financed homes accounted for nearly 1/3 of homes selling for less than $93,000 purchased in Vermont from January-June 1989.

2. VHFA also reserved $20 million to stimulate the construction of new housing by reserving it for builders willing to construct units selling for less than $93,000 and sell to households meeting VHFA income guidelines. Approximately $13 million has been reserved to date.

3. VHFA's perpetually affordable housing program has reserved $11 million in mortgage funds at 7.9%/7.8% for nonprofit housing organizations selling homes to households at 60% or below median income. Affordability is preserved through limited equity formulas.

4. Provided low interest fixed rate financing totalling $12,300,000 for 330 units of affordable rental housing for families and senior citizens. VHFA funds helped leverage $7.8 million additional investment dollars.

5. In 1988 the Low Income Housing Tax Credit (LIHTC) Program helped create 276 units of affordable housing (371 total units). The sale of these credits through the Vermont Equity Fund obtained firm commitments of nearly $7 million from Vermont banks, with negotiations still ongoing to raise an additional $5-7 million. In 1989, VHFA anticipates creating 468 LIHTC units (753 total units), with a total development cost of over $44,000,000.

6. The VHFA has secured options on over 750 units of affordable housing--700 units comprised of the "Gate" projects in Barre, Bennington,

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Brattleboro and Burlington. We anticipate purchasing Northgate by the end of the year, subject to receiving HUD approval. Additionally, we hold an option on the 21 buildings at Fort Ethan Allen which we hope to develop into approximately 70 units of housing, with at least 50% being affordable.

7. In our ongoing management of our Section 8 projects, we have negotiated HAP Contract lock-ins and/or options to purchase on 144 units, are negotiating on an additional 175, and are discussing the financing of 102 units of Section 8 by Housing Vermont.

8. Our revolving loan fund, called Vermont Housing Ventures, has loaned or committed to loan over $200,000 involving over 600 units.

As many of you know, the federal authority to issue Mortgage Revenue Bonds and Tax Credits expires at the end of this year. While the House approved extensions for both programs, the Senate did not. Resolution of this conflict is uncertain.

In terms of upcoming legislative initiatives, we are interested in the following areas:

(A) Increasing our "moral obligation" bonding authority. This section of our statute permits us to use the so-called "moral obligation" in conjunction with the sale of bonds up to a current limit of $84 million. We have used approximately $60 million to date. The "moral obligation" gives our bonds an almost automatic "A" rating by Standard & Poor's. This has been particularly helpful in financing projects like Winchester Place, which is typical of multi-family housing we are likely to see over the next few years.

(B) As the numbers indicate, the federal Low Income Housing Tax Credit is perhaps the most important source of funding for affordable rental housing. It is important to note that this is a federal credit and does not currently pass through to the state tax level.

We believe some sort of pass-through would be a tremendous signal to the development and investment community that Vermont is serious about affordable housing. Several states have already adopted a state tax credit for affordable housing. The cost to the state of a straight pass-through, assuming $1 million of federal tax credit use, would be $250,000 annually. The federal credit is available for ten years, so the total cost would be $2.5 million.

We estimate $1 million of federal tax credits could generate 400 units of low income (affordable to persons at less than 60% of median income) housing. The state tax credit would only be used where the low income units were going to be affordable for at least 30 years (the federal lock-in is 15 years) and where ownership would ultimately be in the hands of a nonprofit.

The availability of a state tax credit would also enhance the potential investment by Vermont corporations in affordable housing.

(C) Continued funding of the Housing and Conservation Trust Fund remains extremely important. Our ability to finance affordable rental housing is enhanced by financial support of various projects by the Trust Fund. It is imperative that we find ways to continue to complement each other's resources if we are to maximize the production of affordable housing.

(D) Finally, the Homestart program was introduced by Senator May last session. We continue to believe this program warrants serious consideration as it would greatly reduce the income threshold needed to purchase a VHFA-financed home by offering a mechanism to lower the initial loan rate.

We estimate that households earning from $18,000 to $24,000 annually which would not otherwise qualify, would be able to afford a $60,000 loan utilizing this program.

These are just a few of our thoughts regarding possible legislation this year. I want to emphasize that the VHFA Board of Commissioners has not yet discussed this or authorized us to proceed with any of these measures, although we will be discussing these issues with them shortly.

Sincerely,

Allan S. Hunt
Executive Director

ASH114

support for research and policy studies, and highlighting state and local housing initiatives that may be replicated on a national basis.

The second approach calls for increasing the productivity of non-profit housing developers and assisting in the development of creative ways to produce low-income housing.

The third approach is to test experiments linking emergency shelter and transitional shelter with the creation of permanent housing.

(Copies of the report, "Affordable Housing: The Years Ahead," are available from the Ford Foundation, Office of Communications, 320 East 43rd Street, New York, N.Y. 10017.)

State Housing Programs

VERMONT AGENCY, FANNIE MAE ESTABLISH IN-STATE SECONDARY MARKET FOR HOME LOANS

The Vermont Housing Finance Agency (VHFA) and the Federal National Mortgage Association have established an in-state secondary mortgage market initiative to generate additional mortgage capital and affordable housing in Vermont.

The Green Mountain Mortgage Market program, or "Sugar Mae," will provide Vermont lenders with a sales outlet for rural home loans not normally eligible for sale into the national secondary mortgage market.

Mortgage Purchase, Swap

Under the program, VHFA will buy as much as $100 million in seasoned conventional home mortgages from Fannie Mae-approved Vermont lenders and swap them to Fannie Mae for mortgage-backed securities (MBSs). VHFA will then sell the Fannie Mae securities to investors, hopefully from within the state, according to VHFA executive director Allan S. Hunt.

The lenders will be required to reinvest at least 50 percent of the proceeds in debt and equity investments that support low-and moderate-income housing within Vermont.

Initiative Hailed

Vermont Gov. Madeleine M. Kunin hailed the new initiative. "VHFA and Fannie Mae," she said, "have put their talent and resources together to create a public/private partnership, Sugar Mae, that will help expand homeownership opportunities and the availability of affordable rental housing as well."

Hunt said Sugar Mae will "make a vital contribution to housing Vermonters by infusing needed funds into a state with a predominantly rural population."

Larry H. Dale, Fannie Mae senior vice president for multifamily activities, said, "We hope that Sugar Mae can serve as a blueprint for other states that want to find unique ways to address housing affordability."

Eligible Loans

Hunt said VHFA will purchase conventional loans at least one year old that are secured by principal residences and don't exceed Fannie Mae's maximum loan size - currently $187,600 for a single family home.

There are no restrictions on the value of the homes or the income of the homeowners.

Hunt expects the loans to have terms and interest rates "all over the map." He said VHFA will probably buy loans primarily from banks, since there are few thrifts in the state.

In an explanation of the impetus for Sugar Mae, Hunt said many Vermont home loans are ineligible for sale to the major secondary mortgage market agencies because they don't meet strict property standards followed by the agencies and private mortgage insurers. For example, he said many Vermont homes are not on a paved road or are more than 500 feet from the nearest fire hydrant.

Hunt said he hopes the program will encourage lenders to meet the substantial demand for these loans and will eliminate the premium charged to borrowers for such loans because of their lack of liquidity.

Hunt said a VHFA survey earlier this year found Vermont lenders hold about $600 million in fixed-rate and adjustable-rate mortgages that can't be sold into the secondary mortgage market.

Affordable Housing

Participating lenders must reinvest at least 50 percent of the loan sale proceeds they receive from VHFA into eligible low- and moderate-income housing activities in Vermont.

According to Hunt, eligible activities include construction loans or lines of credit for non-profit housing groups, home loans for low- to moderate-income households, energy and mobile home loans, and equity investments in multifamily housing projects assisted by the low-income tax credit.

Hunt said he expects VHFA to begin buying loans in late September.

He suggested the program should have a significant impact in Vermont because of the state's small size. The program's initial size, $100 million, represents about 10 to 15 percent of Vermont's total annual home mortgage originations, Hunt said.

State Housing Programs

RHODE ISLAND PUBLIC PENSION FUND TO INVEST IN TAXABLE MULTIFAMILY BONDS

Rhode Island has committed to invest as much as $15 million in state public pension funds in taxable bonds issued by the state housing finance agency for affordable multifamily housing projects.

The bonds will be issued by the Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) for projects that qualify for the low-income housing tax credit.

One transaction has been closed so far, for the redevelopment of a former textile mill in Woonsocket.

Recent Agreement

The new initiative is the result of an agreement between (RIHMFC) and the state's Investment Commission, which supervises investments made by the Rhode Island State and Municipal Employees' Pension Fund.

The proposal, approved by the commission, was developed by RIHMFC and by Rhode Island general treasurer Anthony J. Solomon, who is the commission's chairman.

"I'm pleased that we are joining with the Rhode Island Housing and Mortgage Finance Corporation in this program," Solomon said at a recent news conference. "This is an investment that ensures the safety of the assets of the State Retirement System, provides a good return, and

THE
ROBERT WOOD
JOHNSON
FOUNDATION

OCT 23 1989

October 20, 1989

Allan S. Hunt
Executive Director
Vermont Housing Finance Agency
PO Box 408
Burlington, VT 05402-0408

Reference: Grant No. 15927

Dear Mr. Hunt:

It is a pleasure to inform you that the Board of Trustees of The Robert Wood Johnson Foundation has approved a grant of $160,213 to the Vermont Housing Finance Agency in two-year continued support of its participation in the Foundation's Supportive Services Program in Senior Housing.

The funds are to be used in accordance with the proposal to the Foundation and the terms and conditions outlined in the Request for Project Support, dated June 27, 1989. They are also to be used in accordance with the final budget and are to be applied over the period November 1, 1989 through October 31, 1991. Our Treasurer's Office will be in touch concerning payment of this grant and reporting requirements.

If your organization wishes to issue a news release on this grant, please feel free to do so. We ask that a copy of the draft text be sent to us for our review and information in advance of dissemination. Please address the copy to the Foundation to the attention of Denise Graveline in our Communications Office.

All of us at The Robert Wood Johnson Foundation wish you continued success in carrying out this important undertaking.

Sincerely,

Leighton E. Cluff, M.D.

LEC:pll

cc: Pat Parker
Susi Taylor-French
Roger A. Schoenbeck
James J. Callahan, Jr., Ph.D.

VERMONT HOUSING FINANCE AGENCY

November 27, 1989

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

Dear Ms. Gauthier:

The Vermont Housing Finance Agency will be having its monthly Board Meeting on Thursday, December 7, at 2:00 p.m., here at the VHFA office, One Burlington Square, Burlington, Vermont.

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

Sincerely,

Barbara M. Parker

Barbara M. Parker
Executive Assistant

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 30, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director ASH

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held at 2:00 p.m. Thursday, December 7, here at the office of Vermont Housing Finance Agency, One Burlington Square, Burlington, Vermont.

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

Please feel free to contact me should you have any questions prior to the meeting. Remember, our 15th Anniversary/Holiday party will begin at 6:00 that evening in the Grand Ballroom of the Sheraton Burlington Hotel and Conference Center (Route 2/Williston Road and I-89. I look forward to seeing you in Burlington December 7!

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VERMONT HOUSING FINANCE AGENCY

VHFA BOARD MEETING AGENDA

Vermont Housing Finance Agency
One Burlington Square
Burlington, Vermont

Thursday, December 7, 1989 at 2:00 p.m.

1. Review and approval of minutes of October 26, 1989

2. Executive Director's Report

   A. Update on Northgate, et al. **[Hunt/Enclosure]**
   B. Dalton Drive Update **[Hunt/Enclosure]**
   C. Update on MRB/Tax Credit Legislation **[Hunt]**

3. Operations

   A. MOVE 1989A Update **[Lothrop/Enclosure]**
   B. Prepayment of Section 8 Loan **[Falzone/Taylor//Enclosure]**

4. Development

   A. Tax Credit Status Report **[Pond/Enclosure]**
   B. Current Projects Update **[Koppelkam/Enclosure]**
   C. Mobile Home/Park Financing Status **[Kehoe/Pond//Encl.]**

5. Finance

   A. 1989B Bond Financing Update **[Schoenbeck/Enclosure]**
   B. 1989B Program Group Recommendations **[Markman/Enclosure]**
   C. 1989B Bond Sale **[Schoenbeck]**

6. Legal

   A. 1989 Volume Cap Allocation/
      Carry Forward **[Jarrett/Enclosure]**
   B. Forest Park: Change in Partnership **[Jarrett/Enclosure]**
   C. Legislative Update **[Jarrett/Enclosure]**

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

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VERMONT HOUSING FINANCE AGENCY

BOARD MINUTES
Vermont Housing Finance Agency
The Inn at Essex
70 Essex Way
Essex Junction, Vermont
Thursday, October 26, 1989

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

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

Guest Present: Spencer Wright, Bank of Boston

The meeting was called to order at 1:50 p.m.

Upon a motion duly made and seconded, the minutes of September 21, 1989 were unanimously accepted as written.

The Executive Director's report was offered by Mr. Hunt, who presented a "Northgate Update" as per his memo dated October 23 and included in the Board packet. The owner of the land on which the Northgate Apartments are located has cited a condition of the land lease which could adversely affect the purchase of the project, as it raises a serious title issue. Negotiations with the owner of the land and the sellers of the project are continuing. Mr. Hunt further reported that Low Income Housing Tax Credits (LIHTCs) and Mortgage Revenue Bonds (MRBs) have been dropped from a bill introduced in the Senate; this staff is preparing to close on the Northgate project by the end of the year. Housing Vermont is continuing to negotiate with Fannie Mae (Federal National Mortgage Association) on the sale of tax credits for the Northgate equity. Mr. Hunt cautioned that Fannie Mae had requested an increase of 25% in return on equity, which could play a major role in the collapse of the deal as structured. Mr. Kochman advised the Board that there would be a flurry of information and adjustments for the Board at the December 7 meeting, and that a quorum of the Board would need to be available at least by telephone throughout the month of December. Upon a motion duly made and seconded, the Resolution regarding determination that Northgate Apartments in Burlington is a qualified housing project under 8 VSA §1108 was unanimously approved, as attached to these minutes, with Mr. Shaw abstaining.

Mr. Hunt next offered a "Dalton Drive Update" as per his memo dated October 20 and included in the Board packet. The State's proposal to have one of the buildings be made available as an overflow shelter for the homeless has the potential to harm the Agency's relationship with the Towns of Colchester and Essex, according to Mr. Hunt. A public hearing is scheduled for November 7, at which the town managers and selectpersons are anxious to have the Agency present an overall plan for the entire Dalton Drive project. According to Mr. Hunt, building appraisals and a developer proposal should be available for Board review in December. Mr. Seelig suggested that several nonprofit and real estate professionals be given a tour of the property and buildings to determine their opinions or recommendations on the salability of the various units. A motion was then made and seconded to authorize the executive director to continue to work on the Dalton Drive project, possibly seeking alternatives from the University of Vermont (UVM) as far as lowering the purchase price or changing other terms of the purchase and sale agreement, and scheduling at least a conference call with a quorum of the Board to discuss plans prior to possibly exercising the purchase option by the November 27 deadline.

Mr. Seelig expressed the Board's congratulations and thanks to the staff for being awarded a second and third year grant from the Robert Wood Johnson Foundation for participation in the Foundation's Supportive Service Program in Senior Housing.

Chairman Shaw announced that Mr. Hahn had submitted his resignation from the Board and that appointment by the Governor of another Commissioner is pending.

The MOVE 1989A program was reviewed by Mr. Lothrop, as per his update included in the Board packet. Mr. Lothrop further reviewed the "Possible Extension and Changes to the Mortgage Plus Program" as detailed in his memo of October 16, included in the Board packet. A motion was duly made, seconded and unanimously agreed to authorize publication as drafted of the invitation to lenders and public notice regarding the Mortgage Plus Program.

A discussion of the proposed "Single Family Bond Financing (1989B)" was led by Mr. Schoenbeck, who reviewed his memo of October 19, as included in the Board packet. The Agency's authority to issue bonds is in limbo due to the anticipated sunset of Mortgage Revenue Bonds. Staff is recommending a bond issue of $80 million in lendable proceeds, which would require a loan loss claim fund of $1.2 million. A projected mortgage rate, according to the underwriters, Drexel Burnham Lambert, would be 8.75%. Mr. Seelig expressed his disappointment that the bond resolution changes would once again be delayed due to the

apparent need to issue bonds prior to the end of the calendar year, and urged that a new resolution be drafted as soon as possible in order to avoid another postponement of its amendment. According to Mr. Hunt, rating agencies usually take longer than six weeks to rate a new bond resolution, which in this case would mean too long of a delay in the sale of bonds due to MRB sunset. A motion was duly made, seconded and unanimously agreed to authorize staff to pursue financing of up to $80 million in lendable proceeds for the sale of bonds by December, 1989, as outlined in Mr. Schoenbeck's October 19 memo, with the understanding that if the MRB sunset is extended prior to the sale of the proposed issue, a revised schedule indicating a February, 1990 issuance will be pursued.

At this point, Mr. Myette expressed his regrets and stated that he would not be available for the remainder of the meeting.

The "1989-90 Fiscal Year Business Plan" was reviewed, as updated in Ms. Pond's memo of October 20, included in the Board packet. Ms. Pond assured the Board that drafts of the Plan had been distributed to Regional Planners for their input. Mr. Seelig commended the staff for a terrific job in creating a clear format for the Business Plan. Ms. Pond announced that Kathy Beyer Kehoe has been hired as Special Needs Housing Development Officer, with her first assignment to address mobile home/park financing. At Ms. Babcock's suggestion, a new terminology will replace "linked deposit" in the finalized Business Plan. Mr. Seelig recommended three items to be analyzed for future implementation: (a) link with the Vermont Housing and Conservation Trust Fund (HCTF) up front on funds reserved for perpetually affordable housing, rather than piecemeal; (b) a program to serve or reduce Vermont's homeless; and (c) research possibilities for housing the mentally ill, based on research of what has been done in Massachusetts (HCTF has been asked to target 25% of units to tenants earning 30% of income). Upon a motion duly made and seconded it was unanimously agreed to adopt the Business Plan for 1989-90 as drafted and presented to the Board.

Ms. Pond briefly reviewed the "Status of Projects Under Construction" as outlined in Mr. Koppelkam's memo of October 20, included in the Board packet. Mr. Jarrett advised the Board that the closing for the Heineberg Senior Housing Project was tentatively scheduled for November 15, and the closing for Winchester Place would occur December 20, at the same time as the Northgate closing is now scheduled. A motion was duly made, seconded, and unanimously agreed to adopt the Resolution pertaining to modification of conditions of permanent mortgage loan to Heineberg Senior Housing Partnership as attached to these

minutes. Ms. Pond further advised the Board that mudslides had occurred along the embankment at the Salmon Run project; it is anticipated that a cost overrun of $100,000 to $125,000 (in addition to those detailed in Mr. Koppelkam's memo) would be required to perform necessary repairs. A project construction deficit escrow, funded by Housing Vermont, has been targeted to cover these extra costs. The Board will be kept advised of the status of this and all projects, as well as any legal ramifications which may arise regarding the earth movement at Salmon Run.

Mr. Seelig commended the staff for a job well done on the "Nonprofit Training Workshops" as detailed in Ms. Wadsworth's memo of October 19, included in the Board packet.

An update on the secondary market, Sugar Mae, was presented by Ms. Crady, who reported that ten pools of funds had been created, for a total of $32 million, with several at par or better. However, due to the need to close several tax credit projects and sell an MRB issue, it was unlikely that finalization of the first financing would happen before first quarter 1990.

Mr. Schoenbeck then distributed the audit management letter from Peat Marwick Main & Co., reporting on the results of the internal control audit for the fiscal year ended June 30, 1989. The report was "clean," with no suggestions or comments.

Turning next to the subject of Rent Comparability as recommended by HUD, Mr. Jarrett informed the Board that results of the HUD audit were not yet available. Staff has not been able to determine how to implement the best parts of rent comparability while avoiding the potentially negative impact of the worst parts. Mr. Hunt reported that at the Vermont Housing Managers Association meeting which he attended October 25, he had assured project owners that rent comparability was to be implemented not at the Agency's desire but as a result of a directive from HUD. Staff will review each rental project's budget in detail in order to determine comparisons with market rates in preparation for the implementation of comparability for each individual rental unit. A motion was duly made, seconded and unanimously agreed to authorize staff to proceed with the implementation of rent comparability as recommended by HUD, while keeping in mind the needs of the borrowers.

Mr. Jarrett next reviewed several areas of interest for the upcoming legislative session, including: a legislative change to allow the annual report to cover the fiscal rather than calendar year (as has been the Agency's tradition); the Agency's stance on the Omnibus Housing Bill (Homestart); designating a portion of state tax revenues for Low Income Housing Tax Credits; increasing the moral obligation to $125 million, and raising the bond ceiling for the Agency to $1 billion. Ms. Babcock and Mr. Seelig cautioned against anticipating the use of state funds; Mr. Seelig further suggested that a requested bond ceiling of $900 million might be more palatable. Although no formal vote was taken, it

was generally agreed that support for Homestart would be withheld pending the outcome of legislation in Washington, D.C., and further Board discussion.

Upon a motion duly made and seconded, it was unanimously agreed to allow the assumption of the Agency's mortgage upon the purchase of the Tricor Village Apartments in Swanton by the Vermont State Housing Authority and/or The Housing Foundation, Inc.

A motion was also duly made, seconded and unanimously agreed to approve the condominium conversion of the 300 North Main Street development in Winooski, as detailed in Ms. Pond's memo distributed to the Board October 26.

The Board unanimously approved the issuance of final proposed single family mortgage purchase program energy conservation rule changes in the same form as the proposed rule changes, following a motion duly made and seconded.

There being no further business, and following a motion duly made and seconded, the meeting was adjourned at 4:05 p.m.

Respectfully submitted,

Allan S. Hunt
Secretary

RESOLUTION REGARDING DETERMINATION

THAT NORTHGATE APARTMENTS IN BURLINGTON

IS A QUALIFIED HOUSING PROJECT UNDER 8 V.S.A. § 1108

WHEREAS, the Board of Commissioners of the Vermont Housing Finance Agency is familiar with the Northgate Apartments in Burlington (which includes two developments formally called Northgate and Greenfield); and

WHEREAS, the Bank of Vermont has requested a determination by the Board that Northgate Apartments is a qualified housing project pursuant to 8 V.S.A. § 1108 in order for the Bank of Vermont to make an investment in Northgate Apartments; it is hereby

RESOLVED:

Northgate Apartments is a qualified housing project for purposes of 8 V.S.A. § 1108.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Essex, Vermont on October 26, 1989.

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

RESOLUTION PERTAINING TO MODIFICATION
OF CONDITIONS OF PERMANENT MORTGAGE LOAN
TO HEINEBERG SENIOR HOUSING PARTNERSHIP

WHEREAS, the Development undertaken by the Heineberg Senior Housing Corporation pursuant to the Agency's Commitment Letter of November 17, 1988 is substantially completed; and,

WHEREAS, certain events have occurred that bar strict compliance with the conditions of the Agency's agreement to make the Permanent Loan; and

WHEREAS, the construction of the Development has been accomplished ahead of schedule and well within the contemplated budget; and

WHEREAS, the Agency has accepted the Commitment of the Federal National Mortgage Association ("Fannie Mae") to purchase the mortgage that the Agency will receive from the owner of the Development; it is hereby

RESOLVED:

First, The Executive Director, in his discretion, is authorized to modify the conditions of the Permanent Loan, subject to the advice of counsel, in order to accomplish the intent of the Commitment Letter and to accomodate the requirements of Fannie Mae, including, but not limited to the following particulars: the Development may be subject to necessary additional encumbrances not specified in the Commitment Letter, including but not limited to, Housing Subsidy Covenants entered into by the Chittenden County Senior Citizens Alliance, Inc., and other parties providing subsidies to the Development, including the Agency; and documents required by the loan from the Vermont Housing and Conservation Board, which loan shall be subordinate to the Agency's Permanent Loan.

Second, the Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the closing of the Permanent Loan.

Third, the Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the sale of the Mortgage to Fannie Mae.

I certify that the foregoing is a true copy of a resolution of the Vermont Housing Finance Agency adopted at a lawful meeting of the Commissioners of the Vermont Housing Finance Agency held at Essex, Vermont on October 26, 1989.

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 30, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: NORTHGATE - THE ORDEAL CONTINUES

SIGNIFICANT EVENTS

1. The Derway Lease

Negotiations have commenced with the owner of the land lease. While our lawyers believe we have the right to assume the lease, the owner and his lawyer do not and have suggested that they would consider legal action to prevent us from moving forward.

They have offered to sell the lease for $1.5 million (or $750,000 tax-exempt). The projected lease payments for this project have a net present value of approximately $517,000. Taking this amount and converting it into a mortgage with repayment over 40 years at 7% would produce a yearly payment to Mr. Derway of $38,500. We have made this offer to him to avoid any delays due to litigation.

One problem with this proposal is that there will be a mismatch of approximately $100,000 between project lease revenues and the payments to the owner. The Agency would need to lend and recover this out of future lease payments.

2. FNMA Equity Investment

An agreement has been reached to sell FNMA tax credits for approximately $3.5 million. The Bank of Vermont will purchase an additional $500,000 worth. The legal agreements need to be worked out.

3. HUD Issues

I accompanied Brenda Torpy of Northgate Non-Profit, Inc. and Elizabeth Mullikin of Housing Vermont to Washington, D.C., to meet with HUD. We had a two and a half hour meeting to discuss substantive policy concerns that our proposal has

raised. Resolution of these issues is critical if we are to close by the end of the year. HUD has made no promises but will try to resolve these issues as soon as possible.

4. Tax Credit Status

A nine-month extension of the tax credit has been approved by Congress, with the President expected to sign the bill soon. Exactly what the details are remains unclear. Thus, we are still planning to close by the end of 1989.

This summarizes the most substantive remaining issues. Whether or not all of them will get resolved in time to close this year remains much in doubt.

AMENDMENT TO OPTION AGREEMENT

This agreement, effective as of December __, 1989, amends a certain prior agreement (the "Option Agreement") dated as of May 1, 1989, among Northgate Associates Limited, Greenfield Associates Limited, Westgate Associates Limited, Applegate Associates Limited, and Highgate Associates Limited (the "Owners"), Donald Tarinelli as Agent for the Owners, and Vermont Housing Finance agency ("Purchaser").

1. Pursuant to the terms of the Option Agreement, Bernard A. Gilhuly has replaced Donald Tarinelli as Agent.

2. Provided that Purchaser has extended its Option to June 1, 1990, as provided in paragraph 4(b) of the Option Agreement, the following additional provisions shall apply.

   A. PHASE TWO EXTENSION. If Purchaser does not deliver any Notice of Exercise on or before June 1, 1990, or, if Purchaser delivers a Notice of Exercise on or before June 1, 1990, but does not deliver further Notices of Exercises as to either or both of the two remaining Properties on or before October 1, 1990, then the Purchaser shall be further entitled to extend its option term in accordance with the following provisions of this subparagraph A:

      (1) Prior to the expiration of any valid option term (including the term ending June 1, 1990), Purchaser shall be entitled to extend its option with respect to any or all of Applegate Apartments, Westgate Apartments, and Highgate Apartments for successive periods of six months each upon delivery to Agent of a Notice of extension identifying the Property to which the Notice applies together with a sum (the "Extension Price") equal to the Option Price applicable to the Property; PROVIDED, however, that all extensions under this subdivision 1 of this subparagraph A shall expire not later than June 1, 1991, with no right of renewal except as provided in subdivision 2 of this subparagraph A, and subparagraph B (a Phase Three Extension).

      (2) If the Purchaser elects to proceed to the Phase Two Extension and, on or before March 1, 1991, Purchaser shall deliver to Agent a valid Notice of Exercise with respect to not less than one of Applegate Apartments, Westgate Apartments, and Highgate Apartments, then, upon payment of the applicable Extension Price on or before June 1, 1991 and delivery to the Agent of a valid Notice of extension, the Purchaser shall be entitled to extend its option term until December 31, 1991, as to either or both of the remaining Properties.

   B. PHASE THREE EXTENSION. If, as to any of Applegate Apartments, Westgate Apartments, and Highgate Apartments the Purchaser has effected a Phase Two Extension and Purchaser fails to deliver to

Agent a valid Notice of Exercise during the Phase Two Extension as to a Property, then, Purchaser shall be further entitled to extend its option term in accordance with the following provisions of this subparagraph B on a Property by Property basis:

(1) Prior to the expiration of any valid option term, Purchaser shall be entitled to extend its option with respect to any of Applegate Apartments, Westgate Apartments, and Highgate Apartments for successive periods of six months each upon delivery to Agent of a Notice of extension identifying the Property to which the Notice applies together with the applicable Extension Price; PROVIDED, however, that all extensions under this subparagraph 1 of this subdivision B shall expire absolutely on, and shall not be renewable for any term commencing after, (a) with respect to Highgate Apartments, December 31, 1991, (b) with respect to Westgate Apartments, December 31, 1992, and (c) with respect to Applegate Apartments, December 31, 1993.

C. APPLICATION OF EXTENSION PRICE. No sum paid on account of any Extension Price pursuant to subparagraph A or subparagraph B shall be credited against any Purchase Price and such sums shall be and remain the property of the Seller.

D. With respect to any Property purchased by the Purchaser pursuant to a Phase Two Extension or a Phase Three Extension (but not otherwise), that provision of paragraph 5 of the Option Agreement which would require the Owner to deliver possession of the Property in the same condition it was in as of May 1, 1989, shall not apply. Provided, however, that nothing in this paragraph shall be construed to relieve any Owner of its warranties with respect to maintenance of the Property as set forth in paragraph 2 of the Option Agreement.

E. With respect to any Property as to which a contract of purchase is formed pursuant to a Notice of Exercise delivered during an extended option term established pursuant to a Phase Two Extension or a Phase Three Extension (but not otherwise), the sole remedy of Purchaser or the Rehab Consultants for Owner's non-performance of such contract shall be an action for specific performance, and Purchaser and the Rehab Consultants shall be entitled to recover their costs of such action, including reasonable attorneys' fees.

3. PURCHASE PRICE ADJUSTMENT IN THE EVENT OF A CLOSING PURSUANT TO A PHASE THREE EXTENSION. After effecting a Phase Three Extension with respect to any of Applegate Apartments, Westgate Apartments, and Highgate Apartments, in the event that the Purchaser thereafter delivers a Notice of Exercise with respect to each or any of those Properties, then the Purchase Price for the applicable Property shall be increased by an amount equal to the outstanding principal balance, as of the applicable Closing Date, of one Northgate Premium Note and one Greenfield Premium Note. Such increase shall be added to the New Money Portion of the

applicable Wraparound Note, but the amount of the applicable Down Payment and the amount of interest accrual under the applicable Wraparound Note shall not be affected by any such increase.

4. FORGIVENESS OF OUTSTANDING BALANCE OF PREMIUM NOTES. Under the circumstances contemplated by paragraph 3, above, the outstanding principal balance, as of each applicable Closing Date, of one Northgate Premium Note and one Greenfield Premium Note, shall be forgiven, and each such Premium Note shall be marked "cancelled" and shall be returned to the Maker. No Phase Three Extension shall have any effect on the dates on which payments are scheduled to commence under the terms of any Premium Note. After the date payments are scheduled to commence under any Premium Note, no subsequent forgiveness of such Premium Note shall be construed to require the return of any payments actually made or the forgiveness of any payment which should have been made.

5. As required by HUD, the Purchaser, its successors and assigns, shall have no right upon any breach by an Owner under the Option Agreement (as herein amended) to seek an attachment against any of the Properties, including any of the assets, rents, issues, or profits thereof, and Purchaser shall have no right, for the purpose of recovering any damages awarded to it against an Owner for breach of the Option Agreement (as herein amended) to effect a lien upon any of the Properties or the assets, rents, issues or profits thereof.

6. Under subparagraph (c) of the definition of "Wraparound Mortgage" as contained in the Option Agreement, it is provided, inter alia, that any Wraparound Mortgage shall be subordinate to any mortgage (a "New HUD Mortgage") which may secure any future loan made, guaranteed or insured by HUD for the purpose of financing any portion of the cost of rehabilitating the applicable Property. Owners specifically agree that they shall enter into a subordination agreement substantially in the form attached hereto as "Exhibit A" (or in such other form as HUD may require), agreeing to subordinate any Wraparound Mortgage to any New Hud Mortgage and any mortgage given in the future to replace or refinance the same; provided, that the aggregate principal amount of any mortgage or mortgages given to replace or refinance any New HUD Mortgages shall not exceed $_____.

7. PURCHASE PRICE REDUCTION FOR NORTHGATE AND GREENFIELD AND TECHNICAL ADJUSTMENT PERTAINING TO THE WRAPAROUND NOTES FOR THOSE PROPERTIES.

   A. In order to induce the Purchaser to purchase the interest of the Lessor under the Ground Leases for the sum of $_____, and in consideration of such purchase (which purchase the Owners acknowledge will have the practical effect of removing an impediment to the realization by them of the benefits of the Option Agreement), the Owners agree that the combined Purchase Price of Northgate Apartments Limited and Greenfield Apartments Limited shall be reduced by the sum of $_____, to be allocated to Northgate Apartments and Greenfield Apartments in proportion to their respective original Purchase Prices, and to be reflected, in

each case, as a reduction in the New Money Portion of the applicable Wraparound Note.

B. Nothing in this paragraph shall be construed to authorize a reduction in the Down Payment for either of Northgate Apartments or Greenfield Apartments, which shall be calculated without regard to the reduction in Purchase Price established hereby, or to affect the amount, in dollars, of the interest to be accrued under each applicable Wraparound Note during the first two years thereof, which shall remain unchanged.

C. After taking into account the foregoing provisions of this paragraph, and in order to facilitate preparations for closing, the principal amount of the Wraparound Note applicable to each of Northgate Apartments and Greenfield Apartments shall be determined in each case as if the Closing Date were December 24, 1989, regardless of the actual Closing Date, provided that the actual Closing Date is on or before December 31, 1989.

D. The parties agree to make such other changes in the final form of the Wraparound Notes for Greenfield Apartments and Northgate Apartments as may be necessary to conform them to the provisions of this paragraph 7.

8. As to each Wraparound Note which may be delivered by the Purchaser pursuant to the Option Agreement, the date after which voluntary prepayment shall be permissible shall be the maturity date of the applicable First Mortgage.

9. In the event of a conflict between any provision of the Option Agreement and the provisions of this Amendment to Option Agreement, the provisions of this Amendment to Option Agreement shall control and govern. Except as modified herein, the Option Agreement remains of full force and effect.

[SEE NEXT PAGE FOR SIGNATURES]

IN WITNESS WHEREOF, the Owners, the Agent, and the Purchaser have caused this agreement to be subscribed effective as of the date first above written.

IN THE PRESENCE OF:

Northgate Associates Limited

_____ By _____
General Partner

_____

Greenfield Associates Limited

_____ By _____
General Partner

_____

Westgate Associates Limited

_____ By _____
General Partner

_____

Highgate Associates Limited

_____ By _____
General Partner

_____

Applegate Associates Limited

_____ By _____
General Partner

_____

_____ _____
Bernard A. Gilhuly, Agent

_____

Vermont Housing Finance Agency

_____ By _____
Executive Director and
Authorized Agent

_____

Exhibit to Amendment to Option Agreement

HUD NEW MORTGAGE SUBORDINATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS that [NORTHGATE ASSOCIATES LIMITED][GREENFIELD ASSOCIATES LIMITED][OWNER OF OTHER PROJECT], a Vermont limited partnership (the "Wraparound Mortgagee"), and VERMONT HOUSING FINANCE AGENCY, a body politic and corporate and an instrumentality of the State of Vermont (the "Agency"), effective as of December __, 1989, agree as follows:

WHEREAS, the Wraparound Mortgagee is the holder of a certain Wraparound Mortgage (the "Wraparound Mortgage") of even date given by the Agency to the Wraparound Mortgagee, to be recorded simultaneously herewith in the Burlington Land Records, and pertaining to certain property (the "Property") located in Burlington, County of Chittenden, State of Vermont, which Property is described in Schedule A of the Wraparound Mortgage as [INSERT PROJECT NAME, E.G., NORTHGATE APARTMENTS]; and,

WHEREAS, the UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ["HUD"] is the holder of a mortgage (the "New HUD Mortgage") of even date on the same Property given by NORTHGATE HOUSING LIMITED PARTNERSHIP (the "Owner") to be recorded simultaneously herewith in the Burlington Land Records;

NOW THEREFORE, pursuant to a certain "Agreement" dated as of May 1, 1989, among the Agency, the Wraparound Mortgagee, Donald Tarinelli as Agent, and certain other limited partnerships (the "Option Agreement"), as amended by that certain "Amendment to Option Agreement" dated December __, 1989, and in consideration of TEN AND MORE DOLLARS and other valuable consideration, receipt of which is hereby acknowledged, the Wraparound Mortgagee, for itself, its successors and assigns, does hereby COVENANT with the Agency, its successors and assigns, for the benefit of HUD, the Owner, the mortgagee under any Replacement Mortgage (as defined below), their successors and assigns, as follows:

1. Regardless of the respective time of delivery and/or recording of the Wraparound Mortgage and the New HUD Mortgage, the lien of the Wraparound Mortgage shall be subject and subordinate to the lien of the New HUD Mortgage in all respects.

2. The Wraparound Mortgagee agrees that the Wraparound Mortgage shall be subject and subordinate in all respects to any future mortgage (a "Replacement Mortgage") which may be given by the Owner, its successors or assigns, in order to secure a loan made to refinance or replace the New HUD Mortgage; provided, that the aggregate principal amount of any such Replacement Mortgage or Replacement Mortgages shall not exceed the sum of $_____. The mortgagee under any such Replacement Mortgage shall be entitled to rely upon this instrument, and no further instrument need be executed or recorded in order to perfect the subordination of the Wraparound Mortgage to a Replacement Mortgage; provided, however, that the Wraparound Mortgagee agrees to execute and

deliver any further instrument reasonably requested by the mortgagee under a Replacement Mortgage in order to further evidence the subordination of the Wraparound Mortgage to the specific Replacement Mortgage.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective authorized agents as of the date first above written.

IN THE PRESENCE OF:

[NORTHGATE ASSOCIATES LIMITED]
[GREENFIELD ASSOCIATES LIMITED]

_____

By_____
general partner and authorized agent

_____

VERMONT HOUSING FINANCE AGENCY

_____

By_____
Executive Director and authorized agent

_____

STATE OF VERMONT
COUNTY OF _____, SS.

At _____ in said County this ___ day of ----------, 198_ personally appeared _____, authorized agent, and acknowledged the foregoing Mortgage Subordination Agreement, by him subscribed, as and for his free act and deed and the free act and deed of [NORTHGATE ASSOCIATES LIMITED][GREENFIELD ASSOCIATES LIMITED]. Before me,

_____
Notary Public

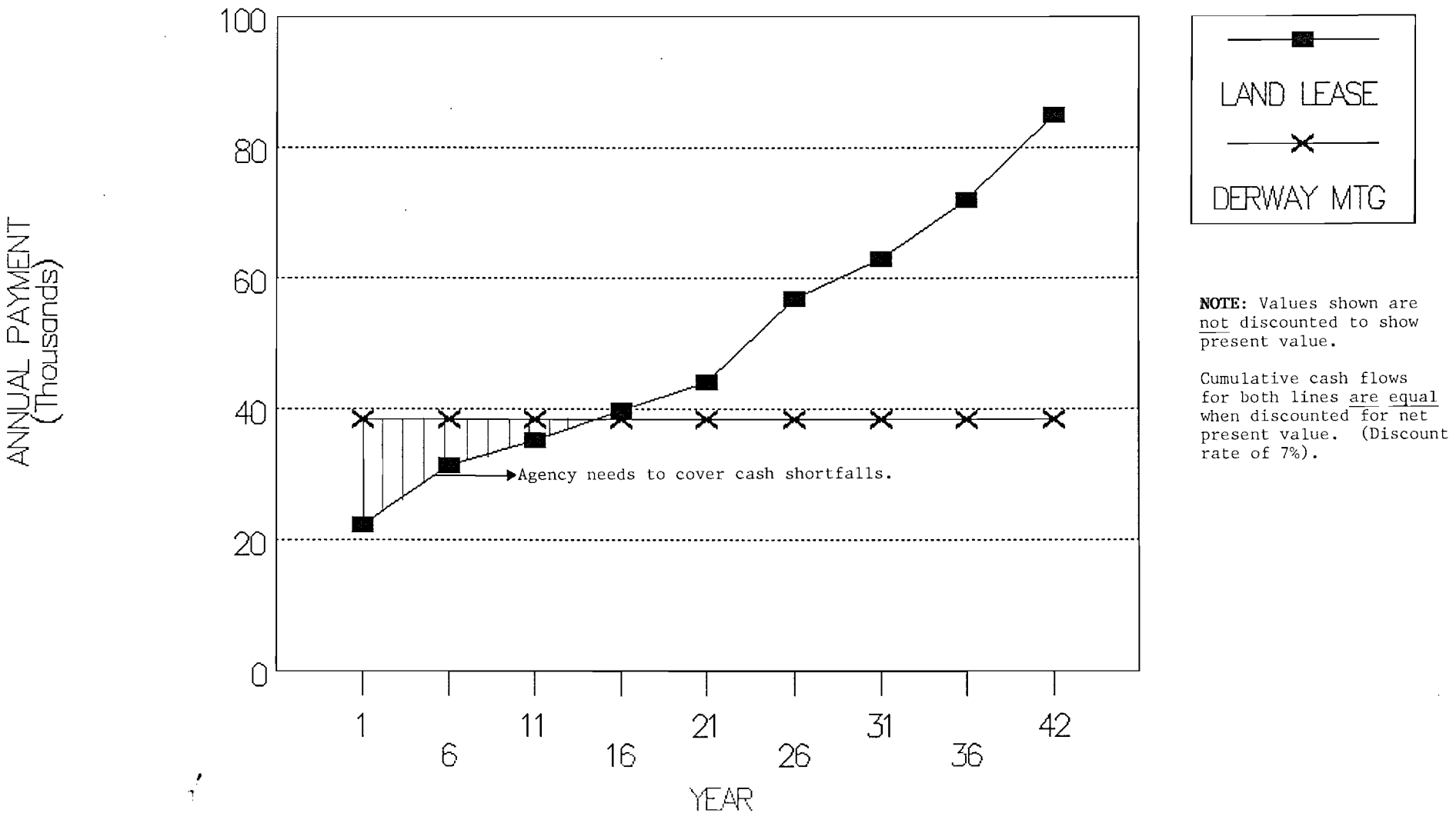
STATE OF VERMONT
COUNTY OF _____, SS.

At _____ in said County this ___ day of ----------, 198_ personally appeared _____, authorized agent, and acknowledged the foregoing Mortgage Subordination Agreement, by him subscribed, as and for his free act and deed and the free act and deed of VERMONT HOUSING FINANCE AGENCY. Before me,

_____
Notary Public

NORTHGATE LAND LEASE PAYMENTS

ANNUAL PAYMENTS



NOTE: Values shown are not discounted to show present value.

Cumulative cash flows for both lines are equal when discounted for net present value. (Discount rate of 7%).

LAW OFFICES
F. L. KOCHMAN, INC.

ONE BURLINGTON SQUARE
BURLINGTON, VERMONT 05401
(802) 864-7771

November 28, 1989

Robert Roesler, Esq.
Roesler & Whittlesey
P.O. Box 488
Burlington, VT 05402

Re: Derway/Northgate-Greenfield/VHFA

Dear Bob:

Contingent on the exercise of its option and the consummation of its transaction with the current owners of the Northgate and Greenfield projects, VHFA is prepared to make the following offer to Mr. Derway for the purchase of all of his right, title and interest in the underlying ground lease:

PURCHASE PRICE: $517,000.00
TERMS:

A. VHFA promissory note in the principal amount of the purchase price, bearing interest at 7% per year, payable in forty-two equal annual installments of approximately $38,450.00.

B. We would expect to provide Mr. Derway with the opinion of Palmer & Dodge (VHFA's bond counsel) to the effect that (i) for federal income tax purposes, and except for any applicable alternative minimum tax, the interest income on the note is excludable from gross income, and (ii) the transaction qualifies for "installment sale treatment" under the Internal Revenue Code. (For the latter purpose, it is necessary that the transferability of the note be restricted such that it is not readily marketable.) The note will be an unsecured general obligation of VHFA.

C. Under 10 V.S.A. §641(a), VHFA's "bonds and notes, and the interest thereon and the income therefrom...are exempt from all taxation, franchise fees or special assessments of whatever kind except for transfer, inheritance and estate taxes."

With installment sale treatment, the capital gain tax will be limited in its application to the principal portion of each year's installment; the interest portion will be tax-exempt both federally and in Vermont. The annual payment (in the absence of alternative minimum tax) is roughly equivalent to $53,000 before

taxes -- or substantially more than triple the amount Mr. Derway can expect to realize under his existing arrangements with the current owners, and more than double the amount he would realize for a number of years under the rent structure if he chose to continue to hold onto the lease after VHFA's purchase and resale.[1] The total of payments over the term of the note is approximately $1,615,000.00, or the rough equivalent, in taxable dollars, of $2,260,000.00.

VHFA has arrived at this offer by discounting, at 7%, the future stream of anticipated but uncertain rents, under the proposed deal, to arrive at a "net present value." The net present value of the stream of rents to be anticipated under the existing deal, of course, would be much less, since, under the proposed deal, there is a first-year rent jump of about 50% over what Mr. Derway is now getting.

Essentially, what we have done is to bear the risk that rents will rise in accordance with projections, although it will be many years before they equal the payments (even in nominal dollars) which we are guaranteeing to Mr. Derway from the first year. We think that this offer would put Mr. Derway (and his heirs, if that is a concern of his) in a very attractive position; more importantly, it is the best that VHFA can do in the context of a deal that has been painstakingly structured from many interlocking pieces over the course of several years.

As you know, time is short; we are currently planning to exercise our option and to close on December 20, and if we are to be able to deliver on this offer, bond counsel must have substantial lead time to perform their tasks

We look forward to hearing from you.

Very truly yours,
F.L. KOCHMAN, INC.

Franklin L. Kochman

cc: Allan S. Hunt, Executive Director

---

1. We continue to believe that these are the only realistic yardsticks by which to measure the value of the offer.

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

DATE: November 30, 1989

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director
Emily Wadhams, Project Consultant

RE: DEVELOPER - DALTON DRIVE

We now have two groups interested in being the "developer" for Dalton Drive. Both proposals are enclosed for your reading pleasure. My analysis of them is the following:

Preservation Investments, Ltd. (Towney Anderson)

Towney has been part of this project from Day One, and knows the buildings inside and out. His firm has no experience with residential housing in Chittenden County.

He is proposing to manage the project (oversee development and marketing) for a fee of $125,000. He is very strong in historic preservation and construction management, but mainly on non-residential projects. A very important aspect to this analysis is Towney's view of the need to maintain project affordability. He is very much in tune with our desired outcome.

Northshore Development, Inc. (John Varsames/Rod Whittier)

These are very experienced developers of residential housing in Chittenden County. They have also been involved in numerous affordable housing projects using creative financing. They are very strong in both project development and marketing. Their fee for overseeing the development is approximately $200,000. They are also proposing to handle the marketing for a 4% fee, which is 2% below the normal cost of marketing.

They do maintain a close relationship with Kessel/Duff Construction Co. (K/D) and believe they could achieve significant savings by working closely with K/D. As an example, they cited K/D's willingness to do the project at cost plus 6%, with a guaranteed maximum contract.

However, both Emily and I are more than satisfied with Engelberth to date, so changing contractors would be analyzed closely.

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

At the time of this writing, we are not prepared to make a recommendation. Emily and I are having numerous meetings with both parties to fine tune their proposals. We will definitely have a recommendation for the Board at the December 7 meeting.

Appraisal

The good news is that the appraisal of this property, done by Keller, Navin of Burlington, indicates that the appraised value of the property sold "as is" or "rehabbed" is significantly higher than our current cost estimates. Based on these numbers, and after consultation with five Board members, we have triggered the UVM option, with a closing in approximately 90 days.

Preservation Investments, Ltd.

NOV 13 1989

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

November 9, 1989

Re: Dalton Drive Affordable Housing

via facsimilie copier

Dear Allan:

Pursuant to our discussions regarding development of the Dalton Drive buildings for affordable housing, I present the following for your consideration:

DEVELOPMENT PROPOSAL

We have reviewed the development budgets and summaries. The budget, as we all know, is tight, and therefore diligence and cooperation will be required to realize the objectives established for this project: to produce the greatest number of housing units, at the lowest possible cost, with the lowest possible degree of risk.

To that end, we propose the following:

1. Establish a developing entity, for example "Dalton Drive Partnership" (DDP).

2. Partners will be a subsidiary of VHFA (VHFA-s) and Preservation Investments, Ltd. (PIL). PIL will be the developer of the project, answerable to VHFA-s.

3. Emily Wadhams will represent VHFA-s, working directly with PIL.

4. DDP will "prove" all the work to date - analysis of the construction data, development budgets, and sales pro formas. The approach will be to verify Plan C, finding the most cost effective and marketable combination of exterior-only units and finished units.

   In addition, the proposed development of particular buildings for office uses will be reviewed and development pro formas generated to "prove" their contribution to the success of the project.

5. Because the objective is to <u>put the units on the market at the lowest possible price</u>, thus maximizing affordability, <u>any</u>

incentives for additional compensation will, by definition, conflict with this objective. We must assume that any increases in sales price for market rate units (or affordable units which are underpriced because of quirks in square footage allocations) will need to be reapportioned in the development budget to "assist" other units to increase their affordability. We should also keep in mind that no fee appears for VHFA --- "sponsor" in the 40 unit Plan B.

6. Therefore, once a marketing plan and development budget have been established and approved by DDP, any savings and/or projected additional income will be placed into a contingency fund. Any remaining funds at the completion of the construction and sale of the units may be placed in a capital reserve fund to be retained by the owner's association.

7. PIL will develop the affordable housing units for a not-to-exceed fee to be negotiated with VHFA-s. Based upon projections for pre-construction costs and project management, we propose a fee of $125,000.00. The actual estimate is lower for 40 units ---- Plan B, and higher for 71 units --- Plan A.

The following scope of work will be billed against this fee at the rate of $45.00 per hour for principles and $25.00 per hour for office support personnel:

A. In depth analysis to "prove" development budget, estimated construction costs, and market viability with VHFA-s (E. Wadhams).

B. Project Management.

1. Structure development entity.
   a. Legal, accounting, and ownership issues.
2. Develop "the" project capital budget.
3. Prepare and coordinate financing and grant requests.
4. Obtain and analyze appraisal for financial and market implications.
5. Prepare mechanisms and contracts for units sales.
6. Coordinate current operation of property.

C. Construction Management.
   1. Coordinate architectural and engineering plans with:
      a. proposed scope of work.
      b. permit applications.
      c. code requirements.
      d. construction budget.
   2. Bid, negotiate, prepare contracts.
   3. On-site supervision.

D. Develop and maintain cost control and accounting system and procedures.

E. Secure all required permits.

F. Coordinate and manage marketing (marketing hard costs are separate line item --- not in proposed fee).

G. Coordinate and manage unit sales (brokerage fees are separate line item --- not in proposed fee).

H. Assess Office Buildings: optimum combination, and development objective.

I. Develop budgets for office buildings; project manage, and market them (sale or lease).

   1. Review Investment Tax Credit eligibility, feasibility of same.

8. Emily Wadhams' billable fees, hard marketing costs, project expenses (a budget must be established to include mileage, phone, printing, etc.), Architectural and Engineering, and Brokers' Fees are outside the above scope of work for the proposed not-to-exceed fee.

9. Any performance incentives for the development entity, above and beyond approved fees and costs, will be derived from the development and sale of the office buildings. Net proceeds above the break-even development costs will be distributed among the partners according to an agreed upon formula. In the event that the DDP chooses to retain ownership of some or all of the office buildings and offer same for lease, the partners shall determine an appropriate management fee and the allocation of both tax and cash profits and losses.

10. Although it is easy for me to articulate our built-in incentive to successfully perform, DDP should compensate PIL according to performance, in agreed upon stages. For example, billable hours be paid upon: 1) approval of all permits for construction; 2) completion of exteriors; 3) x number of units under contract; and so forth.

    DDP should also have the ability to remove PIL in the event of non-performance or negligence. This clause will be negotiated between the partners.

PIL assumes that Emily Wadhams will be directly involved in the pre-construction phase, and will be available as a resource during construction and marketing.

The above proposal is based upon a further assumption that the development entity DDP is set up immediately in order for PIL to become fully involved in defining the project with VHFA-s. Once the project is defined (including plans for the office buildings), fees and incentives for the developer and potential profits (and their distribution among partners) can be determined. However, PIL is fully prepared to enter into this project with the intent to realize the affordable housing goals, knowing the difficulty and potential lack of margin for developer profit.

I will be pleased to discuss any questions you may have after reviewing the above. Thank-you for your consideration. I am

Sincerely yours,

Townsend H. Anderson
tha\daltondr.002

Preservation Investments, Ltd.

NOV 20 1989

Allan Hunt
Vermont Housing Finance Agency
One Burlington Square, P. O. 408
Burlington, VT 05402-0408

November 16, 1989

FAX: 1-864-5746

RE: Addendum to Proposal for Development of Dalton Drive Affordable Housing

Dear Allan;

Thank you for meeting with me last evening to discuss Preservation Investments, Ltd.'s proposal to develop Dalton Drive for affordable housing.

As is often the case following such a meeting, I reflect on the points which I did not address during the discussions. Therefore, there is one issue that I would particularly like to bring to your attention to include in your review of our proposal.

My entire professional career has been devoted to historic preservation. An integral part of our success has been our ability to "mainstream" historic preservation/rehabilitation into community growth making it economically attractive and competitive with other options for development. Certainly key to that success has been our ability to market our product.

Another developer may compromise historic preservation to fit a marketing formula. Our approach has been to articulate to both investors and end-users the many benefits, and most importantly, the economic benefits, of participating in a historic preservation project, thus attracting the customer to the project rather than vice-versa.

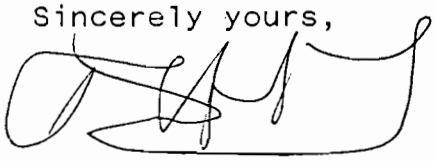
My job in particular, as president of Preservation Investments, has been to attract the considerable dollars needed to undertake historic preservation projects as well as to create the income to successfully support the endeavor over the long term. This, indeed, is marketing.

My associate, Jeremiah Parker, has extensive experience, first as director of marketing for the John Russell Corporation and now as director of leasing and sales for the Marble Works Partnership and Preservation Investments. Mr. Parker would be instrumental in developing the strategy for marketing and setting up and directing the sales program.

PO Box 567 • Middlebury, Vermont 05753 • (802) 388-3701

I do not think that there is any one person or company who can bring more enthusiasm and generate more interest in a project like Dalton Drive. It is this background and ability which will ensure that the optimum marketing strategy will be put in place early in the project. Thank-you for your consideration of our proposal.

Sincerely yours,



Townsend H. Anderson
President

NORTHSHORE DEVELOPMENT, Inc.

November 21, 1989

RECEIVED
NOV 21 1989
VHFA

Mr. Allan Hunt
Vermont Housing Finance Agency
1 Burlington Square
Burlington, VT 05401

Dear Allan:

This letter is to address your request of today that we supply you with a general outline of what our fees and associated expenses would be should you choose Northshore Development, Inc. as the developer and marketing consultant for the Dalton Drive Project.

As we have discussed with you in your office last week, Northshore would propose to act as the developer for the project for a fee of 4% of all costs of the project with the exception of the $1.5 million fee being paid to the University of Vermont. This 4% fee would not include various expenses as outlined on the enclosed sheet entitled Expenses Associated With The Development of Dalton Drive. These expenses should be approximately $50,000 to 75,000.

We also agreed to market the project for an additional 4%. However, we feel strongly that the marketing budget of $40,000 which you have on your current proforma would be insufficient to support the marketing of this project. We would propose a marketing budget of $70,000-$80,000 to be used to fund the items on the enclosed sheet entitled Expenses Associated With The Marketing of Dalton Drive.

Both of these fees are based on a development and sellout timetable of 18 months and are exclusive of the office portion of the project.

Additionally, VHFA will supply a liason throughout the project for continuity purposes. That person will have decision making power. At this time that person may be yourself or Emily Wadhams.

This proposal is based on our understanding that various HCTF Grants and committments by VHFA for favorable financing for 71 of the units are now in hand.

Sincerely yours,

Rod Whittier

[illegible] BURLINGTON, VERMONT [illegible]

EXPENSES ASSOCIATED WITH

THE DEVELOPMENT OF DALTON DRIVE

1. Travel
2. Computer Services
3. Contract Administration Services
4. Contract Administration/Legal Advice
5. Associated Costs to Northshore if State or Federal Audit Required
6. Direct Costs of State or Federal Audit
7. Additional Project Management Staffing Requirements
8. Insurances
9. Telephone
10. Copies
11. Postage
12. Costs Associated With Funding Delays
13. Costs Associated with Construction Delays

EXPENSES ASSOCIATED WITH THE MARKETING OF DALTON DRIVE

1. Print Advertising
2. Creative and Layout Design
3. Brochures
4. Radio/Creative
5. Radio Air Time
6. Events
7. Possible Model Expenses
8. Signs
9. Direct Mail
10. Direct Marketing to Employers

RESERVATION INVESTMENTS	NORTHSHORE
PROS	**CONS**
Lower cost ($125,000 flat fee)	Higher cost ($185,000 + incentives $68,000+)
Knowledge of project	Limited knowledge; no previous experience with project
Continuity of development	Start-up time longer
Strong preservation experience	Less preservation experience
Willing to use Engelberth	Leaning toward Kessel/Duff
Willingness to risk share on fee	Fee not performance based
No local conflicts	Potential local conflicts with other projects
Unbiased approach no set formula	Developer attitude (formula based)
CONS	**PROS**
Lack of residential development experience	Much more new construction experience
Middlebury-based	Access--local presence
Minimal political clout	Political clout
Less back-up staff	Staff capacity
OTHER CONSIDERATIONS	**OTHER CONSIDERATIONS**
Has shown much greater interest in achieving affordability	Loan closing capacity
	Innovative ideas
	More marketing of new construction experience

Preservation Investments, Ltd.

Preservation Investments, Ltd. was established in 1987 by Townsend H. Anderson and J. David Weissman of Mill Bridge Construction, Inc. to apply the principles of Historic Preservation to the field of rural community development. Preservation Investments purchases and develops projects which have a significant preservation component and which can contribute in a tangible way to the socio-economic growth of a community. Preservation Investments also provides technical preservation services on a consultation basis.

The company is currently involved in the development and management of the 1893 Battell Block, a 50,000 square foot mixed-use commercial building in downtown Middlebury, and the Marble Works Complex, a group of historic manufacturing sheds comprising approximately 60,000 square feet.

Preservation Investments, Ltd. is the Managing General Partner of the Marble Works Partnership. It purchased the property, raised 1 million dollars in equity, and negotiated the financing. As Managing Partner, Preservation Investments is responsible for construction management, leasing and sales, project marketing and promotion, and financial management of the Partnership.

The Marble Works is permitted for approximately 160,000 square feet of mixed-use development. Currently, the first phase of construction has been completed with occupancy of retail and professional space at 75 percent. A 19,000 square foot office building is under construction with 62% of the building sold before breaking ground. Preservation Investments is completing plans for 35-40 residential condominiums and a 60 room village inn. The total project will involve an investment of over 10 million dollars.

Townsend H. Anderson, President

Director of Historic Properties for Mill Bridge Construction, 1985-1988. Projects included preservation and expansion of the 1809 Emma Willard House, admissions office for Middlebury College; preservation and development of the 1801 Gamaliel Painter House, property of the founder of the Town of Middlebury and Middlebury College and now home of the Vermont Folklife Center and the Addison County Chamber of Commerce; preservation planning and development of the 1821 Old Chapel-Medical College building at Castleton State College; preservation plan, code review, and consultant to the steeple restoration of the 1807 Congregational Church of Middlebury.

Founder and president of HouseJoiner, Ltd., a contracting firm specializing in Historic Preservation, 1978-1985. Recipient of a 1984 National Trust Preservation Honor Award for the restoration

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of the 1804 John Warren House in Middlebury, Vermont. HouseJoiner Ltd. was responsible for the rehabilitation of four historic buildings which met the "Secretary of the Interior's Standards for Rehabilitation" thus qualifying these projects for the Investment Tax Credit for Certified Historic Rehabilitations. HouseJoiner, Ltd. was purchased by Mill Bridge Construction, Inc.

Mr. Anderson was appointed by the Governor and has served for the past three years on the Advisory Council on Historic Preservation. In addition, he is a member of the Board of Trustees of the Sheldon Museum and the Board of Directors of the Preservation Trust of Vermont. He has recently been asked to serve on a committee studying the issue of aesthetics as it pertains to Criterion 8 of Vermont's landmark environmental law Act 250.

Graduated from Middlebury College with a B.A. in Art History, Cum Laude. Independent Scholar studying architectural history and historic preservation.

Mr. Anderson is responsible for project development and marketing --- finding economically viable rehabilitation and redevelopment properties and matching investors and end-users to them. He is actively involved in leasing and sales. In addition, Mr. Anderson heads the consultation services staff contributing building diagnostics, field inspections, and preservation and Historic Structures Reports, and feasibility studies.

Jeremiah B. Parker, Vice-President, Director of Development and Construction

Project Manager of the John A. Russell Construction Company located in Rutland, Vermont, 1983-1987. Responsibilities included construction management of over 400,000 square feet of commercial and industrial development; 180 residential units including elderly housing. Promoted to the newly created position of director of marketing six months prior to coming to Preservation Investments in June, 1987.

Project Manager for the Rutland Group, 1980-1983. Significant percentage of projects were commercial rehabilitations.

Prior to his involvement with the Rutland Group, Mr. Parker headed Parker Restorations which specialized in the rehabilitation of nineteenth century houses, outbuildings, and barns.

Undergraduate studies in landscape architecture, Alfred University; undergraduate studies in forestry, University of Vermont.

Mr. Parker is responsible for management of Preservation Investment development projects including cost estimating, contract negotiations, marketing and sales, and overall construction supervision.

1987

Director of Marketing and John A. Russell Corp.

- Created strategic plan for selling construction and management services.
- Leasing of J. A. R. Corp properties
- Selling construction proposals to owners

1985 - 1986

Project Manager J. A. Russell Corp.

- Project manager and sales manager for Heritage Hills - A 32 unit Village Housing Project in Rutland. 16 buildings and all infrastructure work.

1985

Project Manager Greenspring Sports Center and Condominiums

- 30 units of housing in Dover, Vt.

1984 -1985

Project Manager Highridge Condominium

- 48 luxury second home units in Killington, Vt.

1984

Project Manager Rutland Housing

- 28 units elderly housing.

Project Manager Rutland Group

1984

- Project Manager Mountain Green Condominiums. 60 units of second homes in Killington, Vt.

- Directly responsible for all aspects of 270,000 square feet of housing space management from ground breaking to completion of one year warranty period.

Jeffry Glassberg, Vice-President, Director of Finances

Housing Rehabilitation coordinator for the City of Burlington, 1985-1987. Responsible for a 1.5 million dollar revolving loan portfolio which upgraded more than fifty housing units. Development of affordable housing proposals including HODAG applications. Negotiated Memorandum of Understanding between the City of Burlington and the Vermont Division for Historic Preservation to ensure that federally funded projects comply with the National Historic Preservation Act of 1966 and the Secretary of the Interior's Standards for Rehabilitation.

Carpenter and later business manager for HouseJoiner, Ltd., 1983-1985. Oversaw successful application for and certification of three Historic Rehabilitation Investment Tax Credit projects.

Bachelor of Arts in Planning and Design from the University of Vermont School of Natural Resources, Cum Laude. Graduate course work in Historic Preservation and School of Business Administration.

Mr. Glassberg joined Preservation Investments in October, 1987, bringing expertise in financial management and cost analysis of historic structures rehabilitation and restoration. He oversees all the financial and legal business of the Marble Works Partnership.

DALTON DRIVE - APPRAISAL ANALYSIS 12/7/89

BUILDING	EXTERIOR REHAB ONLY	TOTAL	# OF UNITS	FULL REHAB	TOTAL	# OF UNITS	MIXED REHAB/ AS-IS	VALUE	# OF UNITS
402		$145,000	1	NA	$145,000	1	NO REHAB	$145,000	1
404	$110,000	$220,000	2	$85,000	$420,000	4	NO REHAB	$220,000	2
	$110,000			$85,000					
				$125,000					
				$125,000					
405	$70,000	$320,000	4	$95,000	$500,000	5	REHAB	$500,000	5
	$70,000			$95,000					
	$90,000			$100,000					
	$90,000			$100,000					
				$110,000					
406	SEE 404	$220,000	2	SEE 404	$420,000	4	NO REHAB	$220,000	2
407	SEE 404	$220,000	2	SEE 404	$420,000	4	NO REHAB	$220,000	2
408	$75,000	$150,000	2	$95,000	$270,000	3	NO REHAB	$150,000	2
	$75,000			$95,000					
				$80,000					
409	$125,000	$250,000	2	$95,000	$490,000	5	REHAB	$490,000	5
	$125,000			$95,000					
				$100,000					
				$100,000					
				$100,000					
410	$110,000	$220,000	2	$130,000	$260,000	2	NO REHAB	$220,000	2
	$110,000			$130,000					
411	SEE 410	$220,000	2	SEE 410	$260,000	2	NO REHAB	$220,000	2
500	$115,000	$230,000	2	$80,000	$480,000	6	REHAB	$480,000	6
	$115,000			$80,000					
				$90,000					
				$90,000					
				$70,000					
				$70,000					
501	SEE 500	$230,000	2	SEE 500	$480,000	6	REHAB	$480,000	6
502	SEE 500	$230,000	2	SEE 500	$480,000	6	REHAB	$480,000	6
601	SEE 500	$230,000	2	SEE 500	$480,000	6	REHAB	$480,000	6
602	SEE 500	$230,000	2	SEE 500	$480,000	6	REHAB	$480,000	6
603	SEE 500	$230,000	2	SEE 500	$480,000	6	REHAB	$480,000	6
604	$90,000	$180,000	2	$115,000	$230,000	2	NO REHAB	$180,000	2
	$90,000			$115,000					
605	SEE 604	$180,000	2	SEE 604	$230,000	2	NO REHAB	$180,000	2
606	SEE 604	$180,000	2	SEE 604	$230,000	2	NO REHAB	$180,000	2
		$3,885,000	37		$6,755,000	72		$5,805,000	65

Preservation Investments, Ltd.

Allan Hunt
Vermont Housing Finance Agency
One Burlington Square, P.O. Box 408
Burlington, Vermont 05402-0408

December 2, 1989

Re: Marketing Dalton Drive

Dear Allan:

Thank-you for meeting with Jeremiah and me on-site yesterday afternoon. Jeremiah and I are excited and enthusiastic about the prospect of developing Dalton Drive for affordable housing. We recognize the complexity of the project and the potential difficulty it faces in today's economic climate. However, the Dalton Drive buildings have many assets which will distinguish them among the competition. We also recognize the difficult decision you must make in choosing a developer who will lead the successful rehabilitation and marketing of the units: the many months of research and planning must be placed in good hands.

To summarize a few of the points discussed yesterday:

- Preservation Investments is not in competition with itself in Chittenden County --- we can devote all our resources, attention, and loyalties to Dalton Drive.

- We can put prospective buyers at ease with the homes they are buying: we have renovated our own homes and understand the challenge and opportunity they face. Furthermore, we can articulate that experience in language a first time buyer can understand and appreciate.

- We concur with you that the prospective buyers will come from outside the Burlington metropolitan area: they will probably be moving closer to their places of work from rural areas. These first time buyers will probably not be a part of the existing real estate buyers' network. Therefore, they will respond to nuts and bolts: Preservation Investments has good name recognition and a good reputation for this type of work --- that is important to the confidence of a first time buyer, particularly when they are moving into unfamiliar territory.

- Developing a presentation for the major employers in the Burlington area will be a priority for our marketing plan. The presentation should include a workshop on financing and another on rehabilitation for the homeowner. This should be

made attractive to personnel offices since employee stability is key to long term company success --- affordable housing is a critical issue, as you know, for every employer in Chittenden County.

- Even if the majority of units are sold substantially finished, the "homestead" concept can be an effective marketing tool. Open houses in conjunction with workshops for homeowner repairs, finish restoration (restoring the original varnished woodwork, for example), and financing can be far more appealing to the prospective buyer than the traditional "open house". Networking with preservation organizations --- Preservation Institute for the Building Crafts, Historic Preservation Program at UVM --- and VHFA will create opportunities to reach the people who would most likely be attracted to this type of property.

  - Develop a manual for rehabilitation of the interiors --- a practical and readable guide for the homeowner, with an introduction to the house they are buying: stylistic history, identification of features, etc. --- to be a part of the sales package.

  - Have a restoration expert available for homeowners --- a "hotline" with on-site conferences as needed to answer rehab questions. This is a remarkably cost effective tool which can make a big difference to prospective buyers.

- Develop a model unit (even if it is only one or two rooms) for sales and demonstrations. The model can be rehabilitated to answer/demonstrate the degree to which a buyer can participate in making his/her unit a special home.

- Finally, despite the present soft market, in all other ways, the timing for Dalton Drive is excellent. The present debate on growth planning, on preservation of communities, on rediscovering neighborhoods, all focus attention on Dalton Drive. Preservation Investments has built its reputation on redevelopment of historic properties. In the process, we have developed a large network of resources and contacts among groups, organizations, and agencies with similar interests (and some who are just getting introduced to historic preservation because it now relates to their work). Dalton Drive is an opportunity for everyone with an interest in historic preservation, conservation, affordable housing,

community action, community planning, etc. Integrating these resources into a marketing plan will make a tangible contribution to successful sales. No one is better prepared to make effective use of these resources nor enthusiastic about involving them than Preservation Investments.

As we stated on-site, we will set up an office at Dalton Drive, both for supervision of the rehabilitation and for sales.

Thank-you for your consideration. I look forward to your reply.

Sincerely yours,

Townsend H. Anderson

cc. Emily Boaer

Preservation Investments, Ltd.

Allan Hunt
Vermont Housing Finance Agency
One Burlington Square,
P. O. Box 408
Burlington, Vt. 05402-0408

December 6, 1989

RE: Dalton Drive

Dear Allan:

A few final thoughts - Jeremiah Parker spent yesterday in the Burlington area talking with real estate brokers about the market. To wit:

- 1989 sales for properties in the $75,000 - 90,000 range are up 20% over 1988.

- The market for these properties is not soft, but, to the contrary, is picking up and brokers are shifting their focus toward these potential sales.

- At least two bankers are working with brokers in this market.

- Jeffry Glassberg's inquiries with former colleagues support the above findings.

Dalton Drive commands a strong position in the market. The frustration of buyers in the above described price range is the quality of the product - materials, interior scale, finishes, landscaping (or lack thereof) and location.

Dalton Drive fulfills all of these expectations and more - it has a mature landscape and dedicated open space. It is a neighborhood. If we identify the comparables (now unaffordable but so desirable that the sign rarely gets out on the front lawn before the sale takes place), they line every residential street in Burlington - South Main, South Winooski, Maple Street, Spruce Street, Cliff Street - big late 19th Century houses with charm, structural integrity, style and grace: located in neighborhoods - neighborhoods which are just now being "rediscovered" by planners, town and state officials (conferences are designed around this one issue), and the marketplace.

Nothing built today can equal the quality of Dalton Drive; aesthetically, structurally or with respect to details.

In sum, Dalton Drive is not a problem in today's market - it is a remarkable asset. Any strategy for sales must spring from a sense of opportunity rather than fear. Therein will we find success.

Sincerely Yours,

Townsend H. Anderson

NORTHSHORE DEVELOPMENT, Inc.

December 4, 1989

Mr. Allan Hunt, Executive Director
Vermont Housing Finance Agency, Inc.
P.O. Box 408
Burlington, Vermont 05402-0408

Re: Fort Ethan Allen
Dalton Drive

Dear Allan:

For the last several weeks we have been conducting conversations with yourself and Emily Wadhams which contemplate a business relationship between Northshore Development, Inc. and Vermont Housing Finance Agency, Inc. for the purposes of developing the Dalton Drive property. It is our understanding that both parties are desirous of furthering those discussions and entering into a "development agreement" for the mutual benefit of the parties and the potential inhabitants of the housing project.

Therefore the attached pages represent my notes and our thoughts to date regarding all of the above. These pages are put forth as a basis for final negotiations between the parties and are subject to revision as both parties see fit. We feel strongly, in the interest of time and efficiency, that it is necessary to establish a framework for the final documentation.

After you and Emily have reviewed the data, please call our office to arrange for an appointment to answer questions and revise the parameters for a final document. Thank you.

Sincerely,

John R. Varsames

John R. Varsames
President

P.O. BOX 4201, BURLINGTON, VERMONT 05401 802-658-4022

Development Parameters: Our discussions have centered on the main goal for the project which in our interpretation is to: Provide orderly development, through a well-planned historically sensitive remodeling program for the creation of much needed affordable and market rate housing. The program anticipates the resources of an experienced Development Team and the resources and experience of the Finance Agency representing the public sector. To develop the balance of the buildings to their highest and best use presently defined to rehabilated office space and maintain the open character of the balance of the land for passive recreational uses.

Formation of Entity: Northshore has proposed the formation of a Vermont Corporation for the purposes of developing this property and to borrow the funds for the project on a nonrecourse basis. The books and records of the Corporation are subject to periodic review and audit by the Agency or its agents. It is currently contemplated that the entity will fee manage the project with incentive for production and goal achievement. The public sector needs its goals served by the creation of an entity to lend to and to execute the work of an experienced developer.

Duties and obligations under the fee: It is anticipated that the Northshore entity will be responsible for the following:

1. Review the goals of the project and render an opinion on the viability of the goals.

2. Review, critique, modify the budgets created initially by the Agency and render an opinion as to their sufficiency.

3. Assist the architect and consultants in the review of the building and floor plans and determine their level of acceptance and compliance with market demands.

4. Borrow suffienct funds to accomplish the goals of the overall project and administer those funds in a proper fiduciary manner on behalf of all parties.

5. Obtain the necessary allocations, permits and permissions from the public sector to accomplish the project in a lawful and environmental manner.

6. Select the appropriate contractor to act as Construction Manager for the project.

7. Review construction specifications and budget for compliance with project and marketing goals.

8. Hire the necessary consultants to accomplish the project an historic consultant, such as legal counsel, engineers, landscape architects, etc.

9. Creation and supervision of a marketing plan including advertising, promotions, sales and co-brokers.

10. To act as liaison and closing coordinator between the buyers, their banks and attorneys and implement a program to expedite move-ins and punch lists.

11. Monthly update the project's financial performance by submitting the revised pro formas to the Agency.

Fee Breakdown: Normally this firm as well as others in the industry experience administration and overhead of such projects in the vicinity of six to eight per cent of the total cost of development. Examination of the budgets for this project reveals that the project is economically marginal and therefore cannot support this overhead. Therefore, in an effort to accomplish the project in an economically plausible manner we have carefully assessed the budget and the administrative expenses and immediately reduced the fee by eliminating the One Million Five Hundred Thousand Dollars ($1,500,000) land acquisition from the aggregate cost thus saving Ninety Thousand Dollars ($90,000) in fees. We feel that this action is justifiable since a good deal of the cost associated with the permitting and acquisition have been accomplished.

Further review of the project profile and our previous affordable housing experience leads us to believe that we can further reduce overhead by the economics associated with the project from eight per cent to a flat fee of six per cent of total project costs without the land and building acquisition. Percentage fees, however, can give incentives to produce more costly or prolonged project expenses. Therefore we have modified the structure as follows:

A. We shall assess a flat fee to the project less the office component and acquisition cost for all development management based on 71 residential units in 17 buildings at four per cent, or $185,000.00 plus a flat fee of Four Hundred Dollars ($400) per

unit at closing for closing administration, or $28,400.00.

B. If through our experience as a developer and a construction manager any savings should occur from the 8% Construction Management Fee, we request compensation at one half of the savings. Should we be able to bring the fee at six per cent instead of eight percent, we would be entitled to one per cent of the two per cent saved at the signing of the construction contract.

C. Should we be able to reduce the construction interest and presently projected costs to carry the project prior to closing, we request one-half of all savings of those actual expenses. The exact amount and timing of the payment(s), if any, will be based on performance and negotiated 60 days prior to substantial completion.

D. If the unit count or mix change to something less than 71 units, our fee will be reduced proportionately but not be less than $150,000.00 plus the closing administration of $400.00 per unit. All applicable savings in B and C still prevail.

All billings for the development fee will be based on a schedule of values submitted as an appendix to the actual contract. Monthly bills will be submitted for approval on the first of each month for payment by the tenth of each month but not later than the fifteenth or the unpaid balance is subject to a finance charge of eighteen per cent per annum.

Marketing Program: Marketing programs are critical to the success of any housing sales program. The creation, monitoring and updating of these programs are imperative. The current budget is light for the advertising and promotion portion of the project. The program's success is dependent largely on the fastest absorption and closing rate to reduce carrying costs. We project our marketing functions as follows:

1. Accomplish market research, particularly focusing on market demands and demographics.

2. Research market for comparables and position our product to effectively compete.

3. Develop with the Agency an overall marketing strategy for the project.

4. Assist the Agency and the architect, site planners and consultants in product design.

5. Review of legal documents and assist in creation of the declaration of condominium, bylaws and rules.

6. Review sales contracts for compliance with the condominium documents and marketing effort.

7. Assist the interior designer in the direction that the model and sales office will take in terms of decorating.

8. Develop with the advertising agency the creation of printed materials to include ads, floor plans and handout material that creates the project image to the buying public.

9. Hire and train a sales team for full-time coverage of the project.

10. Participate in the development of a public relations program to include the community and the buyers in our program.

11. Continually monitor and update the marketing program and report on its progress.

12. Monitor the cost of sales and the results.

Fee Schedule: The fee schedule is based on a "net basis". Therefore, it is understood and agreed that all direct costs except commissions are borne by the project. Northshore's fee for marketing and sales services to the project shall be four per cent of gross sales, payable as follows:

1. Monthly billings as the project progresses, the gross of which will not exceed 2% of total sales.

2. Upon acceptance of a signed sales agreement, with a deposit check and preliminary approval from a bank a 1% commission will be paid.

3. Upon closing the unit and receiving all funds or loan releases, a 1% commission will be paid.

4. All referral fees to co-broker will be paid from our fee not to exceed a five hundred dollar ($500) referral fee per unit.

As you are aware, commonly a marketing company charges six per cent for commissions for real estate transactions. Our experience with affordable housing leads us to believe that we can successfully implement an effective program for four per cent and pass the savings on to all of the buyers.

The Commercial Component: Northshore Development has a proven track record in commercial, office and condominium commercial spaces. Recent projects include The Allenbrook Building in Williston, Vermont, The Kennedy Drive Professional Center on the corner of Kennedy Drive and Hinesburg Road in South Burlington, and the Tafts Farms Business Park, a 300,000 square foot commercial project in Williston.

We feel there is a market in Chittenden County for the product which Dalton Drive could offer. Certainly the non-profits are in need of office space which can be rented inexpensively with shared administrative support and office equipment. Incubator office space is still in need in the market. Northshore will examine the feasibility of phased purchasing of the commercial buildings and their minimal and maximal renovations to determine the best course of action for us to proceed. The reasonable financial basis in the buildings leads us to believe that it is feasible to pursue this project on a conventional basis. We will look forward to discussing this with you in more detail in the immediate future.

The above outline does not assume acceptance of any or all of our proposal and thoughts but serves as a method by which we can pursue the project to a successful conclusion. We await you comments.

STATISTICAL REPORT PROGRAM ID: 89A
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 01/01/89 thru 12/31/89
Loan Status: CC,UC,O

Total Number of Loans: 376
Total Loan Amount: $23,019,436

EXISTING:	$17,027,710	75.5%	284 Loans
NEW CONSTRUCTION:	$5,991,726	24.4%	92 Loans
NEW DETACHED HOUSING:	$4,625,331	77.1%	71 Loans
NEW CONDOMINIUM:	$1,366,395	22.8%	21 Loans
Funds Remaining to be Reserved:	$8,632,446	21.0%	141 Loans (Est.)

Total Insured or Guaranteed Loans: 328
Loans Guaranteed by VHMGB: 325

	ACED	NON ACED	STATEWIDE
Avg. Purchase Price	$67,442	$73,271	$69,302
Avg. Loan Amount	$59,597	$64,686	$61,221
Avg. Borrower Income	$26,893	$27,947	$27,229
Avg. Housing Debt-Income Ratio	26.3%	27.8%	26.8%
Avg. Total Debt	$767.17	$817.29	$783.17
Avg. Total Debt-Income Ratio	34.3%	35.3%	34.6%
Total No. of Loans	256	120	376
% of Total Loan Amount	66.3%	33.7%	100.0%
First Time Homebuyers	83.5%	100.0%	88.8%
% Meeting Low Income Set Aside	35.5%	50.8%	40.4%

	Loans	% of Loans	$ Amount	*Households	% of Hshlds	% DIFF
Addison	18	4.8%	$1,087,018	5,000	5.8%	1.0-
Bennington	17	4.5%	$1,094,911	6,000	7.0%	2.5-
Caledonia	39	10.4%	$2,176,195	5,000	5.8%	4.6
Chittenden	61	16.2%	$4,021,590	16,000	18.6%	2.4-
Essex	6	1.6%	$301,622	1,000	1.2%	0.4
Franklin	56	14.9%	$3,598,408	6,000	7.0%	7.9
Grand Isle	6	1.6%	$360,112	1,000	1.2%	0.4
Lamoille	15	4.0%	$845,457	3,000	3.5%	0.5
Orange	17	4.5%	$1,002,131	4,000	4.7%	0.2-
Orleans	28	7.4%	$1,372,230	4,000	4.7%	2.7
Rutland	30	8.0%	$1,779,983	10,000	11.6%	3.6-
Washington	42	11.2%	$2,634,609	9,000	10.5%	0.7
Windham	23	6.1%	$1,546,376	7,000	8.1%	2.0-
Windsor	18	4.8%	$1,198,794	9,000	10.5%	5.7-
TOTAL	376	100.0%	$23,019,436	86,000	100.0%	

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

STATISTICAL PROGRAM COMPARISON IDs: 89A, 88B
UNDERWRITING DATABASE
LTV 0% TO 100%
Effective for 11/01/88 thru 12/31/89
Loan Status: CC,UC,O

	89A	88B
Total Number of Loans:	373	639
Total Loan Amount:	$22,867,586	$40,878,266

	89A		88B	
EXISTING:	$16,875,860	281 Loans	$29,936,943	477 Loans
NEW CONSTRUCTION:	$5,991,726	92 Loans	$10,941,323	162 Loans
NEW DETACHED HOUSING:	$4,625,331	71 Loans	$9,400,894	138 Loans
NEW CONDOMINIUM:	$1,366,395	21 Loans	$1,540,429	24 Loans

	89A	88B
Total Insured or Guaranteed Loans:	325	590
Loans Guaranteed by VHMGB:	322	578

	89A STATEWIDE	88B STATEWIDE
Avg. Purchase Price	$69,431	$70,936
Avg. Loan Amount	$61,307	$63,972
Avg. Borrower Income	$27,247	$28,948
Avg. Housing Debt-Income Ratio	26.8%	26.3%
Avg. Total Debt	$783.93	$820.97
Avg. Total Debt-Income Ratio	34.6%	34.0%
Total No. of Loans	373	639
First Time Homebuyers	88.7%	88.7%
% Meeting Low Income Set Aside	40.4%	33.0%

	89A		88B		
	Loans	% of Loans	Loans	% of Loans	% of Hshlds
Addison	18	4.8%	24	3.8%	5.8%
Bennington	17	4.6%	25	3.9%	7.0%
Caledonia	38	10.2%	35	5.5%	5.8%
Chittenden	61	16.3%	143	22.3%	18.6%
Essex	6	1.6%	2	0.3%	1.2%
Franklin	54	14.5%	95	14.9%	7.0%
Grand Isle	6	1.6%	6	0.9%	1.2%
Lamoille	15	4.0%	37	5.8%	3.5%
Orange	17	4.6%	23	3.6%	4.7%
Orleans	28	7.5%	31	4.9%	4.7%
Rutland	30	8.0%	91	14.2%	11.6%
Washington	42	11.3%	72	11.3%	10.5%
Windham	23	6.2%	42	6.6%	8.1%
Windsor	18	4.8%	13	2.0%	10.5%
TOTAL	373	100.0%	639	100.0%	100.0%

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

Vermont Housing Finance Agency
89A - $35,000,000 HOME MORTGAGE PURCHASE BONDS
Status Report (with percent of pool proceeds approved)
Rate : 8.800%
Date : 11/29/89

Lender	Funds Reserved	Percent Reserved	Prelim. Approval	% Prelim Approval	Loans Purchased	Loans to be Purchased
Bank of Vermont	$1,982,153	5.6%	$1,460,803	4.1%	$679,253	$781,550
Bradford National Bank	$185,300	0.5%	$64,125	0.1%	$0	$64,125
Caledonia National Bank of Danville, The	$775,105	2.2%	$527,805	1.5%	$175,705	$352,100
Chittenden Trust Company	$7,114,979	20.3%	$5,094,343	14.5%	$2,071,178	$3,023,165
Commonwealth Mortgage Company, Inc	$151,750	0.4%	$151,750	0.4%	$0	$151,750
Community National Bank	$491,789	1.4%	$439,789	1.2%	$178,839	$260,950
Factory Point National Bank, The	$251,125	0.7%	$179,875	0.5%	$36,079	$143,796
First Twin-state Bank	$321,440	0.9%	$107,575	0.3%	$0	$107,575
Franklin-Lamoille Bank	$928,692	2.6%	$517,527	1.4%	$388,027	$129,500
Granite Savings Bank and Trust Company	$75,000	0.2%	$75,000	0.2%	$0	$75,000
Howard Bank, National Assn, The	$1,291,278	3.6%	$963,853	2.7%	$474,203	$489,650
Lyndonville Savings Bank & Trust Company	$567,825	1.6%	$391,600	1.1%	$206,200	$185,400
Marble Bank	$717,729	2.0%	$590,229	1.6%	$267,164	$323,065
Merchants Bank, The	$1,393,383	3.9%	$1,140,733	3.2%	$320,741	$819,992
National Bank of Middlebury, The	$249,775	0.7%	$191,275	0.5%	$123,775	$67,500
New England IBM Employees Fed Crdt Union	$573,035	1.6%	$525,535	1.5%	$347,135	$178,400
Northfield Savings Bank	$554,580	1.5%	$476,775	1.3%	$251,400	$225,375
Passumpsic Savings Bank	$1,433,802	4.0%	$1,192,977	3.4%	$700,977	$492,000
Peoples Trust Company of St Albans	$190,750	0.5%	$66,000	0.1%	$0	$66,000
Proctor Bank	$713,650	2.0%	$381,700	1.0%	$66,500	$315,200
Randolph National Bank	$578,757	1.6%	$329,707	0.9%	$74,957	$254,750
Statewide Funding Corporation	$183,730	0.5%	$183,730	0.5%	$0	$183,730
Union Bank	$1,224,640	3.4%	$675,554	1.9%	$303,875	$371,679
Valley Bank	$397,679	1.1%	$289,854	0.8%	$136,099	$153,755
Vermont Federal Bank, FSB	$5,465,570	15.6%	$3,896,015	11.1%	$2,654,815	$1,241,200
Vermont Mortgage Group, Inc	$1,291,347	3.6%	$840,847	2.4%	$444,247	$396,600
Vermont National Bank	$3,150,250	9.0%	$2,112,610	6.0%	$74,575	$2,038,035
TOTALS 530 Loans	$32,255,113	92.1%	$22,867,586	65.3%	$9,975,744	$12,891,842

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: November 30, 1989

TO: VHFA Board of Commissioners

FROM: Sam Falzone, Senior Management Officer
Susi Taylor, Management Officer

RE: PARTIAL PREPAYMENT OF SECTION 8 LOAN

Abe Brown, owner of Riverview Apartments located in Enosburg, has proposed that he use approximately $80,000 of surplus operating cash to partially prepay his outstanding loan balance of $770,000. He is asking that we recognize this prepayment amount as an increase in his equity position, thereby increasing his annual distribution from $3,461 to $9,861.

In exchange for allowing him to do this, he is willing to sign our standard Lock-in Agreement which would provide for the following:

1. A commitment to renew his Housing Assistance Payment contract for as long as it is available, and to take all actions necessary to obtain any other rental subsidies that may be available after the expiration of the HAP contract.

2. An option to VHFA or its assigns to purchase the property if the owner wishes to sell to a buyer who will not maintain the property as affordable housing under the conditions stated in #1 above.

3. A requirement to continue funding the replacement reserve account up to a maximum of $50,000.

As a further inducement, the Agency has agreed to reduce Mr. Brown's prepayment charge on the $80,000 from 4% to 2%, and allow it to be paid from Project Cost Escrow. This reduction has been a standard feature in the two other lock-ins we have negotiated (Richford Elderly Housing and Beth-El Court in St. Albans)

RECOMMENDATION

Since the parameters of this deal fit into the recommendations contained in the At-Risk Report that was approved by the Board in September 1988, we are asking that you continue your support of our lock-in efforts by approving this proposal as outlined.

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VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

DATE: November 30, 1989

RE: Status of the Low-Income Housing Tax Credit Program

After a suspenseful on-again off-again debate about LIHTC extension, Congress finally passed a bill extending the program for one year with 75% of the projected 1990 credit and with numerous changes. The following are some of the highlights of the new program:

- Allows a one-year carry forward of unused credit authority plus national pooling of unused credit authority
- Requires a 30-year extended low-income use agreement for credit eligibility
- Prohibits use of credit on an existing building which is not in need of substantial rehabilitation
- Requires a minimum of $3,000 of qualified basis per low-income unit for rehabilitation--increased from $2000
- Expands the exception for tax-exempt bond financing to properties where 50% or more of the aggregate basis (reduced from 70% requirement) qualify for 4% credit. This greatly enhances expanded tax-exempt/credit use outside of the State annual credit cap
- Disallows use of tax credit with HUD Section 8 Moderate Rehabilitation program
- Clarifies and reduces some of the administrative program requirements
- Requires use of only as much credit as necessary for any given development.

These new changes in the extension are indeed better than what we had before, but a one-year extension is frustrating because it implies another year of trying to second-guess what Congress will do with regard to this program--the only major national rental program for low-income housing.

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[redacted]egardless, this program has already produced hundreds of units for Vermont's lower income citizens and we expect to wisely use the credit during the extension period.

Vermont Status of 1989 Credit

Currently, we have reserved a total of $562,216 out of the $695,000 1989 State credit allocation. Our challenge now is to sort out the best way to utilize the remaining credits so that they are not lost.

As of the date of this memo, we believe that we have the ability to carry forward any unused credit; however, we are waiting for confirmation of this interpretation. Hopefully, we'll be able to update you on this on December 7th.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Mark Koppelkam, Multi-Family Underwriter

DATE: November 30, 1989

RE: Status of Projects Under Construction

1. **HEINEBERG**

Heineberg has eighty units (plus one for manager), and is 50% rent restricted units and 100% elderly. The total project cost is $3.9 million. Project completion was originally scheduled for December.

The project is essentially completed, ahead of schedule and on budget. The Certificates of Occupancy were issued November 22nd. Residents will move in December 1st. Seventy leases have been signed to date, and Ms. Carpenter (project sponsor) expects full occupancy by January 1st.

Permanent project financing is being provided by Fannie Mae (with VHFA purchase of a mortgage backed security tied to the project). The Phase I closing is scheduled for December 14th. A final closing with Fannie Mae will take place in January.

Negotiations with the Housing and Conservation Trust Fund regarding the housing subsidy covenants have been completed, and the finished documents should provide a good model for all future deals where both VHFA and HCTF are involved.

2. **WINCHESTER**

This project, located in Colchester, has 166 units--seventy of which are tax credit (rent restricted). The completion date is December 31st for 115 units, with the remainder by June 1990. As I reported to you in October, the overall project budget was increased from $9.85 million to $10.12 million to reflect changes in design. To cover this additional cost, Merchants Properties Inc. is contributing $270,000 in additional equity, for a total of $2.295 million (not including the subsidy fund).

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Winchester construction continues on schedule, and Certificates of Occupancy have been issued for the first seventy-one units. To date, thirteen units have been leased, seven additional deposits received on, and twenty-five applications approved. The remaining Phase I units are scheduled to receive their Certificates of Occupancy on December 7th.

The construction budget is 80% spent to date. The contingency has not yet been touched due to the recent overall budget increase. One significant new change order cost may be necessary as a result of a fire marshall ruling regarding smoke detectors in some of the units. That decision is being appealed. Though the phone strike has been settled, new phone service to these units may not be installed until February, which is a minor marketing detriment.

3. **SALMON RUN**

Salmon Run is the eighty unit mixed-income project located on Riverside Avenue in Burlington. The good news is that the first four buildings are completed and fully rented, and the remaining three buildings are proceeding on schedule and should be completed by December 31st.

The bad news is that there has been a "surficial slope failure" on the west bank (Trinity side) of the project. The structural integrity of the primary slope has <u>not</u> been impaired, but a layer of silty material put down as a surface filler on the entire lower half of the slope is simply not holding. While not critical to the integrity of the slope or the safety of the living units, the slippage must be repaired and is unfortunately quite expensive. Revised engineering specifications call for the removal of two vertical feet of material and its replacement with large stone (rip rap). Bids received to do this work are based on unit quantities (i.e. cubic yards of fill removed, and stone brought in), and the cost estimates range from $150,000 to $202,000.

Because of the scope of the work, which will take one month to complete, it is not likely that the City would grant Certificates of Occupancy for the remaining three buildings until the slope work is done. The construction of several carports is also being delayed.

A second engineer was brought in by the project sponsors to consult on corrective measures, and both engineers agree that there are no other less expensive alternatives. The sponsors have notified the primary slope engineer, Dr. Olson, that they may be filing a legal claim against him for damages.

In addition, the cost estimates for retaining walls is greatly exceeding the original budget. Their original projected cost was only $6,000. The current estimate is $66,500. This problem has resulted from the architect having done the site design without correct grade information. I believe that the sponsors are also considering legal action against the architect for the costs incurred by this situation.

Given that the project contingency budget was essentially used up before these two situations arose, the project will significantly exceed its allotted construction budget. The current overrun estimate is $271,360, which equals 4% of the total development cost. This estimate is reduced to $224,500 if one assumes that the full $161,000 initially authorized by the Housing and Conservation Trust Fund (HCTF) is applied to the project.

To cover the shortfall, the Agency holds a $182,959 reserve fund (Guaranty of Development Fund) which comes from VHFA's Funding Agreement with Housing Vermont and which will be tapped unless some other sources are found. The sponsor does intend to apply for additional funds from the HCTF. Any other shortfall (at this time $224,500 minus $182,959) will likewise have to be made up with funds that otherwise would have gone to Housing Vermont from VHFA under the terms of the Housing Vermont Funding Agreement.

MKM1:lw

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA Board of Commissioners

FROM: Kathy Beyer Kehoe, Special Needs Housing Development Officer
Meg Pond, Director of Development

DATE: November 30, 1989

RE: **POTENTIAL VEHICLES FOR VHFA FINANCING OF MOBILE HOME PARKS**

Currently, five mobile home parks in Vermont are in various stages of acquisition by a nonprofit or tenant cooperative; four of these parks obtained primary financing via the owner. A fifth park, Sandy Pines of East Montpelier, is in need of primary financing from a financial institution. In response to a growing need for primary financing of mobile home parks, VHFA is pursuing two potential avenues of financing.

The use of tax-exempt bonds is not possible for traditional mobile home parks where the ownership of the land and the housing unit are separate. Therefore, VHFA will need to issue a taxable bond to provide financing. To reduce both issuance and interest costs, such a bond will be privately placed.

Parks financed by a taxable bond will be pooled together in a $4-$5 million dollar bond. VHFA hopes to pool these loans through the Community Investment Fund (CIF) program of the Federal Home Loan Bank of Boston (FHLBB), via FHLBB member Bank of Vermont, or through direct placement with various state pension funds.

The CIF program is designed to assist member institutions, such as the Bank of Vermont, in providing funding for community investment and affordable housing projects. Members may borrow under the CIF program for terms of up to ten years and at rates generally below regularly priced advances. VHFA is working with the Bank of Vermont on a proposal to the FHLBB requesting use of the CIF Advance as interim financing for mobile home parks. Once a reasonably-sized pool of parks is established, VHFA will take out the loans via a taxable bond.

The second potential avenue for financing mobile home parks is direct placement of a VHFA taxable bond with Vermont pension funds. VHFA has already received a letter from the Vermont Municipal Employees' Retirement Board authorizing the investment of $500,000 in VHFA bonds for the purchase of mobile home parks. If VHFA can obtain commitments from other funds it may be possible to directly place the bonds with the pensions without an interim financier. Alternatively, the pensions could invest later in a pooled bond. This, however, would require the parks to find interim financing until the time VHFA could issue a bond.

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In both scenarios VHFA's role will be much the same as in our past multi-family projects. VHFA will review all applications according to our multi-family underwriting guidelines and present each project to the Board for approval. Additionally, VHFA will enter into a regulatory agreement with the non-profit or cooperative owner of the park, allowing for financial and management oversight.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

TO: VHFA BOARD OF COMMISSIONERS

FROM: ROGER A. SCHOENBECK, DIRECTOR OF FINANCE

RE: SINGLE FAMILY BOND FINANCING (1989B)

DATE: NOVEMBER 29, 1989

We have been furiously working on the projected new Single Family Bond financing since the last Board meeting and the update provided at that time. Last week we received news from Washington which indicated that the Mortgage Revenue Bond Sunset had been extended until September 30, 1990 as part of the Revenue Deficit Bill, passed by Congress. At this point in time, the bill has not been signed by the President but is expected to be by the end of the year. We had previously discussed that if the Sunset were extended, we would consider deferring the financing until February of 1990. At present, there exist several mitigating factors to be considered in continuing along the track we are on for a new issue. Although the market place forecasts are indicating a continued easing of interest rates into next year, we can have no idea as to the accuracy of those forecasts. Additionally, we can gather no comfort as to how rates will move in the various areas of mortgages, reinvestment and tax-exempt bonds. Experience has taught us some valuable lessons about trying to predict future rate changes! Currently, underwriters are telling us that if we bond now, we should be able to realize a mortgage rate of approximately 8.75% and be able to invest our loan funds in excess of the bond cost, meaning little or no loss to the Agency if we need to hold bond funds for a period of time. The timing of the Sunset extension makes it very awkward to size a new issue based on a February issuance and September Sunset. If we were to issue now, a next issuance would be targeted for June or later when we would have further information about the direction of our bonding authority. In light of this type of schedule, our thinking is to downsize the issue to $50 million lendable proceeds from the originally projected $80 million.

CURRENTLY CONTEMPLATED BOND FEATURES

Interest Rate Reduction Bond. This provision would allow us to reduce the rate on the bonds and reoffer without having to do a new issue if we are still holding loan funds in June of 1991, due to falling interest rates, and gives us some protection in the event that we are caught with unexpended funds.

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Underwriter Risk Sharing. Drexel Burnham has indicated that they will charge a fee representing approximately half the normal cost of providing the financing at time of issuance and collect the balance as the mortgages are originated. The deferred portion of the fee would be used to remarket the bonds if required or saved if a redemption had to be implemented.

Letter of Credit. A letter of credit in the amount of $700,000 is anticipated at this point in time. The First National Bank of Boston has approved this amount.

Recycling. Due to the change in tax law, recycling of prepayments will be limited to five years for 30 year mortgages. For the last five years of the recycling term, the mortgage term will need to be reduced to 25 years.

Special Targeting. The current structure provides for a lower income, split rate feature along with a set-aside for Energy Efficient Mortgages. $5 million (10% of the issue) has been targeted to the lower income program at 1% below the general mortgage rate. In addition, $6,550,000 of mortgages is targeted to Energy Efficient Mortgages. All of the targeted mortgages will pay a rate 1% below the ongoing rate for the first year. No new-construction builder set-aside is included in this issue.

Guarantee Board Insurance. Bond counsel has agreed to our proposal regarding releasing coverage on new VHMGB insured loans at the point in time when the balance reaches 75% of the original value.

Manufactured Housing (Mobile Home) Financing. We have put into place with this financing a pilot plan pool of $1 million of mortgages under existing guidelines. This will be effective in pursuing a future program while dedicating bond proceeds to a targeted need.

Loan Loss Claim Fund. Due to the decrease in size of the issue, the loan loss claim fund requirement will be $750,000. This would need to be contributed by the Agency to the program. The funding of this will come from surpluses from old programs. As usual, the majority of this contribution should return to the General Fund over the life of the financing.

RECOMMENDED BOARD ACTION

The preliminary official statement is in final form and the current schedule calls for selling the issue on December 7th (at the Board meeting), with a pricing release conference call between Board, staff and underwriters on Tuesday the 5th at around 10 AM. Please let Allan or me know if you have any questions, concerns or problems about the proposed issue. Unless Drexel hears something different from us, they will proceed to plan for pricing on the 5th, given the conditions of a mortgage rate under 9% and positive earnings on the investment of bond proceeds.

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 30, 1989

TO: VHFA Board of Commissioners

FROM: Stacy Markman, Acting Program Group Coordinator

SUBJECT: Summary of Recommendations for a 1989B Mortgage Purchase Program

SUMMARY RECOMMENDATIONS

Size: $50 million in lendable proceeds.

Bond Closing Date: December 21, 1989 (tentative)

Release of Mortgage Funds: February or March, 1990

Income and Purchase Price Limits: Changes to limits will be considered by the Program Group following receipt of new (FY 1990) HUD median income figures in January or February. New Safe Harbor Limits (for purchase price limits) have been received, but we recommend that income and purchase price limits be adjusted simultaneously. Our aim is to present recommendations to the Board by February, and finalize any adjustments to income and purchase price limits prior to the release of new mortgage funds. Present limits will remain in effect until new limits are adopted.

Present Income Limits:	$31,600	1-2 Person Households (100% of State Median)
	$36,300	3+ Person Households (115% of State Median)
Present Purchase Price Limits:	$85,000	Existing Homes
	$93,000	Newly Constructed Homes

Low Income Set-Aside for Perpetually Affordable Housing: We recommend that $5 million, ten percent of the lendable proceeds, be reserved for the Perpetually Affordable Housing Program. This program will be targeted to borrowers with incomes at or below 60 percent of the state or area median income, whichever is greater, with a maximum income limit set at the greater of 80 percent of state or area median income. $5 million will finance an estimated 90 mortgages.

Mortgages will be offered at a rate two percent below the standard Mortgages for Vermonters (MOVE) rate for the first year of the mortgage, and one percent below the MOVE rate for the remaining term of the mortgage. Borrowers must apply through a participating local nonprofit housing corporation, properties must include a component to insure perpetual affordability, and homes must receive an Energy Rating by Energy Rated Homes of Vermont (ERH).

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Energy Efficient Mortgage Incentive: In order to encourage the use of the Energy Efficient Mortgage and improve the energy efficiency of existing Vermont homes, we recommend that $6.55 million of the $45 million MOVE funds be set-aside to finance qualified Energy Efficient Mortgages at a special one year reduced interest rate. An estimated 100 mortgages could be financed at a rate one percent below the standard MOVE interest rate for the first year of the mortgage. To qualify, borrowers must be purchasing a previously occupied home in need of energy improvements, and then improve the home to a Four Star energy rating level as defined by ERH.

TIMING OF THE ISSUE

Congress recently passed legislation (now awaiting the President's signature) extending Mortgage Revenue Bond (MRB) authority for nine months, until September 30, 1990. While the extension of MRB authority removes the necessity of bonding before December 31 (the previous sunset date) VHFA staff believe there are sufficient benefits to issuing a bond next month. Underwriters have estimated a mortgage interest rate between 8.75 and 9.0 percent.

Bond proceeds would not be released for mortgage lending until February or March. Holding funds until that time should allow all remaining funds from the 1989A issue to be committed; additional funds available from previous issues will also be utilized to meet demand. The release of 1989B funds in February/March coincides with the traditional beginning of the year's home buying season, and will enable VHFA staff to have in place a revised procedural guide, new income and purchase price limits (if approved by the Board), and a marketing plan.

At this time, VHFA staff anticipates recommending another bond issue prior to the current MRB sunset date of September 30, 1990.

SIZE OF THE ISSUE

The $50 million of lendable proceeds recommended for this issue will finance an estimated 825 mortgages. Approximatley 725 mortgages will be financed with $45 million available for the standard MOVE program, of which $6.55 million will fund an estimated 100 Energy Efficient Mortgages with a one year, one percent interest rate reduction. The $5 million set-aside for the Perpetually Affordable Program would finance an estimated 90 mortgages.

There have been an average of 87 reservations per month in the MOVE program since July 1987 (since VHFA has had continuously available mortgage funds). The average fallout rate was 10 percent in the 1988B program, and 13 percent in the 1989A program. If the average fallout for 1989B is assumed to be 12 percent, it is estimated that $45 million will be available for nine months.

In a survey conducted in October, Vermont lenders estimated that they could originate a total of $48 million in loans within a one year period based on a projected fixed rate of nine percent.

OTHER PROGRAM RECOMMENDATIONS

Low Income Set-Aside: As with past programs, a percentage of bond proceeds will be set aside for lower-income Vermonters. For this issue, it is recommended that a minimum of 30 percent of the proceeds be set aside for three months to assure that Vermonters at or below 80 percent of the area or state median income (whichever is greater) are served.

Loan Term: We recommend a loan term of 30 years. This does not represent any change from the 1989A program.

FHA/VA Insured/Guaranteed Mortgages: We recommend continuing to allow FHA Insured and VA Guaranteed mortgages to be eligible for VHFA purchase.

Down Payment Assistance: Based on an evaluation of the Down Payment Assistance Program, including surveys of lenders and borrowers conducted in September, the Program Group requested additional guarantee authority for down payment assistance from the Vermont Home Mortgage Guarantee Board (VHMGB). A maximum of $2 million in additional authority has been approved by VHMGB. This amount should be sufficient to fund down payment assistance for approximately $8 million in mortgages, an estimated 130 loans. The $2 million will function as an extension of the previous pilot program, and underwriting requirements will not be changed. The VHMGB board is considering a rule change; if adopted, down payment assistance will become a permanent part of the VHMGB guarantee program.

Program for New Construction: The Program Group anticipates setting up a "Deals Desk" where VHFA staff will work on a case-by-case basis with builders who have permits in place and are ready to reserve VHFA funds for their projects. We do not recommend fixing a specific set-aside amount for a builders' program for this bond issue. A Deals Desk will allow VHFA additional flexibility when working with builders of moderately priced homes.

Recapture: Congressional legislation has mandated that MRB financed loans closed after December 31, 1990 will be subject to a "recapture tax." This tax, representing a portion of the interest savings realized from the low cost mortgage, must be paid if the residence is sold within ten years. While Congress and the GAO plan further research and discussion about recapture, VHFA staff are preparing for the effects of recapture and are developing a disclosure statement for borrowers to be included with other VHFA application materials.

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

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

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

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

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

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

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

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

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

VERMONT HOUSING FINANCE AGENCY
1989B MORTGAGE PURCHASE PROGRAM
MORTGAGE LOAN APPLICATION AND COMMITMENT AGREEMENT

Dated as of December 1, 1989

THIS APPLICATION MUST BE DELIVERED TO VERMONT HOUSING FINANCE AGENCY ON OR BEFORE DECEMBER 18, 1989.

The undersigned Mortgage Lender hereby commits itself by this application to participate in the Vermont Housing Finance Agency (the "Agency") 1989B Mortgage Purchase Program (the "1989B Program"), it being understood that the Agency will rely on such commitment in marketing its Home Mortgage Purchase Bonds, 1989 Series B (the "Bonds") and in making representations to prospective purchasers of Bonds.

Section I. Agreement to Originate, Sell and Service Mortgage Loans

In accordance with all of the terms and conditions of the Mortgage Loan Purchase and Servicing Agreement and the Procedural Guide which is a part thereof, the undersigned Mortgage Lender agrees to originate Mortgage Loans from time to time during the 1989B Program, to sell the same to the Agency at a price of par, and to service the same on behalf of the Agency. With the understanding that it is not obligated to originate, and the Agency is not obligated to reserve funds for, any particular dollar-volume of Mortgage Loans, the Mortgage Lender has estimated a demand on it for approximately $_____ aggregate principal amount of Mortgage Loans under the 1989B Program. With respect to such Mortgage Loans:

A. All Mortgage Loans shall be Eligible Mortgage Loans originated after the date hereof for the purpose of sale to the Agency. For purposes of the definition of "Eligible Mortgage Loan" as used herein and otherwise under the Program, and notwithstanding any more limiting definition set forth in the Mortgage Loan Purchase and Servicing Agreement, "Eligible Residence" means a Residence which meets the requirements of Section 2.1 of the Procedural Guide.

B. The term of each Mortgage Loan shall be 30 years.

C. The interest rate on each Mortgage Loan financed under the 1989B Program shall be as specified by the Agency in writing from time to time, but shall not exceed 9% per annum.

D. Unless the Agency extends the time limits stated in this paragraph by subsequent written notice, Mortgage Loans for which the Agency has reserved funds shall have a Loan Closing Date not later than December 31, 1990, and must be delivered to the Agency not later than January 30, 1991. (Each Mortgage Loan must still be offered for sale within 30 days after its Loan Closing Date).

E. Notwithstanding any other provision of the Mortgage Loan Purchase and Servicing Agreement, Mortgage Loans to be purchased hereunder or otherwise under the 1989B Program shall be limited to Mortgage Loans guaranteed by the Vermont Home Mortgage Guarantee Board, insured by the Federal Housing Administration or by private mortgage insurance, guaranteed by the Veterans' Administration, or meeting the requirements specified in the Procedural Guide for uninsured Mortgage Loans. Additionally, an otherwise Eligible Borrower shall not be ineligible by reason of any prior ownership of a Principal Residence if his or her Principal Residence to be financed under the Program is located in one of the counties specified in Section IV(C), below.

Section II. Fees

A. Origination Fees

The Mortgage Lender shall collect on the Loan Closing Date an origination fee equal to 2.00% of the principal amount of each Mortgage Loan. Three quarters of one percent (0.75%) shall be remitted to the Agency and one and one-quarter percent (1.25%) shall be retained by the Mortgage Lender.

B. Servicing Fees

After collection of each monthly payment due under a Mortgage Loan, the Mortgage Lender may deduct as its Servicing Fee, prior to remittance to the Agency, one-twelfth of three-eighths of one percent of the outstanding principal balance of the Mortgage Loan before crediting the monthly payment to the account of the Mortgagor.

C. Participation Fee

The undersigned delivers herewith its participation fee in the amount of $1500.00. The participation fee will be refunded in full if the Agency does not deliver the Bonds to the purchasers thereof on or before December 31, 1989. Otherwise, $500.00 of the participation fee shall be non-refundable and the balance shall be refunded to the Mortgage Lender upon timely completion of the Mortgage Lender's obligations to the Agency in connection with the origination of Mortgage Loans under the 1989B Program, less any amounts retained pursuant to Section IV(E) below.

Section III. Mortgage Loan Purchase and Servicing Agreement

The undersigned has previously executed a Mortgage Loan Purchase and Servicing Agreement or will execute a Purchase and Servicing Agreement in the form attached hereto and effective as of the date hereof. Such Mortgage Loan Purchase and Servicing Agreement and the Procedural Guide as amended from time to time, which constitutes a part thereof, are incorporated herein by reference.

Section IV. Special Allocations and Schedules

A. The Mortgage Lender understands and agrees that, notwithstanding the general eligibility of Borrowers proposed for Mortgage Loans under the 1989B Program, from the total proceeds of the Bonds available to the Agency for the purpose of purchasing Mortgage Loans (the Proceeds Pool), during the first three months of the 1989B Program the Agency may elect to reserve funds in the amounts and for the special purpose specified below:

   (i) Up to 30% of the Proceeds Pool may be reserved by the Agency exclusively for the purpose of purchasing Mortgage Loans made to Eligible Borrowers whose Federal Act Income, as determined pursuant to the Procedural Guide, does not exceed 80% of Area Median Income, as determined by the Agency. Loans made under Paragraph D, below, will be included in this program.

B. After the expiration of such period of three months, the entire remaining Proceeds Pool will be available generally for Eligible Borrowers, subject, however, to the provisions of paragraph C of this section.

C. The Mortgage Lender understands and agrees that the Agency will reserve at least 20% of the Proceeds Pool for the financing of Eligible Residences located in one or more of the following counties: Caledonia, Essex, Franklin, Lamoille, Orange, Orleans, Rutland, Washington and Windham.

D. The Agency reserves the right to set aside up to 10% (unless a higher percentage is permitted by the Agency's Bond Resolutions and the rating agencies) of the Proceeds Pool for purchasing Mortgage Loans made to certain low income but otherwise Eligible Borrowers at an interest rate of not more than 1% lower than the interest rate on other Mortgage Loans made under the Program.

E. The Agency reserves the right to set aside a portion of the Proceeds Pool for the use of homebuilders.

F. The Agency reserves the right to make direct Mortgage Loans under the Program.

G. The Agency reserves the right to finance construction loans under the Program.

H. The Agency reserves the right to set aside up to $10 million of the Proceeds Pool for purchasing Energy Efficient Mortgage Loans made to eligible buyers at an interest rate, for the first 12 monthly payments, of 1% lower than the interest rate on other Mortgage Loans made under the program for the same period of time.

I. The Agency may amend the Procedural Guide to permit Qualified Rehabilitation Loans (within the meaning of § 143 of the Internal Revenue Code).

J. Mortgage Loans for which the Agency has reserved funds pursuant hereto must be committed to Eligible Borrowers by written Mortgage Loan commitments by the Mortgage Lender not later than 6 (six) months after the date the Bonds are delivered (the "Commitment Period").

K. All Mortgage Loans which are the subject of the Agency's preliminary approval under the 1989B Program and which are originated by the Mortgage Lender shall be offered by the Mortgage Lender for sale to the Agency in accordance with the requirements of the Procedural Guide. Such offer shall be made within 30 days of the respective Loan Closing Date for each Mortgage Loan. With respect to each Mortgage Loan not so offered within such 30-day period, and as to each day after the thirtieth day which passes before the Mortgage Loan is offered, the Agency shall be entitled to collect as liquidated damages, $3.00 per day (the "Late Fee") from the Mortgage Lender. On each Closing Date, the Mortgage Lender shall tender its separate check payable to the Agency in an amount equal to the aggregate amount of Late Fees then due. In the event that Mortgage Loans are tendered for purchase unaccompanied by such check, the Agency, at its option, may elect to reject any or all of such Mortgage Loans until such check is delivered, or may elect to deduct unpaid Late Fees from the amount of the participation fee otherwise refundable pursuant to Section II (C), above.

Section V. Reservation System

Funds from the Proceeds Pool will be allocated to the Mortgage Lender and other participating Mortgage Lenders on a "first come first served" basis in accordance with the reservation procedures specified in the Procedural Guide.

Section VI. Commitment Irrevocable

The commitment by the undersigned to participate in the 1989 Program is irrevocable provided that it is accepted by the Agency on or before December 31, 1989. It is understood that this commitment and any acceptance by the Agency is expressly conditioned on delivery of the Bonds on or before December 31, 1989.

Section VII. Acceptance of Depository

The undersigned (if a Bank or Trust Company) agrees to serve as a Depository under the 1989B Program. If not a Bank or Trust Company, _____ will be the Depository for the 1989B Program.

Section VIII. Authorized Signers.

The following employees of the Mortgage Lender are authorized to sign documents relating to Mortgage Loans to be purchased under the 1989B Program:

Name	Title
_____	_____
_____	_____
_____	_____
_____	_____

Any additions or deletions in the list of authorized employees shall be made in writing and delivered to the Agency on or before the effective date of such change.

Section IX. Designated Liaison

_____(name), _____(title) is hereby appointed designated liaison pursuant to Section 1.0(C) of the Procedural Guide.

Section X. Active Vermont Participation Requirement

Notwithstanding any other provision of this Mortgage Loan Application and Commitment Agreement, the Mortgage Loan Purchase and Servicing Agreement, or the Procedural Guide, in the event that the undersigned Mortgage Lender or its successors fails to maintain a staffed business office having qualified personnel charged with the duty of servicing Mortgage Loans in Vermont in accordance with the requirements of the Procedural Guide, then the Agency at its election may take any one or more of the following actions on written notice to the Mortgage Lender:

(i) Immediately cease the issuance of preliminary approvals for the purchase of Mortgage Loans under the 1989B Program;

(ii) Refuse to purchase any further Mortgage Loans from the Mortgage Lender except those Mortgage Loans which were the subject of preliminary approval prior to the date of notice;

(iii) Recapture and reallocate all funds reserved hereunder and not previously disbursed or required to honor preliminary approvals; and

(iv) Direct the Mortgage Lender to assign to the Agency or its designee, without further consideration and within 60 days of the date of notice, all of the Mortgage Lender's servicing rights and responsibilities for any Mortgage Loans sold to the Agency by the Mortgage Lender under the 1989B Program and/or any other mortgage purchase program of the Agency.

Further, if the Mortgage Lender or its successors cease to maintain a staffed business office in Vermont having personnel charged with the duty of originating Mortgage Loans, then the Agency on written notice to the Mortgage Lender, may take any one or more of the actions specified in subparagraphs (i), (ii), or (iii), above.

IN WITNESS WHEREOF, the undersigned Mortgage Lender has caused this instrument to be signed by its duly authorized agent, effective as of the date first above written.

_____
NAME OF MORTGAGE LENDER

_____
ADDRESS

BY _____
ITS DULY AUTHORIZED AGENT

ACCEPTANCE BY VERMONT HOUSING FINANCE AGENCY

Pursuant to the terms of the foregoing Application and Commitment Agreement, the Agency agrees to purchase Mortgage Loans from the Mortgage Lender named above in accordance with the terms of the 1989B Program.

VERMONT HOUSING FINANCE AGENCY

BY _____
ITS DULY AUTHORIZED AGENT

DATE _____

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: November 28, 1989

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

RE: Private Activity Volume Cap

On November 17, 1989 the Emergency Board met and allocated an additional $30,000,000 of the State's Private Activity Bond Volume Cap for 1989 to VHFA. When combined with the previous allocation of $80,000,000 and a carryforward of $8,038,000, this would have given the Agency sufficient volume cap for the originally planned, larger 1989 B Home Mortgage Purchase Bond issue. We recommend that the Board allocate only the amount of the 1989 volume cap needed for the 1989 B issue to Qualified Mortgage Bonds (Single Family Bonds).

Because VSAC is in need of volume cap in anticipation of a large issue in 1991, we recommend that the Agency return any unused 1989 volume cap to the State so that it can be reallocated at the end of the year.

Finally, the Agency has carried forward a total of $48,125,000 in volume cap from previous years for multi-family bonds. We recommend that the entire amount of volume cap remaining at the end of the year for multi-family bonds be carried forward to 1990.

RECOMMENDED BOARD ACTION:

Approval of the above three recommendations and authority for the Executive Director to return unused 1989 volume cap to the State for reallocation and to file with the Internal Revenue Service the forms required to carry forward the multi-family volume cap.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: November 30, 1989

TO: Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

RE: Country Park Partnership Transfer

Daniel J. O'Brien and Forest Park Realty Corporation, the general partners of Country Park Associates, the owner of Country Park, a 75 unit elderly project in South Burlington, have requested the Agency's permission to restructure the ownership of the development. The proposal is to amend the Partnership Agreement to allow the dissolution of the partnership and a distribution of the partnership assets to the general partners, who will form a new partnership, which will assume the mortgage and the other liabilities of the limited partnership. The limited partners will be paid for their interest in the partnership, which payment will not come from the assets of the development.

The partnership needs VHFA approval of the dissolution and liquidation of the limited partnership, the transfer of the development and the other assets to the new partnership, and the assumption by the new partnership of the obligations of the limited partnership.

RECOMMENDATION:

Staff recommends that the Board approve the dissolution and liquidation of Country Park Associates, the distribution of the partnership's assets to a new partnership consisting of the general partners of Country Park Associates, the assumption of the Mortgage, the Security Agreement, the Promissory Note, the Housing Assistance Payments contract, and the Regulatory Agreement pertaining to the Country Park development, the release of Country Park Associates from further obligations under the Mortgage, the Security Agreement, the Note, the HAP contract and the Regulatory Agreement and give the Executive Director authority to execute documents to achieve the above actions.

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VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: November 30, 1989

TO: Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

RE: Legislation

There are several pieces of legislation on which the Agency expects to be asked to take a position during the upcoming session.

S. 130

This is the Uniform Common Interest Ownership Act, which title insurers and others are seeking to have the Legislature adopt in large part. This would affect the method of forming a condominium or other forms of planned communities. The original bill has been amended to delete all references to cooperatives so as to leave the Coop statute passed in 1988 intact. There is a great need for changes to the present condominium statute, which is outdated and inadequate for use in the current planning and permitting environment.

RECOMMENDATION: Support the bill with such changes as may be necessary to assure that the new mechanism will fit with VHFA's policies and practices.

S. 157

This bill, introduced by Senator Webster, would create a certification process for real estate appraisers. Congress, in the thrift bail out bill, has mandated that states create standards for certifying appraisers or abide by federally dictated standards. The passage of that bill will give added impetus to the effort to get this bill passed. It was drafted by members of the appraisal community and if passed, could eliminate the need for VHMGB to conduct its own testing and certification program for appraisers. Amanda Pearson has been working with a committee consisting of appraisers, Gar Anderson, Executive Director of the Vermont Association of Realtors, and Tim Hayward, the Executive Vice President of the Vermont Bankers Association, that is supporting the bill. We should consider seeking to have a VHFA or VHMGB representative on the board of appraisers to oversee the process.

RECOMMENDATION: Support the bill and encourage Amanda to continue participating on the committee.

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VHFA Bond ceiling bill

We have drafted a bill seeking an increase in the overall bond ceiling to $900 million and the moral obligation ceiling to $125 million. Senators Skinner, Finn and Sherman have already agreed to sponsor the bill and we are seeking to have Senators Ready and McCaffrey, the other two Senate members of the Joint Housing Committee, sign on as sponsors as well. We are considering having the bill introduced in the House as well as the Senate after input from a member of the House.

Clean Air Act

Senators Ready and Little are introducing a bill that is called the Vermont Clean Air Act that we recently were given a copy of. The bill would provide for energy rating services to be approved by the Secretary of the Agency of Natural Resources, but would not make energy ratings mandatory. We are still evaluating the bill, but may wish to suggest that ratings be mandatory or that ERH of Vermont be named in the bill as an approved rating service, given the large state investment in ERH.

Other bills of interest

S. 47-At Risk Housing

Congress recently extended the moratorium on prepayments for section 221(d)(3) and section 236 projects from February to August 1, 1990.

S. 89-Rental Assistance

Combined into S. 120, the Omnibus Housing Bill.

S. 108-Density Bonuses, Inclusionary Zoning

Passed Senate, in House. Strong opposition from Home Builders.

S. 120-Omnibus Housing

In Senate Finance. Dispute over funding source for Homestart, Rental Assistance, continuing increase for Housing and Conservation Trust Fund.

VERMONT HOUSING FINANCE AGENCY

DATE: December 6, 1989

TO: VHFA Board of Commissioners

FROM: Margaret A. Pond, Director of Development

RE: Loan Request for Section 8 Sale/Purchase: Montpelier/ Cummings Street

SUMMARY:

One of our Section 8 projects (Cummings Street) in Montpelier is up for sale and has a willing local nonprofit buyer, Capitol City Housing Foundation, a spin-off of the Montpelier Housing Authority. The current general partner, Joe Wishcamper, wishes to sell before the end of 1989. Staff had been under the belief that this was not possible given the length of time HUD requires to process the transaction; however, we have just been informed that it may be possible. Hence, this memo. Housing Vermont is prepared to be a new general partner (with Capitol City Housing Foundation) and will syndicate the $27,000 worth of tax credits to generate the $148,000 worth of equity.

VHFA is being asked to provide a second mortgage of approximately $156,000 and to allow the existing mortgage to be assumed by the proposed new owners.

As you may recall, Cummings Street is unique in at least two ways in VHFA's portfolio. First, it is our only HUD held FHA insured mortgage which gives us underwriting comfort in light of future possible rent restrictions or HUD failure to renew subsidies. Second, Cummings Street is one of a handful of VHFA Section 8 deals where the owner has the sole right of subsidy contract renewal. It was for this precise reason that Cummings Street ranked as the tenth most "at risk" project in VHFA's portfolio. Both of these conditions contribute to the desirability of securing the units through nonprofit ownership with the purpose of preserving the affordability of the housing.

PROJECT DETAILS:

Cummings Street has three buildings, a community laundry, and a small playground on 8.7 acres. There are 20 apartments: (5) 2 bedrooms, (10) 3 bedrooms, (5) 4 bedrooms. The design of the units is townhouse thereby making it attractive to conversion to condominiums. This development serves families and has been well managed by the Montpelier Housing Authority which will be the management entity under the new ownership.

FINANCE:

The current mortgage has $591,758 (as of 12/1/89) remaining at 7.5% for 29 years. The request is for the assumption of that note in addition to making a second mortgage of approximately $156,000 from VHFA at 8.5% coterminous with the existing debt. The purchase price of $850,000 ($42,500 per unit) yields about $2,000 cash flow in the first few years while also funding a subsidy reserve buildup to offset a loss of HAP contract payments, should that happen.

The appraisal, done by Frank Bredice in December 1988, values the property at $800,000 but does not take into account the Replacement Reserve account of $20,000 and the cash balance of $38,000 both of which will remain with the project. It also does not take into account the age of the appraisal.

Board Action Recommendation:

Approval of assumption of the first mortgage by proposed new owner. Approval of an additional second mortgage loan not to exceed $165,000 at 8.5% to be coterminous with the first mortgage. Allow waiver of one-half of the assumption fee (one-half of 1% of the remaining existing mortgage amount).

RESOLUTION AUTHORIZING
PHASE ONE OF PERMANENT MORTGAGE LOAN
TO WINCHESTER ASSOCIATES

WHEREAS, Phase One of the Development undertaken by the Winchester Associates Partnership pursuant to the Agency's Commitment Letter of June 29, 1989 is substantially completed; and,

WHEREAS, the construction of the Development has been accomplished on schedule; and

WHEREAS, the Merchants Bank, the sole limited partner in the Development, has proposed the possible transfer of its limited partnership interest to a charitable remainder trust, the current beneficiary of which will be the Merchants Bank and the future beneficiary of which will be St. Michael's College; and

WHEREAS, the Agency is prepared, upon satisfaction of the conditions of the Commitment Letter, to make the first phase of the Permanent Loan for the Development; it is hereby

RESOLVED:

First, The Executive Director, in his discretion, is authorized to modify the conditions of the Permanent Loan, subject to the advice of counsel, in order to accomplish the intent of the Commitment Letter.

Second, the Executive Director and the Director of Finance, or either of them, are authorized to take all necessary steps to accomplish the closing of Phase One of the Permanent Loan.

Third, the possible transfer of the limited partnership interest of the Merchants Bank to a charitable remainder trust for the current benefit of the Merchants Bank and the future benefit of St. Michael's College is approved.

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

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: November 30, 1989

TO: Board of Commissioners

FROM: Hollis Hope, Director of Communications

RE: YEAR-END UPDATE

Since the issue of affordable housing has become so highly visible, VHFA initiatives received substantial press coverage recently, both locally and nationally. Attached are some highlights from the many press clippings we've accumulated throughout the course of the year.

We met directly with a total of 421 potential home buyers at Home Buyer Days held in nine different locations around the state in 1989. Since we began offering the workshops, we have served more than 800 Vermonters. We continue to receive positive feedback from both the participants and the lenders who staff them with us. We are in the process of tabulating data and will report to you early in 1990 as to our ability to reach our targeted audience with Home Buyer Days and our future plans for outreach efforts.

Louis Giancola, Field Representative, has proven to be extremely effective with his work in the field. He has established an important link to real estate professionals in every county, provided a point of regular, personalized contact to our participating lenders at the local level, developed new contacts with builders of affordable homes, and reached out to social and community service agencies and nonprofits. He has achieved his primary goal of firmly establishing statewide a positive image of VHFA as a responsive provider of affordable housing. Further, he provides a valuable source of feedback for VHFA staff.

Perhaps the most easily overlooked Communications area is the hotline. Not only do the two hotline staff provide a critical source of information for potential VHFA home buyers, but we continue to expand our ability to act as a referral source for any housing related information to Vermont residents in response to the growing need. We continue to log approximately 10,000 calls per year and we accumulate an active mailing list of 5,000 which we update annually. What is significant to note, however, is that we have not advertised this year to the degree we did in the two previous years. This means that people call us by referral (word of mouth, REALTORs, lenders, etc.), which is in itself testimony to the effectiveness of our overall outreach efforts.

Please feel free to request additional information if you wish.

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

Land Trust receives $186,100 in grants, loans

By NATALIE PAWELSKI

The Brattleboro Area Community Land Trust has received $186,100 in grants and low-interest loans from the Vermont Housing and Conservation Trust Fund.

The money completes the financing package for the purchase and renovation of seven buildings in the Canal/Clark Street area, according to Connie Snow of the land trust.

Five of the buildings are being bought from Bank of Vermont, which took them over through foreclosure. They are part of a package deal worked out between the bank, the land trust and developer Larry Cooke to renovate and preserve as affordable housing 15 buildings in the Canal/Clark Street area.

The buildings are in a national historic district, and near other buildings the land trust has bought, renovated and set up to be affordable.

The land trust will renovate and sell three of the buildings — one duplex and two single-family houses — under a limited equity plan that keeps the homes affordable. The land trust, which will retains title to the land under the houses, finance served Vermont Housing Finance Agency mortgages at 7.9 percent for their purchasers, Snow said.

The land trust will renovate and rent out the other 12 units of housing in the package. Some of the apartments will be sold to tenant cooperatives over the next few years.

Bank of Vermont has agreed to lend $330,000 for construction at interest rates slightly below market rates. All of the buildings need renovations, Snow said.

The land trust also received a $175,900 block grant from the Agency of Development and Community Affairs.

The final split of buildings between the land trust and Cooke has yet to be worked out. Tentative plans call for the land trust to buy 29 Canal St; 47, 51-53, 53-57 and 33-35 Clark St.; 9 Estabrook St.; and 8 South Main St.

Housing costs in Brattleboro are among the highest in Vermont, second only to the Vermont Housing and Conservation Board.

Studies have shown that the gap between what Brattleboro residents earn and the high cost of housing here is among the worst in Vermont, Snow said.

10/1/85

VHFA again to offer low-interest home loans

The Vermont Housing Finance Agency has found its mortgages carrying 8.8 percent interest rates popular enough to offer another issue of them.

The organization's board decided Thursday to issue another bond to fund additional single-family mortgages under the program, said Hollis Hope, VHFA spokeswoman.

"There has been a lot of demand for those funds and so the board gave the go-ahead to put the deal together," Hope said.

Following Thursday's monthly meeting, VHFA held a special gathering to honor 120 members of the lending industry who have participated in VHFA programs.

"This is to recognize the achievements of the loan officers. They are our link to the consumer. They service our loans and do all the footwork getting Vermonters into their first homes," she said. "This is our way of saying thank you."

10/1/85

Builders will compete to build best affordable house

By NATALIE PAWELSKI

The battle to build the best affordable use in Brattleboro has begun.

Seventeen area builders met Thursday to arn the terms of a competition, sponsored Sherwood Associates, to see who can uild the highest-quality affordable house. uilders will compete for $10,000 in prize oney, provided by the Bank of Vermont.

The houses won't be cheap, but they will eet Vermont Housing Finance Association id Farmers Home Administration limits of 3,000 and $95,000, respectively. Those encies will provide low-interest, low down yment mortgages for many of the houses ilt during the competition.

Houses will be judged according to design, landscaping, quality of workmanship and materials, and energy efficiency. They will also be judged on the amount and design of living space provided, and the use of innovative materials.

Builders will also score points based on how easy their affordable home is for other builders to duplicate.

"We hope the homes you build will be built elsewhere in the state," said Daryl Johns of Sherwood Associates, who asked builders to make the plans for the houses they build available to the public.

The houses will be built at Sherwood Hollow, a 48-unit development planned for West Brattleboro. Sherwood Associates is selling the builders half-acre lots — cleared and close to town water and sewer — for about $32,000 each, leaving $60,000 to pay for building the houses.

Sherwood Associates could get more for the lots, but Johns, like all those involved with the competition, is trying to keep final expenses for the houses down. For example, the VHFA waived its reservation fee for mortgages for the people who will live in the houses. And the Bank of Vermont is providing construction loans at below-market rates for builders in the competition, said James Reid, the bank's regional vice-president for southern Vermont.

Johns also talked about pooling costs; for example, the builders might make a deal to buy most of their supplies from one or two firms in exchange for a group discount. Johns also offered, for free, his services as a real estate broker to help builders find buyers as soon as possible.

Even with the lowered costs, though, the builders are not expecting to make a great deal of money on these houses. They said they are doing it because there is a lack of affordable housing in Brattleboro — and because they enjoy the challenge of a competition.

"We are trying to build houses that are not just affordable, but that people want to buy it," said builder Ken Nokes.

"To build a house in this range, you have to be fairly creative and on top of things. There's no fat," said Rex Bell of Eas Mountain Builders.

Added Michael Wells of Wells and Co. Builders, "I've been involved in building affordable housing since 1975. I'm just a working person, too."

The builders will start construction in the spring; building will take ten to 12 weeks. The houses will be inspected at least twice during the competition, and judged by a panel that includes architects, a builder, an energy-efficiency expert, an appraiser and a mortgage lender.

The first-prize winner will get $7,500. The second-place winner will get $1,500. There will also be a prize of $1,000 for the most energy-efficient house.

Bratt. Reformer Oct.

Aid for Northgate gets OK in House

By David Bauman
Gannett News Service

WASHINGTON — Burlington's Northgate public housing tenants might be a step closer to home ownership after House approval Tuesday of a $67 billion appropriations bill for the federal Veterans Affairs and Housing and Urban Development departments.

Tucked away in the huge spending bill, which must be approved by the Senate, is $1.2 million earmarked for a Vermont consortium seeking to buy the 20-year-old apartment complex.

During the past two years, the Northgate Non-Profit group has raised, from public and private interests, nearly $19 million of the $21 million needed to buy the apartment complex that accounts for a quarter of Burlington's low-income rental housing.

The money earmarked for Northgate Non-profit in the huge spending measure adopted by the House "will make up the shortfall to allow the deal to come together," an aide to U.S. Sen. Patrick Leahy, D-Vt, said. "It's the last piece."

The compromise spending bill was agreed to by a House-Senate conference committee last week that included Leahy. Apparently, Leahy pushed the conference into accepting a $93 million provision to provide funds for 41 housing projects nationwide, including the Northgate consortium.

Although the House passed the measure 363-53 Tuesday, House rules permit members to offer amendments to conference language from the floor.

Because time ran out during Tuesday's session, an attempt is expected today to strip the $93 million provision from the bill.

Rep. Steve Bartlett, R-Texas, a housing subcommittee member, has complained "earmarked" projects erode funding for homeless programs.

"Rather than earmarking, we ought to let all projects compete equally," he said.

John Davis, assistant director of housing for Burlington's Community and Economic Development Office, made telephone calls to U.S. Rep. Peter Smith, R-Vt., and Leahy asking them to oppose any efforts to delete the money from the bill.

Losing the $1.2 million "would make it much more difficult than it's already been to make this come together," Davis said.

Brenda M. Torpy, executive director of Northgate Non-Profit Inc., said the group has financed its deal in a way that will allow it to buy the apartments by Dec. 1 regardless of the $1.2 million.

"It's going to hurt" if the group loses out on the $1.2 million, Torpy said. "And we're going to have to make it up through other financing. (But) it won't kill the deal. We knew it wasn't something we could count on and that we should wait and see if we get that money."

The Northgate apartments were built under government contracts that allow the owners to pay off their 40-year federally subsidized mortgages after 20 years, and convert the apartments to more profitable uses, such as condominiums.

Many of the residents in the apartment complex would be displaced by condo conversion, since about 85 percent of the tenants are low-income, by federal standards.

Under Northgate Non-Profit's development plan, Northgate apartments will convert to resident ownership. After sale of the property to a resident management corporation is completed, individual residents will be permitted to purchase their apartments.

Northgate Non-Profit's financial backers include the city of Burlington, the Bank of Vermont, the Vermont Housing Finance Agency, the Lake Champlain Housing Development Corp. and the Housing and Urban Development Department.

Free Press Staff Writer An E. Donlan contributed to th report.

A White House, A Picket Fence..... A $100,000 Mortgage

Second in a two-part series on Affordable Housing

by Rich Beck

The American Dream of owning a home is turning into a nightmare for low- and middle-income Vermonters, and the ones in the Northeast Kingdom are having a ruder awakening than most.

The average price of Essex County homes skyrocketed 32.8 percent from 1987 to 1988, the largest increase of any of Vermont's 14 counties, according to a Vermont Housing Finance Agency (VHFA) study based on State Tax Department data.

Orleans County home prices had the third biggest price jump during the one-year period (28 percent), while Caledonia County's 20.4 increase ranked seventh, the study found.

Statewide, the average price increased 16.6 percent, falling only $94 short of the $100,000 mark.

"The cost of purchasing the median priced home is out of the reach of median income households in 11 of the 14 counties even under favorable financing terms offered by the VHFA," another study, conducted by the State Department of Housing and Community Affairs, found.

"House prices have simply outpaced the growth of income," VHFA communications director Hollis Hope agreed.

"It's something that been happening all in the larger cities and towns throughout the state for quite a while, but now its starting to hit rural areas like Northeastern Vermont.

"Statewide, there's a high demand for affordable housing, and when you've got a high demand and a limited supply, you've got higher prices," Ms. Hope added.

Price of Prosperity

In a bitter irony, the affordability crunch might be the price of prosperity, state and private sector housing market watchers said.

"First-time homebuyers face a major challenge as they endeavor to turn their dreams of homeownership into reality," VHFA's 1988 annual report says.

"A robust economy in Vermont and the entire Northeast has resulted in an inflated housing, thus making affordable housing scarce and an acute problem in Vermont.

"As economic expansion continues, the problem of a restricted housing supply and rising prices continues to

continued on page 4

A White House, A Picket Fence..... A $100,000 Mortgage

continued from page 1

discourage many potential home buyers," the report added.

Rising home prices "are what comes with growth and development, and an overall economic upturn that seems to be happening," in the Northeast Kingdom, Scudder Parker, a former Caledonia County Senator now serving as director of Woodbury College's community planning program, said.

"Let's face it, economic prosperity drives up property prices," he added. "The same economic forces that have been at work in other parts of the state as prosperity increased are starting to be felt in Northeastern Vermont.

"When you see a rutty 10-acre lot going for $18,000, you know the 'land crunch' that comes with more development has arrived, and it has arrived here."

Patty Emery of the Hill & Valley Real Estate agency sees prosperity as a contributing factor, too.

"There's more money in the area than there used to be, and that certainly is part of the reason" for the price increases," she said.

In addition to an improving Vermont economy, the rising prices are probably also partially due to "the New Hampshire boom, which spills over into Vermont by making this an attractive place (for New Hampshire workers) to live," Mr. Parker said.

Migration Underway

The househunting migration doesn't just head West across the Connecticut River, however.

It also comes North on recently finished Interstate 91 and East on Route 2.

"People from the cities in southern New England are looking farther afield when they start thinking about getting out of the rat race," Steve Coble, the State Department of Housing and Community Affairs housing coordinator, said.

"People that want to live and work in a place like Vermont are heading North, and they're willing to look outside Burlington, Rutland and other major job centers. And they're used to the kind of prices we're starting to see now."

Both Mr. Parker and Ms. Hope also cited Interstate 91, which made Northeastern Vermont more readily accessible to travelers, as a likely contributing factor in the housing price rise.

"People want to move here," Ms. Emery said. "It's as simple as that."

Currently, Hill & Valley's clientele "seems to split about 50-50" between out-of staters and Vermonters, with the in-staters generally interested in "the lower priced houses and land," she added.

"Most of the people who come into our agency seem to have gotten over the shellshock" from the rapidly increasing costs, "but there are still people out there, particularly out-of-staters, who think you can buy land for $500 an acrea around here," she continued. "Heck, finding land for $1,000 an acre is darn near impossible."

A "prime building lot" in Lyndonville costs about $3,000 an acre, she said.

Looking for Bargains

Meanwhile, an in-state migration is underway, too.

"The average Chittenden County home is going for over $100,000," Mr. Coble said. "People are saying 'I can't afford that,' so they're going out to more rural areas looking for bargains."

And, even with the dramatic price increases, Northeast Kingdom homes do qualify as bargains—compared to other parts of the state, at least.

Although Essex County prices rose faster than any other part of the state, that county still had Vermont's lowest 1988 average property cost; $52,471, up from $39,508 in 1987.

Orleans County homes were the second least expensive ($60,486, up from $47,360) and Caledonia County ones were third ($66,284, up from $55,060).

Meanwhile, the average Northeast Kingdom annual wage is about $16,000, according to figures provided by Ken Clow, manager of the State Department of Employment and Training's St. Johnsbury office.

continued on page 5

"Creative" Remedies Needed to Ease Homebuyer Woes

continued from page 4

Federal guidelines define "affordable housing" as that which requires no more than 30 percent of a household's annual income.

If an "average" Northeast Kingdom husband and wife who both work went shopping for an "average" home, they'd find themselves wondering how they could afford a $59,743 home (not counting property taxes, insurance and other housing costs) on a combined $32,000 income, the studies indicate.

Searching for Solutions

So what's the solution?

Planning now, then taking "creative" measures later, the housing market watchers said.

"Unless Vermont communities are compelled to start planning for affordable housing, there will be many that won't provide it," Mr. Parker said, endorsing Vermont's controversial new Act 200 growth management law, which identifies adequate affordable housing among its 32 local and regional planning goals.

"The federal government has basically gotten out of the housing business," he continued, citing an end to housing subsidies and a scandal within the U.S. Department of Housing and Urban Development that has put many projects, including the rehabilitation of the New Avenue House in St. Johnsbury, on hold.

"Many of the national level programs were poorly designed and wasteful to begin with, and now affordable housing seems to be turning into a responsibility of State government," Mr. Parker added.

"If any meaningful progress is to be made, the State is going to have to encourage partnerships and get other (private sector) groups involved so it isn't just a government function," he said. "What we really need to do is inspire 'creative financing' not just the traditional mortgage and loan type of funding that banks provide."

In addition to the immediate affordability crunch, policies must also be enacted to address the issue on a long-term basis.

Excerpts from a Draft of the Act 200 affordable housing guidelines prepared by the Vermont Department of Housing and Community Affairs contains a "recommendation" that "each (Regional Planning Commission and its member communities) develop a Fair Share formula, or Fair Share housing agreements, which enable municipalities to contribute toward reducing the region's housing demand in a manner which is most appropriate for the community.

"This approach also allows communities to determine how quickly they can meet the current and projected housing needs over time," the document said.

The Department also recommended that "each municipality adopt a policy which insures that the community's affordable needs will be met by providing housing which is permanently affordable (at least 99 years) in addition to housing which is affordable for the minimum 40 year period.

"Regions may want to create incentives for communities by incorporating this factor into the Fair Share formula," the Draft continues. "For example, the community that creates permanently affordable units could count every permanently affordable unit as one and one half units toward meeting their fair share."

Like Mr. Parker, the Department also recommended forming "nonprofit housing coalitions."

Others have suggested placing limits on profits from home sales.

"The notion that (government) would control returns on selling your property is not a popular idea, to say the least," Mr. Parker added.

VHFA is also helping lead the effort to help prospective homeowners who don't qualify for "conventional" financing, but the rising prices are on the verge of exceeding the Agency's own guidelines.

Offering 30-year mortgages at a current 8.8 percent interest rate, compared to 9-10 percent for most Vermont banks, VHFA has a $85,000 price cap for "existing" homes and a $93,000 top price (about 16,000 less than the Vermont average home cost) for new ones.

VHFA has a $31,600 income ceiling for applicants with one to two people in a family, and a $36,300 top income for families with three or more members.

"It's extremely difficult to find lower price properties, but the really hard part of the puzzle is finding a property (applicant) can afford," Ms. Hope said.

"Overall, we've had pretty good success" in meeting the Northeast Kingdom demand, she added, noting 19 percent of the 311 loans the Agency has made since July have been for homes in the three counties.

"This has been one of our strongest years ever, but you have to be able to act quickly when that affordable home does become available," she continued. "That's why its so important to have that application completed as soon as you can.

"Coming up with the (VHFA-required) five percent down payment can often be one of the biggest stumbling blocks for the people that come in us," so the Agency is "looking into the possibility of" developing a program where the down payment would be "rolled over into the mortgage," she added.

Meanwhile, most area banks refer clients who can't afford the initial down payment to the Vermont Home Mortgage Guarantee board Susan Lafermere of the Citizens Savings Bank's loan department said.

VHFA is also working with builders and contractors, encouraging them to build lower price homes and making plans for an "Affordable Housing Demonstration Program" that will explain mobile and modular homes as a housing option.

State to Blame, Too?

Although the State sees it itself as part of the affordable housing solution, it can also be part of the problem, some people in the housing industry maintain.

"The State talks about the need for affordable housing, then they fight (potential providers) every step of the way," Mark Bean, owner of Bean's Mobil Homes, Inc., said.

"It took me two and a half years to get a permit for my (mobile home) park on Tute Hill" in Lyndonville "and I'm still fighting them," he said. "I swear, I'll never do it again. They've burned me out."

Ms. Emery had similar thoughts, maintaining increased development costs caused by Act 250 have helped lead to the price hikes.

In the meantime, Mr. Bean has seen a dramatic shift in the make-up of his mobile and modular home clientele.

"It used to be that 80 to 90 of my customers were young people looking for a 'starter' home," he said. "Now, 90 percent of the customers are retired people, or other people on fixed incomes, who can't keep up with costs of maintaining a big old home."

Affordable housing breaks ground

By NATALIE PAWELSKI

A ground-breaking ceremony Wednesday marked the start of work on an affordable-housing project in West Brattleboro.

Sherwood Hollow, a cooperative effort by Sherwood Hollow Associates, the Bank of Vermont and the Vermont Housing Finance Agency, will provide up to 25 relatively affordable single-family homes.

At least half of the 48 houses to be built at Sherwood Hollow will adhere to the Vermont Housing Finance Agency's price limit of $93,000.

That cost is still high, said Daryl Johns of Sherwood Associates, the project's developers. But considering the high cost of buying and preparing land, getting permits, and building, "This is the best that I could possibly do," he said.

What will make the homes affordable to low- and moderate-income people are financing packages offered by the Vermont Housing Finance Agency and the federal Farmers Home Administration.

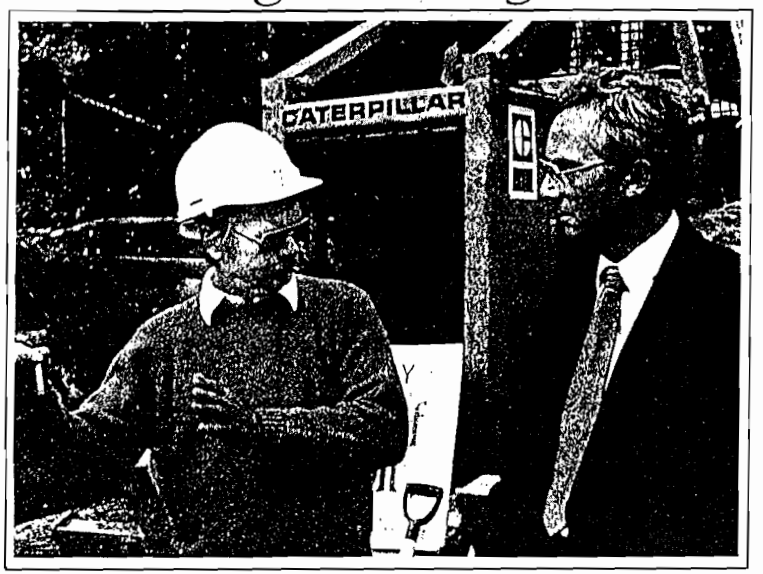
A sweat-equity program will lower the cost of some homes, and two building competitions in the development will encourage creative, affordable housing, Johns said.

The VHFA will offer 30-year loans at 8.9 percent interest, with a five percent downpayment. Buyers under this program cannot have houshold incomes greater than $37,000, but the average income of families participating in this program state-wide is $29,000, said Hollis Hope of the VHFA.

The Farmers Home Administration offers flexible low-interest loans that vary with family size and income.

"Under the Farmers Home program, family income can be in the low twenties. The term is for 33 years, and interest rates are as low as one percent," Johns said.

In an effort to bring down the cost of some of the houses, as many as nine will be "self-help" houses. VHFA will waive the downpayment in return for residents doing some of the work, such as painting and sheetrocking, said Allan Hunt, VHFA's executive director.



Jim Powers

DARYL JOHNS, left, of Sherwood Associates discusses ground-breaking ceremony with Allan Hunt, executive director of the Vermont Housing Finance Agency, at Wednesday at Sherwood Hollow.

"They'll get more house for the same amount of money," Johns said. "Our self-help houses will sell for around $85,000; families will be asked to put in about 330 hours of labor."

Another feature of the development is a builder's competition. The Bank of Vermont and the Bank of Boston are sponsoring a $10,000 competition for up to 10 area builders to construct houses that are affordable, livable and energy-efficient for under the VHFA limit of $93,000.

About $32,000 of the cost of each house will pay for the land and preparing the lot, Johns said. The competition is to encourage creative use of the remaining $60,000.

"We're saying look, guys, there's a great need for entry-level homes. here's a bank loan program that sets an upper limit of $93,000. Can we do it? Can we get creative about how we're building, what materials we're using, to begin to build in this price range?" Johns said.

"The builders will be judged on energy efficiency, design, layout, workmanship, the quality of their materials, the use of the land, etc.," Johns said. The Bank of Boston is loaning construction money at low rates for these builders, and VHFA has reserved low-interest loans for them.

Another five lots have been bought by VHFA for a nation-wide modular home competition at Sherwood Hollow and other sites throughout Vermont.

"Modular homes usually come in two sections and are put together on-site to make a finished house. Modular homes tend to be a little less expensive," Johns said.

The idea is to provide first homes for families entering the housing market, Johns said.

"The median income in Windham County is $27,000. At that income level, you can afford a $50-55,000 mortgage. The average house costs $110,000. Where's the other $60,000 coming from?" Johns said.

"Only about 30 percent of the families in Brattleboro can afford to buy their own homes," Johns said.

"If we don't create entry-level housing, we're going to run out of buyers for all levels of homes. No one can step up," Johns said.

The Associated Press

Gov. Madeleine Kunin unveils a mortgage plan, 'Sugar Mae,' at a press conference Monday. At rear is U.S. Sen. James Jeffords.

State, banks join forces

Plan will free $100 million for mortgages

By Ellen Neuborne
Free Press Staff Writer

MONTPELIER — A cooperative effort between Vermont banks and the Vermont Housing Finance Agency will free up $100 million in home mortgage money through a plan that organizers say will encourage more affordable housing in the state.

Under the program, the state housing agency will buy the $100 million worth of mortgages from participating banks and resell them to the Federal National Mortgage Association, also known as Fannie Mae, the nation's largest investor in home mortgages. This will give the Vermont banks more cash and greater lending power, Timothy Hayward, president of the Vermont Bankers Association, said Monday at news conference to discuss the program.

Banks will be required to invest half of the funds they gain through this program in affordable housing, said Allan Hunt, executive director of the Housing Finance Agency. The banks must report quarterly to the agency on use of the money, he said.

Thirteen Vermont banks have indicated they want to participate in the program, which organizers say will begin in early fall.

The resale of these Vermont mortgages was not possible before the program, called Green Mountain Mortgage or Sugar Mae, because the particular group of mortgages was classified as "non-conforming" and could not be sold on the secondary market.

Mortgages classified as non-conforming could be properties off a dirt road, or properties with a private well, or heated by a wood stove, Hunt said. About 40 percent of all home mortgages in Vermont fall into this non-conforming category because they are in rural areas, Hayward said.

The non-conforming status meant Fannie Mae would not buy these mortgages in the secondary market, and the result was Vermont banks had to keep the

Turn to PLAN, 13A

Plan frees $100 million for home mortgages

From page 12A

mortgages in their portfolio, restricting the amount of cash available to borrowers.

But the Housing Finance Agency and the Vermont Bankers Association have managed to convince Fannie Mae that in Vermont, non-conforming status does not necessarily reflect on the health of the loan. Although Fannie Mae will not buy the mortgages directly, the company will buy them through the Housing Finance Agency with the state agency acting as guarantor.

Larry Dale, Fannie Mae senior vice president for multifamily financing and housing initiatives, said if the Vermont program succeeds, it could act as a blueprint for his company and other rural states. Dale said this is the first time Fannie Mae has entered into such an agreement.

Vermont bankers attending the news conference hailed the program as one that will benefit Vermont borrowers.

Ed Young, senior mortgage lending officer for Northfield Savings Bank, said non-conforming loans make up more than 50 percent of his business and the new opportunity in the secondary market will allow him to do more lending and lend at a lower rate.

"It is difficult to get money to lend if you can't sell on the secondary market, and we have had to keep our rates a little higher," he said. "This type of program frees up the money so we can continue to lend."

Some housing industry representatives said freeing money will encourage more housing in Vermont.

"The easier it is to finance it, the more housing will be built," said Ray Ault, president of the Vermont Board of Realtors.

Gov. Madeliene Kunin, also speaking at the news conference, said this program marks another step in efforts to address the problem of affordable housing in Vermont.

"There is no single initiative that will solve the housing crisis in Vermont, but this program is very straightforward in its benefits to Vermonters," she said. "As many as 1,500 additional homes will be made available for Vermonters. This program will free up large amounts for needed mortgage loans and participating lenders must also invest 50 percent in affordable housing, so the $100 million directly benefits Vermonters."

DESIRE TO KEEP PROJECTS affordable forever prompted VHFA Executive Director Allan Hunt to come up with an innovative solution to the prepayment crisis. His agency will purchase four projects over the next 12 months, if HUD approves.

Outright Payment Prevents HFA Prepay Problem

By Tilia Hulst, Contributing Editor

Burlington, Vt.—An innovative solution to the prepayment problem of federally subsidized low-income housing projects has been proposed by the Vermont Housing Finance Agency (VHFA). The agency has entered into an option agreement to purchase four housing projects that received Section 236 and 221(d)(3) subsidies directly from the owners.

The impetus for the purchase was the threat of prepayment in August of the largest project, Northgate Apartments in Burlington. The rents for the 336 units in the project could legally have doubled when the subsidy provisions expired, according to Allan Hunt, executive director of Vermont HFA. "We decided that the best time to intervene was before that happened."

The other three projects involved are 120 units at Highgate Apartments at Barre, 130 units at Applegate Apartments in Bennington and 100 units at Westgate Apartments in Brattleboro.

Although the owners originally had no intention to sell the projects, the VHFA offer proved to be a good deal. The agency had the four buildings appraised in an effort to acknowledge the substantial appreciation of the property.

"They did not quite come up with the full value in their offer, but we agreed to give them the projects," said Bernard Gilhuly of Fairfield Associates. "We took the

(Continued on page 20)

Prepayment Threat Sparks Innovative Measure To Preserve Low-Income Units

(Continued from page 11)

offer just to move on and get out."

The initial purchase by the VHFA will be financed by the seller. Fairfield Associates takes back all but 15 percent of the debt. The 15 percent in cash will be provided by the VHFA in the form of a bridge loan.

After the purchase, which is subject to HUD approval, is completed and a brief holding period that may last up to one year, the agency will flip the projects to a partnership of community-based nonprofit organizations.

The driving force behind the financing of the purchase is the federal tax credit program, said Hunt, who added that he hopes that the program will be extended.

The state allocation of credits, the VHFA provided the seller with a tax-exempt note, which does not have to be counted against the state cap.

The $21 million financing package is projected to consist of a $6.8 million FHA mortgage, $4.5 million tax credit equity, $3.5 million of assumed HUD mortgages, a $3 million deferred interest loan from the Vermont Housing Trust Fund, $3 million in flexible subsidies from HUD and $175,000 in city grants.

Ownership of the Northgate project will ultimately rest with a partnership of a statewide non-profit housing group, Housing Vermont, and a local tenant and community organization, Northgate Non-Profit. Tax credit equity investors will be

The substantial increase in the amount of debt on the projects will cause rents to move up. The new owners of Northgate will reduce tenants' utility bills by converting from electric to gas heat and making repairs to the building envelope, thus making sure tenants will not spend more than 30 percent of their income on rent and utilities, according to Brenda Torpy, development coordinator for Northgate Non-Profit.

Tenants of the Northgate project are encouraged by the proposed sale. After more than a year of uncertainty and reluctant cooperation with the community housing groups, interest in co-owning the project is mushrooming. Turnover rates have decreased substantially, said Torpy. Non-Profit, which initially will have three tenants on the 11-member board. Plans are to increase tenant representation to a majority by the end of the development. This suits the housing finance agency well.

"The VHFA's intention is to work with each community to create non-profit motivated ownership and management to ensure that the units remain affordable over the long term," said Hunt. "With this outright sale, these projects will be kept affordable forever." □

Multi-Housing News '88

Agency OKs financing for housing complex

The Vermont Housing Finance Agency board of directors approved financing Thursday for a 166-unit housing complex in Colchester near Fort Ethan Allen that would include 70 units of affordable housing.

Allan Hunt, VHFA executive director, said the agency will finance up to $8 million of the $10 million project, a joint venture of Merchants Bank and St. Michael's College.

Of the 166 units, 70 are expected to be kept affordable for families making about $18,000 a year — 60 percent of the area's median income. 5/19/89 BFP

Dean sees housing crisis as end of American dream

By THERESA M. MAGGIO

More than half of the people in Vermont — including families with two incomes — cannot afford to buy the average-priced house in this state, said Lt. Gov. Howard Dean at a press conference at the Municipal Center Thursday.

"If we don't do something about it soon, it's the end of the American dream — owning one's own house." Because of that, he said, "Realtors see their own livelihood threatened. The public no longer has the means to buy what they're selling."

Sensing what Dean calls "the new crisis," real estate agents, developers and bankers teamed up with state and municipal government bodies to sponsor the Lieutenant Governor's Conference on Affordable Housing on June 8 and 9 at the Cortina Inn in Killington.

The conference is designed to help local governments form partnerships with private developers to build affordable housing without large state subsidies.

Taking part in almost 40 panel discussions will be representatives of the Vermont Housing Finance Agency, the Home Builders Association of Vermont, the Vermont Association of Realtors, the Vermont League of Cities and Towns, the state Department of Housing and Community Affairs and the Greater Burlington Industrial Corp.

Topics will range from determining a town's housing needs to farm preservation, and learning how town boards can make deals with developers that are beneficial to all parties.

Christine Hart, Brattleboro's director of planning services, will be part of a panel discussing special projects in Vermont towns that are now working to bring in more affordable housing.

On Friday, June 9, there will be a "breakfast with the experts" giving town officials a chance to talk one-on-one with individual experts in alternative financing, elderly housing, mobile-home parks, fair housing and tax policy.

Dean expects many projects to come out of the two-day conference. Hart said that "nothing has been missed" in the topics scheduled to be covered in the sessions. "The conference covers all the issues about affordable housing I could have come up with myself," she said.

Dean said the aim of the conference is to put towns together with private sector builders and developers. "That is the future of affordable housing at the local level," the lieutenant governor said. 5/26/89

Brattleboro Reformer

Deal Would Preserve Highgate 5/3

VHFA Signs Agreement To Purchase 700 Apartments Statewide (8)

By BETH HOLTZMAN
Times Argus Staff

BARRE — Barre's Highgate Apartments is one of four subsidized housing projects that could be preserved as affordable housing for lower income Vermonters under an agreement its owners have signed with the Vermont Housing Finance Agency.

VHFA announced today that it has signed an agreement with Fairfield Associates to purchase nearly 700 apartments in four federally-subsidized housing projects in Barre, Burlington, Bennington and Brattleboro for $20.4 million.

The agreement, the product of nearly a year of negotiations, was heralded today by housing advocates as a significant step in an 18-month effort to protect the four projects from conversion to market-rate housing.

"It's the first time we have a legal binding committment that gives us time to pursue what we need to pursue to get this deal done," said VHFA executive director Alan Hunt.

Hunt stressed, however, that several additional steps need to be taken before the sales can take place, the most critical of which is obtaining approval from the federal Department of Housing and Urban Development.

"They want to make sure, as we do, that the sale isn't going to result in the displacement of existing tenants and that we're going to have enough money to do any renovation work that needs to be done," he said.

In addition to Highgate, which has 120 apartments, the projects involved in the agreement include Applegate Apartments in Bennington, Westgate Apartments in Brattleboro and Northgate Apartments in Burlington. A significant amount of renovation work is anticipated to be necessary to make the apartments marketable and more comfortable for tenants.

VHFA, a quasi-public agency that provides financing for low- and moderate-income housing, plans to turn each of the housing projects over to non-profit partnerships that will include tenants and local officials.

All four housing projects were built in the late 1960s or early 1970s with aid from the federal Department of Housing and Community Affairs. In return, 40-year, low interest mortgages, HUD imposed restrictions on rents. However, the program allows owners to prepay the mortgages after 20 years and convert the housing projects into market-rate housing.

Northgate's mortgage will be the first to be up for prepayment, in 1990, and as a result, housing advocates have focused the most attention on that project. A local non-profit group has already been formed to purchase and renovate the 336-unit project.

The group, Northgate Non-profit, is comprised of tenants and local housing professionals, and will rely on a complicated financing package that includes loans from the Vermont Housing and Conservation Trust Fund, the VHFA and HUD.

A similar effort to organize tenants and form a local non-profit to purchase and renovate Highgate Apartments was recently launched by the Central Vermont Community Action Council in Barre.

Additionally, CVCAC has asked the Barre City Council to sponsor an application for $750,000 in community development grant funds from the state. The council has not taken formal action on the request but has indicated a willingness to do so.

"CVCAC's role in this is primarily to make sure that those units remain affordable and to make it a good environment in which people can live, raise kids and be part of the community," CVCAC executive director Veda Lyon said today.

Cheryl Hedger, who will be CVCAC's liason with Highgate tenants, said she is hopeful that efforts to purchase and renovate Highgate will be proceed smoothly because central Vermont housing advocates plan to model their efforts on those at Northgate.

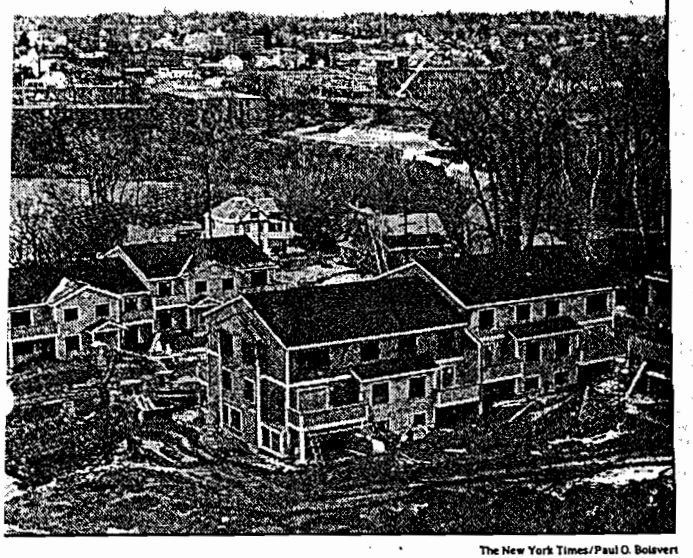
"At Northgate it was difficult because it was the first time," she said. "But we're not going to have to reinvent the wheel."

Northgate Non-profit president and Burlington Housing Authority executive director Michael McNamara suggested that the purchase of the four housing projects is unusual both because of the number of apartments involved and because of the broad variety of groups and agencies involved.

"The approach that's been taken to this could be unique in the country — getting all the various actors together to do a purchase of this scale from one owner. We think that as we go through it and we finish this deal it could be a model that could be used by other states and communities," he said.

Real Estate

NORTHEAST NOTEBOOK



The New York Times/Paul O. Boisvert

Salmon Run mixed-income housing project in Burlington, Vt.

Burlington, Vt.

A Non-Hostile Takeover

TWO nonprofit housing groups are developing an 80-unit, mixed-income apartment complex here that had been started by private builder.

They took over the project, at a cost of $535,000, to gain immediate control and to avoid paying a considerable appreciation on the subsidized project 15 years down the line when they probably would have taken it over.

The private developer, the Davis Company of Burlington, had received a $2.9 million Federal grant and a $2.6 million loan from the Vermont Housing Finance Agency to build the two- and three-bedroom apartments. Half will be rented to low-income families at below-market rates, starting at $340 a month. The rest will rent for $505 to $615 a month.

Originally, the Davis Company planned to keep its interest in the Salmon Run project — named for a popular nearby Winooski River fishing spot — for 15 years and then sell to the nonprofit agencies. But the groups decided last year that it would be better to buy the project out then "rather than pay much more" after it had appreciated in value, said Kenn D. Sassorossi, executive director of the Lake Champlain Housing Development Corporation. The purchase was made in November.

He said they also wanted early control so they might supervise construction and insure high standards.

The other nonprofit group involved is Housing Vermont, which helped finance the project by selling $1.1 million in Federal low-income housing tax credits to investors.

Even though Salmon Run is supposed to be affordable rental housing, its total price tag is almost $6.7 million, or more than $83,000 per unit, and "is not an inexpensive project," Mr. Sassorossi said. Construction costs alone have been estimated at $4.5 million. In addition to paying Davis $535,00, the two nonprofit groups paid $420,000 for the nine-acre site. Because it is at the base of a steep embankment, $1 million is being spent on site work, including retaining walls.

When the Davis Company began the project early in 1987 it looked all over Burlington for land, but "this is really the only site we came up with," said Larry Williams, a partner in the company. "There just aren't that many good sites in the urban areas to develop on."

Because of the costs involved, the project needed a Federal grant, he said.

The $535,000, it was determined, would compensate the original developer not only for money, but also for time and work invested. The first occupants are expected in August. ■

STEVE LaROSE

A Cooling Of Vt.'s Real Estate Market

Agents Say Higher Mortgage Rates Having Effect On Sales

By JOHN FAIRBANKS
Correspondent

With interest rates rising and home prices outstripping incomes, real-estate agents say home-buying in Vermont will cool off somewhat this summer and first-time homebuyers will have an even rougher time into the American dream.

The two major concerns are the shortage of moderately priced housing and the cost of mortgage money.

"My general sense of the market is that it has slowed considerably," said Michael Vereline, a broker with the Vermont Realty Exchange, a large real estate firm in central Vermont. "In 1987, it wasn't unusual for a house to be on and off the market in 24 hours. That is not happening now.

"Interest rates have gone up three times in the last three months, and every point interest rates go up more people get knocked out of the market," he said.

The market for housing is being squeezed at both the top and bottom, Vereline said. The upper end is pinched because only so many people can afford those $300,000 homes, he said. And the lower end is ailing because there are fewer and fewer cheap homes available.

"Vermont is still an undervalued market," he said. "But prices have taken a tremendous amount of people out of the market. Under $85,000, there are very few houses that banks are going to lend on," because bank's would consider them risky investments, he said.

Gar Anderson, executive vice president of the Vermont Realtor's Association, painted a slightly rosier picture, but he acknowledged that this year's market will probably be supported by second home sales and purchases by wealthier out-of-staters moving into Vermont.

"Housing in general is looking very good," Anderson said. "But people are having a rough time getting into that first home. It's very true there's a severe shortage of housing stock under $85,000, but there are some new government programs that may stimulate that."

Anderson said that a bill being considered by the Vermont Senate would create a "Home Start Program," which would provide money at 5 percent for borrowers who can make a 5 percent down payment. The interest rate would gradually increase over 10 years to the level charged by the Vermont Housing Finance Agency (VHFA), which sells tax-free bonds to create a pool cheap mortgage money.

Anderson also said that trade-up housing and second homes are the backbone of the current market.

"There are a lot of people moving up in the market (and) an awful lot of second homes being sold right now," Anderson said.

Anderson said that, with the exception of southern Vermont, where the market is softer, real estate agents across the state expect this spring and summer to be brisk but not as strong as in recent years. Out-of-staters, he said, are mainly buying rural property to build their dream homes, while the urban markets involve local residents who want to live where they work.

"There's very little on the market for $85,000 or under.... When houses come on the market in that range, they're gone. If that's your market, and you see a house you like, grab it."

— William Brooks, Rutland

"The Northeast Kingdom has been very active lately," he said. "Our people tell us that, without a doubt, it's the best market they've ever seen." Anderson said that purchases in the northern part of the state tend to be in the form of raw land, rather than existing houses.

William Brooks, a partner in Coldwell Banker/Accent Realty in Rutland, which specializes in residential sales, said he is "very optimistic" about the upcoming sales season. However, he agreed that moderate-income people will have difficulty becoming homeowners.

"There's very little on the market for $85,000 or under," Brooks said. "When houses come on the market in that range, they're gone. If that's your market, and you see a house you like, grab it."

See Page 5: Vermont

Real Estate

(Continued from Page One)

Brooks said the busiest market in the Rutland area is in the $100,000 to $150,000 range. That market is largely made up of two-income families who are moving out of their first home and into something nicer.

Brooks said that the tighter market puts a dent in real estate agents' business, but that the brisk trade in more expensive housing should sustain the industry this summer.

While agents can adapt to the availability of the housing stock, the price of money — interest rates — remains a major concern.

Vermont banks now charge roughly 11 percent for a 30-year, fixed-rate loan. However, market forces can raise that dramatically.

John Korpela, vice president of secondary marketing of the Vermont Mortgage Group, said that interest rates are not only determined by the Federal Reserve Bank's prime rate, but also by investors.

"Most banks sell loans to government agencies or to investors," Korpela said. "Investors are looking for higher returns, and that can push up rates.

Korpela said said that if rates climb lower-income families are forced out of the market and other buyers are are forced to buy cheaper

unemployment rate, despite the general growth of businesses, despite all the generally upbeat economic news, Vermonters will continue to have trouble buying a home.

"Vermont has a serious housing crisis," the report said. "Housing costs are rising faster than incomes, and Vermonters are being squeezed downward in the housing market."

In 1987 the median, before-tax income for Vermont households was $26,759, the report said. At the same time, the average price of a home in the state was $98,900. Given the banks' requirement that families should pay no more than 28 percent of their income for housing, there was a gap of over $30,000 between what Vermonters could afford and what the housing market was asking.

Worse, that conclusion was founded on a market situation where the average interest rate on a 30-year mortgage was only 9.2 percent.

Given those figures, a Vermont family with a $25,000 to $30,000 annual income is going to find it hard to move into a home.

With a $25,000 income, that family can afford $583 in monthly payments. If it is going to stay within the 28 percent limit. If that family is lucky and can find a home with a $50,000 mor-

(the practice of giving credit for work a family will put into a home) as much anymore. If you have somebody who has scraped together their 10 percent down payment on a home that needs $10,000 in maintenance, banks don't like that."

□□□

In recent years, buyers, real estate agents and builders have depended upon the Vermont Housing Finance Agency to inject cheaper mortgage money into the market to allow more potential buyers to get into homes. The agency sells 30-year, tax-free bonds at 8 percent to create a pool of money that it uses to furnish 30-year mortgages at 8.9 percent, well below the rates banks can charge.

However, VHFA has limits on the purchase price of homes its clients buy. This year, VHFA draws the line at $85,000 for an existing home and $93,000 for a newly constructed home. Both these prices are below the average cost of a Vermont home.

Hollis Hope, communications director for VHFA, said an extremely high demand exists for mortgage money, and that $9.7 million already has been loaned. Mortgages totalling $19 million are awaiting ap-

Buyers change expectations; condo, cluster sales climb

FREDERICK BEVER
BANNER STAFF WRITER

BENNINGTON — While many potential home buyers have yet to wake up from the American dream of a house with an acre of land, the sales of Nathaniel Court condominiums on South Street and units at the Chester Knoll cluster development off Elm Street indicate a move towards more realistic options.

Less than a year ago Chester Knoll's planned 23 homes and six condominiums seemed doomed to remain vacant indefinitely. An ambitious but untried "sweat equity" program had failed. That program would have allowed buyers to purchase unfinished units at a comparatively low price and then contract for or perform the finish work themselves.

Now, however, roughly 50 percent of the units have sold, and Jeanne Valentine, sales director for Solico — the Williamstown, Mass., development company that is nearing completion of construction at the cluster style development — says she is in the midst of closing contracts on four more units.

"The sweat equity did not sell at all," said Valentine. "Nobody wants to work any more." More seriously, Valentine noted that financing for both mortgages and contracting work was difficult to find for those who had been attracted by the idea.

Valentine attributes the newfound success of the project to the abandonment of the sweat equity program — Solico is now performing complete construction as well as providing appliances — and to an advertisement placed in The New York Times.

She noted that the advertisement relied on touting the beneficial features of life in Bennington. Almost all of the buyers of the $90,000 to $100,000-plus, three bedroom units so far have been out-of-towners attracted by the Vermont lifestyle.

"While everybody else was slow we were selling in Bennington," Valentine said. "Most of them are from out of town. Some are people who came to Bennington thinking in terms of retiring. One girl gave up her job in New York. Another couple from the Midwest fell in love with the place and got their friends to join them."

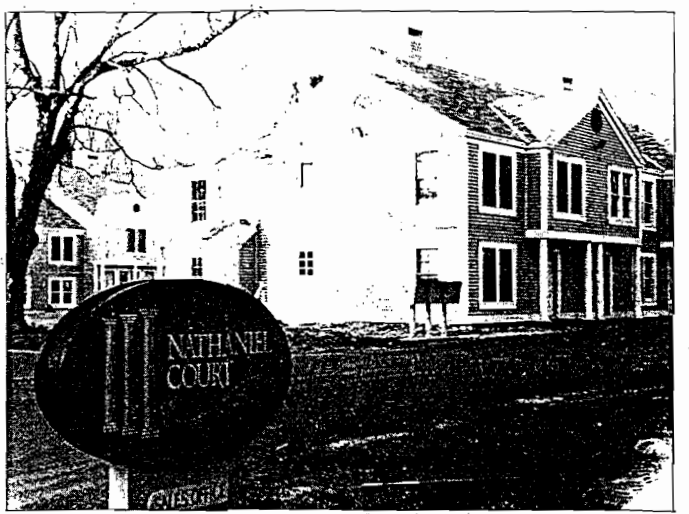
At Nathaniel Court, however, there is a mixture of local residents and second-home buyers who have purchased the two-bedroom, townhouse and garden style condominium units.

"Our project is a little bit different from others in so far as we are directed toward creating affordable housing," said Norman Fratis, sales director for Wooden Indian Inc., which plans to complete construction of the 42-unit project within three weeks.

Priced at between $69,900 and $79,900, the units have nearly sold out in just over a year. "Sales have really picked up just in the last two or three months," Fratis said.

He explained that Wooden Indian, which is based in Manchester, was able to keep the price of the units down because the company provides all its own services — from initial engineering and design work to final construction.

"It helps to have a full-service company like ours," Fratis said. "We designed these units to be very efficient and fairly inexpensive without cutting quality."



Frederick Bever

The Nathaniel Court Condominiums on South Street — which were developed with the affordable housing market in mind — are 80 percent sold.

But Fratis also noted that no matter how inexpensive or well-built a project is, the major hurdle in selling new homes is finding financing for the buyers. "You've got to be concerned with your end loan financing," Fratis said.

With that end in mind, Wooden Indian built the units so that their buyers could qualify for low-cost loans from the Vermont Housing Finance Agency, a quasi-public entity that assists low- and moderate-income Vermonters in the purchase or lease of homes.

Because of the price of a unit at Nathaniel Court, and because the condominiums were built to meet VHFA specifications for energy efficiency, many buyers have qualified for long-term VHFA loans that cover up to 95 percent of the mortgage.

"It's a great market for us," Fratis said, adding that his company is looking around the state for a site where a similar project — targeted towards the affordable housing market — can be built.

Valentine, meanwhile, is confident that the rest of the Chester Knoll units will be sold. "The market is slowing right now — and I probably won't be pushing (the Chester Knoll units) until the fall — so I'm not going to make any predictions," Valentine said. "But I'm very optimistic."

(7) 5/5/89 B.G.

Vt. pledges $3 million for Northgate

By Mary Ann Lickteig
Free Press Staff Writer

Northgate Non-Profit on Friday took a giant step toward keeping Burlington's largest subsidized housing project affordable when a state agency pledged $3.01 million to the effort.

The Vermont Housing and Conservation Board promised the money to help the non-profit group buy Northgate Apartments if several conditions are met. Part of the money — $2 million — would match a $2 million loan from the Department of Housing and Urban Development. Northgate must get the HUD loan to get this money. The balance, up to $1.01 million, would be awarded as a rehabilitation grant.

Conditions include perpetual affordability, no displacement of residents, a repayment plan yet to be worked out and assurance that Northgate's owner, Fairfield Associates, will stand by its commitment to sell the apartments to Northgate Non-Profit for $11 million.

"It's great news," said Brenda Torpy, development coordinator of Northgate Non-Profit. She called the money "a very critical piece of funding. And it closed a huge gap for us."

The president of the Northgate tenants associaton also welcomed the news. "We

Turn to VERMONT, back page

Vermont agency pledges $3 million for Northgate

From page 1A

knew all the money we were going to be getting was going to have some kinds of strings attached. We're not worried about the strings," Anne-Marie Dennis said.

Torpy said it will cost $21.5 million to buy and refurbish the 336 units and to continue to subsidize rents.

So far, funding includes:

- A $30,000 loan from Housing Vermont, a state agency that pools tax credits for non-profit housing. More money will be loaned if Northgate shows progress by April 15, Torpy said. Housing Vermont also is working to find between $4 million and $5 million in other funds tied to tax credit, Torpy said.
- 15-year rental assistance grants from HUD, which have a maximum value of $20 million.
- Possible low-interest financing from the Vermont Housing Finance Agency.

The Vermont Housing and Conservation Board was set up by the state Legislature in 1987 to create affordable housing and to protect farm land, historic property and natural areas.

Eight board members discussed the Northgate project for several hours Friday before coming to their decision, Chairman Rob Woolmington said. "It's obviously an important project," he said. "It's the major component of the affordable housing stock in the city.

Northgate should find out whether it will get the $2 million HUD loan grant within two months, Torpy said. "That's the last piece. We're so close."

Northgate Apartments were built 20 years ago with a mortgage that required its owner to keep rents low for at least 20 years. After 20 years, the owner is allowed to pay off the mortgage and is free of all restrictions.

> 'We knew all the money we were going to be getting was going to have some kinds of strings attached. We're not worried about the strings.'
>
> **Anne-Marie Dennis**
> *president of the Northgate tenants associaton*

That means the units could be converted to condominiums and sold at market value. Northgate's rents range from $252 to $311 a month — about half the market rate in Burlington. Fairfield Associates had asked HUD to allow rent increases of up to 24 percent. Last month, HUD cut that request and approved a six-month increase of 7.6 percent for one section of the complex and 8 percent for another, starting April 1.

Northgate Non-Profit's attempt to buy the apartments and freeze the rent hang on a variety of factors, some of which are out of the group's hands.

For example, Fairfield Associates won't sell Northgate for $11 million unless the state buys its three other affordable housing complexes, Torpy said.

"Of course today, I feel like an optimist on all fronts."

RUTLAND HERALD
RUTLAND, VT
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JAN 18 1989

NEW ENGLAND NEWSCLIP AGENCY, INC.

Dibs Called in on Affordable Housing Promises

VHFA

By MEG DENNISON

MONTPELIER (AP) — A legislative panel on Tuesday challenged lawmakers to make good on campaign promises to work for legislation that encourages affordable housing.

In a report that builds on a similar study panel in 1987, the Joint Housing Committee said the scope of the problem of affordable housing remained the same, although the Legislature has made some strides in addressing it with initiatives of the last session like the Housing and Land Conservation Trust Fund.

The panel, which met five times during the summer and fall, reiterated in its report the conclusion of a summer study in 1987: "Vermont has a serious housing crisis."

"Virtually every member of this General Assembly campaigned on affordable housing," said Sen. Mary Just Skinner, chairwoman of committee. "This is the year for people to follow through with that commitment or get off the boat."

> 'Virtually every member of this General Assembly campaigned on affordable housing. This is the year for people to follow through with that commitment or get off the boat.'
>
> — Sen. Mary Just Skinner

Other housing-related legislation passed during the last session included a law requiring mobile home park owners to give tenants 90 days' notice of a pending sale. Rep. Don Hooper, D-Brookfield, and vice chairman of the panel, said giving tenants six months' notice would be a more realistic time frame to allow tenants to gather financing.

Last year, one third of the roughly $60 million revenue surplus was added to the Housing and Land Conservation Trust Fund, which in the last year has aided the development or preservation of 300 affordable housing units, the report said. It also gave more than $200,000 to develop and staff non-profit housing organizations.

"We find this to be a very wise use of the taxpayers' money and note that if the fund continues its excellent work it will shortly need more funding," the report said.

But this year, Skinner, a Washington County Democrat, acknowleged that money was tighter. Gov. Madeleine M. Kunin has urged lawmakers to keep a lid on spending.

"I think we'll, quite frankly, have some trouble with the big-ticket items" of the recommendations, Skinner said, adding, that a proposed income tax cut might be scaled back to create funds for housing.

Manufactured housing and mobile homes have become the first house many people are able to afford, Skinner and Hooper said.

"It is, in fact, the affordable housing of the future," Skinner said. She said state figures showed that a two-income family earning minimum wage could not afford the average $400 monthly rent for a two-bedroom apartment in Burlington.

The panel is recommending the Legislature give the Vermont Housing Finance Agency authority to offer low-interest loans to mobile home owners who want to purchase their parks.

"It's not very exciting but it opens up another avenue of financing," Skinner said.

The panel's report also stressed the need to continue efforts to preserve affordable housing, especially federally-subsidized units that are scheduled for conversion to the private market.

Rep. Carmel Babcock, D-Burlington, also a member of the committee, said tenants are negotiating to buy Burlington's Northgate Apartments, scheduled for conversion in the summer.

She said there were five similar federally funded projects around the state. "We certainly cannot afford to lose them," Babcock said.

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NEW ENGLAND NEWSCLIP AGENCY, INC.

10 WS

Housing finance agency offers fixed-rate loans

The Vermont Housing Finance Agency is releasing $54 million in mortgage loan funds at a fixed interest rate of 8.9 percent for eligible low- and moderate-income Vermonters.

The new funds for VHFA's MOVE (Mortgages for Vermonters) Program have a term of 30 years and minimum down payment requirement of 5 percent. Applications for MOVE mortgages can be made at any of 29 participating lending institutions statewide.

"The 8.9 percent rate and attractive loan terms of MOVE, together with increases in purchase price ceilings and household income limits, should make VHFA mortgages affordable to a greater number of modest-income or first-time home buyers," said VHFA Executive Director Allan Hunt in a prepared statement.

"Purchase price limits are now $85,000 for existing homes and $93,000 for newly constructed homes. Annual borrower income limits vary by county, ranging from $31,500 for homes purchased in Orleans, Grand Isle, Essex and Addision counties to $38,000 in Chittenden County."

In addition, qualified buyers who are unable to accumulate sufficient cash for down payment and closing costs may apply for VHFA Down Payment Assistance in conjunction with with one of the new mortgages.

For more information, call the VHFA at 864-5743 or 1-800-222-VHFA.

JAN 04 1989

NEW ENGLAND NEWSCLIP AGENCY, INC.

Housing Advocates Propose Affordable Housing

VHFA

MONTPELIER - The Vermont Affordable Housing Coalition will promote legislation to address the needs of very low income Vermonters living in substandard, over-crowded, or unaffordable rental units in the legislature this session.

The four top coalition priorities include a state funded rental assistance program, a homelessness prevention program, state-wide rental housing code enforcement and additional staff assistance for the development of affordable housing projects.

Among the four, the highest priority is a state funded rental assistance program administered by the Vermont State Housing Authority to allow low income families (including handicapped, disabled and elderly individuals) to pay no more than 30 percent of adjusted monthly income for rent plus utilities, which is the federal and state definition of "affordable" rental housing. The program will complement existing state and federal programs which help the development of perpetually affordable housing and may entitle Vermont to additional federal rental assistance. As currently drafted, the program would have two parts: one to assist developers, such as non-profit corporations and public housing authorities, to build new multi-family projects and the other to provide assistance (certificates or vouchers) to eligible families for use at a suitable apartment of their choice. Recently, both Massachusetts and Rhode Island have enacted similar legislation.

In addition to these priorities, the Coalition also supports a number of legislative initiatives which are expected to be introduced this session:

- additional funds to the Housing and Conservation Trust Fund to enable it to continue to operate at its current level after July 1, 1990;
- enabling legislation authorizing the Vermont Housing Finance Agency to extend loans for the acquisition or development of mobile home parks;
- increased funding for the weatherization program, including the use of oil overcharge funds for weatherization and enhanced weatherization;
- amendments to Vermont's fair housing law so that it is substantially equivalent to the federal fair house law; which was amended in 1988;
- increasing the payment standard for ANFC families so that they will have more money to pay for housing;
- the reintroduction of H.677 regarding community capacity to provide affordable housing;
- enabling legislation for municipalities to develop measures which reduce the cost of housing such as density bonuses and inclusionary zoning;
- legislation which preserves the affordability of "at risk" multi-family housing and mobile home parks.

VERMONT BUSINESS

BRATTLEBORO, VT
MONTHLY 16,000

(10)

JANUARY 1989

NEW ENGLAND NEWSCLIP AGENCY, INC.

-145 ER

VHFA awarded grant for senior housing

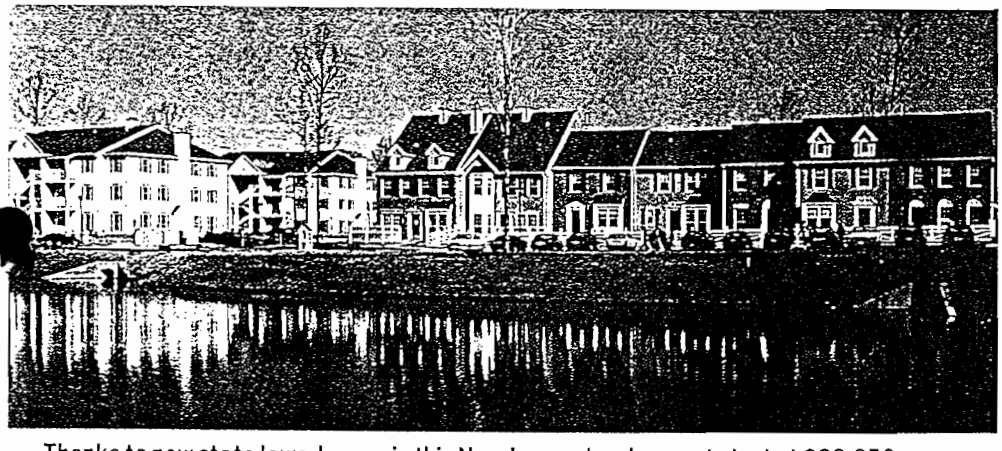
The Vermont Housing Finance Agency is one of ten state housing finance agencies nationwide to receive a grant from the Robert Wood Johnson Foundation to develop a program to address issues relating to aging in place for elderly residents of VHFA-financed, federally-subsidized private housing.

The award amounts to $64,786 and is the first part of a three-year grant from the Foundation's Supportive Services Program in Senior Housing. The goal of the Supportive Services Program is to establish models of service delivery that will enable elderly tenants to remain in independent living situations.

HOUSING POLICY NEEDS A REHAB

Washington spends poorly on the poor, and local governments block construction the middle class can afford. Here's a blueprint that can lead to homes for all. ■ *by Louis S. Richman*

WHEN WERE YOU LAST at a dinner party where someone didn't raise at least one of these perennially favorite topics: (1) how that $47,500 subdivision split-level, bought in 1973, is now worth a cool quarter million; (2) how married children, all with good jobs, cannot scrape together a down payment for even the draftiest bungalow in the town where they grew up or work; (3) how if the government doesn't quickly resume building subsidized housing, the ranks of the homeless will swell beyond imagining?



Thanks to new state laws, homes in this New Jersey development start at $39,950 . . .

Decent housing for all and widespread homeownership are major pieces of the American dream. But for many it looks like a dream perpetually deferred. The percentage of families who own their dwellings, which rose steadily for 40 years to a peak of 65.6% in 1980, slipped to 63.8% last year. That seemingly small decline means two million fewer homeowners. More than six million low-income households—nearly 50% of all people below the poverty line—spend over half of their incomes for rent. William C. Apgar Jr., director of the Joint Center for Housing Studies at Harvard, expresses a widely held view when he says, "America is being transformed into a nation of housing haves and have-nots." Most who worry about the trends assume that huge increases in federal spending are the answer.

A dispassionate look leads to other conclusions. First, there is a problem, not a crisis. Second, pouring more money into new subsidized housing won't help. What's required are federal and local policy changes that will allow the housing marketplace to work, along with carefully focused spending on the poor. The challenge presents Jack Kemp, the new Secretary of Housing and Urban Development, with a custom-built opportunity to test his free-market principles.

HOW MANY have-nots have we? Nobody can say for sure. Among aspiring first-time home buyers, young families in the 25 to 29 age group have been the hardest hit. The proportion who own homes has tumbled from 44% a decade ago to just over 36% today (see chart, page 86). Part of the reason—but only part—is that housing is now more expensive. The median-priced American home fetches $91,000—and in parts of the Northeast and California, the median is getting close to $200,000.

Costly residential real estate is to some degree a hangover of the late 1970s when the tornado of double-digit inflation lifted house prices clear into Oz. But the same winds also puffed up homeownership. Because mortgage rates were lagging behind inflation and house prices were rising 14.5% a year on average, smart young families saw a home as an unbeatable investment. Today, except in the tightest housing markets, prices are rising only about with inflation, and recent softening in some areas has raised fears of an actual decline in prices. Meantime, mortgage costs are higher, and lower income-tax rates have made interest deductions less important. Changing lifestyles have also reduced demand. Many people are postponing marriage—or abandoning the institution. Focus on the married couples who comprise the bulk of first-time buyers and you discover that ownership rates remain about where they were a decade ago.

Still, from anecdotal evidence alone, plenty of young people who want to buy simply can't. Some do not earn enough to carry mortgages, and their numbers have doubtless increased with recent interest rate hikes. A bigger obstacle, in the view of most experts, is that this generation of low savers cannot make the down payments.

The poor have a much worse problem in finding shelter, and their needs have outstripped federal assistance programs. Housing benefits, unlike Medicaid and food stamps, are distributed on a first-come, first-served basis to the limit of HUD's annual appropriation. This year its $12.4 billion housing assistance budget will reach just 28% of all who qualify. Some 7.7 million families fall through the cracks today, vs. six million in 1974. It's not [illegible] of trying. Since the mid-Sixties the U.S. has spent about a quarter of a trillion dollars to

REPORTER ASSOCIATE *Charles V. Riley II*

. . . enticing hopefuls like Mike Pfeiffer, who recorded his visit to this three-bedroom townhouse costing $128,950.

build or subsidize the construction of over four million low-income housing units.

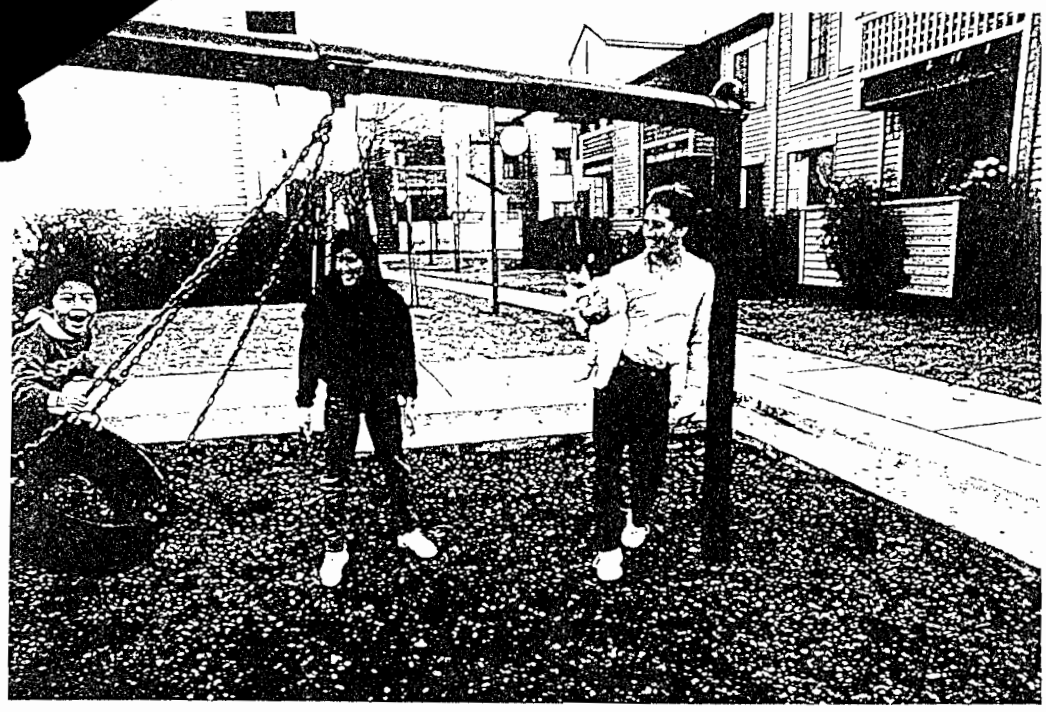
Government has not just failed to solve the housing problem: It has worsened it. Peter D. Salins, a professor of urban studies at New York's Hunter College, explains how. For all the money lavished upon it, government-built housing still accounts for a small proportion of the poor's shelter. Worse, it is outrageously expensive, inhospitable, and badly located. The money would go much further and yield more desirable housing, Salins argues, if it made the poor more like other consumers, able to pursue their desires in the marketplace. Zoning restrictions wreak further damage. Even as they clamor for more federal money to make housing affordable, local governments zone out the poor—and the not-so-poor.

Breaking the impasse has to start with meeting the needs of new home buyers. A healthy housing market relies on a concept that economists call "filtering." As new homes are built, more prosperous renters move up the housing ladder toward ownership. Their former apartments are freed up for less affluent tenants. Through a chain of such moves younger and poorer households are able to find acceptable apartments. But because so many young families aren't able to buy, the filtering process has broken down. Phillip L. Clay, an urban studies professor at MIT, estimates that middle-class renters now occupy some 20% of what was once lower-income housing in many tight urban markets.

Diddling with mortgage financing mechanisms to boost first-time buyers over the down payment hurdle offers only marginal help. The Federal Housing Administration's lending standards are already liberal, and loosening them further would merely risk more defaults. Allowing first-time home buyers to tap their tax-free IRA accounts might give some an extra push, but few young families have much in those accounts. A recent initiative in Michigan could turn into an open-ended drain on state funds. Governor James J. Blanchard wants to sell aspiring first-time buyers tax-exempt state bonds that would eventually cover their down payments. But if house prices rise faster than Michigan expects, the plan requires the state to make good the difference between the home buyers' savings and the amount they need.

Some buyers are making the nut by so-called equity sharing. In exchange for cash up front, a lender stakes a claim on the home's future appreciation—typically

PHOTOGRAPHS BY MEAN DOROW



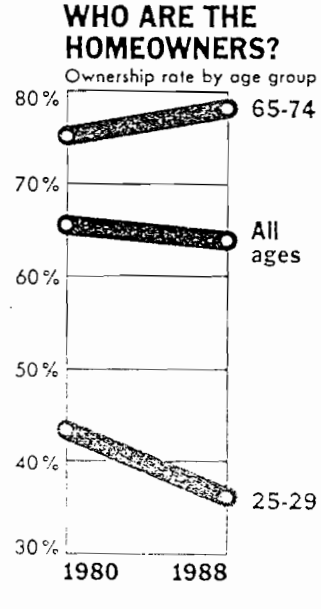
The Beatties of San Francisco: A nonprofit group built their $634-a-month apartment.

50%. But such deals make sense only in markets where appreciation is all but guaranteed. Elsewhere lenders find the proposition too risky. Kenneth T. Rosen, chairman of the Center for Real Estate at Berkeley, California, would spread the risk by having the FHA or the Federal Home Loan Bank Board, which oversees the nation's savings and loan institutions, establish a national shared-equity fund. Should home prices tumble in one part of the country, the fund would be cushioned by the gains it reaps in regions where markets remain tight.

Rosen's idea deserves a serious look. Meanwhile, many young home buyers continue to get down-payment help from those friendly bankers of last resort, mom and pop. The National Association of Realtors calculates that about a third of first-time buyers depend on family assistance to supplement their savings. Mom and pop are often in great shape to oblige. Ownership rates among the old continue to climb, and home equity loans make it easy to borrow against that built-up wealth.

The best solution to America's housing affordability problem would be to lower the cost of building homes. Filtering works best when the cost of developing new housing declines. So who is clogging the filter?

Don't blame developers. "The first-time buyer is a builder's bread-and-butter business," says John Phillips, a homebuilder in Olympia, Washington. "There is a steady flow of new customers as households are formed, and new families are likelier to buy when the economy is weak."



Declines among the young are pulling down the national rate. Oldsters are doing better.

Homebuilders have made impressive cost-saving gains. Since 1980 the inflation-adjusted cost of construction has fallen 6%. Further improvements are within reach as the industry shifts from on-site "stick built" homes to factory-made modular units. Paul F. Kando, a highly regarded advocate for factory-built housing who directs the Center for the House in Washington, calculates that today's manufacturing methods can reduce the average cost of building a spacious 1,565-square-foot [illegible] 27% to $61,143. Such savings would [illegible] the annual income a buyer in Pennsylvania, for example, needs to qualify for a mortgage by $6,750.

If developers can build affordable housing and want to, what's stopping them? The chief villain is a web of local zoning and land-use regulations, which codify communities' determination not to have it. Originally intended to impose sensible order on growth, many ordinances now serve as barriers to all but the costliest new housing. Some are outright capricious. In Phoenix, for example, city fathers insist that most new homes be built with Spanish tile roofs instead of cheaper asphalt shingling. This harmonizing touch adds up to $6,000 to the price new home buyers must pay.

Strict limits on density do the most damage. As communities braced themselves against an onslaught of growth, they stuck fast to—or tightened—zoning regulations that determine how many houses can be built on how much land. Because raw land costs are the fastest-growing component of new home construction, the only way to reduce the cost of building suburban housing is to increase the number of homes that can be built on a site. But pity the developer who tries to wheedle a density bonus out of a local planning board. Haggling with officials can easily consume two or three years, while the developer keeps his money tied up in the gestating project.

THE AGONY DOESN'T end until the project's neighbors have been heard from, and they would rather live next to empty lots. "Angry neighbors have become the fourth branch of government," says Douglas R. Porter, director of development policy research at the Washington-based Urban Land Institute, a planning group. Hovnanian Enterprises, a New Jersey–based builder of over 2,300 starter homes each year throughout the Northeast (including those in the picture on page 84), estimates that zoning battles and lawsuits tie up construction starts an average of four years. Hovnanian employs 16 full-time lawyers to guide projects through the regulatory maze and to battle irate neighbors.

Easing standards can yield dramatic savings. Portland, Oregon, for example, speeded up its approval process, reduced its infrastructure requirements, and also

WHERE OWNING IS EASY—AND WHERE IT ISN'T

MOST AFFORDABLE	HOME PRICE 1988 average	HOUSEHOLD INCOME 1988 average	MONTHLY PAYMENT AS A PERCENT OF INCOME
St. Louis	$96,500	$46,900	18.2%
Cleveland area	94,900	43,800	20.4
Miami–Ft. Lauderdale	103,400	44,400	20.7
Tampa Bay area	94,500	37,200	21.6
Kansas City	108,200	43,400	22.2
LEAST AFFORDABLE			
New York City area	$193,000	$55,400	35.5%
San Diego	169,100	45,200	33.4
Los Angeles area	186,000	50,700	33.2
Boston area	195,700	55,500	31.9
San Francisco Bay	198,500	56,400	31.3

SOURCE: THE LIST OF 53 MOST IMPORTANT RESIDENTIAL MARKETS COMPILED BY LOMAS MORTGAGE USA

builder Mike Robinson to boost the density of his North Meadow Village development from four homes per acre to nearly ten. The variances helped Robinson chop an average $15,647 out of the price of each of 58 single-family homes and sell them for $50,000 to $55,000. HUD and the National Association of Homebuilders undertook an experimental program in 29 other cities during the mid-1980s, using the most advanced construction techniques and cutting regulatory barriers. It produced savings averaging 15%.

But a new obstacle to affordability known as the impact fee has reared its head. Since local property owners still want schools and sewers but are unwilling to tax themselves, local governments make developers pay. An outgrowth of the late-1970s property taxpayers' revolt, impact fees often choke off the building of starter homes. Communities in 31 states now levy them, and in many they have become monstrous, bankrolling items on local wish lists such as parks and swimming pools. In Los Angeles County, the charges have ballooned from $3,000 to $22,000 per new home over the past decade.

Why don't developers resist? Far easier for them to get quicker approval for fewer, more expensive homes, whose buyers can more readily be stuck with the costs. Says developer Phillips: "You have the same fixed overhead whether you build a $50,000 home or a $300,000 one, but it makes up a far smaller proportion of the selling price of the expensive home." Throughout the U.S., says George Sternlieb, an economist at Rutgers, impact fees, zoning restrictions, and regulatory delays add 20% to 25% to the selling price.

Breaking the regulatory logjam will require states to curb local boards. So far only a few have tried, though several more are discussing proposals. New Jersey has come up with the most promising approach. A series of state supreme court decisions known as the Mount Laurel cases, which culminated in 1986, established that access to housing is a constitutional right for the state's residents and banned exclusionary zoning. The townships can still plan their growth, but the plans must make room for housing that residents earning below $18,000, 80% of the state's median income, can afford.

A statewide body called the Council on Affordable Housing, made up of public officials, residents, and a developer, certifies new local standards and arbitrates disputes. Since the system was introduced, most of New Jersey's fastest-growing communities have gotten certification. Douglas V. Opalski, the council's executive director, thinks the procedures have helped cut approval times to under a year and will spur most of the 145,000 units of affordable housing the state needs by 1993.

Though such measures will do a lot to unclog the filter, they will not by themselves get the poor housed. What to do? Let's start with what not to do. Building more subsidized housing is the standard solution, but using scarce federal funds for that purpose helps too few needy families. The Office of Management and Budget estimates that each new unit costs $70,000. To build the 250,000 units HUD financed yearly in the late-1970s would cost $17.5 billion—nearly half again HUD's present outlays—and barely dent demand.

The harshest indictment of federal construction spending is that much of it perpetuates the inner-city cycle of decay and welfare dependency. "The projects were intended to shore up declining neighborhoods," says Robert L. Woodson, who heads a conservative poverty research group in Washington called the National Center for Neighborhood Enterprise. "Instead they have turned into social dumping grounds and have isolated residents in pockets of poverty far from the jobs that would help them escape."

If the Feds aren't to build new low-income housing, who will? A congressional commission last year estimated that 17 million families will need help by 2003, vs. about 13 million today. But, the group estimates, the number of subsidized and private-market apartments will fall from

Kathryn Eastep, 74, pays $240 a month for this single room in San Diego.

ALAN D. LEVENSON

about 12 million to just under nine million.

The commission has overstated the problem. Its projected 2% annual growth in the number of impoverished families is extrapolated from a base year of 1982, the trough of a recession. It also made no allowance for any increase in the supply of affordable, unsubsidized private rental housing—which provides three-quarters of the poor's shelter.

ANOTHER WORRY is that some of the poor's existing housing could be wrested from them in coming years. About half of all subsidized housing since the 1960s was built by private developers enticed by FHA-guaranteed, low-interest mortgages and rent subsidies. In exchange, the developers agreed that their projects would serve low-income occupants for 20 years. Those obligations are now beginning to expire. According to the commission, 523,000 subsidized apartments could fall out of the stock over the next 14 years as owners of some buildings convert to market-rate housing and others default. Here again, the estimates are too high. Conversion is risky—the market may head south before the rehab is done—and the foreclosed units won't just disappear, since HUD will auction them off to new buyers. HUD projects the loss will not exceed 150,000 units.

Though vast, the remaining shortfall is beginning to yield to the efforts of hardy, private, nonprofit developers, supported largely by local businesses. Any federal program should aim to augment their efforts.

One such organization, Bridge Housing Corp., has put up 16 affordable-housing developments in the no-growth environment of greater San Francisco. Launched in a sublet office with a three-person staff in 1983, Bridge would rank as one of the nation's 100 largest homebuilders if it were a profit-making enterprise. Unlike older nonprofit housing development organizations born in an era of federal largess, Bridge structured itself as if it were a for-profit developer. Says President J. Donald Terner, formerly California's state housing director: "We knew we couldn't count on getting any federal money. We would have to wear suits and ties to the office, not Birkenstocks."

The Elekwachi family from Nigeria bought this $108,000 American dream built by a nonprofit group near San Francisco.

Bridge differs from for-profit developers in just two respects, not including Terner's nostalgia for sturdy sandals. First, it reserves 40% of its units for families with annual incomes no higher than $25,000—80% of the area median. The remainder go to families with incomes of $25,000 to $40,000, at market rates. Secondly, Bridge uses any profits from the market-rate units to reduce the cost or expand the number of units for lower-income residents.

To win over planning boards and neighbors, Bridge invests heavily in attractive architectural designs that blend with the surrounding community. In return it asks for relief from impact fees, along with zoning density bonuses that allow it to build up to 25% more units on a site. Having a for-profit partner helps: Bridge has worked with 11 Bay Area developers. "It stiffens the spines of local officials who have to stand up to angry neighbors," Terner says. "Bridge waves the flag of public purpose, and our partner offers a reassuring combination of financial depth and development experience."

Started with $5 million in grants from a local business group, Bridge has built or has under way more than 3,500 units with a construction value of near $250 million. Its success has spawned a half-dozen imitators around the country. And Terner expects that it will eventually inspire private developers to undertake affordable housing projects of their own.

In most cities, providing low-cost shelter relies on the scattershot efforts of energetic but largely inexperienced Birkenstock brigades. They are now getting help from a pair of nonprofit organizations with nationwide scope: the Enterprise Foundation, a Columbia, Maryland, group founded by developer James Rouse in 1981, and the Local Initiatives Support Corp. (LISC) of New York, begun with Ford Foundation money in 1980.

Both groups provide financial sophistication and management expertise along with funds. In Cleveland, for example, Enterprise has helped local groups put together an equity pool of $4 million from 25 local companies to rehabilitate homes. It leverages the private investment with public money, negotiates low-interest construction loans from local banks, and distributes the proceeds over eight projects.

With future occupants contributing sweat equity, each rehabbed unit can be sold for a modest $20,000 to families with annual incomes of $12,000 to $18,000. Enterprise has helped Cleveland's nonprofit groups lift production from 120 units a year to 300. They aim to remodel 1,000 homes a year by the early 1990s. (For more on what is happening in Cleveland, see Cities.)

ENTERPRISE uses its $20 million of assets to work with 86 local groups in 27 cities. LISC is raising over $50 million a year to finance development and rehabilitation in 25 cities. The groups' equity flows from a juicy federal tax credit that Congress passed in 1986. Investors can deduct from their federal tax bills up to 9% of the total cost of a low-income housing project each year for ten years after the project is occupied.

Corporations, however, have been slow to warm up to the program; they have claimed only $50 million in tax credits so far, though Congress authorized up to $3 billi

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 15, 1990

TO: VHFA Board of Commissioners

FROM: Allan S. Hunt, Executive Director

RE: CONFIRMATION OF UPCOMING BOARD MEETING

This is to notify you that the next Vermont Housing Finance Agency Board of Commissioners meeting has been confirmed. The meeting will be held via telephone conference call at 3:30 p.m. December 21. The main topic for discussion will be the sale of tax exempt bonds for the purchase of the Northgate/Greenfield project and the issuance of related debt thereof, and any other business which may come before the Board.

Please feel free to contact me should you have any questions prior to the meeting. I look forward to speaking with all of you December 21!

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

NORTHGATE DEVELOPMENT BUDGET 21-Dec-89

USES OF FUNDS	
Acquisition & Rehab	
Acquisition	9,996,000
Derway Land	725,000
Rehab	5,820,000
Contingency (10%)	400,000
Subtotal	16,941,000
Devel. Costs & Fees	
Arch/Eng	379,549
Legal Fees	122,610
Survey	8,000
Appraisal	1,700
Permit	33,120
Consult. Costs	130,000
Org. Costs	344,287
Title/Recording	14,000
Rehab Facilitation	115,000
Devel. Fee (Contrib.)	400,000
Subtotal	1,548,266
Finance & Carrying Chges	
TPA Fees	5,160
Financing Fees	142,318
Pre-Dev. Interest	5,297
Bridge Loan Interest	120,000
Working Capital	309,000
Subtotal	581,775
Transaction Costs	
HUD Mtgee Premium	25,000
VHFA Costs	150,000
FNMA Costs	160,000
Fees to H.V. and NNP	250,000
Subtotal	585,000
Deficit Escrow	502,146
Mortgage Prepayment	425,000
Contingency	177,758

VERMONT HOUSING FINANCE AGENCY

MEMORANDUM

DATE: December 19, 1989

TO: VHFA Board of Commissioners

FROM: Glenn A. Jarrett, General Counsel

RE: Volume Cap Allocation

Following the discussion at the December 7 Board meeting, I contacted VSAC regarding the division of the 1989 Private Activity Bond Volume Cap. We agreed that VHFA would keep the volume cap heretofore allocated to it by the State for 1989, and recommend to the Emergency Board that VSAC obtain a large amount of volume cap in 1990.

Therefore, we recommend that VHFA retain all the 1989 volume cap it now has ($ 62,163,000) and allocate it for the purpose of issuing qualified mortgage bonds or mortgage credit certificates.

RECOMMENDED ACTION:

1. Retraction of the Board's decision of December 7, 1989 to return the unused 1989 volume cap to the State for reallocation.

2. Adoption of the attached resolution electing to carry forward the all of the Agency's 1989 Private Activity Volume Cap allocation for the purpose of issuing qualified mortgage bonds and mortgage credit certificates and directing the Executive Director to take all necessary steps to accomplish the carryforward.

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

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

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

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

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

NOW, THEREFORE, it is hereby RESOLVED:

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

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

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

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

VERMONT HOUSING FINANCE AGENCY

M E M O R A N D U M

DATE: December 20, 1989

TO: VHFA Board of Commissioners

FROM: Franklin L. Kochman and Allan S. Hunt

RE: NORTHGATE BOND SALE

For your review prior to the Conference Call scheduled for 3:30 p.m. Thursday, December 21, enclosed please find the following:

NORTHGATE HOUSING RESOLUTION (Palmer & Dodge Draft 12/19/89)
SITE ACQUISITION AGREEMENT
REGULATORY AGREEMENT
COLLATERAL ASSIGNMENT TO VHFA
WRAPAROUND MORTGAGE DEED (NORTHGATE)
MORTGAGE SUBORDINATION AGREEMENT (NORTHGATE APARTMENTS)
MORTGAGE DEED (NORTHGATE/GREENFIELD)
SUBORDINATE MORTGAGE (NORTHGATE/GREENFIELD)
PREMIUM REPLACEMENT NOTE
WRAPAROUND PROMISSORY NOTE (NORTHGATE SERIES)
WRAPAROUND PROMISSORY NOTE (GREENFIELD SERIES)
AMENDMENT TO OPTION AGREEMENT
AMENDMENT TO NORTHGATE PURCHASE AND FINANCE AGREEMENT

You will be asked to vote on the following:

NORTHGATE HOUSING RESOLUTION
AMENDMENT TO OPTION AGREEMENT
AMENDMENT TO NORTHGATE PURCHASE AND FINANCE AGREEMENT

All other documents (except Site Acquisition Agreement) are back-up documents reflecting changes to documents previously provided to you.

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

VERMONT HOUSING FINANCE AGENCY

December 27, 1989

NORTHGATE HOUSING LIMITED PARTNERSHIP
c/o Michael M. Richardson,
President
Housing Vermont, Inc.
One Burlington Square
Burlington, VT 05401

Re: Commitment Letter and Intent to Finance

Dear Mr. Richardson:

I am pleased to advise you and Northgate Non-Profit, Inc. as the representatives of NORTHGATE HOUSING LIMITED PARTNERSHIP hereafter the "Borrower" or "Developer"), a Vermont limited partnership including, as general partners, H.V. NORTHGATE, INC., a wholly owned subsidiary of Housing Vermont, and NORTHGATE HOUSING, INC., a corporation controlled by Northgate Non-profit, Inc., that Vermont Housing Finance Agency (hereinafter the "Agency") has approved your application for permanent financing for Northgate Apartments and Greenfield Apartments (herein the "Property" or the "Development"), as more particularly described in that certain "Northgate Purchase and Finance Agreement" (the "NPFA") by and among the Agency, Housing Vermont, and Northgate Non-profit, Inc., and dated September 15, 1989, as amended by Amendment to Northgate Purchase and Finance Agreement of even date.

The commitment of the Agency evidenced hereby (the "Commitment") is issued pursuant to and subject to all of the terms and conditions of the NPFA. Capitalized terms used herein and not otherwise defined shall have the same meaning as they have in the NPFA.

1. The Commitment consists of this letter and the following attachments which are to be incorporated herein and made a part of the Commitment.

ATTACHMENT A: Development Description and List of Commitment Documents.

The following forms of documents are also incorporated herein, and execution and delivery thereof substantially in the forms attached is a condition of the Commitment:

ATTACHMENT B: A promissory note (the "Premium Replacement Note") evidencing the Borrower's obligation to pay the principal portion of the Premium Notes.

ATTACHMENT C: A promissory note (the "Permanent Note") evidencing funds lent from proceeds of the Bonds (as hereinafter defined).

[illegible] Square, P.O. Box 408, Burlington, Vermont 05402
802 [illegible]

ATTACHMENT D: A regulatory agreement (the "Regulatory Agreement"), extensively regulating the Rehabilitation and use of the Development as residential rental property for persons and families of low and moderate income.

ATTACHMENT E: A mortgage deed (the "Mortgage") constituting a lien on all of the property comprising the Development, securing repayment of the Mortgage Loan (as hereinafter defined) and compliance with all covenants, promises, and conditions of this Commitment Letter, the Premium Replacement Note, the Permanent Note, and the Regulatory Agreement.

ATTACHMENT F: A collateral assignment for security (the "Collateral Assignment") of certain contracts and rights.

ATTACHMENT G: A mortgage deed (the "Subordinate Mortgage") securing repayment of the Premium Replacement Note.

2. Subject to satisfaction of all conditions imposed by this letter and the NPFA, the Agency will (a) make a loan (the "Mortgage Loan") consisting of the principal amount of the Permanent Note to the Borrower pursuant to the terms hereof and secured by the Permanent Note, the Regulatory Agreement, the Collateral Assignment and the Mortgage, and (b) make an additional loan to the Borrower (the "Premium Replacement Loan") in the applicable amount of the Premium Replacement Note as determined pursuant to the NPFA, secured by the Premium Replacement Mortgage.

3. The Permanent Note shall be in a principal amount equal to not more than the sum of (a) one-half of the Down Payment and (b) an amount equal to the Financing Fee, and (c) an amount equal to the Transaction Costs, and not less than $746,000, as Borrower may request in the Readiness Certificate. The Permanent Note shall be payable in regular monthly installments of principal and interest, based on level amortization of principal over its term, with the interest rate to be determined by the Agency, provided, however, that the "yield" on the Permanent Note, calculated in accordance with Treasury Regulation §1.103(c), shall not exceed the yield on the Bonds (as hereinafter defined) by an amount which would cause the Bonds or the notes secured by the Seller's Mortgage to become "arbitrage bonds" within the meaning of §148 of the Internal Revenue Code of 1986. No partner of the Borrower shall be personally liable for repayment of the Permanent Note. The term of the Permanent Note shall be as determined by the Agency, but not less than 30 years, commencing on the date of the closing of the Mortgage Loan (the "Purchase Date"). Prepayment of the Permanent Note shall be prohibited without the written consent of the Agency prior to the date which is 15 years after the date on which 50% of the residential units in the Development are first occupied. The Permanent Note shall have such other terms and conditions as are set forth in ATTACHMENT C.

4. The Commitment shall be further conditioned by the requirements that (a) at the Mortgage Loan closing, the Development property not be encumbered by any attachment, execution, lien, or mortgage whether or not subordinate to the Mortgage Loan, or any encumbrance affecting marketability, except Permitted Encumbrances, the Seller's Mortgage, a new HUD mortgage in the approximate principal amount of $3,000,000.00 or less, and such Permitted Subordinate Financing as may be specified in Attachment A hereto; (b) documentary proof satisfactory to the Executive Director that HUD has approved all transactions contemplated by the NPFA; and (c) proof satisfactory to the Executive Director that, as of the date of the Mortgage Loan closing, the Borrower has available to it sufficient funds to complete the Rehabilitation in accordance with the Rehabilitation Schedule.

5. At the closing of the Mortgage Loan, and in consideration of the origination thereof and the Agency's retention of primary liability on the Wraparound Notes secured by the Seller's Mortgage, the Borrower shall pay the Financing Fee to the Agency.

6. The Agency acknowledges receipt, in form satisfactory to it, of the documents (the "Commitment Documents") specified in the List of Commitment Documents attached hereto as part of Attachment A.

7. On the Purchase Date:

   A. The Borrower shall execute and deliver to the Agency, or shall cause the execution and delivery to the Agency of, the following documents (the "Closing Documents"), each effective as of the Purchase Date:

      1. Each Commitment Document which may have been accepted as to form by the Agency but was not previously signed, or which requires updating in order to be effective as of the Purchase Date.

      2. Mortgage.

         a. "Schedule A" (metes and bounds legal description of property.)

      3. Permanent Note.

      4. Collateral Assignment.

      5. UCC-1 financing statement(s).

      6. Regulatory Agreement.

      7. Premium Replacement Note and Subordinate Mortgage.

8. Such other documents, assurances, governmental approvals, and opinions of counsel as the Agency may reasonably require, including, without limitation:

   a. Such certificates and professional opinions as bond counsel for the Agency, the underwriters or buyers of the Bonds may reasonably require of the Borrower as a prerequisite to purchase of the Bonds.

   b. Copies of any note, mortgage, and/or other security instrument which the Borrower may be required to execute as a condition of any third-party financing applicable to the Development and/or the Rehabilitation, all in form reasonably satisfactory to the Agency.

   In addition to all other prerequisites set forth in this Commitment, delivery of all of the Closing Documents in form acceptable to the Agency, and execution and delivery of the same in the manner required by the Agency, is a prerequisite to the Agency's obligation to make the Mortgage Loan.

B. The Borrower shall deliver to the Agency, in cash or by check or wire transfer reasonably acceptable to the Agency, the sum of the Down Payment, the Financing Fee, and the Transaction Costs.

C. The Borrower shall comply or cause the Nonprofits to comply, with all other terms and conditions of the NPFA.

8. On the Purchase Date, and subject to compliance by the Borrower with all of the terms and conditions of this Commitment and the NPFA:

   A. The Agency shall execute and deliver the VHFA Deed to the Borrower.

   B. The Agency shall disburse the proceeds of the Mortgage Loan to or for the benefit of the Borrower.

9. By accepting this Commitment, Borrower covenants and agrees as follows:

   i. As used in this Commitment, the term "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereunder or until such regulations are promulgated, any applicable regulations under the Internal Revenue Code of 1954, as amended. It is the intent of the Agency and the Borrower that the provisions of this Paragraph 9 shall be complied with by

the Borrower in order to meet the requirements of the Code such that interest on bonds of the Agency issued to finance any portion of the Development ("Bonds") shall be and shall remain excludable from the gross income of the owners thereof for Federal income tax purposes (other than interest on a Bond while it is owned by a person who is a substantial user of the Development or a related person within the meaning of §147(a) of the Code). Terms used in this Paragraph 9 and not otherwise defined in this Commitment Letter are used as defined in the applicable provisions of the Code.

ii. Pursuant to and in accordance with Section 142(a)(7) and (d) of the Code, and otherwise in accordance with applicable provisions of the Code, the Borrower will expend all of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds for the acquisition, construction, or reconstruction of property of a character subject to the allowance for depreciation provided in Section 167 of the Code or land, all of which property will constitute a "qualified residential rental project." The amount so expended will be charged by the Borrower to a capital account for Federal income tax purposes or would be chargeable to such account either (a) with a proper election, or (b) but for a proper election to deduct a portion of such amount and will consist solely of (x) costs paid or incurred subsequent to April 21, 1988, and (y) costs paid or incurred before such date which relate solely to planning, design and preliminary expenses incurred prior to the commencement of physical acquisition and construction or reconstruction of such property. No proceeds of the Mortgage Loan representing proceeds of Bonds will be used for any "private business use" or otherwise used for any purpose that would cause the Bonds not to be treated as "exempt facility bonds" within the meaning of Section 142(a)(7) of the Code. In accordance with this covenant, Borrower will at its expense provide a cost certification prepared by a certified public accountant registered to do business in the State of Vermont, if such certification is required by the Agency.

iii. At all times during the "qualified project period" (as defined in Section 142(d)(2) of the Code), the Development will be operated as a "qualified residential rental project." At all times during the qualified project period, at least forty percent (40%) of the residential units in the Development will be occupied by individuals whose income is sixty percent (60%) or less of median gross income as determined in accordance with the applicable provisions of the Code.

iv. The Borrower shall determine at least annually whether a resident of the Development meets the income requirement

described in clause (iii) on the basis of the current income of the resident pursuant to and in accordance with Section 142(d)(3) of the Code. If the income of a resident of a unit in the Development did not exceed the income limit described above upon commencement of such resident's occupancy of such unit (or as of any prior determination under the preceding sentence), the income of such resident shall be treated as continuing not to exceed such income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under the preceding sentence exceeds one hundred and forty percent (140%) of the income limit, if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Development is occupied by a new resident whose income exceeds the applicable income limit.

v. The Borrower shall submit to the Secretary of the Treasury an annual certification (at such time and in such manner as the Secretary shall prescribe pursuant to Section 142(d)(7) of the Code) that the Development continues to meet the requirements of clauses (iii) and (iv).

vi. Less than twenty-five percent (25%) of the aggregate of the principal amount of the Seller's Mortgage and the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of such proceeds will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

vii. As of that date which is two years after the later of (i) the date on which the Borrower acquires the buildings which comprise the Property, or (ii) the date on which the Bonds are issued, the Borrower shall have incurred, with respect to each building comprising the Property, "rehabilitation expenditures" (within the meaning of §147(d)(3) of the Code) in an amount equal to not less than 15% of the cost of acquiring such building (and equipment) financed with the net proceeds of the Bonds.

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

ix. Borrower will take all lawful action necessary under the Code to ensure that interest on Bonds will remain excludable from the gross income of the owners thereof for Federal income tax

purposes and will refrain from taking any action which would cause interest on the Bonds to become includable in the gross income of the owners thereof for Federal income tax purposes.

x. In the event that, during the qualified project period, any legal or beneficial interest in the Development is conveyed by the Borrower or any substitute for, successor to, or assignee of, the Borrower, the instrument of conveyance shall provide (unless otherwise agreed to by the Agency in writing) that the estate created in the transferee by the conveyance is conditioned upon compliance by the transferee, its heirs, successors, or assigns, with all of the covenants contained in this paragraph 9. (The instrument which creates the right of a limited partner in the Borrower pursuant to the Uniform Limited Partnership Act as adopted in Vermont shall not be considered an "instrument of conveyance" for the purposes of this clause (x).

xi. The consideration for the covenants contained in this paragraph 9 is the Agency's commitment to provide financing to the Borrower in accordance with the terms of this Commitment Letter, and all such covenants shall be secured by the mortgage securing the Mortgage Loan, may be enforced by or for the benefit of the Agency as provided therein, and shall survive any sale or other transfer of the Development (whether or not the Agency has consented thereto), payment in full of the Construction Loan and/or the Mortgage Loan, discharge of the Mortgage Loan, or any other circumstance whatsoever, for so long as required under the Code to carry out the intention of the Parties as set forth in subparagraph (i) above.

xii. The covenants contained in this paragraph 9 shall bind the Borrower, any substitute for, successor to, or assignee of, the Borrower, and those persons who have accepted this Commitment Letter on behalf of the Borrower, jointly and severally, in their corporate as well as their representative capacities.

10. Borrower acknowledges that as soon as practicable after acceptance of this Letter of Commitment and Intent to Finance by the Borrower, the Agency expects to issue Bonds with the intent that the proceeds of the Bonds shall be used to acquire the Development and to make the Mortgage Loan.

In the event that, with or without the fault of the Borrower, the Agency is unable to issue the Bonds in a manner timely under the NPFA, THIS COMMITMENT SHALL BE NULL AND VOID AND THE AGENCY SHALL HAVE NO FURTHER OBLIGATION TO THE BORROWER.

11. This Commitment will expire three business days after its date of issuance unless, on or before such third business day, Borrower executes the acceptance page and returns the acceptance and a copy of this letter to the Agency. Notwithstanding any other provision of this Commitment to the contrary, the Agency's Commitment is further subject to the following requirements: Borrower shall timely comply with all requirements of this Commitment Letter with respect to delivery of Closing Documents, and Borrower shall be fully prepared to close on the Mortgage Loan no later than the Purchase Date or such later date as the Agency may hereafter expressly agree.

12. This Commitment, once accepted by the Borrower, shall remain in effect until the Purchase Date, on which date this Commitment shall expire unless the Agency shall otherwise agree in writing. This Commitment is not assignable.

NOTE: All Agency requirements of the Borrower and third parties, including any required performance on documents set forth herein in any provision hereof, are express conditions precedent to the Agency's performance of this Commitment.

Notices shall be deemed delivered when mailed registered or certified mail, return receipt requested to the Borrower in care of the addressee hereof and to the Agency at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (or to such other place as a party may designate in writing).

VERMONT HOUSING FINANCE AGENCY

_____ By: _____
Date Its Duly Authorized Agent

ACCEPTED BY BORROWER
NORTHGATE HOUSING LIMITED PARTNERSHIP
by its general partners:

_____
Date

H.V. NORTHGATE, INC.

By: _____
Authorized Agent of H.V. Northgate, Inc.

NORTHGATE HOUSING, INC.

By: _____
Authorized Agent of Northgate Housing, Inc.

FK004

P&D DRAFT 12/19/89

VERMONT HOUSING FINANCE AGENCY

NORTHGATE HOUSING

RESOLUTION

Adopted December 21, 1989

RESOLUTION OF THE VERMONT HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF ITS NORTHGATE HOUSING WRAPAROUND PROMISSORY NOTES, NORTHGATE HOUSING PREMIUM NOTES, NORTHGATE HOUSING SITE ACQUISITION NOTE AND NORTHGATE HOUSING BOND

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

ARTICLE I

DETERMINATIONS, DEFINITIONS AND AUTHORITY

SECTION 101. Short Title. This resolution shall be and is hereinafter referred to as the "Northgate Housing Resolution" or the "Resolution".

SECTION 102. Authority For Resolution. This Northgate Housing Resolution is adopted pursuant to the Act and in accordance with the provisions thereof.

SECTION 103. Definitions. All capitalized, undefined terms used in this Resolution shall have the meanings assigned to such terms in Section A(3) of the Option Agreement (as hereinafter defined) and in Article Two of the Purchase Agreement (as hereinafter defined). In addition, the following words and phrases shall have the following meanings:

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

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

"Authorized Officer" means the Chairman, Vice Chairman, Treasurer, Executive Director and Secretary, Director of Finance and any other person authorized by resolution of the Agency to act as an Authorized Officer hereunder;

"Bond" means the Northgate Housing Bond authorized and outstanding under Article V of this Resolution and, to the extent

provided in Article V hereof, any Bond or Bonds issued in exchange or transfer thereof;

"Bond Fund" means the fund so designated established and created by Section 602 hereof;

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the applicable Treasury Regulations promulgated thereunder or under the Internal Revenue Code of 1954, as amended, to the extent applicable to any Northgate Obligations;

"Commitment Agreement" means the Commitment Letter and Intent to Finance dated December 27, 1989 from the Agency to the Developer;

"Developer" means Northgate Housing Limited Partnership, a Vermont limited partnership, the general partners of which are Northgate Housing, Inc. and H.V. Northgate, Inc.;

"Development" means the acquisition and rehabilitation of the Property;

"Development Documents" means the Commitment Agreement, the Option Agreement, the Option Agreement Amendment, the Purchase Agreement, the Purchase Agreement Amendment, the Regulatory Agreement and the Site Agreement;

"Development Site" means that certain leasehold estate under terms of lease from the Selectmen of the Town of Burlington, Vermont, dated March 20, 1811, recorded in Volume 23 at Page 98, as amended by agreement between the City of Burlington and Raymond T. Derway et al dated February 28, 1952 and recorded in Volume 140 at Page 92 of the City of Burlington Land Records;

"Escrow Agent" means The Howard Bank, N.A., Burlington, Vermont, and any successor thereto as Escrow Agent hereunder;

"General Account" means the account in the Bond Fund so designated established and created by Section 602 hereof;

"General Fund" means the fund so designated which was established and created by a resolution of the Agency adopted September 26, 1974 as such resolution may from time to time be amended;

The terms "herein", "hereunder", "hereby", "hereto", "hereof", and any similar terms, refer to this Resolution; the

terms "heretofore" means before the date of adoption of this Resolution; and the term "hereafter" means after the date of adoption of this Resolution;

"Lessor" means John R. Derway and Grace Derway, or the successor of them;

"Loans" means, collectively, the Mortgage Loan and the Premium Replacement Loan as such terms are defined in the Commitment Agreement;

"Northgate Obligations" means the Notes and the Bond;

"Notes" means the Wraparound Notes, the Premium Notes and the Site Acquisition Note;

"Officer's Certificate" means a certificate signed by an Authorized Officer;

"Optional Redemption Account" shall mean the account in the Bond Fund so designated established and created by Section 602 hereof;

"Option Agreement" means the Agreement effective as of May 1, 1989 by and among the Agency, Donald Tarinelli, as Agent, and Northgate Associates Limited, Greenfield Associates Limited, Westgate Associates Limited, Applegate Associates Limited and Highgate Associates Limited;

"Option Agreement Amendment" means Amendment No. 1 to the Option Agreement dated as of December 27, 1989 by and among the parties to the Option Agreement;

"Owner" or "owners" or "bondowner" or "noteowner", when used in reference to the Bond, a Note or a Northgate Obligation, means the registered owner of the Bond, Note or Northgate Obligation;

"Permitted Investments" means any securities, obligations, deposits, investment agreements, repurchase agreements or other investments which at the time made and at all times held are legal investments for the investment of moneys of the Agency;

"Premium Notes" means any of the Northgate Housing Premium Notes of the Agency authorized and outstanding under Article III of this Resolution;

"Prepayment" means (i) any moneys received or recovered from any payment of principal on the Loans prior to the scheduled

payment of such principal called for by the Loans, other than moneys constituting Recovery Payments, and (ii) any moneys received or recovered from the sale, assignment or other disposition of the Loans other than moneys constituting Recovery Payments;

"Purchase Agreement" means the Northgate Purchase and Finance Agreement, effective as of September 15, 1989, by and among the Agency, Northgate Non-Profit, Inc. and Housing Vermont;

"Purchase Agreement Amendment" means Amendment No. 1 to the Purchase Agreement dated as of December 27, 1989 by and among the parties to the Purchase Agreement;

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

"Regulatory Agreement" means the Regulatory Agreement dated as of December 27, 1989, between the Agency and the Developer;

"Revenue Fund" means the fund so designated, established and created by Section 601 hereof;

"Revenues" means all payments, proceeds, charges, rents and other income of any kind and from any source derived in cash by or for the account of the Agency from or related to the Development and under the Loans, the Regulatory Agreement or otherwise, including, without limitation, scheduled amortization payments of principal and interest on the Loans, Prepayments and Recovery Payments;

"Seller" means, and "Seller" collectively shall mean, as the context requires, Northgate Associates Limited and Greenfield Associates Limited;

"Site Acquisition Note" means the Northgate Housing Site Acquisition Note authorized and outstanding under Article IV hereof;

"Site Agreement" means the Site Acquisition Agreement dated as of December 27, 1989, between the Lessor and the Agency;

"Special Redemption Account" means the account in the Bond Fund so designated established and created by Section 602 hereof;

"State" means the State of Vermont;

"Wraparound Notes" means any of the Northgate Housing Wraparound Promissory Notes authorized and outstanding under Article II hereof;

SECTION 104. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Agency, the Escrow Agent and the Owners of the Northgate Obligations, any right, remedy or claim under or by reason of this Resolution or any covenant, stipulation, obligation, agreement or condition therein. All the covenants, stipulations, obligations, promises and agreements in this Resolution contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Escrow Agent and the Owners of the Northgate Obligations.

SECTION 105. Law Applicable. The laws of the State shall be applicable to the interpretation and construction of this Resolution.

SECTION 106. Severability of Invalid Provision. If any one or more of the provisions, covenants or agreements in this Resolution on the part of the Agency or the Escrow Agent to be performed should be contrary to law, then such provisions, covenants or agreements shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Resolution or of the Northgate Obligations.

SECTION 107. Findings and Determinations. The Agency hereby finds and determines in accordance with Section 625 and Section 631 of the Act (and with all terms not defined in this Section having the meaning given such terms in the Act) that:

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

(2) The acquisition, construction and rehabilitation costs incurred or to be incurred by the Developer under the Development

Documents are for housing development costs within the meaning of the Act;

(3) Without the Development 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 of the Development, and private enterprise and investment are unable, without assistance, to provide an adequate supply of residential housing and sufficient mortgage financing for residential housing for occupancy by such persons and families;

(4) The Developer will maintain or increase the supply of well planned, well-designed housing for persons or families of low and moderate income and is a financially responsible person;

(5) The aggregate principal amount of the Northgate Obligations is necessary to provide sufficient funds to accomplish the corporate purposes of the Agency with respect to the Development;

(6) The Loans can be issued bearing rates of interest which are less than the prevailing rates of interest on comparable mortgage loans available in the State without the assistance of the Agency; and

(7) The Agency will derive receipts, revenues or other income from the Loans and the Regulatory Agreement or otherwise from or with respect to the Development to provide, together with all other available receipts, revenues and income of the Agency, for the payment of the Northgate Obligations and the payment of all costs and expenses incurred by the Agency with respect to the Development.

SECTION 108. Allocation of State Volume Cap to Obligations. The Agency hereby determines to allocate to the Northgate Obligations $_____ of the Agency's $18,125,000 remaining unused 1987 annual volume cap with respect to private activity bonds that the Agency heretofore elected pursuant to Section 146(f) of the Code to carry forward for the purpose of issuing exempt facility bonds for the purpose of financing qualified residential rental projects pursuant to Section 142 of the Code.

ARTICLE II

AUTHORIZATION OF NORTHGATE HOUSING WRAPAROUND PROMISSORY NOTES

SECTION 201. The Wraparound Notes. (A) An issue of notes of the Agency, designated "Wraparound Promissory Notes", is hereby authorized to be issued in the aggregate principal amount of $8,414,963.

(B) The Wraparound Notes shall be dated December 27, 1989, and shall be issued in the form of two fully registered notes designated, registered to the Owner and in aggregate principal amount as follows:

Series	Registered Owner	Principal Amount
Northgate Series	Northgate Associates Limited	$3,534,284
Greenfield Series	Greenfield Associates Limited	4,880,679

(C) The Wraparound Notes shall mature on the dates and in the amounts, shall bear interest at the rates payable on the dates, shall be executed, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owners thereof shall be as described in, the forms of the Wraparound Notes set forth in Exhibit A and Exhibit B hereto.

SECTION 202. General Obligations of Agency. The Wraparound Notes shall be general obligations of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Wraparound Notes, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Wraparound Notes or the interest thereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Wraparound Notes. The Wraparound Notes shall be additionally secured as provided in the forms thereof set forth in Exhibit A and Exhibit B hereto.

SECTION 203. Purpose, Sale and Delivery. (A) The Wraparound Notes are issued for the purpose of paying a portion of the purchase price of the Property allocable to the Development as provided in Section 8 of the Option Agreement.

(B) The Wraparound Notes are hereby sold to the respective Sellers of the Property to which each Wraparound Note applies at the price of par, on the terms and conditions provided in the Option Agreement. The Authorized Officers of the Agency are

authorized and directed to execute and deliver the Wraparound Notes to the purchasers thereof upon satisfaction of the conditions to such purchase provided in the Option Agreement.

ARTICLE III

AUTHORIZATION OF NORTHGATE HOUSING PREMIUM NOTES

SECTION 301. The Premium Notes. (A) An issue of notes of the Agency, designated "Premium Notes", is hereby authorized to be issued in the aggregate principal amount of $875,001.

(B) The Premium Notes shall be dated December 27, 1989, and shall be issued in the form of six fully registered notes numbered, registered to the Owner and in aggregate principal amount as follows:

Designation/Number	Registered Owner	Principal Amount
Northgate Premium Note No. 1	Northgate Associates Limited	$122,500
Northgate Premium Note No. 2	Northgate Associates Limited	$122,500
Northgate Premium Note No. 3	Northgate Associates Limited	$122,500
Greenfield Premium Note No. 1	Greenfield Associates Limited	169,167
Greenfield Premium Note No. 2	Greenfield Associates Limited	169,167
Greenfield Premium Note No. 3	Greenfield Associates Limited	169,167

(C) The Premium Notes shall mature on the dates and in the amounts, shall bear interest at the rates payable on the dates, shall be executed, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owners thereof shall be as described in, the forms of the Premium Notes set forth in Exhibit C through H, inclusive, hereto.

SECTION 302. General Obligations of Agency. The Premium Notes shall be general obligations of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or

other obligations of the Agency, other than the Premium Notes, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Premium Notes or the interest thereon except from such revenues and moneys and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Premium Notes.

SECTION 303. Purpose, Sale and Delivery. (A) The Premium Notes are issued for the purpose of paying a portion of the purchase price of the Property allocable to the Development as provided in Section 8 of the Option Agreement.

(B) The Premium Notes are hereby sold to the respective Sellers of the Property to which each Premium Note applies at the price of par, on the terms and conditions provided in the Option Agreement. The Authorized Officers of the Agency are authorized and directed to execute and deliver the Premium Notes to the purchasers thereof upon satisfaction of the conditions to such purchase provided in the Option Agreement.

ARTICLE IV

AUTHORIZATION OF NORTHGATE HOUSING SITE ACQUISITION NOTE

SECTION 401. The Site Acquisition Note. (A) A note of the Agency, designated "Northgate Housing Site Acquisition Note", is hereby authorized to be issued in the principal amount of $_____.

(B) The Site Acquisition Note shall be dated December 27, 1989, and shall be issued in the form of one fully registered note registered to the Lessor.

(C) The Site Acquisition Note shall be payable as to principal on the dates and in the amounts, shall bear interest at the rates payable on the dates, shall be executed, shall be subject to prepayment and transfer, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the Agency and the Owner thereof shall be as described in, the form of the Site Acquisition Note set forth in Exhibit I hereto.

SECTION 402. General Obligation of Agency. The Site Acquisition Note shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only

to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency, other than the Site Acquisition Note, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Site Acquisition Note or the interest thereon except from such revenues and moneys and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest of the Site Acquisition Note.

SECTION 403. Purpose, Sale and Delivery. (A) The Site Acquisition Note is issued for the purpose of paying the purchase price of Lessor's interest in the Development Site as provided in the Site Agreement.

(B) The Site Acquisition Note is hereby sold to the Lessor at the price of par, on the terms and conditions provided in the Site Agreement. The Authorized Officers of the Agency are authorized and directed to execute and deliver the Site Acquisition Note to the Lessor upon satisfaction of the conditions to such purchase provided in the Site Agreement.

ARTICLE V

AUTHORIZATION OF NORTHGATE HOUSING BOND

SECTION 501. The Bond. (A) A bond of the Agency, designated "Northgate Housing Bond", is hereby authorized to be issued in the aggregate principal amount of $1,130,000.

(B) The Bond shall be dated December 15, 1989, shall be payable as to principal, subject to prior redemption as provided in the Bond, on June 15, 1990 and on each June 15 thereafter to and including June 15, 2020 in the amounts shown in the Principal Payment Schedule set forth in Exhibit J hereto, and shall bear interest from its date at the rate of eight and twenty-five hundredths percent (8.25%) per annum (calculated on the basis of a 360-day year consisting of twelve, 30-day months), payable on December 15 and June 15 of each year commencing June 15, 1990. The Bond shall be subject to redemption prior to maturity as provided in the Bond and in this Resolution.

(C) The Bond shall be executed, shall be subject to transfer and exchange, and shall otherwise be in form and tenor as provided in, and the respective rights and obligations of the

Agency and the registered Owner thereof shall be as described in, the form of the Bond set forth in Exhibit J hereto.

SECTION 502. General obligation of Agency; Pledge of Resolution. (A) The Bond shall be a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes or other obligations of the Agency, other than the Bond, pledging particular assets or revenues for the security thereof. The Agency shall not be obligated to pay the Bond or the interest thereon except from such revenues and moneys and other assets pledged therefor as hereinafter provided and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bond.

(B) There are also hereby pledged to the payment of the principal of and interest on the Bond, subject to the provisions of this Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in this Resolution, (i) the Mortgage Loan and all rights and interests of the Agency incident thereto and the proceeds of such rights, (ii) all Revenues allocable to the Bond and (iii) all moneys and securities in the Bond Fund and all accounts therein created by or pursuant to this Resolution.

SECTION 503. Purpose, Sale and Delivery. (A) The Bond is issued for the purpose of making all or a portion of the Mortgage Loan to the Developer as provided in the Commitment Agreement.

(B) The Bond is hereby sold to Scudder, Stevens & Clark, Inc. at the price of $1,103,927.35, plus accrued interest if any from the date of the Bond to the date of delivery thereof. The Authorized Officers of the Agency are authorized and directed to execute and deliver the Bond to the purchaser thereof upon receipt from such purchaser of the purchase price thereof and satisfaction by the Developer of all terms and conditions provided in the Commitment Agreement and the Purchase Agreement.

SECTION 504. Application of Proceeds. Accrued interest, if any, received upon delivery of the Bond shall be paid by the Agency to the Escrow Agent and by it deposited in the General Account of the Bond Fund. The proceeds received upon sale and delivery of the Bond, exclusive of accrued interest thereon, shall be applied by the Agency to the Mortgage Loan as provided in the Commitment Agreement and disbursed to or for the benefit of the Developer as provided in the Commitment Agreement, the Purchase Agreement and the Option Agreement.

ARTICLE VI

APPLICATION OF REVENUES
PAYMENT OF BOND AND NOTES

SECTION 601. Revenue Fund. There is hereby established and created the "Northgate Housing Revenue Fund" (the "Revenue Fund") to be held by the Escrow Agent in accordance herewith separate and apart from all other funds and accounts of the Agency and the Escrow Agent.

SECTION 602. Bond Fund. There is hereby established and created the "Northgate Bond Fund" (the "Bond Fund"), and the following separate accounts therein, to be held by the Escrow Agent separate and apart from all other funds and accounts of the Agency and the Escrow Agent:

(1) Northgate General Account (the "General Account");

(2) Northgate Optional Redemption Account (the "Optional Redemption Account"); and

(3) Northgate Special Redemption Account (the "Special Redemption Account").

SECTION 603. Application of Revenues. (A) The Agency shall pay, or shall cause to be paid, to the Escrow Agent all Revenues upon receipt thereof by the Agency or as otherwise provided in the Commitment Agreement and the Loans. All such Revenues shall be deposited by the Escrow Agent upon receipt in the Revenue Fund. At any time, and from time to time, at its option, the Agency may also transfer to the Escrow Agent for deposit in the Revenue Fund amounts on deposit in the General Fund.

(B) On each monthly payment date shown on Payment Schedule 1 attached to and incorporated in each Wraparound Note as set forth in Exhibit A and Exhibit B hereto, or on such earlier date or dates as the Agency shall direct in an Officer's Certificate, the Escrow Agent shall apply all amounts on deposit in the Revenue Fund as follows and in the following order of priority:

(1) All amounts on deposit in the Revenue Fund representing Prepayments allocable to the Bond shall be transferred to and deposited in the Optional Redemption Account in the Bond Fund;

(2) All amounts on deposit in the Revenue Fund representing Recovery Payments allocable to the Bond shall be transferred to and deposited in the Special Redemption Account in the Bond Fund;

(3) An amount equal to the principal of and interest on each Wraparound Note payable on such monthly payment date in accordance with said Payment Schedule 1 shall be paid to the respective registered Owners of the Wraparound Notes as provided therein;

(4) All other amounts on deposit in the Revenue Fund representing Revenues attributable to the Bond (other than Prepayments and Recovery Payments) shall be transferred to and deposited in the General Account in the Bond Fund; and

(5) All other amounts on deposit in the Revenue Fund shall be withdrawn therefrom and paid to the Agency for deposit in the General Fund.

(C) On or before each monthly payment date shown on Payment Schedule 1 attached to and incorporated in each Wraparound Note, and on any other date requested by the Escrow Agent, the Agency shall deliver to the Escrow Agent an Officer's Certificate (upon which the Escrow Agent may conclusively rely) allocating the amounts in the Revenue Fund to be applied as provided in this Section 603. Such Officer's Certificate shall identify separately all amounts so to be allocated representing Prepayments, Recovery Payments and other Revenues (other than Prepayments and Recovery Payments) allocable to the Bond, and all other Revenues and other amounts on deposit in the Revenue Fund.

SECTION 604. Application of Bond Fund, Payment of Bond. (A) On or before each interest and principal payment date of the Bond, the Escrow Agent shall withdraw from the General Account and pay to the registered Owner or Owners of the Bond as provided in the Bond the full amount of principal of and interest on the Bond then due. Amounts in the General Account shall also be applied to the payment of interest on the Bond due upon any redemption thereof prior to maturity. If on any date the amount on deposit in the General Account is insufficient to make any payment in full then due, the Agency, upon notice thereof and the amount of the deficiency from the Escrow Agent, shall pay the amount of the deficiency to the Escrow Agent from the General Fund or from any other moneys or funds available for such purpose. If following any annual principal payment date of the Bond any amount remains on deposit in the General Account after

all payments of principal of and interest on the Bond due at or before such date have been made (whether upon maturity or earlier redemption), such amount shall, upon demand of the Agency expressed in an Officer's Certificate delivered to the Escrow Agent, be withdrawn from the General Account by the Escrow Agent and paid to the Agency.

(B) At any time not later than six months after the date of any deposit to the Special Redemption Account as provided in Section 603 hereof, or such later date as may be directed by an Authorized Officer, the Escrow Agent shall apply such amount to the redemption of the Bond in the manner provided in the Bond.

(C) Any amount deposited in the Optional Redemption Account shall be applied by the Escrow Agent, as directed in an Officer's Certificate, to the redemption of the Bond as provided therein on the redemption date and otherwise in the manner directed in such Officer's Certificate.

SECTION 605. Payment of Notes. On or before each date on which any principal or interest on any of the Notes shall be due and payable, the Agency shall, except to the extent the amount thereof or of any portion thereof shall have been paid by the Escrow Agent as provided in Section 602 hereof, withdraw from the General Fund, or from any other funds or moneys available to the Agency, and pay to the registered Owners of the Notes the full amount payable on such date for principal of and interest on the Notes.

SECTION 606. Investment. Moneys held for the credit of any Fund or Account under this Resolution shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other Fund or Account, by the Escrow Agent at the direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such Funds and Accounts; provided that if moneys in two or more Funds or Accounts are commingled for purposes of investment, the Escrow Agent shall maintain appropriate records of the Permitted Investments or portions thereof held for the credit of each such Fund or Account. Permitted Investments purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account until transferred as provided in the Resolution. Interest and other income from investment of any fund and account hereunder shall upon receipt be deposited in the Revenue Fund. In making investments hereunder, the Trustee shall be protected in relying on the directions of an Authorized

Officer as to the nature, maturity, rate and amount of such investments.

ARTICLE VII

THE ESCROW AGENT

SECTION 701. Duties and Obligations. (A) The Howard Bank, N.A., is hereby appointed Escrow Agent hereunder. The Escrow Agent shall also be, and is hereby appointed, paying agent and registrar for the Bond. The Escrow Agent shall signify its acceptance of the duties and responsibilities imposed upon it by this Resolution by executing and delivering to the Agency a written acceptance thereof.

(B) The Escrow Agent, and all of its officers, directors, employees and agents, shall not be liable or responsible for any action taken or omitted by it under this Resolution in good faith and in the reasonable belief that such action taken or omitted by it is authorized or within the discretion or rights or powers conferred upon it by this Resolution, except for its own negligence or willful default. The Escrow Agent shall have no responsibility in respect of the validity or sufficiency of this Resolution or the Northgate Obligations and shall not be liable or responsible for any acts taken by the Agency hereunder or because of the failure of the Agency to perform any act required of it by this Resolution. The Escrow Agent shall not be under any obligation or duty to perform any act hereunder which would involve it in expense or liability or to advance any of its own moneys, unless properly indemnified, or, except to the extent expressly provided herein, to account for the proper application of any moneys deposited with it or disbursed by it hereunder. The Escrow Agent shall be fully protected in acting upon any notice, consent, statement, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party. The Escrow Agent may consult with counsel, who may or may not be counsel to the Agency or the Developer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance herewith. to the extent permitted by law, the Agency hereby agrees to indemnify and hold harmless the Escrow Agent from and against any and all claims, damages (direct as opposed to consequential), losses, liabilities, costs or expenses whatsoever which the Escrow Agent may incur by reason of or in connection with the performance by the Escrow Agent of its responsibilities under this Resolution which are not due to its own negligence or willful default.

(C) All moneys held by the Escrow Agent, as such, at any time pursuant to the terms of this Resolution shall be and are hereby assigned, transferred and set over unto the Escrow Agent in trust for the purposes and under the terms and conditions of this Resolution.

SECTION 702. Resignation and Removal. (A) The Escrow Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Resolution by giving not less than sixty (60) days' written notice to the Agency and the Owners of the Wraparound Notes, the Premium Notes and the Bond, specifying the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice provided a successor has been appointed by the Agency as provided herein.

(B) The Escrow Agent, or any successor thereto, may be removed at any time by the Agency upon not less than 30 days' written notice delivered to the Escrow Agent and the Owners of the Wraparound Notes, the Premium Notes and the Bond, and upon the appointment of a successor by the Agency as provided herein.

(C) In case at any time the Escrow Agent, or any successor thereto, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Escrow Agent or its property shall be appointed, or if any public officer shall take charge or control of the Escrow Agent or its property, a successor shall be appointed by the Agency upon written notice to the predecessor Escrow Agent and to the Owners of the Wraparound Notes, the Premium Notes and the Bond.

SECTION 703. Compensation and Expenses. Unless otherwise provided by contract with the Escrow Agent, the Agency shall pay to the Escrow Agent from time to time reasonable compensation for all services rendered by it hereunder, and also reimbursement for all its reasonable expenses, charges, legal fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder.

ARTICLE VIII

MISCELLANEOUS

SECTION 801. Tax Covenants. (A) The Agency shall take all lawful action necessary to ensure that interest on the Northgate Obligations will remain excludable from gross income for federal income tax purposes and shall not use or permit the use of any proceeds of Northgate Obligations or any other funds of the Agency, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would cause the interest on the Northgate Obligations to become includable in gross income for federal income tax purposes.

(B) Without limiting the generality of the foregoing, the Agency shall take, and require the Developer to take, any and all actions that may be required to cause the Northgate Obligations to be and remain issued and outstanding for the purpose of carrying out a "qualified residential rental project" within the meaning of Section 142(d) of the Code or required to comply with the provisions of Section 148(f) of the Code.

(C) Without limiting the generality of the foregoing, the Agency shall not use or permit the use of any proceeds of Northgate Obligations or any other funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any Revenues or any other amounts received by the Agency or the Escrow Agent with respect to the Loans in any manner, and shall not otherwise take or permit to be taken any other action or actions, which would cause any Northgate Obligations to be an "arbitrage bond" within the meaning of Section 148 of the Code.

SECTION 802. Enforcement of Mortgage Loan. The Agency shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the Loans and the Regulatory Agreement, including the prompt collection of repayments thereon and thereunder and fees and charges and other Revenues.

SECTION 803. Development Documents. (A) The Option Agreement Amendment, the Purchase Agreement Amendment and the Site Agreement, and the execution and delivery thereof by Authorized Officers of the Agency, are hereby approved in substantially the forms presented at this meeting, with such

changes thereto as the Authorized Officer executing the same may approve prior to their execution and after consultation with counsel. By adoption of this Resolution, all other Development Documents, and the execution and delivery thereof by or on behalf of the Agency, are hereby ratified and approved.

(B) Subject to receipt of a Readiness Certificate (as defined in the Purchase Agreement, as amended), the Authorized Officers of the Agency are authorized to deliver a Notice of Exercise (as defined in the Purchase Agreement, as amended) to each of Northgate Associates Limited and Greenfield Associates Limited, to execute and deliver the Commitment Agreement (with such changes thereto as the Authorized Officer executing the same may approve prior to its execution and with such changes to the attachments thereto as such Authorized Officer shall deem appropriate in order to satisfy the requirements of the United States Department of Housing and Urban Development ("HUD"), to purchase the Property in accordance with the terms of the Option Agreement, as amended, to sell the Property to Northgate Housing Limited Partnership in accordance with the Purchase Agreement, as amended, to purchase the Lessor's interest in the Development Site in accordance with the Site Agreement, and generally to do any act and to execute any document reasonable or necessary in order to exercise the rights and perform the duties of the Agency under the Development Documents, to carryout all transactions contemplated thereby and to obtain any required consent of HUD.

(C) In their discretion, the Authorized Officers of the Agency may treat any Readiness Certificate that is otherwise satisfactory to them as valid, notwithstanding the failure of Northgate Non-Profit, Inc., Housing Vermont or Northgate Housing Limited Partnership to deliver the Commitment Fee (as defined in the Commitment Agreement) therewith, provided that the Commitment Fee shall be payable out of the funds available to Northgate Housing Limited Partnership at closing and applied against the purchase price of the Property as provided in the Purchase Agreement, as amended.

SECTION 804. Amendment. (A) Without the consent of any Owner of any Northgate Obligation outstanding, this Resolution may be amended at any time and from time to time by supplemental resolution adopted by the Agency (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision herein, (2) to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable and are not contrary to or inconsistent with this Resolution as theretofore in effect or (3)

to make any other change herein which, in the judgement of the Escrow Agent, is not to the prejudice of the Escrow Agent or the Owners of any Northgate Obligations outstanding.

(B) Except as provided in Paragraph (A) of this section, this Resolution may only be amended with the prior written consent of the Owner of each Northgate Obligation outstanding affected by the provisions thereof. If there be more than one Bond outstanding hereunder, the written consent required by this paragraph shall be effective if given by the Owners of a majority in aggregate principal amount of all Bonds outstanding. Notwithstanding the foregoing, no amendment of the Resolution making a change in the terms of maturity or redemption of any Northgate Obligation outstanding, or the principal amount or redemption price thereof or the rate of interest thereon, or the provisions of this Section 804, shall be effective without the prior written consent of the Owner of each Northgate Obligation affected by such amendment.

SECTION 805. Defeasance. If the Agency shall pay or cause to be paid to the registered Owner of any Northgate Obligation the principal, redemption price and interest thereon at the times and in the manner stipulated therein and herein, or if the payment of such principal, redemption price and interest shall be otherwise made or forgiven as provided in such Northgate Obligation, than such Northgate Obligation and the pledge of any Revenues, moneys, funds or other property pledged hereby or thereby, and all other rights granted hereby or thereby, shall be discharged and satisfied.

SECTION 806. Authorization of Officers. The Chairman, Vice-Chairman, Executive Director, Director of Finance and each other Authorized Officer are each hereby authorized and directed to do all acts and things and to execute and deliver any and all documents, certificates, and other instruments necessary or desirable to effectuate the transactions contemplated by this Resolution.

SECTION 807. Effective Date. This Northgate Housing Resolution shall take effect upon its adoption.

EXHIBIT J

VERMONT HOUSING FINANCE AGENCY
NORTHGATE HOUSING BOND

$1,130,000

Interest Rate: 8.25% Per Annum

Bond Date: December 15, 1989

Date of Delivery: December 27, 1989

The VERMONT HOUSING FINANCE AGENCY (herein called the "Agency"), a body politic and corporate of the State of Vermont, acknowledges itself indebted and for value received hereby promises to pay to KIWI & CO., or registered assigns, on the principal sum of One Million One Hundred Thirty Thousand Dollars ($1,130,000), and to pay interest on the unpaid balance of such principal sum at the Interest Rate from the December 15 or June 15 to which interest has been paid next preceding the Date of Delivery of this bond or, if no interest has been paid, from the Bond Date, payable on June 15, 1990, and semiannually thereafter on the fifteenth day of June and December in each year until payment of such principal sum. The principal of this bond, unless earlier prepaid as provided herein, shall be payable in thirty-one consecutive annual installments in the amounts shown on the Principal Payment Schedule attached hereto and incorporated herein by reference, payable on June 15, 1990 and on each June 15 thereafter until June 15, 2020, when any remaining principal of this bond shall be payable in full.

The principal of and interest on this bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by check or draft mailed by The Howard Bank, N.A., as paying agent of the Agency (together with any successor paying agent, the "Paying Agent") to the registered owner at his address appearing on the registration books of the Agency kept for that purpose at the principal office of the Paying Agent in Burlington, Vermont; provided that the registered owner of this bond by acceptance hereof agrees that whenever any prepayment on account of principal shall occur, such owner shall promptly note the date and amount thereof on the Schedule of Prepayments endorsed hereon and further agrees that this bond shall be surrendered to the Paying Agent upon final payment hereof.

This bond is issued under and by virtue of the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted December 21, 1989 (herein called the "Resolution") entitled

"Northgate Housing Resolution", for the purpose of making a portion of the Mortgage Loan described in the Resolution. Copies of the Resolution are on file at the office of the Agency in the City of Burlington, State of Vermont, and reference to the Resolution and to the Act is made for a description of the pledge and covenants securing this bond, the nature, manner and extent of enforcement of such pledge and covenants, the rights and remedies of the registered owner of this bond with respect to such pledge and covenants, the terms and conditions upon which this bond is issued thereunder, and a statement of the rights, duties, immunities and obligations of the Agency.

This bond is a general obligation of the Agency payable out of any of the Agency's revenues, moneys or assets, subject only to agreements heretofore or hereafter made with the holders of obligations of the Agency other than this bond pledging particular revenues, moneys or assets for the payment thereof, and is also secured by a pledge of the Mortgage Loan (as defined in the Resolution), all Revenues (as defined in the Resolution) allocable to the Mortgage Loan and all moneys and securities on deposit from time to time in the Bond Fund established by the Resolution, subject to all provisions and conditions of the Resolution.

The Agency is not obligated to pay this bond or the interest hereon except from the revenues, moneys or assets of the Agency pledged under the Resolution or as otherwise provided herein and therein and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof if pledged to the payment of the principal of or interest on this bond.

Except as hereinafter provided, this bond is issuable solely in the form of one fully registered bond in denomination equal to the unpaid principal amount of this bond. Upon surrender hereof at the principal office of the Paying Agent, with a written instrument of transfer satisfactory to the Agency and the Paying Agent, duly executed by the registered owner hereof or his duly authorized attorney, this bond may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of fully registered bonds of the same maturity, interest rate and tenor in denominations of $100,000 of unpaid principal amount hereof or any integral multiple thereof.

This bond is transferable, only upon the registration books of the Agency, by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof at the principal office of the Paying Agent together with a written instrument of transfer satisfactory to the Agency and the Paying Agent duly executed by the registered owner or such duly authorized attorney, and thereupon the Agency shall issue in the name of the transferee a new registered bond or bonds of the same aggregate unpaid principal amount and designation, maturity and interest rate as the surrendered bond and in any of the

[redacted]orized denominations. The Agency and the Paying Agent may [redacted]eat and consider the person in whose name this bond is registered as the holder and absolute owner hereof for the purpose of receiving payment of, or on account of, the principal amount hereof and interest due hereon and for all other purposes whatsoever.

This bond is subject to redemption in whole only at any time on or after December 15, 2004, at the option of the Agency, upon mailed notice as hereinafter set forth, from any moneys deposited in the Optional Redemption Account established by the Resolution at a redemption price equal to the unpaid principal amount hereof, plus accrued interest to the redemption date.

This bond is also subject to redemption at any time in whole or in part (in increments of $5,000 of the principal amount hereof applied to such installments of principal hereon as the Agency in its discretion shall determine and, if more than one bond shall be outstanding under the Resolution, by lot or in such other customary manner of selection as determined by the Agency) from moneys deposited in the Special Redemption Account established by the Resolution on account of the receipt by the Agency of Recovery Payments (as defined in the Resolution), upon mailed notice as hereinafter set forth, at a redemption price equal to the unpaid principal amount of this bond or the portion thereof to be redeemed, plus accrued interest to the redemption date.

Notice of redemption of this bond will be given by mailing a copy of such notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner hereof. If notice of redemption shall have been given as aforesaid, this bond or the portion hereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all this bond or the portion thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on this bond or such portion shall cease to accrue and become payable.

If the Agency shall fail to pay any installment of principal or interest on this bond when due, such failure shall constitute a default hereunder. In the event of any such default, the entire principal amount hereof and any unpaid interest then accrued hereon shall, upon written notice to the Agency from the registered owner of this bond, immediately become due and payable without presentment, protest, or demand, or other notice (other than such notice of acceleration) of any kind. If the Agency shall fail to pay any installment of principal of or interest on this bond when due, or if the Agency shall fail to observe and perform any covenant on its part contained in the Resolution and such failure shall continue for thirty (30) days after written

notice of such failure shall be given by the registered ow[redacted] hereof to the Agency, then the registered owner of this bond[redacted] shall have the right, in addition to or in lieu of its right o[redacted] acceleration hereunder, by mandamus or other suit, action or proceedings at law or in equity, to bring suit upon this bond; to enforce its rights under the Resolution and this bond; to compel performance by the Agency of its obligations under this bond and the Resolution; to require the Agency to account as trustee of an express trust; to require the Agency to effectuate the assignment of the Mortgage Loan to such owner or to a trustee or other representative of the registered owner; or to enjoin any acts which may be unlawful or in violation of the rights of the registered owner of this bond. No remedy conferred by the Resolution or this bond upon the registered owner hereof is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or this bond or provided at law or in equity or by the Act. No delay or omission of the registered owner of this bond to exercise any right or power arising upon the happening of a default shall impair any right or power or be construed to be a waiver of the default. The registered owner of this bond may waive any default and its consequences. No such waiver shall extend to any subsequent or other default.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or the Paying Agent at their respective principal offices in Burlington, Vermont, or to the registered owner hereof at the address of the registered owner appearing on the registration books of the Agency.

No recourse shall be had for the payment of the principal amount of or the interest on this bond or for any claim based thereon or on the Resolution against any commissioner of the Agency or any person executing this bond.

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

IN WITNESS WHEREOF, the VERMONT HOUSING FINANCE AGENCY has caused this bond to be signed in its name and on its behalf by the facsimile signature of its Chairman, and its corporate seal to be affixed hereto or imprinted hereon and attested by the facsimile signature of its Secretary or Assistant Secretary.

VERMONT HOUSING FINANCE AGENCY

Principal Payment Schedule

Date	Amount	Date	Amount
June 15, 1990	$10,000	June 15, 2006	$30,000
June 15, 1991	10,000	June 15, 2007	35,000
June 15, 1992	10,000	June 15, 2008	35,000
June 15, 1993	10,000	June 15, 2009	40,000
June 15, 1994	10,000	June 15, 2010	40,000
June 15, 1995	15,000	June 15, 2011	45,000
June 15, 1996	15,000	June 15, 2012	50,000
June 15, 1997	15,000	June 15, 2013	55,000
June 15, 1998	15,000	June 15, 2014	60,000
June 15, 1999	20,000	June 15, 2015	65,000
June 15, 2000	20,000	June 15, 2016	70,000
June 15, 2001	20,000	June 15, 2017	75,000
June 15, 2002	20,000	June 15, 2018	80,000
June 15, 2003	25,000	June 15, 2019	85,000
June 15, 2004	25,000	June 15, 2020	95,000
June 15, 2005	30,000		

Schedule of Prepayments of Principal

Principal Amount Prepaid	Date Paid	Balance Due	Authorized Signature and Title
$_____	_____	$_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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

DRAFT
FOR DISCUSSION ONLY

SITE ACQUISITION AGREEMENT

1. This agreement, effective the 22D day of December , May, 1989, is between **VERMONT HOUSING FINANCE AGENCY**, a body politic and corporate of the State of Vermont ("Purchaser"), with principal place of business at 1 Burlington Sqaure, P.O. Box 408, Burlington, Vermont 05402, **John R. Derway** of Burlington, ("Seller"), and the Escrow Agent identified below.

2. **Agreement to buy and sell.** Purchaser hereby offers and agrees to buy the real property described herein (the "Property"), and Seller agrees to sell the Property, at the price and on the terms and conditions stated herein.

3. **Description of real property:** The Property is that certain leasehold estate (the "Leasehold Estate") under terms of lease from the Selectment of the Town of Burlington, Vermont, dated March 20, 1811, recorded in Volume 23 at page 98 of the Burlington Land Records, as amended by agreement between the City of Burlington and Raymond T. Derway et al dated February 28, 1952, and recorded in Volume 140 at page 92 of the Burlington Land Records, EXCEPTING therefrom only so much of said leasehold estate was previously conveyed to [NORTHSHORE?] by instrument dated _____ and recorded in Volume ___, Page ___ of the Burlington Land Records. The Leasehold Estate shall be conveyed SUBJECT TO:

A. Two certain subleases (the "Subleases") more particularly described as follows:

(i) Sublease from John and Grace Derway to Northgate Associates, Ltd., dated April 22, 1968, recorded in Book 183, Page 903 of the Burlington Land Records; and

(ii) Agreement between John and Grace Derway and Greenfield Associates, Limited, dated September 9, 1969 and recorded in Book 194, Page 260 of the Burlington Land Records.

B. Lease Agreement (the "Sewer Easement") between John R. Derway as Lessor and Greenfield Associates, Limited and Northgate Associates, Limited, as Lessees, dated May 30, 1975, and recorded in Book 226, Page 622 of the Burlington Land Records.

C. Regulatory Agreement between John and Grace Derway and the Federal Housing Commissioner dated September 9, 1969 and recorded in Book 195, Page 188 of the Burlington Land Records.

4. **Total purchase price:** SIX HUNDRED SIXTY-SEVEN THOUSAND ($667,000.00) AND 00/100 DOLLARS.

5. The Purchase Price shall be payable as follows:

A. $ [Up to $75,000.00] cash or check of Vermont Housing Finance Agency.

B. $ [balance of purchase price] in the form of Vermont Housing Finance Agency Site Acquisition Note, bearing interest at 7% per annum, having a term of 42 years, and otherwise substantially in the form attached hereto.

7. **Escrow Agent:** Robert Roesler, Esq. shall serve as "Escrow Agent", having the duties specified below, and his signature hereto shall constitute his acceptance of such duties.

8. **Ability to Issue Other Obligations as Contingency:** Purchaser`s obligation under this contract is subject to its ability to consummate all transactions contemplated by its "Northgate Housing Resolution" (the "Bond Resolution") dated December 21, 1989, including, without limitation, acquisition of the Subleases from Northgate Associates Limited and Greenfield Associates Limited, respectively, resale of the Subleases to Northgate Housing Limited Partnershp, and delivery of the Northgate Housing Obligations contemplated by the Bond Resolution. IF, FOR ANY REASON, THE PURCHASER IS UNABLE TO CONSUMMATE SUCH TRANSACTIONS, THIS AGREEMENT SHALL BE VOID AND EACH PARTY SHALL BE ENTITLED TO THE RETURN OF ALL DOCUMENTS AND FUNDS PLACED WITH THE ESCROW AGENT BY THAT PARTY.

9. **Particular Warranties and Covenants of the Seller.**

A. Seller warrants that, by right of survivorship, he is the sole owner of the Property and has good right and title to convey the same as required herein, and all rents payable by him as the owner of the Leasehold Estate have been paid.

B. As to the Subleases, Seller warrants as follows:

(i) the Subleases create the valid subleasehold estates that they purport to create;

(ii) the Subleases have not, and neither of them has, been terminated by any act of the Seller or the Lessees thereunder;

(iii) the current Leessees under the Subleases are Northgate Associates Limited and Greenfield Associates Limited, respectively;

(iv) the Subleases are in full force and effect, and no default has occurred and is continuing under either of the Subleases.

10. **Closing.** The Closing shall take place at the offices of the Purchaser on or before December 22, 1989. At the Closing, the Seller shall execute and deliver to the Escrow Agent, in recordable form, his warranty deed conveying the Property to the Purchaser. The effective date of the deed shall be December 27, 1989. Seller's warranty deed shall contain full covenants of warranty as is customary in Vermont warranty deeds and shall also specifically restate the covenants and warranties of the Seller herein contained. At the closing, the Purchaser shall deliver to the Escrow Agent the Purchase Price, in the form specified above. At the Closing, the parties shall execute and deliver to the Escrow Agent an appropriate Vermont Property Transfer Tax Return. Purchaser represents that it is exempt from the Vermont Property

Transfer Tax. At the Closing, rents, taxes, and any other expense of the Property of the type customarily pro-rated between buyer and seller shall be pro-rated as of December 27, 1989, and the net amount due to either party shall be deposited by the Seller with the Escrow Agent in the form of a check (the "Pro-Ration Check") of the owing party.

11. **Duties of Escrow Agent.** The Escrow Agent shall accept the above-referenced warranty deed, Purchase Price, and Pro-Ration check, and shall hold the same for the benefit of the parties.

A. Upon consummation of the transactions contemplated by the Bond Resolution, the Purchaser or Purchaser's attorney, Franklin L. Kochman, Esq., shall deliver to the Escrow Agent a notice (the "Escrow Release Notice"), advising the Escrow Agent that the deeds, instruments, and funds held by him pursuant to this agreement may be released.

B. Promptly upon delivery of the Escrow Release Notice, the Escrow Agent shall, in the following order of priority: (i) promptly deliver to the Purchaser or Purchaser's attorney, Franklin L. Kochman, Esq., the warranty deed, the Vermont Property Transfer Tax Return, and the Pro-Ration Check (if the Purchaser is the payee of the Pro-Ration Check), and (ii) promptly deliver to the Seller the Purchase Price and the Pro-Ration Check (if the Seller is the payee of the Pro-Ration Check). Upon completion of such deliveries, the Escrow Agent shall be discharged and shall have no further responsibility hereunder.

C. The Escrow Release Notice may be delivered personally or it may be mailed. If mailed, the Escrow Release Notice shall be deemed delivered when mailed certified mail, return receipt requested, postage prepaid, addressed to the Escrow Agent at Roesler and Whittlesey, P.O. Box 488, Burlington, VT. 05402.

D. If the Purchaser does not cause the Escrow Release Notice to be delivered on or before 5:00 o'clock P.M., January 5, 1990 (unless the parties and the Escrow Agent shall otherwise agree in writing), the Escrow Agent shall return the warranty deed and the Vermont Property Transfer Tax Return to the Seller, shall return the Purchaser Price to the Purchaser, and shall return the Pro-Ration Check to the maker thereof, whereupon this agreement shall terminate, neither party shall have any further obligation to the other party, and the Escrow Agent shall be discharged from his duties hereunder.

12. **No Agents:** Seller represents to Purchaser that no real estate agent or broker is involved in this transaction, that the same is a private transaction, and that no broker or agent is entitled to any commission on account of this contract or the consummation of this contract.

13. **Effect:** This contract is for the benefit and is binding upon Seller and Purchaser, their heirs, successors, administrators, executors and assigns. This contract contains the entire agreement by and between Seller and Purchaser and supersedes any and all prior agreements, written or oral. This contract shall be governed by the laws of the State of Vermont.

Dated at Burlington, Vermont this ___ day of December, 1989.

IN THE PRESENCE OF:

_____ _____
JOHN R. DERWAY

_____

STATE OF _____
COUNTY OF _____, SS.

At _____ in said County this ___ day of _____, 19__ personally appeared JOHN R. DERWAY and acknowledged the foregoing document, by him subscribed, as and for his free act and deed. Before me,

_____
Notary Public

My commission expires: _____

VERMONT HOUSING FINANCE AGENCY

By _____
Executive Director

STATE OF VERMONT
COUNTY OF _____, SS.

At _____ in said County this ___ day of ----------, 1988 personally appeared Allan S. Hunt, Executive Director, and acknowledged the foregoing document, by him subscribed, as and for his free act and deed and the free act and deed of Vermont Housing Finance Agency. Before me,

_____
Notary Public

ESCROW AGENT

_____

Vermont Housing Finance Agency

REGULATORY AGREEMENT

This Agreement dated as of the _____ day of December, 1989 by and between NORTHGATE HOUSING LIMITED PARTNERSHIP (hereinafter called "Mortgagor"), a Vermont limited partnership having its principal place of business at Burlington, Vermont, whose mailing address for all purposes of this Agreement ("Mortgagor's Notice Address") is _____, Burlington, Vermont 05401, and VERMONT HOUSING FINANCE AGENCY (hereinafter called "Mortgagee"), a body corporate and politic created under and pursuant to the provisions of the Vermont Housing Finance Agency Act, Vermont Statutes Annotated, Title 10, Chapter 25, (hereinafter called the "Act"), having its principal place of business at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 ("Mortgagee's Notice Address"),

W I T N E S S E T H

Whereas, Mortgagor is the holder of legal title to certain property (the "Development") situated in the City of Burlington, in the County of Chittenden, State of Vermont, as more fully described in Schedule "A" attached hereto and made part hereof, consisting of land and fifty-three building(s) containing a total of three hundred thirty-six (336) living units and other improvements and chattels; and

Whereas, the Mortgagor has received by letter dated December __, 1989 (the "Commitment Letter"), a commitment from the Mortgagee to make a loan (the "Mortgage Loan") for the acquisition of the Development in an amount not to exceed **$1,250,000.00**; and,

Whereas, the Mortgagee, as a condition of its commitment, requires that the Mortgagor shall cause the Rehabilitation (as hereinafter defined) of the Development, and shall, by entering into the terms, conditions and covenants set forth below, consent thereby to be regulated and restricted by the Mortgagee as herein provided and as provided by the Act and any rules, regulations, policies and procedures of the Mortgagee promulgated thereunder;

NOW, THEREFORE, the Mortgagor and the Mortgagee agree as follows:

1. The real property covered by this Agreement is described in Schedule "A" attached hereto and made a part hereof.

2. As used in this Agreement, the term:

"Annual Operating Budget" or "Budget" means the annual estimate of revenues and expenses required to be submitted to the Mortgagee pursuant to paragraph 9(c), below.

"Application for Transfer of Funds" means a written request by the Mortgagor to the Mortgagee for a transfer of funds from the Development Operations Account and/or the Rehabilitation Escrow Account to the Rehabilitation Account, substantially in the form of Exhibit __ attached hereto.

"Bonds" means bonds of the Mortgagee issued to finance the Development;

"Cash Acquisition Costs" means the down payment payable by the Mortgagor in order to purchase the Development, together with fees, transfer taxes, and other costs payable by the Mortgagor at the time of such purchase in connection with the purchase and/or development costs previously incurred to the extent approved by the Mortgagee.

"Contractor" shall have the same meaning as it has in the Commitment Letter;

"Construction Contract" shall have the same meaning as it has in the Commitment Letter;

"Debt Service" means the amount of money payable to the Mortgagee under the Mortgage Loan at any given time, payments required to be made to the Trustee or the Mortgagee pursuant to paragraph 5(b), below, and scheduled payments required under any Permitted Subordinate Financing;

"Deficit Escrow" or "Revenue Deficit Escrow" means the account established pursuant to Paragraph 7 hereof;

"Default" means a default declared by the Mortgagee in a written notice to the Mortgagor when a violation of this agreement or the Mortgage Loan is not corrected to Mortgagee's satisfaction after written notice and within the time allowed by this Agreement and/or the terms of the Mortgage Loan or such further time as may be allowed by the Mortgagee;

"Development" includes all real and personal property subject to the Mortgage Loan and all assets of whatever nature or wherever situate, used in or owned by the business conducted on said property, which business is to provide principal dwelling accommodations primarily for persons of low and moderate income and other such activities as are incidental thereto;

"Development Operations Account" means the accounts established pursuant to Paragraph 5 of this Agreement into which all Gross Revenues are required to be deposited;

"Distribution" means any withdrawal or taking of cash or any assets of the project, including the segregation of cash or assets for subsequent

withdrawal within the limitations of Paragraph 8 hereof, and excluding payments for (i) Rehabilitation Costs, (ii) Operating Expenses, (iii) deposits to the Reserve Fund for Replacements, and (iv) deposits to the Deficit Escrow;

"Equity" means all monies paid in to the Mortgagor by or for the account of any partner of the Mortgagor or by the Nonprofits, and regardless of whether such monies be characterized as loans or investment capital.

"Fiscal Year" means the period from January 1 of one year to December 31 of the same year, or any other period agreed to in writing by the parties hereto;

"Gross Revenues" means monies received by the Mortgagor from rents or any other source in connection with the operation of the Development, but excluding (i) Equity, (ii) the proceeds of loans to the extent made to pay "Cash Acquisition Costs," and (iii) the proceeds of loans to the extent made to pay Rehabilitation Costs;

"Guaranty" means the Guaranty Agreement of even date between the Nonprofits and the Mortgagee, in which the Nonprofits guarantee the completion of the Rehabilitation.

"Guaranty Fund" means the letter of credit, cash, or other instrument, fund or funds securing the obligation of the Nonprofits under the terms of the Guaranty.

"HUD" means the United State Department of Housing and Urban Development.

"Mortgage" means the mortgage deed of even date given by the Mortgagor to the Mortgagee.

"Mortgage Loan" means the interest bearing obligation or obligations made by Mortgagor to Mortgagee and secured by the Mortgage.

"Nonprofits" means Housing Vermont and Northgate Nonprofit, Inc. and their respective legal successors.

"Operating Expenses" means any expenses incurred by the Mortgagor which are reasonable and necessary for the sound operation and maintenance of the Development, including, but not limited to: Debt Service, real estate taxes, insurance premiums, utilities, fuel, management fees, repairs and other maintenance, trash and snow removal, Tenant Training Costs, and any other similar expense required by or contemplated under the terms of this Agreement, but not including Rehabilitation Costs.

"Permitted Subordinate Financing" means debt of the Mortgagor secured by a mortgage on the Development and identified as permitted subordinate financing in Attachment A to the Commitment Letter.

"Plans and Specifications" means all of the plans and specifications identified in "VHFA Acknowledgment of Specifications and Drawings", as signed by the Agency, a copy of which is attached hereto.

"Rehabilitation" means the physical rehabilitation of the Development in accordance with the Plans and Specifications.

"Rehabilitation Account" means the account required to be established pursuant to Paragraph 5A of this Agreement.

"Rehabilitation Escrow Account" or "Escrow Account" shall mean the account to be maintained by the Mortgagee pursuant to paragraph 5A, below.

"Rehabilitation Costs" means, at any given time, the amount of money necessary to pay for the completion of the Rehabilitation.

"Rehabilitation Funds" means the sum of (i) the undistributed proceeds of any HUD loan available to the Mortgagor, (ii) the undistributed proceeds of any other Permitted Subordinate Financing (iv) funds on deposit in the Rehabilitation Escrow Account, (v) funds on deposit in the Rehabilitation Account, (vi) enforceable commitments of partners of the Mortgagor to pay in to the Mortgagor funds which, upon payment, will constitute Equity, and (vi) Working Capital on deposit in the Development Operations Account or represented by a letter of credit, but only to the extent not needed, in the reasonable judgment of the Mortgagee, to pay Operating Expenses due or reasonably expected to become due during the twelve-month period after the date of any applicable determination.

"Reserve Fund for Replacements" or "Reserve Fund" means the account required to be established by the Mortgagor pursuant to Paragraph 6 of this Agreement;

"Surplus Cash" means any cash (exclusive of cash needed to pay Rehabilitation Costs, cash in or required to be deposited into the Rehabilitation Account, or cash constituting Working Capital, the Reserve Fund for Replacements, and the Deficit Escrow) remaining at the close of a Fiscal Year after the payment of:

(i) all Operating Expenses; and

(ii) all payments required to be made to the Reserve Fund for Replacements and the Deficit Escrow.

"Tenant Training Costs" means the costs of operating the Tenant Training Program, to the extent approved by the Mortgagee in connection with the approval process for the Mortgagor's annual operating budget.

"Tenant Training Program" means a program of multi-family housing management training and services to be established by the Mortgagor for the benefit of residential tenants of the Mortgagor, including primarily, but not limited to the training of tenants to manage the operation of the Development in a professional manner.

"Trustee" means The Howard Bank, N.A., or any other trustee of the Bonds, or its successors.

"Working Capital" means an amount of money specified in the Commitment Letter as Working Capital.

3. Mortgagor shall provide for the management of the Development by an independent professional housing management company reasonably acceptable to the Mortgagee, and which shall not be either of the general partners of the Mortgagor. Provided, however, that after the first three years of operation of the Development, if, in the reasonable judgment of the Mortgagee, the Tenant Training Program has been successful, the manager may be one or both of the general partners of the Mortgagor. Any management agreement with a property manager entered into by Mortgagor involving the Development must be approved in writing in advance by the Mortgagee and shall contain a provision that it is subject to termination, without penalty and with or without cause, upon written request by the Mortgagee addressed to the Mortgagor. Upon receipt of such request Mortgagor shall immediately terminate the said management agreement within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Mortgagee for continuing proper management of the Development. The Mortgagee shall not request termination of said management agreement unless, in the reasonable judgment of the Mortgagee, management of the Development is not being conducted in accordance with the terms and conditions of the management agreement or this Agreement, or the natural person principally responsible for management, by reason of physical or mental impairment, is unable to perform his/her duties. The provisions of the foregoing sentence are for the benefit of the mortgagor and shall not create rights in any third party.

4. Payment for services, supplies or materials shall not exceed the amount ordinarily paid for such services, supplies or materials in the area where the services are rendered or the supplies or materials furnished.

5. DEVELOPMENT OPERATIONS ACCOUNT; WORKING CAPITAL; PAYMENTS ON ACCOUNT OF WRAPAROUND MORTGAGE.

(a) Development Operations Account and Working Capital.

The Mortgagor shall deposit Working Capital on the date of the Permanent Loan contemplated by the Commitment Letter and shall deposit all Gross Revenues with a depository insured by the Federal Deposit Insurance Corporation and approved by the Mortgagee in one or more Development Operations Accounts. The

Mortgagee shall at all times be advised of the account name and number of each account and the bank in which such account is maintained and Mortgagor shall authorize the bank to release any information concerning said accounts to the Mortgagee upon request. Unless otherwise required pursuant to the Commitment Letter, in lieu of all or a portion of the deposit of Working Capital required hereby, Mortgagor may elect to deliver, or may be required by the Mortgagee to deliver, to Mortgagee an irrevocable Letter of Credit according to the form to be specified by Mortgagee, which Letter of Credit may be drawn upon by Mortgagee in the event that any payment or deposit required or permitted to be made from the Development Operations Account is not made when due. Working capital shall be maintained at its fully funded level for such period as may be specified in the Commitment Letter, except that the Agency in its sole reasonable discretion may reduce the required amount from time to time. Funds shall be disbursed from the Development Operations Account, and any funds drawn under the Letter of Credit shall be used:

(i) first, for all Operating Expenses;

(ii) second, for required deposits to the Reserve Fund for Replacements, pursuant to Paragraph 6 of this Agreement;

(iii) third, for repayments to the Deficit Escrow pursuant to Paragraph 7;

(iv) fourth, to the extent of Surplus Cash, for Distributions pursuant to Paragraph 8 of this Agreement; and

(v) finally, with the approval of the Mortgagee, for amenities or design modifications to the Development which: (i) are necessary or desirable for the marketing of the Development; (ii) will reduce maintenance or replacement costs over a substantial portion of the term of the Mortgage Loan; (iii) will benefit a substantial portion of the residents of the Development by providing necessary or desirable social services that will improve the health, educational opportunity, security and general welfare of such residents; or (iv) will make an important contribution to the livability of the Development.

During the period that the Rehabilitation is in progress, in accordance with the Rehabilitation budget approved by Mortgagee, and subject to Mortgagee's approval of an Application for Transfer of Funds, the Mortgagor from time to time may transfer funds in the Development Operations Account to the Rehabilitation Account in the amounts so approved.

(b) Payments on account of Wraparound Notes. Mortgagor has purchased the Development from Mortgagee encumbered by, among other prior

interests, two certain Wraparound Mortgages given by the Mortgagee to, respectively, Northgate Associates Limited and Greenfield Associates Limited, and Mortgagor has received a credit against the purchase price of the Development in an amount equal to the aggregate principal balance of the Wraparound Promissory Notes secured by such Wraparound Mortgages. Accordingly, in addition to any other sums required to be paid by Mortgagor pursuant hereto or pursuant to any instrument securing the Mortgage Loan, and as between the Mortgagor and the Mortgagee, Mortgagor shall make payments on account of sums falling due or to fall due under the Wraparound Notes at the times and in the manner following, with all required payments payable to the Trustee, in the Trustee's capacity as escrow agent, until the Bonds are paid in full, and thereafter to the Mortgagee:

(i) On the ___ day of _____, 19__ [INSERT DATE EIGHT DAYS PRIOR TO DUE DATE OF FIRST INSTALLMENT AFTER CLOSING DATE FALLING DUE UNDER FIRST MORTGAGE], Mortgagor shall pay the sum of $_____ [INSERT VHFA PRORATED SHARE OF AGGREGATE INITIAL FIRST MORTGAGE INSTALLMENT];

(ii) On the date that the first payment falls due under the Mortgage Loan, and on the same day of each succeeding month (the "Regular Payment Date") until the last Regular Payment Date occurring prior to the second anniversary of this Regulatory Agreement, Mortgagor shall pay the sum of $_____ [INSERT COMBINED AMOUNT OF REGULAR FIRST MORTGAGE INSTALLMENTS FOR NORTHGATE AND GREENFIELD];

(iii) On the first Regular Payment Date after the second anniversary of this Regulatory Agreement, and on each Regular Payment Date thereafter until [INSERT DATE OF LAST SCHEDULED PAYMENT UNDER NORTHGATE FIRST MORTGAGE], Mortgagor shall pay the sum of $_____ [INSERT SUM OF AMOUNT REQUIRED BY CLAUSE (ii) AND ONE-THIRD OF AGGREGATE QUARTERLY PAYMENTS REQUIRED UNDER WRAP NOTES FOR NORTHGATE AND GREENFIELD];

(iv) On the first Regular Payment Date after the last date referred to in clause (iii), above, and thereafter until [INSERT DATE OF LAST SCHEDULED PAYMENT UNDER GREENFIELD FIRST MORTGAGE], Mortgagor shall pay the sum of $_____ [INSERT AMOUNT IN CLAUSE (iii) LESS AMOUNT ATTRIBUTABLE TO NORTHGATE FIRST MORTGAGE INSTALLMENTS];

(v) On the first Regular Payment Date after the last date referred to in Clause (iv), above, and thereafter until [INSERT MATURITY DATE OF WRAP NOTES], Mortgagor shall pay

the sum of $_____ [INSERT ONE-THIRD OF AGGREGATE QUARTERLY PAYMENTS REQUIRED UNDER WRAP NOTES FOR NORTHGATE AND GREENFIELD].

Unless and until the Mortgagee delivers to the Mortgagor written notice stating that the Bonds have been paid in full, payment made to the Trustee in accordance with the foregoing clauses (i) through (v) shall fully satisfy Mortgagor's obligation under this subparagraph 5(b). After delivery of such notice, however, Mortgagor shall be responsible for making such payments directly to the Mortgagee. So long as the Mortgagor makes payments as required hereunder, Mortgagee will indemnify the Mortgagor, and hold Mortgagor harmless from, any loss, cost or expense on account of a foreclosure or notice of foreclosure of the Mortgagor's interest in the Property arising primarily from the failure of (i) the Mortgagee or the Escrow Agent to make timely payment of any payment required or permitted to be made by the "Maker" under the terms of the Wraparound notes, or (ii) the failure of the holders of the Wraparound Notes to make payments as required under the terms of the Wraparound Mortgages.

5A. REHABILITATION ESCROW

On or before the date of any disbursement of the proceeds of the Mortgage Loan, and at any time thereafter until completion of the Rehabilitation, immediately upon the receipt of any funds constituting Equity, the Mortgagor shall pay over to the Mortgagee all Equity for deposit in a Rehabilitation Escrow Account to be maintained by the Mortgagee. Provided, however, that the requirements of this paragraph shall not apply to Equity that constitutes Working Capital or purchase money for the Development in the applicable budgets for the Development accepted by the Mortgagee.

The Rehabilitation Escrow shall bear interest at a rate not less than the prevailing rate for passbook accounts insured by the Federal Deposit Insurance Corporation, and all interest actually earned by the Rehabilitation Escrow (including interest, if any, actually earned at a higher rate) shall be credited to and deemed part of the Rehabilitation Escrow for all purposes of this Agreement. At the option of the Mortgagee, funds in the Rehabilitation Escrow Account may be commingled with other escrow funds held by the Mortgagee.

Upon receipt and approval by the Mortgagee of an Application for Transfer of Funds, and to the extent of such approval, but not otherwise, Mortgagee shall promptly transfer funds in the Rehabilitation Escrow directly to the Rehabilitation Account, or shall pay over such funds to the Mortgagor for such deposit, or, at Mortgagee's option, shall disburse funds directly for the payment of Rehabilitation Costs.

Upon completion of the Rehabilitation, and provided the Mortgagor is not then in breach or default under this Agreement or any other instrument securing the Mortgage Loan, the Mortgagee shall pay over any funds

remaining in the Rehabilitation Escrow Account to the Mortgagor for deposit in (a) the Development Operations Account, (b) the Reserve Fund, and/or (c) the Deficit Escrow, as the Mortgagee may direct; provided, however, that the Mortgagee shall not direct any such deposit into the Reserve Fund or the Deficit Escrow except to the extent of any deficiency therein.

In the event of any breach or default by Mortgagor under this Agreement or under the provisions of any other instrument securing the Mortgage Loan, the Mortgagee shall not be obligated to transfer or pay any funds from the Rehabilitation Escrow Account. In such event, and for so long as such breach or default shall remain uncured, Mortgagee shall be entitled to use funds in the Rehabilitation Escrow Account (to the extent that such funds do not also constitute Permitted Subordinate Financing) for any one or more of the following purposes, in any order of precedence, all at the option of the Mortgagee:

(a) for payment of installment payments falling due under the Mortgage Loan as the same fall due;

(b) for payment of any Operating Expenses, including, without limitation payments required to be made to the Trustee pursuant to the terms of this Agreement;

(c) for payment of any portion of the Rehabilitation Costs;

(d) for deposit to the Reserve Fund and/or the Deficit Escrow.

(e) in the event of acceleration of the Mortgage Loan or in the event of acceleration of the indebtedness secured by any mortgage to which the Development is subject, for payment (either for its own account or for the account of the Mortgagor, at Mortgagee's option) of or toward (i) the accelerated indebtedness, (ii) the purchase price of the Development at any foreclosure sale, and/or all costs and expenses incurred by the Mortgagee in connection with any foreclosure action, including without limitation reasonable attorneys' fees, whether or not the Mortgagee is a party to such action, (iii) the price of redemption in any foreclosure action, and/or (iv) principal and interest due or to become due on the Bonds and all expenses, including without limitation reasonable attorneys' fees, incurred by the Mortgagee in connection with the redemption of Bonds.

With respect to funds in the Rehabilitation Escrow Account which constitute Permitted Subordinate Financing, after default the Mortgagee shall have such rights and responsibilities with respect to such funds as the Mortgagee and the owner of the debt represented by the Permitted Subordinate Financing may agree as between themselves.

5B. PROVISIONS PERTAINING TO THE REHABILITATION

(a) Rehabilitation Account. On or before the date of any disbursement of the proceeds of the Mortgage Loan, Mortgagor shall establish and maintain the Rehabilitation Account, which shall be an interest-bearing account established at a depository insured by the Federal Deposit Insurance Corporation and approved by the Mortgagee. Except as the Mortgagee may otherwise consent in writing, Disbursements from the Rehabilitation Account shall be made solely for the purpose of paying Rehabilitation Costs. If, upon completion of the Rehabilitation and the payment of all Rehabilitation Costs, funds remain in the Rehabilitation Account, the same shall be transferred to the Development Operations Account.

(b) Required Deposits to the Rehabilitation Account. Whenever received, the proceeds of all Permitted Subordinate Financing which does not also constitute Equity and other debt incurred by the Mortgagor and not disbursed on the date of the disbursement of proceeds of the Mortgage Loan in connection with the acquisition of the Development by the Mortgagor shall be deposited by the Mortgagor into the Rehabilitation Account.

(c) Mortgagor's Duty to Complete. The Mortgagor shall cause the Rehabilitation to be completed in a good, substantial, and workmanlike manner with first class materials, all in accordance with the Plans and Specifications and all applicable building, zoning, environmental, and other governmental laws, ordinances, regulations, and permits.

(d) Substantial Completion: Time. Subject only to a material default by the Contractor under the Construction Contract, the Mortgagor shall cause the Rehabilitation to be substantially complete (as defined in the Construction Contract) by the date required for substantial completion under the terms of the Construction Contract. In the event of a default by the Contractor, Mortgagor shall not be relieved of its obligation to complete the Rehabilitation, but the time for completion shall be extended for a reasonable period in the circumstances, and Mortgagor shall pursue all legal remedies available to it against the Contractor and the Contractor's surety, except as the Mortgagee may otherwise consent in writing.

(e) Changes. No change shall be made in the Plans and Specifications, and no change order (within the meaning of the Construction Contract) shall be approved by the Mortgagor except upon the written approval of the Executive Director or other designated representative of the Mortgagee. Provided, however, that the Mortgagee shall approve or disapprove any change order not later than seven business days after the request for approval together with documentation necessary to determine the precise character, need and justification for the change order is delivered to the Mortgagee.

(f) Mortgagee's Right to Inspect; Applicability of Statutory Powers. Mortgagee, through its employees, agents and/or architects, shall be entitled to inspect the physical progress of the Rehabilitation at any reasonable time, and Mortgagor will cooperate with the Mortgagee in arranging for such inspections. With respect to the Rehabilitation and the operation of the Development, and in addition to all other rights and powers of the Mortgagee under this Agreement and all other agreements pertaining to the Mortgage Loan, the Mortgagor acknowledges that Mortgagee shall have all of the powers granted to the Mortgagee by 10 V.S.A. §624.

(g) Mortgagee's Actions for its Own Protection; No Third- Party Rights. The authority conferred upon the Mortgagee herein or in the Commitment Letter, and any action taken by the Mortgagee in making inspections of the Development, approving or disapproving contracts, change orders, depositories, and/or the Plans and Specifications, and approving or disapproving any Application for Transfer of Funds will be taken by the Mortgagee solely for the protection of its own security, and the Mortgagee does not assume, and shall not be deemed to have assumed, any responsibility to Mortgagor or any third party whatsoever with respect to any such action or with respect to the proper performance of the Rehabilitation, payment of the Contractor, or prevention of claims for mechanic's or materialmen's liens.

(h) Insurance. Mortgagor shall pay or cause the payment of all premiums on all insurance policies required of it and required of the Contractor under the provisions of this Commitment Letter or this Regulatory Agreement. As and when such policies may expire, Mortgagor shall furnish to Mortgagee proof of premiums prepaid and additional and renewal policies in companies, scope of coverage, and amounts of insurance in accordance with such provisions. In the event of any breach by Mortgagor of its obligations with respect to insurance, the Mortgagee shall be entitled to place insurance in accordance with said provisions and to treat the costs thereof as additional advances under the Mortgage Loan, secured by the Mortgage.

(i) Mechanic's Liens. Mortgagor will not suffer or permit any mechanic's or materialmen's lien claims to remain against the Development or against any funds due the Contractor for more than thirty (30) days, and Mortgagor will promptly discharge the same in case of the filing of any claims for lien or proceedings for the enforcement thereof; provided that in connection with any such lien or claim which Mortgagor in good faith may desire to contest, Mortgagor may contest the same by appropriate legal proceedings diligently prosecuted. Notwithstanding any such prosecution, for so long as such lien or claim is outstanding the Mortgagee in its discretion shall not be obliged to approve any transfer of funds from the Development Operations Account to the Rehabilitation

Account unless the Mortgagor has first provided to the Mortgagee an indemnity bond or other security satisfactory to the Mortgagee in an amount sufficient to indemnify the Mortgagee against any impairment of its security arising from such claim, lien, and/or legal proceedings.

(j) Settlement of Mechanic's Liens. If Mortgagor shall (i) fail promptly to discharge any asserted liens or claims; or (ii) fail promptly to contest those and to give indemnity or security as provided in the preceding subparagraph; or (iii) having commenced to contest the same, and having given such security or indemnity, shall fail to prosecute such contest with diligence or to maintain such security or indemnity; or (iv) upon adverse conclusion of any such contest, shall fail promptly to cause any judgment or decree to be satisfied and lien to be released; then, and in any such event, the Mortgagee may, but shall not be required to, procure the release and discharge of any such claim and any judgment or decree thereon, and further may, in its sole discretion, effect any settlement or compromise of the same, or may furnish such security or indemnity for its own account, and any amounts so expended by the Mortgagee shall be deemed to constitute additional advances under the Mortgage Loan and shall be secured by the Mortgage. In settling, compromising or discharging any claims for lien, the Mortgagee shall not be required to inquire into the validity or amount of such claim.

(k) Legal Proceedings. If any proceedings are commenced in any court seeking to enjoin or otherwise prevent or declare invalid or unlawful the Rehabilitation, occupancy, maintenance or operation of the Development or any portion thereof, Mortgagor will cause such proceedings to be vigorously contested in good faith, and in the event of an adverse ruling or decision, prosecute all allowable appeals therefrom, and will, without limiting the generality of the foregoing, resist the entry or seek the stay of any temporary or permanent injunction that may be entered, and use its best efforts to bring about a favorable and speedy resolution of all such proceedings and of any other proceedings of the nature referred to in subparagraphs (i) and (j) above. The costs and fees associated with all of such proceedings, including without limitation all of the Mortgagee's costs and the reasonable fees and disbursements of Mortgagee's attorneys incurred in connection with any such proceedings, whether or not the Mortgagee is a party thereto, shall be at Mortgagor's expense, and, to the extent advanced by the Mortgagee, shall constitute additional advances under the Mortgage Loan, secured by the Mortgage.

(l) Casualties. In case of loss of or damage to the Development by fire or other casualty, Mortgagor will forthwith notify the Mortgagee of the same and if, in the sole judgment of Mortgagee, there is reasonable doubt, by reason of such loss or damage, as to Mortgagor's ability to restore the loss and repair the damage by

rebuilding and/or to complete the Rehabilitation by the date required for substantial completion under the Construction Contract or within a reasonable time thereafter, the Mortgagee, to the extent of the concurrence of HUD and any other mortgagee of the Development holding an interest in the proceeds of insurance superior to the interest of the Mortgagee, may elect to settle, collect, retain and apply upon the indebtedness due under the Mortgage Loan all proceeds of insurance after deduction of all expenses of collection and settlement, including attorneys' fees and adjusters' fees and charges, to pay the full amount of indebtedness then due and unpaid, and if the proceeds of insurance then remaining, together with other proved funds of the Mortgagor available for completion of the Rehabilitation, are insufficient to put or maintain the Rehabilitation Costs "in balance" (as defined in this Agreement), to declare the entire unpaid balance of the Mortgage Loan immediately due and payable in full; and in such event, the Mortgagee shall be entitled to avail itself of any of the remedies available to it as in the case of any other default under the Mortgage Loan. Any proceeds remaining after satisfaction of the Mortgage Loan and all other mortgages or other liens on the Development shall be paid by Mortgagee to the Mortgagor.

(m) Mortgagor covenants with the Mortgagee that the Rehabilitation Costs shall at all times be "in balance". The Rehabilitation Costs shall be deemed to be "in balance" only when the Rehabilitation Funds shall equal or exceed the amount necessary to complete the Rehabilitation, based upon the Mortgagee's reasonable estimate of Rehabilitation Costs. Unless circumstances indicate to the contrary, the Mortgagee's estimate of Rehabilitation Costs shall be based on the Construction Contract. If for any reason the amount of Rehabilitation Funds shall at any time be or become insufficient for such purpose, Mortgagor will, within fifteen days after written notice by Mortgagee accompanied by the written report of the Mortgagee's representative, deposit the deficiency in the Rehabilitation Account before any approval of any Application for Transfer of Funds shall be given. If the Mortgagor fails to cure such deficiency within said fifteen day period, the Mortgagee may draw upon the Guaranty Fund and the proceeds of such draw shall first be exhausted before any further approval of an Application for Transfer of Funds shall be given.

6. RESERVE FUND FOR REPLACEMENTS.

(a) To the extent not inconsistent with any applicable requirements of HUD or the express terms of any prior mortgage, on or before the date of any disbursement of the proceeds of the Mortgage Loan, Mortgagor shall establish and maintain, with Mortgagee, a Reserve Fund for Replacements in the manner specified in the Commitment Letter. The amount of the Reserve Fund for Replacements shall be as set forth in the Commitment Letter. Mortgagee shall maintain a

distinct identifiable account for any portion of the Reserve Fund established in cash, and shall allocate interest earnings thereto at a rate not less than the maximum rate permitted by law to be paid by a commercial bank for a 30-day notice savings account. Interest and other earnings on such fund shall be accrued in and remain a part of such fund. In the event of a transfer of the Development, any such account shall remain as an asset thereof.

(b) Except as otherwise required by HUD or the express terms of any prior mortgage, the Mortgagee shall permit disbursements from the Reserve Fund only for the purpose of effecting replacement of structural elements, site repairs or improvements, and mechanical equipment of the Development. Such disbursements shall only be made upon the written direction or consent of the Mortgagee. Items for which disbursements may be authorized shall include, without limitation, payments required under the Mortgage Loan, appliances, heating equipment, hot water heaters, reshingling roofs, exterior painting and repair, kitchen and bathroom plumbing equipment, elevators, grounds maintenance equipment, sprinkler and alarm systems, and electrical equipment. In the event of a default under the terms of the Mortgage Loan or this Agreement, the Mortgagee may apply or authorize the application of any portion or all of the balance in the Reserve Fund to the amount due on the Mortgage Loan, or at its option, may elect to maintain the Reserve Fund for its established purposes. Any letter of credit (if permitted under the terms of the Commitment Letter) delivered in total or partial satisfaction of this Reserve Fund for Replacements requirement shall be issued by a financial institution and in a form satisfactory to Mortgagee, may be drawn upon by the Mortgagee (i) for any permitted disbursement, (ii) to cure any default under the terms of the Mortgage Loan or this Agreement, and (iii) in the event that the Reserve Fund for Replacements is not fully funded in the required amount as of any anniversary date of the Mortgage Loan, either in cash or wholly or partially by a letter of credit expiring not earlier than thirteen months after any such anniversary date. No Reserve Fund Letter of Credit may be secured, and Mortgagor hereby warrants that any initial Reserve Fund Letter of Credit is not secured, by the Development, the rents therefrom, or any account established pursuant to this Agreement.

7. DEFICIT ESCROW.

(a) To the extent, at the time, and in the manner required by the terms of the Commitment Letter, Mortgagor shall establish a Deficit Escrow by delivering to the Mortgagee cash, an irrevocable letter of credit, other liquid security, evidence of an annuity fund reasonably acceptable to the Mortgagee, or a combination thereof in the amount established by the Commitment Letter. To the extent the Deficit Escrow consists of cash, the Mortgagee shall maintain a clearly identifiable account for the Deficit

Escrow, and shall allocate interest earnings thereto at a rate not less than the maximum rate permitted by law to be paid by a commercial bank for a 30-day notice savings account or such higher rate as may be actually earned thereon. Deficit Escrow funds shall at all times be under the direction and control of the Mortgagee.

(b) Annuity payments, if any, interest and other earnings on such Escrow shall be accrued in, and remain as a part of, the Escrow; provided, however, that at the end of each Fiscal Year, and after delivery and acceptance by the Mortgagee of the audited financial statements required by Paragraph 9(b) hereof, and provided further that no default then exists, the Mortgagee shall authorize release of an amount equal to the earnings on the Escrow during that year, but only for deposit into the Development Operations Account.

(c) Except as provided in the Commitment Letter and in subparagraphs (d) and (f) of this paragraph, funds in the Escrow shall be retained therein until payment in full of the Mortgage Loan, at which time such funds shall be returned to the Mortgagor or applied as the Mortgagor may otherwise reasonably request.

(d) Disbursements from the Deficit Escrow shall be made at such times, in such amounts and for such purposes related to the Development as the Mortgagee determines in its discretion, upon the happening of one or more of the following occurrences:

(i) Mortgagor has defaulted in the performance of its obligations under this Agreement or the Mortgage Loan;

(ii) Mortgagor has failed, after written notice from the Mortgagee, to correct or repair any defects in the mechanical or structural systems of the Development, or to perform necessary maintenance items or to correct any violation of local, state or Federal ordinances, statutes or regulations;

(iii) Mortgagor has requested the Mortgagee to make disbursements for:

(A) Debt Service;

(B) Operating Expenses where such expenses, on an annualized basis, exceed Mortgagor's projected budget (as submitted according to the requirement of subparagraph 9(c) following) by more than 10% for six consecutive months;

(C) Replacement of items permitted in accordance with Paragraph 6 of this Agreement, but for which

sufficient funds in the Reserve Fund for Replacements are not available; or

(D) Structural or mechanical improvements, including amenities, design modifications, or tenant services which will materially benefit the occupants, or reduce Operating Expenses, or are necessary or desirable for the marketing of the Development.

(e) In the event that the Mortgagee authorizes disbursements pursuant to subparagraph (d) Section i, ii, or iii of Paragraph 7, Mortgagor shall not make Distributions in accordance with Paragraph 8 unless and until the amount disbursed has been repaid to the Escrow, except to the extent the Escrow requirement has been released by the Mortgagee.

(f) Where the Mortgagor is in default under the terms of this Agreement or under the Mortgage Loan, the Mortgagee may apply the Escrow, in whole or part, to the amount due on the Mortgage Loan, or may elect to maintain the Escrow for its established purposes. In the event that Mortgagor shall, subject to the terms of the Mortgage Loan, convey, assign or transfer the Development or the ownership of the Mortgagor, pursuant to Paragraph 11 of this Agreement, the Escrow shall be maintained as an asset of the Development.

The requirements as to form, issuer, security, and expiration dates of any letters of credit delivered for purposes of the Reserve Fund for Replacements, as well as Mortgagee's drawing rights for failure to deliver timely replacements, also apply to any letters of credit issued for purposes of the Deficit Escrow.

8. DISTRIBUTIONS. The Mortgagor shall not make or receive, nor shall any partner or owner of the Mortgagor or any person or entity having any legal or beneficial interest in the Mortgagor, receive or retain any Distribution, except from the Development Operations Account on the following conditions:

(a) All Distributions shall be made only as of or after the end of a Fiscal Year, only from Surplus Cash as authorized by the Agency in writing, and only as permitted by the laws of the State of Vermont and this Agreement.

(b) Prior to Distribution, the Mortgagor shall comply with all outstanding notices or requirements for proper maintenance of the Development, and all escrow and reserve accounts required hereunder shall be fully funded.

(c) No Distribution shall be made from borrowed funds, or prior to the completion of the Rehabilitation as determined by the Mortgagee,

or when there is any default under this Agreement or any other instrument securing the Mortgage Loan.

9. REPORTING REQUIREMENTS.

(a) Unless a different period for reporting is specified by the Mortgagee in writing, the Mortgagor shall furnish the Mortgagee occupancy reports and reports of income and expenses on a monthly basis. The Mortgagor shall also provide such additional information as the Mortgagee may reasonably request from time to time as to the ownership, occupancy, operation and maintenance of the Development.

(b) Within ninety (90) days following the close of each Fiscal Year, the Mortgagor shall furnish to the Mortgagee an audited annual financial report for the Development based upon an examination of the books and records of the Mortgagor, containing a detailed, itemized statement of Gross Revenues, Operating Expenses, Surplus Cash, Distributions and all other income and expenditures, prepared and certified to in accordance with generally accepted auditing standards and including such additional information as the Agency may reasonably require, and further certified to by a duly authorized agent of the Mortgagor.

(c) Annually, at least 30 days before the close of each Fiscal Year, Mortgagor shall submit to the Mortgagee an itemized estimate of Gross Revenues, Operating Expenses, Surplus Cash and Distributions for the following Fiscal Year. Except as the Mortgagee may expressly permit in writing, such Budget shall show that Gross Revenues, together with Working Capital and Deficit Escrow Funds reasonably expected to be available during the course of the following Fiscal Year shall be at least sufficient to pay all Operating Expenses for the following Fiscal Year. If, in the reasonable judgment of the Mortgagee, the Budget or any item therein is unrealistic and poses a threat to the fiscal integrity of the Development, the Mortgagor shall take such action as is necessary to amend the Budget to the reasonable satisfaction of the Mortgagee; provided, however, that the Mortgagor shall not be required to amend the Budget in any respect which would necessarily cause the Mortgagor to take action that would violate the limited partnership agreement of the Mortgagor.

(d) All records, accounts, books, tenant lists, applications, waiting lists, documents, and contracts relating to the Development shall at all times be kept separate and identifiable from those of any other business of the Mortgagor and the property manager which is unrelated to the Development and shall be maintained in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Mortgagee.

10. Except as otherwise approved in writing by the Mortgagee, occupancy of the Development shall be permitted only upon execution of a lease in form approved by the Mortgagee. Such lease shall not be for less than one year and year-to-year renewal at the request of the tenant shall not be denied except for material breach of the terms of the lease. All leases shall be expressly subordinated to the Mortgage Loan. All leases shall be signed by all persons who intend to occupy the unit and have reached the age of maturity. Each lease shall provide for a security deposit not exceeding one month's rent.

11. The Mortgagor may perform one or more of the following acts only with the prior written approval of the Mortgagee, which approval will not be withheld unreasonably, upon such conditions as the Mortgagee may designate and subject to the approval of any other governmental authority whose jurisdiction includes the regulation of Mortgagor:

    (a) except as expressly provided in the Mortgage, convey, transfer, or encumber any of the Development property or permit the conveyance, transfer or encumbrance of such property;

    (b) prepay the Mortgage Loan except as provided in the Mortgage and any promissory note which it secures.

    (c) assign, transfer, dispose, or encumber any personal property of the Development, including rents (except that disposition is permitted with respect to equipment replaced in the ordinary course of business by equipment of comparable quality and as to which the Mortgagee holds a first priority security interest of record), or pay out any funds other than as provided in Paragraphs 5, 5B, 6, and 7.

    (d) convey, assign, transfer or permit the surrender or relinquishment of any beneficial interests in the Mortgagor which exceed, in the aggregate, 10% of the ownership at the time of execution hereof (or, in the case of a limited partnership which exceed in the aggregate 25% of the limited partnership shares or 10% of the general partnership shares), or any right to receive the rents and profits of the Development;

    (e) substantially remodel, add to, reconstruct, or demolish any part of the Development or substantially subtract from any real or personal property of the Development, except as may be required in order to accomplish the Rehabilitation;

    (f) permit the use of the dwelling accommodations of the Development for any purpose except residents, or permit commercial use greater than that originally approved by the Mortgagee;

    (g) incur any liability, direct or contingent, not in the ordinary course of the business of developing and operating the Development;

(h) modify or amend the Mortgagor's charter, bylaws, partnership agreement, or other governing instrument or instruments, except as permitted by this Agreement or the Mortgage Loan;

(i) restrict occupancy by reason of the fact that there are children in the family, except in those projects that are designed primarily for elderly persons;

(j) rent commercial facilities, if any, at less than the rental approved by the Mortgagee;

(k) permit any tenant to rent more than one unit at any given time;

(l) permit occupancy in excess of 25% of the units by tenants other than persons and families of low and moderate income within the meaning of 10 V.S.A. §601(11), as determined by the Agency from time to time. This restriction shall not prohibit continuing occupancy by any person who is so qualified at the time of initial occupancy. In addition, no occupancy shall be permitted in violation of the terms of the Development Description as set forth in Attachment A of the Commitment Letter.

(m) Charge or collect rents in excess of those permitted under the terms of the Development Description set forth in Attachment A of the Commitment Letter.

(n) Enter into any amendment to the "Housing Subsidy Covenant" of even date, to be recorded simultaneously herewith in the Burlington Land Records, or execute any other housing subsidy covenant within the meaning of 27 V.S.A. §610.

Except as specified in paragraph 5B(e), above, the Mortgagee shall approve or disapprove any such act which it is requested to approve not later than thirty (30) days after the Mortgagor has delivered to it documentation adequate to establish the need and justification for such act.

12. The Mortgagor agrees:

(a) that, in addition to insurance coverages required in connection with the Rehabilitation as specified in the Commitment Letter, it will obtain and keep in force insurance coverages which shall include but not be limited to the following insurance:

(i) Fire and extended coverage in an amount satisfactory to the Mortgagee and at least sufficient to provide the payment in full of the replacement value of the loss in the case of a partial or total loss. Coverage under this policy shall include loss by fire, lightning, windstorm, hail, sonic shock waves, smoke, vandalism and malicious

mischief, sprinkler leakage, aircraft, vehicles, riot or riot attending a strike or civil commotion, and such other coverages as the Mortgagee may reasonably require.

(ii) Business interruption coverage to insure 100% of the rental value of the property against actual loss sustained resulting from untenantability caused by damage or destruction caused by any of the hazards insured against under the policy coverage required by subparagraph (i) above.

(iii) Comprehensive general liability coverage providing at least $1,000,000.00 for each occurrence of bodily injury, and $1,000,000.00 coverage in the aggregate.

(iv) Flood insurance, if required by Mortgagee.

(b) All insurance policies and renewals thereof required by this paragraph shall be in a form acceptable to the Mortgagee and shall include a Standard Vermont Mortgagee Clause with loss payable to the Mortgagee. The Mortgagee shall be furnished with full copies of all policies, and the Mortgagor shall promptly furnish the Mortgagee copies of all renewal notices and all receipts of paid premiums. All policies shall contain a specific endorsement under the terms of which the insurer is obligated to notify the Mortgagee at least ten (10) days in advance of an endorsement or any changes in the terms of coverage. In the event of loss, the Mortgagor shall give prompt notice to the insurance carrier and the Mortgagee, and the Mortgagee may make a proof of loss if such is not made promptly by the Mortgagor.

13. Mortgagor shall comply with all applicable federal, state, and local laws prohibiting discrimination in housing on the grounds of race, color, creed, sex, religion, handicap, age or national origin. In addition, Mortgagor shall comply with all material provisions of any applicable Federal or State grant or loan and the provisions of any law governing the same. Further, Mortgagor shall at all times comply with the provisions of any license necessary to the lawful operation of the Development. Failure or refusal to comply with any such provisions shall be a proper basis for the Mortgagee to take any corrective action it may deem necessary including, but not limited to, declaring a default under the Mortgage Loan, the rejection of future applications for mortgage loans and the refusal to enter into future contracts of any kind with which the Mortgagor or its shareholders, trustees, or beneficiaries are identified.

14. ASSIGNMENT OF RENTS AND PROCEEDS OF INSURANCE AND CONDEMNATION.

(a) As security for the payments due under this Agreement, for Working Capital, for the Reserve Fund for Replacements, repayments to the Deficit Escrow, the Development Operations Account, and as

security for its other obligations under this Agreement and the Mortgage, Mortgagor, subject to the rights of any prior mortgagee, assigns, pledges, and mortgages to the Mortgagee its rights to the rents, leases, profits, income and charges of whatever sort which it may receive or be entitled to receive in connection with the operation of the Development. However, unless a default is declared under this Agreement, permission is granted to Mortgagor to collect and retain under the provisions of this Agreement such rents, profits, income, and other payments. Upon default this permission is terminated as to all such funds due or collected thereafter.

(b) Subject to the rights of any prior mortgagee, the Mortgagor does further assign, pledge, and mortgage to the mortgagee any awards or claims for damages for any or all of the premises and any and all appurtenances thereto taken or damages under the power of eminent domain or by condemnation including awards or damages for changing the grade of any public way so as to affect the premises, or the claim for proceeds or proceeds from any insurance policies required hereunder for any damage to the premises or improvements thereon. Subject to the rights of any prior mortgagee, Mortgagee may apply such sums or any part thereof so received to the indebtedness secured hereby, or, at its option, the entire amount or any part thereof so received may be released.

With respect to any claim for damages or awards in connection with any taking or any proceeds of fire or casualty insurance, Mortgagee shall elect to apply all or any part of such sums to the cost of rebuilding or restoring the premises or improvement so taken, destroyed, or damaged; provided that (i) Mortgagor shall not then be in default under any indebtedness secured hereby or any document executed in connection with such indebtedness; and (ii) the plans and specifications with respect to any reconstruction or repair are substantially equivalent to those for the improvements existing prior to such taking, damage or destruction; and (iii) that after such rebuilding or restoring the value of the premises shall be at least equal to the value at the time of any taking, damage or destruction; and (iv) no insurer claims any right of participation in or assignment of rights with respect to the indebtedness secured hereby; and (v) that Mortgagor shall deposit with Mortgagee the amount as determined in the sole judgment of Mortgagee by which the cost of any rebuilding or restoring exceeds the amount available from any award, judgment claim or proceeds; and (vi) that Mortgagee shall approve in advance any architects, engineers, contractors as well as all contracts and agreements for material and labor in connection with the rebuilding or restoring.

Mortgagor in the event of Default hereunder irrevocably authorizes and appoints Mortgagee its attorney-in-fact to collect and receive any such judgments, awards and settlements from the authorities or

entities making the same, to appear in any proceeding therefor, to give receipts therefor, and to apply the same to payment on account of the debt secured hereby; and the Mortgagor will execute and deliver to the Mortgagee on demand such assignments and other instruments as the Mortgagee may require for said purposes, and will reimburse the Mortgagee for its cost, including reasonable counsel fees, in the collection of such judgments and settlements.

15. Mortgagor shall not file any petition in bankruptcy or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication in bankruptcy, the taking possession of the Development or any part thereof by a receiver, or the seizure and sale of the Development or any part thereof under judicial process or pursuant to any power of sale, and failure to have such adverse action set aside within forty-five (45) days shall constitute a default under this Agreement and under the Mortgage Loan.

16. Mortgagor agrees promptly to notify Mortgagee in writing of any suits by or against Mortgagor or the Development. No litigation seeking the recovery of a sum in excess of $10,000 nor any action for specific performance or other equitable relief shall be instituted nor shall any claim for a sum in excess of $10,000 or suit for specific performance be settled or compromised by Mortgagor unless prior written consent thereto has been obtained from the Mortgagee. Such consent may be subject to such terms and conditions as the Mortgagee may, in its sole discretion, prescribe.

17. SECURITY AGREEMENT. As additional security for payment of the Mortgage Loan and performance of all obligations of the Mortgagor under the Mortgage and this Agreement, Mortgagor hereby grants to Mortgagee a security interest in all personal property of Mortgagor attached to and/or used in connection with the construction, operation, repair, and maintenance of the Development, and all replacements therefor. This Agreement shall constitute a Security Agreement within the meaning of Article 9 of the Uniform Commercial Code as adopted in Vermont. Mortgagee, as secured party, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this security agreement are subordinate and subject to the rights of (a) The Shawmut National Bank of Boston and its assigns under (i) a mortgage given by Northgate Associates Limited, dated April 23, 1968, recorded in Book 185, Page 797 of the Burlington Land Records, and (ii) that certain security agreement dated April 23, 1968; (b) The Howard National bank and Trust Company and its assigns under (i) a mortgage given by Greenfield Associates Limited, dated September 9, 1969, recorded in Book 195, Page 174 of the Burlington Land Records, and (ii) that certain security agreement dated September 9, 1969; and (c) the rights of the Secretary of Housing and Urban Development under (i) that certain regulatory agreement of Northgate Associates Limited dated April 23, 1968, as subsequently amended, and (ii) that certain regulatory

agreement of Greenfield Associates Limited dated September 9, 1969, as subsequently amended.

18. If the Mortgagor is a limited partnership, no partner of the Mortgagor shall have any personal liability for payment of any of the Mortgagor's payment obligations hereunder.

19. If the Mortgagor is a general partnership or a limited partnership, (a) no amendments will be made to the Mortgagor's partnership agreement which would affect the Mortgagee's rights hereunder or under the Mortgage, without the Mortgagee's prior written approval, which shall not be unreasonably withheld, conditioned, or delayed; (b) in the event of retirement, death or insanity of a general partner business will be continued by the remaining general partner; and (c) no general partner will voluntarily withdraw from the partnership without the Mortgagee's written approval.

20. Upon violation of any of the provisions of this Agreement by Mortgagor, the Mortgagee may give written notice thereof to Mortgagor by registered or certified mail addressed to the Mortgagor at Mortgagor's Notice Address, or such other addresses as may subsequently upon appropriate written notice thereof to the Mortgagee be designated by Mortgagor as its principal place of business. If such violation is not cured to the satisfaction of the Mortgagee within thirty days after the date such notice is mailed or within such further time as the Mortgagee in its sole discretion may permit, the Mortgagee without further notice may declare a Default under this Agreement effective on the date of such written notice of violation and upon such declaration of Default Mortgagee may resort to one, all or any combination of the following courses of action:

    (a) declare the whole of the indebtedness under the Mortgage immediately due and payable and proceed with the foreclosure of the Mortgage;

    (b) collect all rents and charges in connection with the operation of the Development and use such collections to pay the Mortgagor's obligations under this Agreement and under the Mortgage Loan and the necessary expenses of preserving and operating the Development;

    (c) take possession of the Development, bring any action necessary to enforce any rights of Mortgagor growing out of the operation of the Development, and operate the Development in accordance with the terms of this Agreement and in compliance with the requirements of the Mortgage Loan;

    (d) apply to any court of appropriate jurisdiction for the appointment of a receiver to operate the Development, whether or not in the context of a foreclosure action; or

(e) apply to any court of appropriate jurisdiction for specific performance of this Agreement, for an injunction against any violation of the Agreement, or for such other equitable relief as may be appropriate, since the injury to the Mortgagee arising from a default under any of the terms of this Agreement would be irreparable and the amount of damages would be difficult to ascertain.

21. The Commitment Letter is incorporated herein by reference and, in particular, but without limitation, the Mortgagor agrees to be bound by the covenants of the "Borrower" set forth therein as follows:

"9. By accepting this Commitment, Borrower covenants and agrees as follows:

" (i) As used in this Commitment, the term "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations (permanent, temporary or proposed) thereunder or until such regulations are promulgated, any applicable regulations under the Internal Revenue Code of 1954, as amended. It is the intent of the Agency and the Borrower that the provisions of this Paragraph 9 shall be complied with by the Borrower in order to meet the requirements of the Code such that interest on bonds of the Agency issued to finance any portion of the Development ("Bonds") shall be and shall remain excludable from the gross income of the owners thereof for Federal income tax purposes (other than interest on a Bond while it is owned by a person who is a substantial user of the Development or a related person within the meaning of §147(a) of the Code). Terms used in this Paragraph 9 and not otherwise defined in this Commitment Letter are used as defined in the applicable provisions of the Code.

" (ii) Pursuant to and in accordance with Section 142(a)(7) and (d) of the Code, and otherwise in accordance with applicable provisions of the Code, the Borrower will expend all of the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds for the acquisition, construction, or reconstruction of property of a character subject to the allowance for depreciation provided in Section 167 of the Code or land, all of which property will constitute a "qualified residential rental project." The amount so expended will be charged by the Borrower to a capital account for Federal income tax purposes or would be chargeable to such account either (a) with a proper election, or (b) but for a proper election to deduct a portion of such amount and will consist solely of (x) costs paid or incurred subsequent to April 21, 1988, and (y) costs paid or incurred before such date which relate solely to planning, design and

preliminary expenses incurred prior to the commencement of physical acquisition and construction or reconstruction of such property. No proceeds of the Mortgage Loan representing proceeds of Bonds will be used for any "private business use" or otherwise used for any purpose that would cause the Bonds not to be treated as "exempt facility bonds" within the meaning of Section 142(a)(7) of the Code. In accordance with this covenant, Borrower will at its expense provide a cost certification prepared by a certified public accountant registered to do business in the State of Vermont, if such certification is required by the Agency.

"(iii) At all times during the "qualified project period" (as defined in Section 142(d)(2) of the Code), the Development will be operated as a "qualified residential rental project." At all times during the qualified project period, at least forty percent (40%) of the residential units in the Development will be occupied by individuals whose income is sixty percent (60%) or less of median gross income as determined in accordance with the applicable provisions of the Code.

" (iv) The Borrower shall determine at least annually whether a resident of the Development meets the income requirement described in clause (iii) on the basis of the current income of the resident pursuant to and in accordance with Section 142(d)(3) of the Code. If the income of a resident of a unit in the Development did not exceed the income limit described above upon commencement of such resident's occupancy of such unit (or as of any prior determination under the preceding sentence), the income of such resident shall be treated as continuing not to exceed such income limit. The preceding sentence shall cease to apply to any resident whose income as of the most recent determination under the preceding sentence exceeds one hundred and forty percent (140%) of the income limit, if after such determination, but before the next determination, any residential unit of comparable or smaller size in the Development is occupied by a new resident whose income exceeds the applicable income limit.

" (v) The Borrower shall submit to the Secretary of the Treasury an annual certification (at such time and in such manner as the Secretary shall prescribe pursuant to Section 142(d)(7) of the Code) that the Development continues to meet the requirements of clauses (iii) and (iv).

" (vi) Less than twenty-five percent (25%) of the aggregate of the principal amount of the Seller's Mortgage and the aggregate proceeds of the Mortgage Loan representing proceeds of Bonds will be used directly or indirectly for the acquisition of land (or an interest therein) and no portion of such proceeds will be used directly or indirectly for the acquisition of land (or an interest therein) to be used for farming purposes.

"(vii) As of that date which is two years after the later of (i) the date on which the Borrower acquires the buildings which comprise the Property, or (ii) the date on which the Bonds are issued, the Borrower shall have incurred, with respect to each building comprising the Property, "rehabilitation expenditures" (within the meaning of §147(d)(3) of the Code) in an amount equal to not less than 15% of the cost of acquiring such building (and equipment) financed with the net proceeds of the Bonds.

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

" (ix) Borrower will take all lawful action necessary under the Code to ensure that interest on Bonds will remain excludable from the gross income of the owners thereof for Federal income tax purposes and will refrain from taking any action which would cause interest on the Bonds to become includable in the gross income of the owners thereof for Federal income tax purposes.

" (x) In the event that, during the qualified project period, any legal or beneficial interest in the Development is conveyed by the Borrower or any substitute for, successor to, or assignee of, the Borrower, the instrument of conveyance shall provide (unless otherwise agreed to by the Agency in writing) that the estate created in the transferee by the conveyance is conditioned upon compliance by the transferee, its heirs, successors, or assigns, with all of the covenants contained in this paragraph 9. (The instrument which creates the right of a limited partner in the Borrower pursuant to the Uniform Limited Partnership Act as adopted in Vermont shall not be considered an "instrument of conveyance" for the purposes of this clause (x).

" (xi) The consideration for the covenants contained in this paragraph 9 is the Agency's commitment to provide

financing to the Borrower in accordance with the terms of this Commitment Letter, and all such covenants shall be secured by the mortgage securing the Mortgage Loan, may be enforced by or for the benefit of the Agency as provided therein, and shall survive any sale or other transfer of the Development (whether or not the Agency has consented thereto), payment in full of the Construction Loan and/or the Mortgage Loan, discharge of the Mortgage Loan, or any other circumstance whatsoever, for so long as required under the Code to carry out the intention of the Parties as set forth in subparagraph (i) above.

"(xii) The covenants contained in this paragraph 9 shall bind the Borrower, any substitute for, successor to, or assignee of, the Borrower, and those persons who have accepted this Commitment Letter on behalf of the Borrower, jointly and severally, in their corporate as well as their representative capacities.

22. This Agreement shall bind, and the benefits shall inure to, respectively, the Mortgagor and its successors and assigns and the Mortgagee and its successors and assigns, so long as the Mortgage or any sums payable pursuant to this Regulatory Agreement remain outstanding.

23. Mortgagor warrants that it has not executed, and will not execute, any agreement with any third party with provisions contradictory, or in opposition to the provisions hereof. In the event of a conflict between the provisions of this Agreement and the provisions of Attachment A to the Commitment Letter ("Development Description"), the provisions of the said Attachment A shall control and govern.

24. Notices shall be deemed delivered when mailed registered mail, return receipt requested to the Mortgagor at Mortgagor's Notice Address and to the Mortgagee at P.O. Box 408, Burlington, Vermont 05402-0408, (or to such other place as a party may designate by written notice).

25. The provisions of this Agreement shall be subject to those substantive restrictions and procedural limitations which may be lawfully imposed pursuant to Title 11, United States Code (The Bankruptcy Code). The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions hereof.

IN WITNESS WHEREOF, the Mortgagor and the Mortgagee have executed this Regulatory Agreement as of the date first above written.

IN PRESENCE OF: MORTGAGOR: NORTHGATE HOUSING LIMITED PARTNERSHIP

_____ By NORTHGATE HOUSING, INC.,
Its General Partner

_____ By _____
Its Authorized Agent

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County, personally appeared the above named _____, authorized agent, and acknowledged the foregoing Regulatory Agreement as and for his free act and deed, and the free act and deed of NORTHGATE HOUSING LIMITED PARTNERSHIP and NORTHGATE HOUSING, INC., its general partner, this __ day of December, A.D. 1989.

Before me,

_____
Notary Public

IN PRESENCE OF: MORTGAGEE: VERMONT HOUSING FINANCE AGENCY

_____ By _____
Allan S. Hunt, Executive Director

_____

STATE OF VERMONT
Chittenden County, ss.

Personally appeared the above named ALLAN S. HUNT, Executive Director of Vermont Housing Finance Agency and acknowledged the foregoing Regulatory Agreement as and for his free act and deed, and the free act and deed of the said Vermont Housing Finance Agency on this ___ day of December, A.D. 1989.

Before me,

_____
Notary Public

NG006

WRAPAROUND MORTGAGE DEED

KNOW ALL MEN BY THESE PRESENTS, that VERMONT HOUSING FINANCE AGENCY ("Mortgagor"), a body politic and corporate having its principal office at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408, in consideration of an extension of credit made to it by NORTHGATE ASSOCIATES LIMITED ("Mortgagee") a Vermont limited partnership having its principal place of business in Burlington, County of Chittenden and State of Vermont, receipt whereof is hereby acknowledged, does hereby GIVE, GRANT, BARGAIN, SELL, CONVEY, and MORTGAGE **with power of sale** unto the Mortgagee, the said NORTHGATE ASSOCIATES LIMITED, its successors and assigns forever, all of Mortgagor's right, title, and interest in that certain real estate and other property located in Burlington, County of Chittenden, State of Vermont, and being more particularly described as all and the same Subleasehold Estate, Improvements, Fixtures, Management Equipment, and other property conveyed by the Mortgagee to the Mortgagor by Warranty Deed of even date, to be recorded simultaneously herewith in the Burlington Land Records, together with all improvements and fixtures thereon and all personal property owned by the Mortgagor and located thereon and used in connection therewith. The Subleasehold Estate and the Management Equipment are more particularly described in Schedule A attached hereto and made a part hereof.

This Wraparound Mortgage Deed secures the payment of that debt of principal and interest (the "Indebtedness") evidenced by a certain "Wraparound Promissory Note" of even date, given by Mortgagor to Mortgagee, in the original principal amount of _____ _____ AND 00/100 ($_____.00) DOLLARS.

And Mortgagor covenants and agrees with Mortgagee that Mortgagor shall, within any applicable grace period, comply with all of the covenants and conditions of that certain "Mortgage Deed" (the "First Mortgage") dated April 23, 1968 given by Mortgagee to The Shawmut National Bank of Boston, and recorded in Volume 185, Page 797 of the Burlington Land Records. If Mortgagor fails to perform or comply with any such covenant or condition of the First Mortgage not later than ten days prior to the expiration of any applicable grace period for the performance thereof or compliance therewith, then the Mortgagee shall have the right, but not the obligation, to perform such covenant and/or to take such steps as are necessary to cause compliance with such condition, and to add the reasonable cost thereof to the sum secured by this Wraparound Mortgage Deed. **PROVIDED, HOWEVER, that Mortgagor shall have no obligation to pay any sum falling due under that certain promissory note (the "Secured Note") given by the Mortgagee to The Shawmut National Bank of Boston, dated April 23, 1968, and which is secured by the First Mortgage. The payment of such Secured Note shall be and remain the sole responsibility of the Mortgagee.**

If default be made in payment, when due, of any of the Indebtedness, or in performance of any of the covenants of the Mortgagor set forth in this Wraparound Mortgage Deed, and if, after the Mortgagor has been given notice by

Mortgagee as provided in the Wraparound Promissory Note, such default is not remedied within any applicable grace period, then Mortgagee shall be entitled to accelerate the Indebtedness as provided in the Wraparound Promissory Note and to foreclose this Wraparound Mortgage Deed. PROVIDED, HOWEVER, that in the event such default arises from a breach of Mortgagor's covenant herein to comply with the terms and conditions of the First Mortgage, the Mortgagee shall not be entitled to accelerate the Indebtedness unless the First Mortgagee accelerates the indebtedness secured by the First Mortgage, and shall not be entitled to foreclose this Wraparound Mortgage unless the First Mortgagee commences an action of foreclosure under the First Mortgage; AND PROVIDED FURTHER, that if the First Mortgagee reinstates the First Mortgage and/or the foreclosure action commenced by the First Mortgagee is dismissed, then, subject only to payment of the expenses actually and reasonably incurred by the Mortgagee as a result of such breach of Mortgagor's covenant, Mortgagee shall reinstate this Wraparound Mortgage and shall cause any action of foreclosure commenced pursuant hereto to be dismissed.

By acceptance of this Wraparound Mortgage Deed, Mortgagee covenants with the Mortgagor that Mortgagee shall pay when due (or within any applicable grace period), all sums falling due under the Secured Note and the First Mortgage. PROVIDED, that if Mortgagee fails to pay any such sum not later than ten days prior to the expiration of any applicable grace period, Mortgagor shall have the right, but not the obligation, to pay such sum directly to the First Mortgagee and to set off the amount of such payment against sums falling due under the Wraparound Promissory Note until the Mortgagor is made whole.

In order to comply with applicable requirements of United States Department of Housing and Urban Development, Mortgagor and Mortgagee (by its acceptance hereof) agree as follows:

(1) Subordination of Secondary Financing. Mortgagee, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this mortgage are subordinate to the rights of The National Shawmut Bank of Boston, its successors and assigns under that certain mortgage dated April 23, 1968 and recorded in Volume 185, Page 797 of the Burlington Land Records, that certain security agreement dated April 23, 1968 and the rights of the Secretary of Housing and Urban Development (the "Secretary") under that certain Regulatory Agreement dated April 23, 1968, as amended, and incorporated by reference in the above-described mortgage, as well as the rights of the Secretary of Housing and Urban Development under a certain Title II Use Agreement of recent date, to be recorded in the Burlington Land Records.

(2) Duties of Receiver or Mortgagee in Possession. Mortgagee, for itself and its successors and assigns, further covenants and agrees that in the event of the appointment of a receiver or the appointment of the mortgagee as mortgagee-in-possession in any

action by the mortgagee, its successors or assigns, to foreclose this mortgage, mortgagee shall take such steps as are necessary to assure that no rents, revenues or other income of the project collected by the receiver or the mortgagee-in-possession shall be utilized for the payment of current debt service or any other charges due and payable under this mortgage until all current debt service and other charges then required to be paid under the First Mortgage have been paid; and further, the receiver or mortgagee-in-possession shall operate the project in accordance with all the provisions of the First Mortgage and the Regulatory Agreement, as amended.

(3) Acquisition by Deed in Lieu of Foreclosure. In the event the Secretary acquires title to the project by a deed-in-lieu of foreclosure, the lien of this mortgage will automatically terminate provided that the holder of this mortgage has not cured the default giving rise to the deed-in-lieu of foreclosure and (in the case of a non-monetary default) Vermont Housing Finance Agency has not redeemed its interest as hereinafter provided. The holder of this mortgage may cure a default under the First Mortgage prior to a conveyance by deed-in-lieu of foreclosure. The Secretary shall give written notice to the holder of this mortgage of a proposed tender of title in the event (1) the Secretary decides to accept a deed-in-lieu of foreclosure or (2) the Secretary receives notice from the holder of the First Mortgage of its election to accept a deed-in-lieu of foreclosure. The Secretary will give such notice if, at the time of the placing of the subordinate lien of this mortgage against the project, the Secretary receives a copy of an endorsement to the title policy of the mortgagor or holder of the First Mortgage which indicates that (1) this mortgage has been recorded; and (2) the Secretary is required to give notice of any proposed election to or tender of a deed-in-lieu of foreclosure. Such notice shall be given at the address stated herein or such other address as may subsequently, upon written notice to the Secretary, be designated by the holder of this mortgage as its legal business address. The holder of this mortgage shall have thirty (30) days after the notice of intent to accept a deed-in-lieu of foreclosure is mailed to cure the default. If (a) the default is not cured, and (b) in the case of a non-monetary default only, Vermont Housing Finance Agency, its successors or assigns, fail to redeem its interest in the project as provided in a certain mortgage from Northgate Housing Limited Partnership to Vermont Housing Finance Agency of even date, to be recorded in the Burlington Land Records, and (c) the Secretary then acquires title to the project by deed-in-lieu of foreclosure, the lien of this mortgage shall automatically terminate.

(4) First Proceeds Applied to Payment of First Mortgage. The first proceeds of each payment received by the holder of this mortgage

under the Wraparound Promissory Note secured by this mortgage shall be applied to all current debt service and other charges then required to be paid under the First Mortgage.

The covenants and agreements herein contained shall run with the land and shall bind, and the benefits and advantages thereof shall inure to, the respective heirs, executors, administrators, successors and assigns of the Mortgagor and Mortgagee.

TO HAVE AND TO HOLD the above granted, bargained premises, with all the privileges and appurtenances thereof and thereto belonging unto the Mortgagee, the said NORTHGATE ASSOCIATES LIMITED, its successors and assigns, provided that if the Mortgagor shall pay the Indebtedness and all other sums secured hereby and all interest as provided therefor, and shall perform all of the covenants and conditions herein contained, then this Wraparound Mortgage Deed shall be null and void, otherwise to remain in full force and effect.

Dated at Burlington, Vermont effective the 27th day of December, 1989.

IN THE PRESENCE OF:

VERMONT HOUSING FINANCE AGENCY

_____

BY _____
Executive Director and
authorized agent

_____

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County this ___ day of December, 1989, personally appeared Allan S. Hunt, Executive Director and authorized agent of VERMONT HOUSING FINANCE AGENCY, and acknowledged the foregoing Wraparound Mortgage Deed, by him subscribed, to be his free act and deed and the free act and deed of the said VERMONT HOUSING FINANCE AGENCY.

Before me,

_____
Notary Public

My commission expires: February 10, 1991

NGWMD

NORTHGATE

SCHEDULE A

PROPERTY DESCRIPTION

Subleasehold Estate derived as follows: Leasehold estate, under terms of lease from the Selectmen of the Town of Burlington, dated March 20, 1811, recorded in Volume 23 at Page 98, as amended by agreement between the City of Burlington and Raymond T. Derway et als dated February 28, 1952 and recorded in Volume 140 at Page 92 of the City of Burlington Land Records, subject to and having all of the benefits of, respectively, (a) an Assignment of Lease from John Derway and Grace Derway to Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 886 of the City of Burlington Land Records; (b) an Assignment of Lease from Northgate Associates Limited to John Derway and Grace Derway dated April 23, 1968 and recorded in Volume 183 at Page 898 of the City of Burlington Land Records; and (c) a Sublease Agreement between John Derway and Grace Derway and Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 903 of the City of Burlington Land Records. The Premises encompassed by the Subleasehold Estate are more particularly described as follows:

All that certain piece, parcel or tract of land, being a portion of the Derway property, so-called, situated on the westerly side of North Avenue, in the City of Burlington, Chittenden County, State of Vermont, and more particularly described as follows:

Beginning at a marble monument, said monument being the intersection of the south line of the so-called Mill-Hard Development, a plan of which is recorded in Volume 148, Page 408 of the Burlington Land Records, and the westerly side line of North Avenue;

Thence South 20° 39′ 10" east, in and along the westerly side line of North Avenue, 191.01 feet to a point of curvature;

Thence, continuing southerly along a curve to the left, having a central angle of 17° 00′ 00", and a radius of 669.12 feet for a distance of 208.32 feet to a point of tangency;

Thence South 37° 29′ 10" east, in and along the westerly sideline of North Avenue, 93.01 feet to a concrete monument, said monument being the northeast corner of the land of Robert Audette;

Thence South 52° 31′ 55" west, in and along Audette's north line, 99.95 feet to an iron pipe;

Thence South 37° 29′ 10" east, in and along Audette's west line, 75.00 feet to an iron pipe;

Thence North 52° 30′ 50" east, in and along Audette's South line, 100 feet to a concrete monument, said monument being Audette's southeast corner and the westerly side line of North Avenue;

Thence South 37° 40′ 25" east, in and along the westerly side line of North Avenue, 119.89 feet to a marble monument, said monument being the northeast corner of the Ohavi Zedek Synagogue cemetery;

Thence South 57° 50′ 31" west, in and along the North line of the cemetery, 329.88 feet to a marble monument;

Thence South 35° 56′ 12" east, in and along the westerly line of the cemetery, 131.94 feet to a marble monument, said monument being the southwest corner of the cemetery and lying in the northerly side line of the land of Clarance and Ruth Davidson;

Thence South 57° 58′ 40" west, in and along Davidson's northerly side line, 127.58 feet to a marble monument;

Thence North 82° 30′ 00" west, 255.00 feet to an iron pipe;

Thence North 47° 30′ 00" west, 525.00 feet to an iron pipe;

Thence South 70° 45′ 00" west, 215.00 feet to an iron pipe;

Thence North 46° 31′ 40" west, 100.00 feet to an iron pipe; said iron pipe being in a corner of the easterly right of way line of the former Rutland Railroad and also being the southwest corner of the aforementioned Mill-Hard Development;

Thence North 57° 54′ 40" east, in and along the southerly side line of the Mill-Hard Development, 1,041.39 feet, to the point of beginning, containing 12.38 acres, or 540,144 square feet, more or less.

EXCEPTING THEREFROM that piece, parcel or tract of land described in a Quit Claim Deed of Northgate Associates, Limited to the City of Burlington, dated August 22, 1969 and recorded in Volume 198 at Page 23 of the Burlington City Land Records.

SITE OFFICE INVENTORY:

1 Calculator
1 Telephone

MAINTENANCE SHOP INVENTORY

1 Gilson Snow Blower - Serial #2284E1-G25
1 24 foot Extension Ladder
2 4 foot Step Ladders
1 Utility Pump
1 Dolly

1 Power Roller
1 Roll Hand Snake 50 Foot
1 Toilet Auger
1 Pointed Shovel
1 Heat Gun
1 Craftsman 7¼ Skill Saw
1 Set Bid Seat Wrenches
1 Tile Nipper
2 Toilet Plungers
1 Five Gallon Gas Can
1 Ratchet Basin Wrench

NG007

COLLATERAL ASSIGNMENT TO VERMONT HOUSING FINANCE AGENCY

This Assignment effective the 27th day of December, 1989, by and among NORTHGATE HOUSING LIMITED PARTNERSHIP, a Vermont limited partnership, with its principal place of business in Burlington, Vermont (hereinafter "Borrower"), and its general partners, NORTHGATE HOUSING, INC. and H.V. NORTHGATE, INC. (the "General Partners"), and VERMONT HOUSING FINANCE AGENCY, One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (hereinafter the "Agency").

WITNESSETH

WHEREAS, Borrower is the present owner of certain real property (the "premises") located in Burlington, Vermont, known as Northgate Apartments and Greenfield Apartments, which property is more particularly described in Borrower's Mortgage Deed to Agency, dated of even date and to be recorded simultaneously herewith in the Burlington Land Records;

WHEREAS, Agency as a condition to granting certain loans to Borrower requires the execution of this assignment of various contracts, leases, and other interests;

NOW, THEREFORE, in order to further secure payment of the indebtedness of Borrower to the Agency and in consideration of other valuable consideration, the receipt of which by the Borrower and the General Partners is hereby acknowledged, Borrower and the General Partners jointly and severally do hereby sell, assign, transfer and set over unto the Agency all of their respective interests in the following enumerated contracts, agreements, interests and other assets (the "Additional Collateral"), said assignment as to each matter enumerated herein being absolute, but permission is granted to the assignors to collect all sums falling due to them and to exercise all of the rights and privileges arising under the Additional Collateral until the occurrence of an Event of Default as defined in a certain regulatory agreement of even date (the "Regulatory Agreement") between Borrower and the Agency, or a breach or default under the Mortgage Deed referred to above, or under a certain Promissory Note of even date herewith from Borrower to Agency (a "Default"):

1. The dual obligee payment and performance bonds furnished to Borrower by Wright & Morrissey, Inc. (the "Contractor"), securing the Contractor's performance of the Construction Contract (as defined below) and as to which Fidelity and Deposit Company of Maryland stands as surety.

2. Owner-Architect Agreement by and between Northgate Non-Profit, Inc. and Northern Architects (the "Architect") dated _____, as assigned to Owner.

3. "Standard form of Agreement between Owner and Contractor (the "Construction Contract") by and between Borrower and Contractor and dated December 27, 1989.

4. Subject to all prior rights of the United States Department of Housing and Urban Development and any holder of a mortgage prior in lien to the lien of the Mortgage Deed, all rents, issues and profits arising from or received as a result of the rent, lease or use of the premises or any part thereof.

5. Subject to all prior rights of the United States Department of Housing and Urban Development and any holder of a mortgage prior in lien to the lien of the Mortgage Deed, all leases, contracts for leases, and contracts for use or benefit of the subject premises.

6. The interest of the General Partners in the Borrower, including without limitation the proceeds of the General Partners' share and the rights of the General Partners and the Borrower to collect the purchase price and to control the transfer of all limited partners' shares and interest, including but not limited to all syndication rights, assets and proceeds. To the extent of a certain commitment for a short-term line of credit (the "Bridge Loan"), not to exceed $1,500,000.00, the interests assigned in this paragraph 6 shall be subordinate to the rights of Bank of Vermont as lender under the Bridge Loan.

7. All right, title, and interest of Borrower in and to any and all contracts for federal housing or interest rate subsidies in any form whatsoever, including, without limitation Housing Assistance Payments Contract Nos. VT36-M000-011 and VT36-M000-012.

Subject to the prior rights of HUD and any superior mortgagee, in furtherance of the foregoing assignment of each of the above enumerated items, Borrower and the General Partners authorize Agency, by and through its employees or agents at its option, to retain all sums of money received in connection with said contracts in trust in such accounts and in such manner as the Agency shall reasonably require in the name of the Borrower or the General Partners, as applicable, or in its own name as assignee, and to this end Borrower and the General Partners further agree that they will facilitate in all reasonable ways the Agency's collection of said sums and will, upon request by Agency, execute a written notice to each third party named or identified in the above enumerated documents, directing said party to pay such sums to Agency.

Subject to the prior rights of HUD and any superior mortgagee, Borrower further authorizes the Agency, through its employees or agents at its option, at the occurrence of a Default as aforesaid to enter upon the subject premises and to collect in the name of Borrower, or in its own name as assignee, all sums, including rents, profits and issues accrued but unpaid and in arrears as of the date of any such Defaults, as well as all rents, profits and issues or other similar items thereafter accruing and becoming payable during the period of any Default.

This assignment shall remain in full force and effect during any and all periods Borrower is obligated, indebted or committed to Agency under any note,

mortgage, commitment or other undertaking. This assignment is given by the Borrower and the General Partners, and accepted by the Agency with the understanding that this agreement is not a guarantee of repayment of principal, interest or other charges due under the Promissory Note or Notes which evidence the debt obligations of Borrower to the Agency.

It is understood and agreed that a full and complete release of the mortgage granted by Borrower hereunder to the Agency shall operate as a full and complete release of all of the Agency's rights and interests hereunder and that after said mortgage has been fully released this instrument shall be void and of no further force and effect.

IN WITNESS HEREOF, the parties have executed this agreement at Burlington, in the County of Chittenden, effective as of the date first above written.

IN THE PRESENCE OF:

BORROWER: NORTHGATE HOUSING LIMITED PARTNERSHIP

_____
Witness as to all

By _____
Duly Authorized Agent of
NORTHGATE HOUSING, INC.
General Partner

GENERAL PARTNERS: H.V. NORTHGATE, INC.

_____
Witness as to all

By _____
Its Duly Authorized Agent

NORTHGATE HOUSING, INC.

By _____
Its Duly Authorized Agent

VERMONT HOUSING FINANCE AGENCY

By _____
Its Duly Authorized Agent

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County, this ___ day of December, 1989, personally appeared Michael McNamara, Duly Authorized Agent, and acknowledged the above instrument by him subscribed, to be his free act and deed and the free act and deed of NORTHGATE HOUSING, INC. and NORTHGATE HOUSING LIMITED PARTNERSHIP.

Before me,

_____
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County, this ___ day of December, 1989, personally appeared _____, Duly Authorized Agent, and acknowledged the above instrument by h__ subscribed, to be h__ free act and deed and the free act and deed of H.V. NORTHGATE, INC.

Before me,

_____
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County, this ___ day of December, 1989, personally appeared Michael McNamara, Duly Authorized Agent, and acknowledged the above instrument by him subscribed, to be his free act and deed and the free act and deed of NORTHGATE HOUSING, INC.

Before me,

_____
Notary Public

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County, this ___ day of December, 1989, personally appeared ALLAN S. HUNT, Duly Authorized Agent, and acknowledged the above instrument by him subscribed, to be his free act and deed and the free act and deed of VERMONT HOUSING FINANCE AGENCY.

Before me,

_____
Notary Public

NG010

MORTGAGE SUBORDINATION AGREEMENT

(NORTHGATE APARTMENTS)

KNOW ALL MEN BY THESE PRESENTS that **NORTHGATE ASSOCIATES LIMITED**, a Vermont limited partnership (the "Wraparound Mortgagee"), and VERMONT HOUSING FINANCE AGENCY, a body politic and corporate and an instrumentality of the State of Vermont (the "Agency"), effective as of **December 27, 1989**, agree as follows:

WHEREAS, the Wraparound Mortgagee is the holder of a certain Wraparound Mortgage (the "Wraparound Mortgage") of even date given by the Agency to the Wraparound Mortgagee, to be recorded simultaneously herewith in the **City** of **Burlington** Land Records, and pertaining to certain property (the "Property") located in **Burlington**, Vermont, which property is described in Schedule A of the Wraparound Mortgage as **NORTHGATE APARTMENTS**; and,

WHEREAS, the Agency is the holder of a mortgage (the "Pledged Mortgage") of even date on the same Property given by **Northgate Housing Limited Partnership** to the Agency, to be recorded simultaneously herewith in the **Burlington** Land Records; and,

WHEREAS, the Property is subject to a prior mortgage (the "First Mortgage") dated **April 23, 1968**, given by the Wraparound Mortgagee to **The National Shawmut Bank of Boston**, recorded in Volume **185**, Page **797** of the **Burlington** Land Records, and subsequently assigned by instrument(s) recorded in **Vol. 194, Page 192, Vol. 197, Page 838, and Vol. 300, Page 165 of the Burlington Land Records**; and,

WHEREAS, the Agency has issued its **NORTHGATE HOUSING BOND** (the "Bond") in the original principal amount of **ONE MILLION ONE HUNDRED THIRTY THOUSAND AND 00/100 ($1,130,000.00) DOLLARS**, and has pledged its interest in the Pledged Mortgage to the holders of the Bond as security for the payment thereof; and,

WHEREAS, to the extent of the principal and interest outstanding under the Bond from time to time (the "Priority Balance"), the Master Agreement (as defined below) requires the Wraparound Mortgagee to subordinate its beneficial interest in the Property to the beneficial interests in the Property of the holders of the Bond;

NOW THEREFORE, pursuant to a certain "Agreement" dated **May 1**, 1989, among the Agency, the Wraparound Mortgagee, **Donald Tarinelli** as Agent, and certain other limited partnerships (the "Master Agreement"), and in consideration of TEN AND MORE DOLLARS and other valuable consideration, receipt of which is hereby acknowledged, the Wraparound Mortgagee, for itself, its successors and assigns, does hereby COVENANT with the Agency, its successors and assigns, as follows:

1. In the event of any foreclosure of the Wraparound Mortgage, the Wraparound Mortgagee shall invoke the power of sale and shall not attempt to take title to the Property by strict foreclosure.

2. In the event of:

   (a) any foreclosure sale of the Property, regardless of whether such foreclosure sale arises from foreclosure of the First Mortgage, the Wraparound Mortgage, the Pledged Mortgage, or any other mortgage to which the Property is now or may hereafter become subject; and/or,

   (b) a failure to rebuild any portion of the Property after total or partial destruction thereof; and/or,

   (c) total or partial condemnation or sale in lieu of condemnation of the Property,

   as between the Agency and the Wraparound Mortgagee, to the extent of the Priority Balance, the Agency shall have a superior right in the proceeds, respectively, of any such foreclosure sale, any applicable insurance policy, and/or any such condemnation or sale in lieu of condemnation. To the extent of the Priority Balance, the first proceeds of any such foreclosure sale, insurance, condemnation, or sale in lieu of condemnation available to either the Agency or the Wraparound Mortgagee shall be paid to the Agency. If such proceeds are paid in the first instance to Wraparound Mortgagee, whether by mistake, for convenience, or otherwise, the Wraparound Mortgagee shall hold the same solely as trustee for the Agency and shall promptly and without demand pay over the full amount thereof, to the extent of the Priority Balance, to the Agency, without deduction or offset of any kind.

3. After an event of default under the Pledged Mortgage resulting in the acquisition of title to the Property by the Agency, and regardless of whether such acquisition of title is by purchase at a foreclosure sale, strict foreclosure, or deed in lieu of foreclosure:

   (a) in the event of a foreclosure of the Wraparound Mortgage while the Agency holds title to the Property, the first proceeds of the foreclosure sale shall be paid over to the trustee of the Bond to the extent of the Priority Balance, and if such proceeds are paid in the first instance to Wraparound Mortgagee, whether by mistake, for convenience, or otherwise, the Wraparound Mortgagee shall hold the same solely as trustee for the trustee of the Bond and shall promptly and without demand pay over the full amount thereof, to the extent of the Priority Balance, to the trustee of the Bond, without deduction or offset of any kind; and,

(b) in the event of a subsequent resale of the Property by the Agency, for so long as the Bond are outstanding, any mortgage accepted by the Agency from the buyer at such subsequent resale shall be deemed to be a complete substitute for the Pledged Mortgage. Such substitute Pledged Mortgage shall be entitled to all of the benefits of this Mortgage Subordination Agreement to the same extent as if it were the Pledged Mortgage, and the Wraparound Mortgagee shall execute any supplementary agreement reasonably requested by the Agency in order to perfect record evidence of the continuing applicability of the covenants herein contained to such substitute Pledged Mortgage.

This agreement shall remain of full force and effect until all principal and interest payable or to become payable to the holders of the Bond is paid in full.

IN WITNESS WHEREOF, the Wraparound Mortgagee and the Agency have caused this Mortgage Subordination Agreement to be subscribed by their respective authorized officers as of the date first above written.

IN THE PRESENCE OF:

NORTHGATE ASSOCIATES LIMITED

_____ By _____
general partner and authorized agent

_____

VERMONT HOUSING FINANCE AGENCY

_____ By _____
Executive Director and authorized agent

_____

STATE OF VERMONT
COUNTY OF **CHITTENDEN**, SS.

At **Burlington** in said County this ___ day of **December**, 1989 personally appeared **Bernard A. Gilhuly**, authorized agent, and acknowledged the foregoing Mortgage Subordination Agreement, by him subscribed, as and for his free act and deed and the free act and deed of **NORTHGATE ASSOCIATES LIMITED**.

Before me,

_____
Notary Public

STATE OF VERMONT
COUNTY OF **CHITTENDEN**, SS.

At **Burlington** in said County this ___ day of **December**, 1989 personally appeared **Allan S. Hunt**, authorized agent, and acknowledged the foregoing Mortgage Subordination Agreement, by him subscribed, as and for his free act and deed and the free act and deed of VERMONT HOUSING FINANCE AGENCY.

Before me,

_____
Notary Public

NGMSA

MORTGAGE DEED

KNOW ALL MEN BY THESE PRESENTS, that NORTHGATE HOUSING LIMITED PARTNERSHIP ("Mortgagor"), a Vermont limited partnership having its principal place of business in Burlington, County of Chittenden and State of Vermont, in consideration of a loan of money and certain other accommodations made to it by VERMONT HOUSING FINANCE AGENCY ("Mortgagee"), a body politic and corporate having its principal office at One Burlington Square, P.O. Box 408, Burlington, Vermont, receipt whereof is hereby acknowledged, represents and acknowledges more specifically as follows:

A. Mortgagor is indebted to Mortgagee in the principal sum of _____ _____ AND 00/100 ($_____.00) DOLLARS, which loan is further evidenced by a certain interest-bearing promissory note (the "Permanent Note") of even date.

B. As additional security for the Indebtedness, the Mortgagor has executed and delivered to Mortgagee a certain "Vermont Housing Finance Agency Regulatory Agreement" of even date (the "Regulatory Agreement"), to be recorded simultaneously herewith in the Burlington Land Records. The Regulatory Agreement also expresses certain contractual undertakings of the Mortgagor, the purpose of which is to protect the Mortgagee from default under certain obligations of its own, which obligations of the Mortgagee have been undertaken by the Mortgagee in order to accommodate the Mortgagor. The contractual undertakings of the Mortgagor expressed in the Regulatory Agreement include, without limitation, the obligation to make certain payments to the Mortgagee or the trustee of the Mortgagee on account of the Seller's Mortgage (as hereinafter defined), and to complete certain physical improvements (the "Rehabilitation") to the mortgaged premises (as hereinafter defined).

NOW THEREFORE, to secure (i) the repayment of the Indebtedness, (ii) the repayment of any advances or expenses of any kind incurred by Mortgagee pursuant to the provisions of or on account of the Permanent Note, the Premium Replacement Note, the Regulatory Agreement, and/or this Mortgage, (iii) the repayment of future advances, if any, disbursed by Mortgagee to Mortgagor in excess of the Indebtedness, and (iv) the performance and observance of all of the terms, covenants, provisions, and agreements set forth in this Mortgage Deed, the Permanent Note, the Premium Replacement Note, and/or the Regulatory Agreement, the Mortgagor, the said NORTHGATE HOUSING LIMITED PARTNERSHIP does hereby GIVE, GRANT, BARGAIN, SELL, CONVEY, and MORTGAGE unto the Mortgagee, the said VERMONT HOUSING FINANCE AGENCY, its successors and assigns forever, certain real estate situated in Burlington, County of Chittenden, State of Vermont, being all and the same Subleasehold Estates, Improvements, Fixtures, Management Equipment, and other property conveyed to the Mortgagor by deed of the Mortgagee of even date, to be recorded herewith in the Burlington Land Records. Said Subleasehold Estates and Management Equipment are more particularly described in Schedule A attached hereto and made a part hereof.

Also conveying and granting hereby as part of the premises mortgaged hereunder, all of the following articles now or hereafter on the premises or

used therewith: Plumbing, heating, lighting, ventilating and air conditioning apparatus and equipment, incinerators and receptacles, elevators and elevator machinery, boilers, tanks, motors, sprinkler and fire extinguishing systems, alarm systems, interior and exterior cleaning, maintenance and repair machinery and equipment, furniture, furnishings and all other items of machinery, equipment, major appliances, construction materials, fixtures and articles of personal property, now or hereafter affixed to or placed upon and used in connection with the operation of said premises, all of which are covered by this Mortgage Deed. So long as Mortgagee shall not be in default hereunder, it shall retain the right to use fixtures or personal property.

The Regulatory Agreement is incorporated in and made a part of this Mortgage Deed. Mortgagor and Mortgagee reserve the right to amend the Regulatory Agreement, and such amendments shall be incorporated in and made a part of this Mortgage Deed. Should any default be made by the Mortgagor in any of the terms, conditions, covenants, or provisions of the Regulatory Agreement, such default shall constitute a default by the Mortgagor under this Mortgage Deed, and Mortgagee may declare the whole of the indebtedness secured hereby to be due and payable, take action to assume control over any funds or accounts maintained pursuant to the Regulatory Agreement and exercise any other rights and remedies provided to Mortgagee by the provisions hereof in the event of default by the Mortgagor under this Mortgage Deed, including, without limitation, the remedy of foreclosure.

Receipt of rents, awards, and any other monies or evidences thereof, pursuant to the provisions of the additional security provisions of the Regulatory Agreement, and any disposition of the same by Mortgagee, shall not constitute a waiver of the right of foreclosure by Mortgagee in the event of default or failure to perform by Mortgagor of any covenant or agreement contained herein, in the Regulatory Agreement, or any note secured hereby.

And Mortgagor covenants and agrees with Mortgagee as follows:

1. Mortgagor is lawfully seized of marketable title in the premises, free from encumbrances superior to this mortgage except those Permitted Encumbrances set forth in Schedule B attached hereto and incorporated herein by reference, and has good right and power to convey the premises to Mortgagee to hold as aforesaid, and that Mortgagor shall and will Warrant and Defend the same to Mortgagee forever, against the claims and demands of all persons whomsoever, except as to such Permitted Encumbrances.

2. Mortgagor shall pay all sums secured hereby when due.

3. Mortgagor shall pay, when due, all taxes and assessments of every type or nature levied or assessed against the premises and any claim, lien or encumbrance against the premises which may be or become due prior to this Mortgage Deed.

4. Mortgagor shall at all times keep said Improvements in good repair and condition; shall not commit or permit any strip or waste of said premises; shall comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the premises, and will not permit or suffer any

violation thereof; shall not make structural alterations, remove, demolish or alter the design of the buildings and improvements, now or hereafter constructed without the prior approval of Mortgagee; and shall not permit or suffer any lien or encumbrance which is alleged to be prior to this Mortgage Deed except those prior liens and encumbrances specifically listed in Exhibit B.

5. If Mortgagor fails to defend against or pay any claim, lien or encumbrance which is alleged to be prior to this Mortgage Deed, or pay when due any tax or assessment or insurance premium, or to keep the premises in repair, or shall commit or permit waste, or if there be commenced any action or proceeding affecting the premises or the title thereto, then Mortgagee, at its option, may pay said claim, lien, encumbrance, tax assessment or premium, may make such repairs and take such steps as it deems advisable to prevent or cure such waste, and may appear in any such action or proceeding and retain counsel therein, and take such action therein as Mortgagee deems advisable, and for any of said purposes, including Mortgagee's reasonable and necessary expenses incurred in taking any such action, Mortgagee may advance such sums of money as it deems necessary. Mortgagor shall pay to Mortgagee, or its assigns, upon demand any and all such sums advanced by Mortgagee pursuant to this paragraph, together with interest at a rate equal to the rate of interest borne by the Permanent Note plus two percentage points (two hundred basis points), and all such sums and interest thereon shall be secured hereby.

6. Mortgagor shall comply with all of the covenants and conditions of the Regulatory Agreement. The Regulatory Agreement incorporates the terms and conditions of a certain letter from the Mortgagee to the Mortgagor dated December 27, 1989 (the "Commitment Letter"). The Commitment Letter, in consideration for the Agency's commitment to advance the loan secured hereby, imposes certain limitations on the Mortgagor's power to convey title to the herein Mortgaged Premises, which conditions by the terms of the Commitment Letter survive the discharge of this Mortgage Deed. Mortgagor acknowledges that the primary source of funds for the loan secured hereby is the proceeds of tax-exempt bonds issued by the Mortgagee, and that the continuing exemption from federal taxation of said bonds may be dependent upon compliance with certain requirements of the United States Department of the Treasury. Mortgagor expressly agrees that the restrictions upon the transfer of title contained in the Commitment Letter, and the restrictions contained in Paragraph 9 hereof, are reasonable in light of such requirements as contained in regulations of the Department of the Treasury, whether proposed or adopted. Specifically, but without limitation, the Mortgagor agrees that such restrictions do not constitute an unreasonable restraint on alienation, that this recognition of reasonableness shall survive the discharge of this Mortgage Deed, and, in the event of any suit by the Mortgagee at law or in equity to enforce such restrictions, shall operate as a complete bar to any defense based on any law, rule or principle in favor of the free alienability of property. The Commitment Letter is a public document and may be examined at the offices of the Mortgagee. In addition, the limitations on transfer of title contained in the Commitment Letter and referenced above are set forth at length in the Regulatory Agreement.

7. If default be made in payment, when due, of any of the Indebtedness, or in performance of any of the conditions of this Mortgage Deed, or any of Mortgagor's obligations, covenants, or agreements hereunder, or in the Permanent Note, the Subordinate Mortgage referred to in the Commitment Letter, or the Regulatory Agreement, or in any other mortgage secured by the premises, including, without limitation, any mortgage given to or insured by the United States Department of Housing and Urban Development, those two certain mortgages of even date herewith (collectively, the "Seller's Mortgage") given by the Mortgagee to, respectively, Northgate Associates Limited and Greenfield Associates Limited (provided that such default in the Seller's Mortgage shall not have arisen primarily because of the failure of the Mortgagee or its trustee to make payments thereunder), the City of Burlington, and/or Northgate Non-Profit, Inc., and such default is not remedied within any applicable grace period, or if any written representation made by the Mortgagor to the Mortgagee as a condition of obtaining the loan secured hereby proves to have been false when made, Mortgagee shall be entitled to foreclose this Mortgage Deed and/or to take any action permitted in the event of default under the Regulatory Agreement. In any foreclosure action, the Mortgagee shall be entitled to recover a reasonable attorney's fee not exceeding two per cent of the combined outstanding principal amount secured by the Seller's Mortgage and this Mortgage.

8. Without affecting the liability of Mortgagor for payment of any indebtedness secured hereby, or for performance of any obligation contained or incorporated by reference herein, and without affecting the rights of Mortgagee with respect to any security not expressly released in writing, Mortgagee may at any time, and from time to time, either before or after the maturity of the Permanent Note and/or the Premium Replacement Note, and without notice or consent:

(a) Release any person from liability for payment of all or any part of the indebtedness.

(b) Release any person from liability for performance of any obligation.

(c) Make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Indebtedness, or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof.

(d) Exercise or refrain from exercising, or waive any right Mortgagee may have.

(e) Accept additional security of any kind.

(f) Release or otherwise deal with any property, real or personal, securing the Indebtedness, including all or part of the mortgaged premises.

9. It is an additional condition of this Mortgage Deed, for breach of which foreclosure may be claimed, and for breach of which all indebtedness

secured hereby may be declared due and payable at once, that title to the within-described mortgaged premises shall not pass from Mortgagor by deed, mortgage, or operation of law, or from any subsequent title holder, either voluntarily or involuntarily. This condition shall continue until all of the Indebtedness and other obligations secured hereby are satisfied. Permission given, or election not to foreclose or accelerate the Indebtedness by Mortgagee, its successors or assigns, as to any one such transfer of title shall not constitute a waiver of any rights of Mortgagee, its successors and assigns as to any subsequent such transfer of title. The term "title" as used herein shall mean the estate of the Mortgagor, subject to the lien of this Mortgage Deed. Notwithstanding the foregoing language of this Paragraph 9, by acceptance hereof, Mortgagee agrees that **Northgate Housing, Inc.** shall be entitled to purchase the mortgaged premises from the Mortgagor in accordance with the provisions of a certain option of even date to be recorded simultaneously herewith in the Burlington Land Records, and to assume this Mortgage (including the obligations of the Mortgagor under the Regulatory Agreement), subject only to the execution of such assumption agreements and the obtaining of such assurances as Mortgagee may reasonably require under the circumstances then existing, including without limitation assurances as to the continuing tax-exempt status of the Mortgagee's bonds, compliance with any applicable requirements of the United States Department of Housing and Urban Development and/or the holders of mortgages applicable to the premises and insured thereby, and compliance by the said Northgate Housing, Inc. with statutory, regulatory, and policy requirements of the Mortgagee then existing and pertaining generally to "housing sponsors" within the meaning of the Vermont Housing Finance Agency Act.

10. Upon request of Mortgagor, Mortgagee, at Mortgagee's option prior to release of this Mortgage Deed, may make future advances to Mortgagor. Such future advances, with interest thereon, shall be secured by this Mortgage Deed when evidenced by promissory notes stating that said promissory notes are secured hereby, and endorsed "approved" by Vermont Housing and Conservation Board.

In order to comply with applicable requirements of the United States Department of Housing and Urban Development, the Mortgagor and the Mortgagee (by its acceptance hereof) do further agree as follows:

1. Subordination of Secondary Financing. Mortgagee, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this mortgage are subordinate to the respective rights of, as to Parcel I (being property acquired from Northgate Associates Limited, more particularly described in Schedule A attached hereto), The National Shawmut Bank of Boston, its successors and assigns under that certain mortgage (the "Shawmut Mortgage") dated April 23, 1968 and recorded in Volume 185, Page 797 of the Burlington Land Records, that certain security agreement dated April 23, 1968 and the rights of the Secretary of Housing and Urban Development (the "Secretary") under that certain Regulatory Agreement dated April 23, 1968, as amended, and incorporated by reference in the Shawmut Mortgage, as well as the rights of the Secretary of Housing and Urban Development under a

certain Use Agreement of recent date, to be recorded in the Burlington Land Records, and, as to Parcel II (being property acquired from Greenfield Associates Limited, more particularly described in Schedule A attached hereto), The Howard National Bank and Trust Company, its successors and assigns under that certain mortgage (the "Howard Mortgage", and, together with the Shawmut Mortgage, the "First Mortgage") dated September 9, 1969 and recorded in Volume 195, Page 174 of the Burlington Land Records, that certain security agreement dated September 9, 1969 and the rights of the Secretary of Housing and Urban Development under that certain Regulatory Agreement dated September 9, 1969, as amended, and incorporated by reference in the Howard Mortgage, as well as the rights of the Secretary of Housing and Urban Development under a certain Use Agreement of recent date, to be recorded in the Burlington Land Records.

2. Duties of Receiver or Mortgagee in Possession. Mortgagee, for itself and its successors and assigns, further covenants and agrees that in the event of the appointment of a receiver or the appointment of the mortgagee as mortgagee-in-possession in any action by the mortgagee, its successors or assigns, to foreclose this mortgage, mortgagee shall take such steps as are necessary to assure that no rents, revenues or other income of the project collected by the receiver or the mortgagee-in-possession shall be utilized for the payment of current debt service or any other charges due and payable under this mortgage until all current debt service and other charges then required to be paid under the First Mortgage have been paid; and further, the receiver or mortgagee-in-possession shall operate the project in accordance with all the provisions of the First Mortgage and the Regulatory Agreements, as amended.

3. Acquisition by Deed in Lieu of Foreclosure. In the event the Secretary acquires title to either Parcel I or Parcel II by a deed-in-lieu of foreclosure, the lien of this mortgage will automatically terminate with respect to such Parcel provided that (a) the default giving rise to the deed-in-lieu of foreclosure has not been cured and (b) the holder of this mortgage has not redeemed its interest as hereinafter provided. The holder of this mortgage may cure a default under the First Mortgage or redeem its interest prior to a conveyance by deed-in-lieu of foreclosure. The Secretary shall give written notice to the holder of this mortgage of a proposed tender of title in the event (1) the Secretary decides to accept a deed-in-lieu of foreclosure or (2) the Secretary receives notice from the holder of the applicable First Mortgage of its election to accept a deed-in-lieu of foreclosure. Such notice shall be given at the address stated herein or such other address as may subsequently, upon written notice to the Secretary, be designated by the holder of this mortgage as its legal business address. In the case of a monetary default, the holder of this mortgage shall have thirty (30) days after the notice of intent to accept a deed-in-lieu of foreclosure is mailed

to cure the default or cause it to be cured. In the case of a non-monetary default, the holder of this mortgage shall have one hundred eighty (180) days after the notice of intent to accept a deed-in-lieu of foreclosure is mailed to redeem its interest, in the following manner: The holder of this mortgage may redeem its interest by making payment to the Secretary, for the benefit of the holder of the applicable First Mortgage, of the entire outstanding principal balance and all accrued interest and other charges under the applicable First Mortgage. If the holder of this mortgage so redeems its interest, the Secretary shall cause the holder of the applicable First Mortgage to deliver to the holder of this mortgage a valid, recordable assignment of the applicable First Mortgage and the loan secured thereby, in such form as the holder of this mortgage may reasonably request. If (a) a monetary default is not cured, and (b) in the case of a non-monetary default, the holder of this mortgage fails to redeem its interest, and (c) the Secretary then acquires title by deed-in-lieu of foreclosure, the lien of this mortgage shall automatically terminate.

4. Mortgagor's Duty to Notify. Mortgagor specially covenants with the Mortgagee that, prior to any tender or offer to tender a deed-in-lieu of foreclosure of any mortgage prior in lien to the lien of this mortgage, the Mortgagor hereunder shall give notice to the Mortgagee of its intention so to do.

Subject to the above-stated limitations on transfer of the mortgaged premises, the covenants and agreements herein contained shall run with the land and shall bind, and the benefits and advantages thereof shall inure to, the respective heirs, executors, administrators, successors and assigns of the Mortgagor and Mortgagee. Wherever used, the singular number shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders.

TO HAVE AND TO HOLD the above granted, bargained premises, with all the privileges and appurtenances thereof and thereto belonging unto said VERMONT HOUSING FINANCE AGENCY, its successors and assigns provided that if the Mortgagor shall pay the Indebtedness and all other sums secured hereby and all interest as provided therefor, and shall perform all of the covenants and conditions herein and in the Regulatory Agreement contained, then this Mortgage Deed shall be null and void, otherwise to remain in full force and effect.

Dated at Burlington, Vermont effective the 27th day of December, 1989.

IN THE PRESENCE OF:

_____

MORTGAGOR: NORTHGATE HOUSING LIMITED PARTNERSHIP
by NORTHGATE HOUSING, INC., GENERAL PARTNER

_____

by _____
Its President and duly authorized agent

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County this ___ day of December, 1989, personally appeared _____, known to me to be the duly authorized agent of NORTHGATE HOUSING, INC. general partner of NORTHGATE HOUSING LIMITED PARTNERSHIP and acknowledged the foregoing Mortgage Deed by him subscribed to be his free act and deed and the free act and deed of the said NORTHGATE HOUSING, INC. and NORTHGATE HOUSING LIMITED PARTNERSHIP.

Before me,

_____
Notary Public

My commission expires: February 10, 1991

NGBS006A

NORTHGATE/GREENFIELD

SCHEDULE A

TO MORTGAGE FROM _____

PROPERTY DESCRIPTION

PARCEL 1 (NORTHGATE):

Subleasehold Estate derived as follows: Leasehold estate, under terms of lease from the Selectmen of the Town of Burlington, dated March 20, 1811, recorded in Volume 23 at Page 98, as amended by agreement between the City of Burlington and Raymond T. Derway et als dated February 28, 1952 and recorded in Volume 140 at Page 92 of the City of Burlington Land Records, subject to and having all of the benefits of, respectively, (a) an Assignment of Lease from John Derway and Grace Derway to Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 886 of the City of Burlington Land Records; (b) an Assignment of Lease from Northgate Associates Limited to John Derway and Grace Derway dated April 23, 1968 and recorded in Volume 183 at Page 898 of the City of Burlington Land Records; and (c) a Sublease Agreement between John Derway and Grace Derway and Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 903 of the City of Burlington Land Records. The Premises encompassed by the Subleasehold Estate are more particularly described as follows:

All that certain piece, parcel or tract of land, being a portion of the Derway property, so-called, situated on the westerly side of North Avenue, in the City of Burlington, Chittenden County, State of Vermont, and more particularly described as follows:

Beginning at a marble monument, said monument being the intersection of the south line of the so-called Mill-Hard Development, a plan of which is recorded in Volume 148, Page 408 of the Burlington Land Records, and the westerly side line of North Avenue;

Thence South 20° 39′ 10" east, in and along the westerly side line of North Avenue, 191.01 feet to a point of curvature;

Thence, continuing southerly along a curve to the left, having a central angle of 17° 00′ 00", and a radius of 669.12 feet for a distance of 208.32 feet to a point of tangency;

Thence South 37° 29′ 10" east, in and along the westerly sideline of North Avenue, 93.01 feet to a

concrete monument, said monument being the northeast corner of the land of Robert Audette;

Thence South 52° 31′ 55" west, in and along Audette's north line, 99.95 feet to an iron pipe;

Thence South 37° 29′ 10" east, in and along Audette's west line, 75.00 feet to an iron pipe;

Thence North 52° 30′ 50" east, in and along Audette's South line, 100 feet to a concrete monument, said monument being Audette's southeast corner and the westerly side line of North Avenue;

Thence South 37° 40′ 25" east, in and along the westerly side line of North Avenue, 119.89 feet to a marble monument, said monument being the northeast corner of the Ohavi Zedek Synagogue cemetery;

Thence South 57° 50′ 31" west, in and along the North line of the cemetery, 329.88 feet to a marble monument;

Thence South 35° 56′ 12" east, in and along the westerly line of the cemetery, 131.94 feet to a marble monument, said monument being the southwest corner of the cemetery and lying in the northerly side line of the land of Clarance and Ruth Davidson;

Thence South 57° 58′ 40" west, in and along Davidson's northerly side line, 127.58 feet to a marble monument;

Thence North 82° 30′ 00" west, 255.00 feet to an iron pipe;

Thence North 47° 30′ 00" west, 525.00 feet to an iron pipe;

Thence South 70° 45′ 00" west, 215.00 feet to an iron pipe;

Thence North 46° 31′ 40" west, 100.00 feet to an iron pipe; said iron pipe being in a corner of the easterly right of way line of the former Rutland Railroad and also being the southwest corner of the aforementioned Mill-Hard Development;

Thence North 57° 54′ 40" east, in and along the southerly side line of the Mill-Hard Development, 1,041.39 feet, to the point of beginning, containing 12.38 acres, or 540,144 square feet, more or less.

EXCEPTING THEREFROM that piece, parcel or tract of land described in a Quit Claim Deed of Northgate Associates, Limited to the City of Burlington, dated August 22, 1969 and recorded in Volume 198 at Page 23 of the Burlington City Land Records.

SITE OFFICE INVENTORY:

1 Calculator
1 Telephone

MAINTENANCE SHOP INVENTORY

1 Gilson Snow Blower - Serial #2284E1-G25
1 24 foot Extension Ladder
2 4 foot Step Ladders
1 Utility Pump
1 Dolly
1 Power Roller
1 Roll Hand Snake 50 Foot
1 Toilet Auger
1 Pointed Shovel
1 Heat Gun
1 Craftsman 7¼ Skill Saw
1 Set Bid Seat Wrenches
1 Tile Nipper
2 Toilet Plungers
1 Five Gallon Gas Can
1 Ratchet Basin Wrench

PARCEL 2 (GREENFIELD):

Subleasehold Estate derived as follows: Leasehold estate, under terms of lease from the Selectmen of the Town of Burlington dated March 20, 1811, recorded in Volume 23 at Page 98 of said Land Records, as amended by agreement between City of Burlington and Raymond T. Derway et als dated February 28, 1952, recorded in Volume 140 at Page 92 of said Land Records, subject to and having all the benefits of, respectively, (a) an Assignment of Lease by John Derway and Grace Derway to Greenfield Associates Limited dated September 9, 1969 and recorded in Volume 194 at Page 241 of the City of Burlington Land REcords; (b) an Assignment of Lease from Greenfield Associates Limited to John Derway and Grace Derway dated September 9, 1969 and recorded in Volume 194 at Page 256 of the City of Burlington Land Records; and (c) a Sublease Agreement between Greenfield Associates Limited and John Derway and Grace Derway dated September 9, 1969 and recorded in Volume 194 at Page 260 of the City of Burlington Land Records in all that certain piece, parcel or tract of land being a portion of the Derway Property, so-called, containing 18.29 acres of land shown on a Plat of Survey bearing the inscription "Northgate 2 Palmer-Tarinelli Construction Company, Carl B. Leedy, Civil Engineer," dated 24 July, 1969, identified thereon as Parcel 2 and

recorded in the Land Records of the City of Burlington in Volume 19 4 at Page 203, said parcel being more particularly described as follows:

Beginning at a marble monument, said monument being the north west corner of land of Clarence and Ruth Davidson and also being a corner in the west line of Parcel I of Northgate, thence south 32° 04′ 50" east a distance of 566.75′ (Five Hundred Sixty-Six and Seventy-Five Hundredths Feet) to a concrete monument, thence south 57° 46′ 35" west a distance of 810.54′ (Eight Hundred Ten and Fifty-Four Hundredths Feet) to a concrete monument, thence south 57° 46′ 35" west a distance of 150.00′ (One Hundred Fifty Feet) to a marble monument, thence north 14° 11′ 45" west a distance of 1,350.73′ (One Thousand Three Hundred Fifty and Seventy-Three Hundredths Feet) to a concrete monument also being a corner in the west line of Northgate Parcel I, thence north 70° 45′ 00" east a distance of 215.00′ (Two Hundred Fifteen Feet) to a marble monument also being a corner in the west line of North-Gate Parcel I, thence south 47° 30′ 00" east a distance of 525.00′ (Five Hundred Twenty-Five Feet) to a marble monument also being a corner in the west line of Northgate Parcel I, thence south 82° 30′ 00" east a distance of 255.00′ (Two Hundred Fifty-Five Feet) to a marble monument being the place or point of beginning. The area herein described lying within the mentioned bounds contains 795,141 sq. ft. (Seven Hundred Ninety-Five Thousand One Hundred and Forty One Square Feet) or 18.29 (Eighteen and Twenty-Nine Hundredths) Acres. Together with the right to use for all purposes of travel to and from North Avenue and for purposes of laying utilities therein, the roads constructed on the Northerly and Southerly side of the Northgate I Project, the rights of way for which roads are more particularly shown and described on a Plat of Right of Way entitled "Northgate Associates, Burlington Vermont" prepared by Emerson Abbott Harlow and Leedy Inc. surveyors dated December 17, 1968 and recorded in Volume 194 at Page 239 of the Land Records of the City of Burlington on September 9, 1969 and rerecorded in Volume 194 at Page 618 on April 14, 1970.

EXCEPTING THEREFROM that property described in the Quit Claim Deed of Greenfield Associates, Limited to the City of Burlington, dated August 12, 1975 and recorded in Volume 235 at Page 496 of the Burlington City Land Records.

SITE OFFICE INVENTORY:

3 Desks
5 Files
1 Calculator
9 Chairs
1 Typewriter
1 Telephone
1 Xerox Copier
1 Air Conditioner
3 Intercom Systems

MAINTENANCE SHOP INVENTORY

1 Rigid Sewer Machine with Att - Model K1500 - Serial #8732521
1 Snapper Snow Blower - Serial #732008043
1 Toro Snow Blower - Serial #6007929
1 Craftsman Radial Saw - Serial #4044M0655
1 8 Foot Step Ladder
2 6 Foot Step Ladders
1 Pack Mule
1 Wet Vac
2 Floor Rollers (80 lb.)
1 Buffer
1 Sledge Hammer
1 Pick Duck Bill
1 Makita - Reciprocating Saw
1 Gin. Bench Grinder
1 Key Machine - Junk
1 Set Freon Gauges and Tanks
1 50 Foot Garden Hose
1 Craftsman Bench Vice
1 2½ Gallon Gas Can
1 Handle Puller

NG009a

NORTHGATE/GREENFIELD

SCHEDULE B

TO MORTGAGE FROM _____

PERMITTED ENCUMBRANCES

1. Any restrictions or limitations imposed or to be imposed by governmental authority, including, but not limited to, the zoning and planning rules and regulations of the City of Burlington.

2. Any state of facts disclosed on Plat of Survey of Chase, DeWolfe & Davis, P.C., entitled "Boundary Survey - Northgate Housing Complex off NORTH AVE., BURLINGTON, Vermont for Northgate Housing Limited Partnership," recorded at slide #_____ of the Burlington Land Records.

3. Rights, if any, in favor of any electric light or telephone company to maintain guy wires extending from said premises to poles located on the roads on which said premises abut.

4. Mortgage for $1,959,600 and interest from Northgate Associates, Limited to The National Shawmut Bank of Boston, dated April 23, 1968 and recorded in Book 185 at Page 797 of the Burlington Land Records, assigned of record.

5. Regulatory Agreement between Northgate Associates, Limited and the Federal Housing Commissioner, dated April 23, 1968 and recorded in Book 183 at Page 890 of the Burlington Land Records, as amended of record.

6. Financing Statement No. 68-1186 given by Northgate Associates, Limited to The National Shawmut Bank of Boston, recorded with the City Clerk of Burlington, Vermont on April 24, 1968. Said financing statement shows Riggs National Bank of Washington, D.C., Trustee as the present secured party and was continued by a continuation statement filed March 1, 1988.

7. Terms, Covenants and conditions of lease from the Selectmen of the Town of Burlington dated March 20, 1811 and recorded in Book 23, Page 98 of the Land Records of the Town of Burlington, as amended by Agreement between the City of Burlington and Raymond T. and Grace Derway, dated February 28, 1952, recorded in Book 140 at Page 92 of the Land Records of the Town of Burlington.

8. Real Estate taxes for the tax year July 1, 1989 through June 30, 1990 assessed but not yet due and payable, and taxes for subsequent years thereafter.

9. Water and sewer rents not yet due and payable.

10. Terms, covenants and conditions of an Assignment of Leases from John Derway and Grace Derway to Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 886 of the Burlington City Land Records.

11. Terms, covenants and conditions of an Assignment of Lease from Northgate Associates Limited to John Derway and Grace Derway dated April 23, 1968 and recorded in Volume 183 at Page 899, Volume 188 at Page 98 and Volume 188 at Page 168 of the Burlington City Land Records.

12. Terms, covenants and conditions of a Sublease Agreement between John Derway and Grace Derway and Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 903 of the Burlington City Land Records.

13. Rights of present tenants, lessees or parties in possession.

14. Mortgage from GREENFIELD ASSOCIATES LIMITED to THE HOWARD NATIONAL BANK AND TRUST COMPANY in the original principal amount of $3,200,000.00, dated September 9, 1969 and recorded with the Land Records of the City of Burlington, Vermont in Vol. 195 at Page 174 on September 9, 1969, as assigned of record.

15. The rights of the Federal Housing Commissioner and/or Secretary of Housing and Urban Development, of Washington, D.C., in a Regulatory Agreement between GREENFIELD ASSOCIATES LIMITED and said Commissioner dated September 9, 1969 and recorded in Vol. 194 at Page 180 of said Land Records, as amended of record.

16. Terms, covenants and conditions of Assignment of Lease by John Derway and Grace Derway to Greenfield Associates Limited dated September 9, 1969 and recorded in Volume 194 at Page 241 of said Land Records.

17. Terms, covenants and conditions of Assignment by Greenfield Associates Limited to John Derway and Grace Derway dated September 9, 1969 and recorded in Vol. 194 at Page 256 of said Land Records, on September 9, 1969.

18. Terms, covenants and conditions of Sublease to Greenfield Associates Limited by John Derway and Grace Derway by lease dated September 9, 1969 and recorded in Vol. 194 at Page 260 of said Land Records, on September 9, 1969.

19. A certain Use Agreement dated December __, 1989 between the Secretary of Housing and Urban Development and Northgate Housing Limited Partnership.

20. A Mortgage from Northgate Housing Limited Partnership to the Secretary of Housing and Urban Development securing a loan of THREE MILLION AND 00/100 ($3,000,000.00) DOLLARS made pursuant to a certain Financial Assistance contract between HUD and the Mortgagee dated December __, 1989 and to be recorded in the Burlington Land Records.

21. A Building Loan Agreement between Greenfield Associates and The Howard National Bank and Trust Company dated September 9, 1969 and recorded in Volume 194 at Page 246 of the Burlington Land Records.

22. U.C.C. Financing Statement, Burlington City Clerk File No. 69-2529, dated September 9, 1969, as assigned of record, and continuation statements filed August 1, 1974, August 2, 1979, September 6, 1984, and June 12, 1989.

23. U.C.C. Financing Statement, Burlington City Clerk File No. 68-1186, dated April 24, 1968, as assigned of record, and continuation statements dated January 29, 1973, March 17, 1978, April 5, 1983, and March 1, 1988.

NG011

SUBORDINATE MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, that NORTHGATE HOUSING LIMITED PARTNERSHIP ("Mortgagor"), a Vermont limited partnership having its principal place of business in Burlington, County of Chittenden and State of Vermont, in consideration of a loan of money and certain other accommodations made to it by VERMONT HOUSING FINANCE AGENCY ("Mortgagee"), a body politic and corporate having its principal office at One Burlington Square, P.O. Box 408, Burlington, Vermont, receipt whereof is hereby acknowledged, represents and acknowledges more specifically as follows:

A. Mortgagor is indebted to Mortgagee in the principal sum of EIGHT HUNDRED SEVENTY FIVE THOUSAND AND 00/100 ($875,000.00) DOLLARS, which loan is further evidenced by a certain interest-bearing promissory note (the "Premium Replacement Note") of even date.

B. As additional security for the Indebtedness, the Mortgagor has executed and delivered to Mortgagee a certain "Vermont Housing Finance Agency Regulatory Agreement" of even date (the "Regulatory Agreement"), to be recorded simultaneously herewith in the Burlington Land Records. The Regulatory Agreement also expresses certain contractual undertakings of the Mortgagor, the purpose of which is to protect the Mortgagee from default under certain obligations of its own, which obligations of the Mortgagee have been undertaken by the Mortgagee in order to accommodate the Mortgagor. The contractual undertakings of the Mortgagor expressed in the Regulatory Agreement include, without limitation, the obligation to make certain payments to the Mortgagee or the trustee of the Mortgagee on account of the Seller's Mortgage (as hereinafter defined), and to complete certain physical improvements (the "Rehabilitation") to the mortgaged premises (as hereinafter defined).

NOW THEREFORE, to secure (i) the repayment of the Indebtedness, (ii) the repayment of any advances or expenses of any kind incurred by Mortgagee pursuant to the provisions of or on account of the Permanent Note, the Premium Replacement Note, the Regulatory Agreement, and/or this Mortgage, (iii) the repayment of future advances, if any, disbursed by Mortgagee to Mortgagor in excess of the Indebtedness, and (iv) the performance and observance of all of the terms, covenants, provisions, and agreements set forth in this Mortgage Deed, the Permanent Note, the Premium Replacement Note, and/or the Regulatory Agreement, the Mortgagor, the said NORTHGATE HOUSING LIMITED PARTNERSHIP does hereby GIVE, GRANT, BARGAIN, SELL, CONVEY, and MORTGAGE unto the Mortgagee, the said VERMONT HOUSING FINANCE AGENCY, its successors and assigns forever, the real estate, with the buildings, improvements, and other property now or hereafter situated thereon, and being more particularly described in Schedule A attached hereto and made a part hereof (sometimes hereinafter referred to as "premises" or "mortgaged premises").

Also conveying and granting hereby as part of the premises mortgaged hereunder, all of the following articles now or hereafter on the premises or used therewith: Plumbing, heating, lighting, ventilating and air conditioning apparatus and equipment, incinerators and receptacles, elevators and elevator

machinery, boilers, tanks, motors, sprinkler and fire extinguishing systems, alarm systems, interior and exterior cleaning, maintenance and repair machinery and equipment, furniture, furnishings and all other items of machinery, equipment, major appliances, construction materials, fixtures and articles of personal property, now or hereafter affixed to or placed upon and used in connection with the operation of said premises, all of which are covered by this Mortgage Deed. So long as Mortgagee shall not be in default hereunder, it shall retain the right to use fixtures or personal property.

The Regulatory Agreement is incorporated in and made a part of this Mortgage Deed. Mortgagor and Mortgagee reserve the right to amend the Regulatory Agreement, and such amendments shall be incorporated in and made a part of this Mortgage Deed. Should any default be made by the Mortgagor in any of the terms, conditions, covenants, or provisions of the Regulatory Agreement, such default shall constitute a default by the Mortgagor under this Mortgage Deed, and Mortgagee may declare the whole of the indebtedness secured hereby to be due and payable, take action to assume control over any funds or accounts maintained pursuant to the Regulatory Agreement and exercise any other rights and remedies provided to Mortgagee by the provisions hereof in the event of default by the Mortgagor under this Mortgage Deed, including, without limitation, the remedy of foreclosure.

Receipt of rents, awards, and any other monies or evidences thereof, pursuant to the provisions of the additional security provisions of the Regulatory Agreement, and any disposition of the same by Mortgagee, shall not constitute a waiver of the right of foreclosure by Mortgagee in the event of default or failure to perform by Mortgagor of any covenant or agreement contained herein, in the Regulatory Agreement, or any note secured hereby.

And Mortgagor covenants and agrees with Mortgagee as follows:

1. Mortgagor is lawfully seized of marketable title in the premises, free from encumbrances superior to this mortgage except prior encumbrances of record, and has good right and power to convey the premises to Mortgagee to hold as aforesaid, and that Mortgagor shall and will Warrant and Defend the same to Mortgagee forever, against the claims and demands of all persons whomsoever, except as to such prior encumbrances.

2. Mortgagor shall pay all sums secured hereby when due.

3. Mortgagor shall pay, when due, all taxes and assessments of every type or nature levied or assessed against the premises and any claim, lien or encumbrance against the premises which may be or become due prior to this Mortgage Deed.

4. Mortgagor shall at all times keep said buildings and improvements in good repair and condition; shall not commit or permit any strip or waste of said premises; shall comply with all laws, ordinances, regulations, covenants, conditions, and restrictions affecting the premises, and will not permit or suffer any violation thereof; shall not make structural alterations, remove, demolish or alter the design of the buildings and improvements, now or hereafter constructed without the prior approval of Mortgagee; and shall not

permit or suffer any lien or encumbrance which is alleged to be prior to this Mortgage Deed except those prior liens and encumbrances specifically listed in Exhibit B.

5. If Mortgagor fails to defend against or pay any claim, lien or encumbrance which is alleged to be prior to this Mortgage Deed, or pay when due any tax or assessment or insurance premium, or to keep the premises in repair, or shall commit or permit waste, or if there be commenced any action or proceeding affecting the premises or the title thereto, then Mortgagee, at its option, may pay said claim, lien, encumbrance, tax assessment or premium, may make such repairs and take such steps as it deems advisable to prevent or cure such waste, and may appear in any such action or proceeding and retain counsel therein, and take such action therein as Mortgagee deems advisable, and for any of said purposes, including Mortgagee's reasonable and necessary expenses incurred in taking any such action, Mortgagee may advance such sums of money as it deems necessary. Mortgagor shall pay to Mortgagee, or its assigns, upon demand any and all such sums advanced by Mortgagee pursuant to this paragraph, together with interest at a rate equal to the rate of interest borne by the Permanent Note plus two percentage points (two hundred basis points), and all such sums and interest thereon shall be secured hereby.

6. Mortgagor shall comply with all of the covenants and conditions of the Regulatory Agreement. The Regulatory Agreement incorporates the terms and conditions of a certain letter from the Mortgagee to the Mortgagor dated December __, 1989 (the "Commitment Letter"). The Commitment Letter, in consideration for the Agency's commitment to advance the loan secured hereby, imposes certain limitations on the Mortgagor's power to convey title to the herein Mortgaged Premises, which conditions by the terms of the Commitment Letter survive the discharge of this Mortgage Deed. Mortgagor acknowledges that the primary source of funds for the loan secured hereby is the proceeds of tax-exempt bonds issued by the Mortgagee, and that the continuing exemption from federal taxation of said bonds may be dependent upon compliance with certain requirements of the United States Department of the Treasury. Mortgagor expressly agrees that the restrictions upon the transfer of title contained in the Commitment Letter, and the restrictions contained in Paragraph 9 hereof, are reasonable in light of such requirements as contained in regulations of the Department of the Treasury, whether proposed or adopted. Specifically, but without limitation, the Mortgagor agrees that such restrictions do not constitute an unreasonable restraint on alienation, that this recognition of reasonableness shall survive the discharge of this Mortgage Deed, and, in the event of any suit by the Mortgagee at law or in equity to enforce such restrictions, shall operate as a complete bar to any defense based on any law, rule or principle in favor of the free alienability of property. The Commitment Letter is a public document and may be examined at the offices of the Mortgagee. In addition, the limitations on transfer of title contained in the Commitment Letter and referenced above are set forth at length in the Regulatory Agreement.

7. If default be made in payment, when due, of any of the Indebtedness, or in performance of any of the conditions of this Mortgage Deed, or any of Mortgagor's obligations, covenants, or agreements hereunder, or in the Premium Replacement Note, the Permanent Note and Mortgage Deed

referred to in the Commitment Letter, or the Regulatory Agreement, or in any other mortgage secured by the premises, including, without limitation, any mortgage given to or insured by the United States Department of Housing and Urban Development, those two certain mortgages of even date herewith (collectively, the "Seller's Mortgage") given by the Mortgagee to, respectively, Northgate Associates Limited and Greenfield Associates Limited (provided that such default in the Seller's Mortgage shall not have arisen primarily because of the failure of the Mortgagee or its trustee to make payments thereunder), the City of Burlington, and/or Northgate Non-Profit, Inc., and such default is not remedied within any applicable grace period, or if any written representation made by the Mortgagor to the Mortgagee as a condition of obtaining the loan secured hereby proves to have been false when made, Mortgagee shall be entitled to foreclose this Mortgage Deed and/or to take any action permitted in the event of default under the Regulatory Agreement. In any foreclosure action, the Mortgagee shall be entitled to recover a reasonable attorney's fee not exceeding two per cent of the combined outstanding principal amount secured by the Seller's Mortgage and this Mortgage.

8. Without affecting the liability of Mortgagor for payment of any indebtedness secured hereby, or for performance of any obligation contained or incorporated by reference herein, and without affecting the rights of Mortgagee with respect to any security not expressly released in writing, Mortgagee may at any time, and from time to time, either before or after the maturity of the Permanent Note and/or the Premium Replacement Note, and without notice or consent:

(a) Release any person from liability for payment of all or any part of the indebtedness.

(b) Release any person from liability for performance of any obligation.

(c) Make any agreement extending the time or otherwise altering the terms of payment of all or any part of the Indebtedness, or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof.

(d) Exercise or refrain from exercising, or waive any right Mortgagee may have.

(e) Accept additional security of any kind.

(f) Release or otherwise deal with any property, real or personal, securing the Indebtedness, including all or part of the mortgaged premises.

9. It is an additional condition of this Mortgage Deed, for breach of which foreclosure may be claimed, and for breach of which all indebtedness secured hereby may be declared due and payable at once, that title to the within-described mortgaged premises shall not pass from Mortgagor by deed, mortgage, or operation of law, or from any subsequent title holder, either

voluntarily or involuntarily. This condition shall continue until all of the Indebtedness and other obligations secured hereby are satisfied. Permission given, or election not to foreclose or accelerate the Indebtedness by Mortgagee, its successors or assigns, as to any one such transfer of title shall not constitute a waiver of any rights of Mortgagee, its successors and assigns as to any subsequent such transfer of title. The term "title" as used herein shall mean the estate of the Mortgagor, subject to the lien of this Mortgage Deed. Notwithstanding the foregoing language of this Paragraph 9, by acceptance hereof, Mortgagee agrees that **Northgate Housing, Inc.** shall be entitled to purchase the mortgaged premises from the Mortgagor in accordance with the provisions of a certain option of even date to be recorded simultaneously herewith in the Burlington Land Records, and to assume this Mortgage (including the obligations of the Mortgagor under the Regulatory Agreement), subject only to the execution of such assumption agreements and the obtaining of such assurances as Mortgagee may reasonably require under the circumstances then existing, including without limitation assurances as to the continuing tax-exempt status of the Mortgagee's bonds, compliance with any applicable requirements of the United States Department of Housing and Urban Development and/or the holders of mortgages applicable to the premises and insured thereby, and compliance by the said Northgate Housing, Inc. with statutory, regulatory, and policy requirements of the Mortgagee then existing and pertaining generally to "housing sponsors" within the meaning of the Vermont Housing Finance Agency Act.

10. Upon request of Mortgagor, Mortgagee, at Mortgagee's option prior to release of this Mortgage Deed, may make future advances to Mortgagor. Such future advances, with interest thereon, shall be secured by this Mortgage Deed when evidenced by promissory notes stating that said promissory notes are secured hereby, and endorsed "approved" by Vermont Housing and Conservation Board.

11. This mortgage is executed and delivered by Mortgagor upon the understanding, and Mortgagee does hereby agree, for itself, its successors and assigns, that Mortgagee may look solely to the premises covered by this mortgage (and the rents and profits therefrom and other related collateral owned by the Mortgagor and specifically assigned therefor) for the satisfaction of the sums secured hereby, that Mortgagee shall have no recourse against any partner of the Mortgagor, and that in any action to foreclose this mortgage or to recover any deficiency on the Notes which this mortgage secures, Mortgagor and its partners shall have no liability under any deficiency judgment; provided, however, that nothing in this Paragraph shall (a) impair, limit or restrict the validity of the indebtedness evidenced by or secured under this Mortgage or in any way affect, impair, limit or restrict foreclosure of this Mortgage or the exercise of rights under other security documents; or (b) be deemed to be a release or impairment of this Mortgage or the lien or security interest created by this Mortgage or any collateral security documents (except as may occur upon foreclosure); or (c) preclude foreclosure or other exercise of rights or remedies under applicable law to enforce the performance and observance of any obligation, agreement or covenant of the Mortgagor under the Note secured hereby or this Mortgage, except as such exercise of rights or remedies are precluded or limited as set forth herein.

The prior encumbrances include a mortgage of even date given by the Mortgagor to Northgate Non-Profit, inc. securing a debt in the principal amount of TWO MILLION NINE HUNDRED THOUSAND AND 00/100 ($2,900,000.00) DOLLARS (the "VHCB Mortgage"), which mortgage has been assigned to Vermont Housing and Conservation Board by instrument of even date. REGARDLESS OF RELATIVE TIME OF RECORDING, THIS MORTGAGE SHALL BE AND REMAIN SUBJECT AND SUBORDINATE TO THE VHCB MORTGAGE.

In order to comply with applicable requirements of the United States Department of Housing and Urban Development, the Mortgagor and the Mortgagee (by its acceptance hereof) do further agree as follows:

1. Subordination of Secondary Financing. Mortgagee, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this mortgage are subordinate to the respective rights of, as to Parcel I (being property acquired from Northgate Associates Limited, more particularly described in Schedule A attached hereto), The National Shawmut Bank of Boston, its successors and assigns under that certain mortgage (the "Shawmut Mortgage") dated April 23, 1968 and recorded in Volume 185, Page 797 of the Burlington Land Records, that certain security agreement dated April 23, 1968 and the rights of the Secretary of Housing and Urban Development (the "Secretary") under that certain Regulatory Agreement dated April 23, 1968, as amended, and incorporated by reference in the Shawmut Mortgage, as well as the rights of the Secretary of Housing and Urban Development under a certain Use Agreement of recent date, to be recorded in the Burlington Land Records, and, as to Parcel II (being property acquired from Greenfield Associates Limited, more particularly described in Schedule A attached hereto), The Howard National Bank and Trust Company, its successors and assigns under that certain mortgage (the "Howard Mortgage", and, together with the Shawmut Mortgage, the "First Mortgage") dated September 9, 1969 and recorded in Volume 195, Page 174 of the Burlington Land Records, that certain security agreement dated September 9, 1969 and the rights of the Secretary of Housing and Urban Development under that certain Regulatory Agreement dated September 9, 1969, as amended, and incorporated by reference in the Howard Mortgage, as well as the rights of the Secretary of Housing and Urban Development under a certain Use Agreement of recent date, to be recorded in the Burlington Land Records.

2. Duties of Receiver or Mortgagee in Possession. Mortgagee, for itself and its successors and assigns, further covenants and agrees that in the event of the appointment of a receiver or the appointment of the mortgagee as mortgagee-in-possession in any action by the mortgagee, its successors or assigns, to foreclose this mortgage, mortgagee shall take such steps as are necessary to assure that no rents, revenues or other income of the project collected by the receiver or the mortgagee-in-possession shall be utilized for the payment of current debt service or any other

charges due and payable under this mortgage until all current debt service and other charges then required to be paid under the First Mortgage have been paid; and further, the receiver or mortgagee-in-possession shall operate the project in accordance with all the provisions of the First Mortgage and the Regulatory Agreements, as amended.

3. Acquisition by Deed in Lieu of Foreclosure. In the event the Secretary acquires title to either Parcel I or Parcel II by a deed-in-lieu of foreclosure, the lien of this mortgage will automatically terminate with respect to such Parcel provided that (a) the default giving rise to the deed-in-lieu of foreclosure has not been cured and (b) the holder of this mortgage has not redeemed its interest as hereinafter provided. The holder of this mortgage may cure a default under the First Mortgage or redeem its interest prior to a conveyance by deed-in-lieu of foreclosure. The Secretary shall give written notice to the holder of this mortgage of a proposed tender of title in the event (1) the Secretary decides to accept a deed-in-lieu of foreclosure or (2) the Secretary receives notice from the holder of the applicable First Mortgage of its election to accept a deed-in-lieu of foreclosure. Such notice shall be given at the address stated herein or such other address as may subsequently, upon written notice to the Secretary, be designated by the holder of this mortgage as its legal business address. In the case of a monetary default, the holder of this mortgage shall have thirty (30) days after the notice of intent to accept a deed-in-lieu of foreclosure is mailed to cure the default or cause it to be cured. In the case of a non-monetary default, the holder of this mortgage shall have one hundred eighty (180) days after the notice of intent to accept a deed-in-lieu of foreclosure is mailed to redeem its interest, in the following manner: The holder of this mortgage may redeem its interest by making payment to the Secretary, for the benefit of the holder of the applicable First Mortgage, of the entire outstanding principal balance and all accrued interest and other charges under the applicable First Mortgage. If the holder of this mortgage so redeems its interest, the Secretary shall cause the holder of the applicable First Mortgage to deliver to the holder of this mortgage a valid, recordable assignment of the applicable First Mortgage and the loan secured thereby, in such form as the holder of this mortgage may reasonably request. If (a) a monetary default is not cured, and (b) in the case of a non-monetary default, the holder of this mortgage fails to redeem its interest, and (c) the Secretary then acquires title by deed-in-lieu of foreclosure, the lien of this mortgage shall automatically terminate.

4. Mortgagor's Duty to Notify. Mortgagor specially covenants with the Mortgagee that, prior to any tender or offer to tender a deed-in-lieu of foreclosure of any mortgage prior in lien to the lien of this mortgage, the Mortgagor hereunder shall give notice to the Mortgagee of its intention so to do.

Subject to the above-stated limitations on transfer of the mortgaged premises, the covenants and agreements herein contained shall run with the land and shall bind, and the benefits and advantages thereof shall inure to, the respective heirs, executors, administrators, successors and assigns of the Mortgagor and Mortgagee. Wherever used, the singular number shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders.

TO HAVE AND TO HOLD the above granted, bargained premises, with all the privileges and appurtenances thereof and thereto belonging unto said VERMONT HOUSING FINANCE AGENCY, its successors and assigns provided that if the Mortgagor shall pay the Indebtedness and all other sums secured hereby and all interest as provided therefor, and shall perform all of the covenants and conditions herein and in the Regulatory Agreement contained, then this Mortgage Deed shall be null and void, otherwise to remain in full force and effect.

Dated at Burlington, Vermont effective the 27th day of December, 1989.

IN THE PRESENCE OF:

_____ MORTGAGOR: NORTHGATE HOUSING LIMITED PARTNERSHIP
by NORTHGATE HOUSING, INC., GENERAL PARTNER

_____ by _____
Its President and duly authorized agent

STATE OF VERMONT
CHITTENDEN COUNTY, SS.

At Burlington in said County this ___ day of December, 1989, personally appeared _____, known to me to be the duly authorized agent of NORTHGATE HOUSING, INC. general partner of NORTHGATE HOUSING LIMITED PARTNERSHIP and acknowledged the foregoing Mortgage Deed by him subscribed to be his free act and deed and the free act and deed of the said NORTHGATE HOUSING, INC. and NORTHGATE HOUSING LIMITED PARTNERSHIP.

Before me,

_____
Notary Public

My commission expires: February 10, 1991

NGBS006B

NORTHGATE/GREENFIELD

SCHEDULE A

TO MORTGAGE FROM _____

PROPERTY DESCRIPTION

PARCEL 1 (NORTHGATE):

Subleasehold Estate derived as follows: Leasehold estate, under terms of lease from the Selectmen of the Town of Burlington, dated March 20, 1811, recorded in Volume 23 at Page 98, as amended by agreement between the City of Burlington and Raymond T. Derway et als dated February 28, 1952 and recorded in Volume 140 at Page 92 of the City of Burlington Land Records, subject to and having all of the benefits of, respectively, (a) an Assignment of Lease from John Derway and Grace Derway to Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 886 of the City of Burlington Land Records; (b) an Assignment of Lease from Northgate Associates Limited to John Derway and Grace Derway dated April 23, 1968 and recorded in Volume 183 at Page 898 of the City of Burlington Land Records; and (c) a Sublease Agreement between John Derway and Grace Derway and Northgate Associates, Limited, dated April 22, 1968 and recorded in Volume 183 at Page 903 of the City of Burlington Land Records. The Premises encompassed by the Subleasehold Estate are more particularly described as follows:

All that certain piece, parcel or tract of land, being a portion of the Derway property, so-called, situated on the westerly side of North Avenue, in the City of Burlington, Chittenden County, State of Vermont, and more particularly described as follows:

Beginning at a marble monument, said monument being the intersection of the south line of the so-called Mill-Hard Development, a plan of which is recorded in Volume 148, Page 408 of the Burlington Land Records, and the westerly side line of North Avenue;

Thence South 20° 39′ 10" east, in and along the westerly side line of North Avenue, 191.01 feet to a point of curvature;

Thence, continuing southerly along a curve to the left, having a central angle of 17° 00′ 00", and a radius of 669.12 feet for a distance of 208.32 feet to a point of tangency;

Thence South 37° 29′ 10" east, in and along the westerly sideline of North Avenue, 93.01 feet to a

concrete monument, said monument being the northeast corner of the land of Robert Audette;

Thence South 52° 31′ 55" west, in and along Audette's north line, 99.95 feet to an iron pipe;

Thence South 37° 29′ 10" east, in and along Audette's west line, 75.00 feet to an iron pipe;

Thence North 52° 30′ 50" east, in and along Audette's South line, 100 feet to a concrete monument, said monument being Audette's southeast corner and the westerly side line of North Avenue;

Thence South 37° 40′ 25" east, in and along the westerly side line of North Avenue, 119.89 feet to a marble monument, said monument being the northeast corner of the Ohavi Zedek Synagogue cemetery;

Thence South 57° 50′ 31" west, in and along the North line of the cemetery, 329.88 feet to a marble monument;

Thence South 35° 56′ 12" east, in and along the westerly line of the cemetery, 131.94 feet to a marble monument, said monument being the southwest corner of the cemetery and lying in the northerly side line of the land of Clarance and Ruth Davidson;

Thence South 57° 58′ 40" west, in and along Davidson's northerly side line, 127.58 feet to a marble monument;

Thence North 82° 30′ 00" west, 255.00 feet to an iron pipe;

Thence North 47° 30′ 00" west, 525.00 feet to an iron pipe;

Thence South 70° 45′ 00" west, 215.00 feet to an iron pipe;

Thence North 46° 31′ 40" west, 100.00 feet to an iron pipe; said iron pipe being in a corner of the easterly right of way line of the former Rutland Railroad and also being the southwest corner of the aforementioned Mill-Hard Development;

Thence North 57° 54′ 40" east, in and along the southerly side line of the Mill-Hard Development, 1,041.39 feet, to the point of beginning, containing 12.38 acres, or 540,144 square feet, more or less.

EXCEPTING THEREFROM that piece, parcel or tract of land described in a Quit Claim Deed of Northgate Associates, Limited to the City of Burlington, dated August 22, 1969 and recorded in Volume 198 at Page 23 of the Burlington City Land Records.

SITE OFFICE INVENTORY:

1 Calculator
1 Telephone

MAINTENANCE SHOP INVENTORY

1 Gilson Snow Blower - Serial #2284E1-G25
1 24 foot Extension Ladder
2 4 foot Step Ladders
1 Utility Pump
1 Dolly
1 Power Roller
1 Roll Hand Snake 50 Foot
1 Toilet Auger
1 Pointed Shovel
1 Heat Gun
1 Craftsman 7¼ Skill Saw
1 Set Bid Seat Wrenches
1 Tile Nipper
2 Toilet Plungers
1 Five Gallon Gas Can
1 Ratchet Basin Wrench

PARCEL 2 (GREENFIELD):

Subleasehold Estate derived as follows: Leasehold estate, under terms of lease from the Selectmen of the Town of Burlington dated March 20, 1811, recorded in Volume 23 at Page 98 of said Land Records, as amended by agreement between City of Burlington and Raymond T. Derway et als dated February 28, 1952, recorded in Volume 140 at Page 92 of said Land Records, subject to and having all the benefits of, respectively, (a) an Assignment of Lease by John Derway and Grace Derway to Greenfield Associates Limited dated September 9, 1969 and recorded in Volume 194 at Page 241 of the City of Burlington Land REcords; (b) an Assignment of Lease from Greenfield Associates Limited to John Derway and Grace Derway dated September 9, 1969 and recorded in Volume 194 at Page 256 of the City of Burlington Land Records; and (c) a Sublease Agreement between Greenfield Associates Limited and John Derway and Grace Derway dated September 9, 1969 and recorded in Volume 194 at Page 260 of the City of Burlington Land Records in all that certain piece, parcel or tract of land being a portion of the Derway Property, so-called, containing 18.29 acres of land shown on a Plat of Survey bearing the inscription "Northgate 2 Palmer-Tarinelli Construction Company, Carl B. Leedy, Civil Engineer," dated 24 July, 1969, identified thereon as Parcel 2 and

recorded in the Land Records of the City of Burlington in Volume 19 4 at Page 203, said parcel being more particularly described as follows:

Beginning at a marble monument, said monument being the north west corner of land of Clarence and Ruth Davidson and also being a corner in the west line of Parcel I of Northgate, thence south 32° 04′ 50" east a distance of 566.75′ (Five Hundred Sixty-Six and Seventy-Five Hundredths Feet) to a concrete monument, thence south 57° 46′ 35" west a distance of 810.54′ (Eight Hundred Ten and Fifty-Four Hundredths Feet) to a concrete monument, thence south 57° 46′ 35" west a distance of 150.00′ (One Hundred Fifty Feet) to a marble monument, thence north 14° 11′ 45" west a distance of 1,350.73′ (One Thousand Three Hundred Fifty and Seventy-Three Hundredths Feet) to a concrete monument also being a corner in the west line of Northgate Parcel I, thence north 70° 45′ 00" east a distance of 215.00′ (Two Hundred Fifteen Feet) to a marble monument also being a corner in the west line of North-Gate Parcel I, thence south 47° 30′ 00" east a distance of 525.00′ (Five Hundred Twenty-Five Feet) to a marble monument also being a corner in the west line of Northgate Parcel I, thence south 82° 30′ 00" east a distance of 255.00′ (Two Hundred Fifty-Five Feet) to a marble monument being the place or point of beginning. The area herein described lying within the mentioned bounds contains 795,141 sq. ft. (Seven Hundred Ninety-Five Thousand One Hundred and Forty One Square Feet) or 18.29 (Eighteen and Twenty-Nine Hundredths) Acres. Together with the right to use for all purposes of travel to and from North Avenue and for purposes of laying utilities therein, the roads constructed on the Northerly and Southerly side of the Northgate I Project, the rights of way for which roads are more particularly shown and described on a Plat of Right of Way entitled "Northgate Associates, Burlington Vermont" prepared by Emerson Abbott Harlow and Leedy Inc. surveyors dated December 17, 1968 and recorded in Volume 194 at Page 239 of the Land Records of the City of Burlington on September 9, 1969 and rerecorded in Volume 194 at Page 618 on April 14, 1970.

EXCEPTING THEREFROM that property described in the Quit Claim Deed of Greenfield Associates, Limited to the City of Burlington, dated August 12, 1975 and recorded in Volume 235 at Page 496 of the Burlington City Land Records.

SITE OFFICE INVENTORY:

3 Desks
5 Files
1 Calculator
9 Chairs
1 Typewriter
1 Telephone
1 Xerox Copier
1 Air Conditioner
3 Intercom Systems

MAINTENANCE SHOP INVENTORY

1 Rigid Sewer Machine with Att - Model K1500 - Serial #8732521
1 Snapper Snow Blower - Serial #732008043
1 Toro Snow Blower - Serial #6007929
1 Craftsman Radial Saw - Serial #4044M0655
1 8 Foot Step Ladder
2 6 Foot Step Ladders
1 Pack Mule
1 Wet Vac
2 Floor Rollers (80 lb.)
1 Buffer
1 Sledge Hammer
1 Pick Duck Bill
1 Makita - Reciprocating Saw
1 Gin. Bench Grinder
1 Key Machine - Junk
1 Set Freon Gauges and Tanks
1 50 Foot Garden Hose
1 Craftsman Bench Vice
1 2½ Gallon Gas Can
1 Handle Puller

NG009a

PREMIUM REPLACEMENT NOTE

$875,000.00 December 27, 1989

FOR VALUE RECEIVED, NORTHGATE HOUSING LIMITED PARTNERSHIP, a Vermont limited partnership having its principal place of business at Burlington, Vermont (the "Maker") hereby promises to pay to the order of VERMONT HOUSING FINANCE AGENCY, with its principal place of business at One Burlington Square, P.O. Box 408, Burlington, Vermont 05402-0408 (hereinafter referred to as the "Agency") the principal sum of EIGHT HUNDRED SEVENTY FIVE THOUSAND AND 00/100 ($875,000.00) DOLLARS with interest upon said principal sum at the rates provided herein, both principal and interest payable as follows:

The principal sum shall bear no interest until the second anniversary of the date hereof. Thereafter, to the extent such principal balance has not been previously forgiven as provided herein, the outstanding principal balance shall bear interest at the rate of five percent (5%) per annum. Interest on said principal sum from the second anniversary of the date hereof until March 1, 2011 shall be added to said principal sum (said principal sum together with interest accrued thereon to such date hereinafter referred to as the "Amortizing Balance"). The Amortizing Balance, with interest thereon at the rate of 5% per annum, shall be thereafter payable in equal consecutive monthly installments of principal and interest in the amount of $12,433.52 each, such payments commencing on the 23rd day of April, 2011 and continuing until the FORTIETH (40th) anniversary of the date hereof (the "Maturity Date"), when all sums payable hereunder shall be due and payable in full. In addition, one interest payment in the amount of $5,525.42 shall be due on March 23, 2011.

Provided, however, that the aforesaid requirements for payment of the Amortizing Balance shall be suspended (on one or more occasions) if, in order to meet the payments of the Amortizing Balance as well as the Mortgagor's other expenses in its approved budget (including, without limitation, Operating Expenses, Replacement Reserves, Deficit Escrow and any necessary rehabilitation, but not including Surplus Cash, all as described in the VHFA Regulatory Agreement), the Maker would be required to violate affordability standards governing rents or occupancy as set out in the Housing and Community Development Act of 1987, the VHFA Regulatory Agreement or housing subsidy covenants agreed to by Maker. Any postponement or suspension shall terminate and such termination shall continue for so long as payments of the Amortizing Balance can be made under the criteria set forth above.

Interest on this Note shall accrue during any period(s) in which payments are either postponed or suspended.

An annual reasonable determination of whether payments of the Amortizing Balance shall be postponed, suspended or resumed shall be made within sixty (60) days of the approval by the Agency of Maker's Budget. Such determination shall be made by Maker's accountant who shall certify his/her determination and justification therefor to the Agency.

Payment Only From Surplus Cash. As long as the Secretary of Housing and Urban Development, or his successors or assigns, is the insurer or holder of any mortgage on Northgate Apartments, FHA Project No. 026-55001 or Greenfield Apartments, FHA Project No. 026-55002, any payment due from project income under this Note shall be payable only from permissible distributions from surplus cash of the said projects, as that term is defined in the regulatory agreements between the Secretary of Housing and Urban Development and, respectively, Northgate Associates Limited and Greenfield Associates limited, as amended. The restriction on payment imposed by this paragraph shall not excuse any default caused by the failure of the maker to pay the indebtedness evidenced by this Note.

THIS NOTE ARISES OUT OF A CERTAIN "NORTHGATE PURCHASE AND FINANCE AGREEMENT" BETWEEN THE MAKER AND THE PAYEE DATED SEPTEMBER 15, 1989, AS AMENDED BY "AMENDMENT TO NORTHGATE PURCHASE AND FINANCE AGREEMENT" DATED DECEMBER 22, 1989 (THE "NPFA") AND, UNDER CERTAIN CIRCUMSTANCES, IS SUBJECT TO MANDATORY FORGIVENESS IN WHOLE OR IN PART AS PROVIDED IN THE NPFA. REFERENCE IS MADE TO THE NPFA FOR THE PARTICULARS OF SUCH CIRCUMSTANCES AND THE EXTENT OF SUCH MANDATORY FORGIVENESS.

In the case of default in the payment of any installment of interest or of principal and interest due hereunder, and such default is continued for fifteen (15) days, or in case of default in the terms or conditions of a mortgage deed (the "Mortgage") or Regulatory Agreement of even date and given as security for this note, or default in the terms or conditions of assignments or other security documents which the undersigned has given or from time to time gives the holder as further security herefor, or default under the terms of any mortgage given by the maker and applicable to the Property secured by the Mortgage, or the dissolution, termination of existence or insolvency of the undersigned or any other party hereto, or an assignment by the undersigned or any other party hereto for the benefit of creditors or the commencement by or against the undersigned or any other party hereto of any proceeding in or for bankruptcy, receivership, reorganization, arrangement, debtor relief, insolvency or dissolution, then the holder of this note shall have the option to declare due and payable at once the entire principal balance plus accrued interest. Failure by the holder to so declare shall not constitute a waiver by holder of the rights granted and reserved hereunder. Holder shall give at least 10 days notice of intent to accelerate, which period may be included within said 15 days.

The undersigned and all other parties liable herefor, whether principal, guarantor, endorser, or otherwise, hereby severally waive demand, notice and protest and waive recourse to suretyship defenses generally, including extensions of time, releases of security or other indulgences which may be granted by the holder of this note to the undersigned or any party liable herefor and also agree to pay all costs of collection including reasonable attorney's fees.

All of the foregoing promises shall bind the undersigned and all other parties hereto, whether maker, endorser, surety, guarantor or otherwise, together with its or their respective heirs, executors, administrators, successors and assigns, jointly and severally.

If any obligation or portion of this promissory note is determined to be invalid or unenforceable under law, it shall not affect the validity or enforcement of the remaining obligation or portions hereof.

This promissory note is secured by a Mortgage Deed pertaining to real property situated in the City of Burlington, County of Chittenden, State of Vermont, with the machinery, equipment, and fixtures therein.

If the maker of this promissory note is a limited partnership, then neither the maker nor any partner of the maker shall have any personal liability for the debt of interest and principal evidenced hereby, and the holder shall look solely to the security given for the indebtedness evidenced hereby in order to satisfy such indebtedness.

IN WITNESS WHEREOF, the maker, NORTHGATE HOUSING LIMITED PARTNERSHIP has caused this promissory note to be subscribed on its behalf by its duly authorized agent effective as of the date first above written.

IN PRESENCE OF:

NORTHGATE HOUSING LIMITED PARTNERSHIP
By NORTHGATE HOUSING, INC., General Partner

_____

_____
Duly Authorized Agent

_____

STATE OF VERMONT
CHITTENDEN COUNTY, SS:

Personally appeared at BURLINGTON in said County Michael McNamara, duly authorized agent, and acknowledged the foregoing promissory note as and for his free act and deed and the free act and deed of NORTHGATE HOUSING, INC. and NORTHGATE HOUSING LIMITED PARTNERSHIP this ___ day of December, A.D. 1989.

Before me,

_____
Notary Public

NGBS005a

VERMONT HOUSING FINANCE AGENCY
WRAPAROUND PROMISSORY NOTE
(NORTHGATE SERIES)

$3,133,986.00 December 27, 1989

FOR VALUE RECEIVED, the undersigned, Vermont Housing Finance Agency, a body politic and corporate and public instrumentality of the State of Vermont (the "Agency"), promises to pay to NORTHGATE ASSOCIATES LIMITED ("Payee"), at the address stipulated on the last page hereof, or such other address as Payee may direct in writing, the sum of THREE MILLION FIVE HUNDRED THIRTY FOUR THOUSAND TWO HUNDRED EIGHTY FOUR AND 00/100 ($3,534,284) DOLLARS in legal and lawful money of the United States of America, together with interest accruing from the date or dates and at the rate or rates set forth herein, until payment in full of all principal amounts hereunder, on the unpaid principal balance of this Note as it may exist from to time hereafter.

This Note is issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Law No. 260 of the Laws of Vermont, 1974, as amended (the "Act") and a resolution of the Agency adopted December 21, 1989 (the "Resolution"). This Note arises out of that one certain Agreement dated May 1, 1989, between Agency, as purchaser, and Payee, as owner (the "Agreement"), and is subject to Paragraph 14(g) of the Agreement. The total principal amount of this Note has been calculated, in part, with reference to the scheduled debt service payable to retirement of the unpaid principal balance of an underlying note, being that one certain promissory note dated April 23, 1968, in the original principal amount of $1,959,600 from NORTHGATE ASSOCIATES LIMITED to The Shawmut National Bank of Boston (the "Underlying Note"). This Note is due and payable as follows:

(i) The principal sum of EIGHT HUNDRED NINETY-TWO THOUSAND THREE AND 00/100 ($892,003.00) DOLLARS, together with interest set forth in Payment Schedule I attached hereto and incorporated herein by reference, shall be payable in 235 consecutive and equal monthly installments of principal and interest in the amount of $7,015.06, commencing on the 26th day of January, 1990, and thereafter on the same day of each succeeding month until July 26, 2009, when any remaining sum then payable as shown on Payment Schedule I shall be due and payable in full. In addition, one payment in the amount of $7,015.06 shall be due and payable on December 27, 1989.

(ii) The principal sum of TWO MILLION TWO HUNDRED FORTY ONE THOUSAND NINE HUNDRED EIGHTY-THREE AND 00/100 ($2,241,983.00) DOLLARS, plus interest thereon accruing from the date hereof until that date which is two (2) years from the date hereof (the "Second Anniversary Date"), at the rate of nine and seventeen thousand thirty six ten-thousandths percent (9.1736%) per annum. Interest so accrued shall be added to

principal on the Second Anniversary Date, resulting in a principal balance of $2,653,323.00 on the Second Anniversary Date. From and after the Second Anniversary Date, such resulting principal balance shall bear interest at the rate of seven and eighty-five thousandths percent (7.085%) per annum, shall be payable in one hundred sixty (160) consecutive equal quarterly installments of principal and interest, commencing on the ninetieth (90th) day following the Second Anniversary Date, and thereafter on the same day of the third (3rd) calendar month following each month in which an installment falls due, until the forty-second (42nd) anniversary of the date hereof, when all principal and interest not previously paid under this subparagraph (ii) shall be due and payable in full. The amount of each quarterly payment required to be made pursuant to this subparagraph (ii) is set forth on Payment Schedule II attached hereto and incorporated herein by reference.

The Agency may not voluntarily prepay the note prior to August 1, 2009. At any time on or after August 1, 2009, this Note may be prepaid voluntarily in full at the option of the Agency and upon not less than thirty (30) days' prior written notice from the Agency to Payee. Except as specified in the preceding sentence, no right of voluntary prepayment is given or reserved under this Note, and the Agency shall not prepay this Note except to the extent expressly permitted herein or otherwise hereafter authorized in writing by the Payee.

The payment of this Note is secured by a mortgage (the "Mortgage") dated of even date herewith, from the Agency to Payee, encumbering certain property situated in Burlington, Chittenden County, Vermont (the "Property") to which Mortgage reference is hereby made for a description of the property mortgaged, the nature and extent of the security, and the rights of the holder hereof in respect of such security.

By acceptance of this Note, the Payee covenants and agrees that Payee will pay or cause to be paid all amounts due on the Underlying Note in a timely manner and when due.

If the Agency shall fail to pay any installment of principal or interest on this Note and such failure shall continue for a period of twenty (20) days following written notice thereof from Payee to the Agency, such failure shall constitute a default hereunder. In the event of any such default, the entire principal amount hereof and any unpaid interest then accrued hereon shall, at the option of Payee, immediately become due and payable without presentment, protest, or demand, or other notice (including notice of intent to accelerate and notice of acceleration) of any kind. If this Note is not paid at maturity, howsoever such maturity may be brought about, or if Payee elects to bring an action for collection of one or more overdue installments hereof without accelerating this Note, and the same is collected by suit or through bankruptcy, probate, foreclosure on the Mortgage or other legal proceedings,

the Agency agrees to pay to payee all costs of collection, including reasonable attorneys' fees. Notwithstanding anything herein to the contrary, the Agency agrees to pay interest on any overdue installment of principal hereunder at a rate per annum equal to ten percent (10%) per annum from the date of said default hereunder until such overdue amount is paid in full.

If any principal or interest payment due under this Note is not made within twenty (20) days of the due date thereof, Payee shall have the right to collect, and the Agency agrees to pay, a late charge equal to (i) in the case of any scheduled monthly installment five percent (5%) of such installment; or (ii) in the case of a scheduled quarterly installment, two percent (2%) of such installment.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or Payee as the case may be at the address set out herein below, or at such other address as such party may have theretofore delivered in accordance herewith. If and when included within the term "Payee" or "Agency" there is more than one person, all shall jointly arrange among themselves for their joint execution and delivery of a notice to other specifying some person at some specific address for the receipt of all notices, demands, payments and documents given in accordance with the provisions of this paragraph to the same extent as if each had received such notice, demand, payment or document.

Except as otherwise expressly provided for herein, the Agency, to the extent permitted by law, waives demand, presentment, protest, notice of intent to accelerate, notice of acceleration, notice of nonpayment, and notice of protest.

Notwithstanding anything to the contrary in this Note or in any other agreement entered into in connection herewith or securing the indebtedness evidenced hereby, whether now existing or hereafter arising and whether written or oral, it is agreed that the aggregate of all interest and any other charges constituting interest, or adjudicated as constituting interest, and contracted for, chargeable or receivable under this Note or otherwise in connection with this transaction shall under no circumstances exceed the maximum amount of interest permitted by applicable law. In the event the maturity of this Note is accelerated by reason of an election by the holder hereof resulting from a default hereunder or under any other document executed as security herefor or in connection therewith, or otherwise, then earned interest may never include more than the maximum rate of interest permitted by applicable law, computed from the dates of each advance of the proceeds outstanding until payment. If from any circumstance any holder of this Note shall ever receive interest or any other charges constituting interest, or adjudicated as constituting interest the amount, if any, which would exceed the maximum rate of interest permitted by applicable law shall be applied to the reduction of the principal amount owing on this Note or on account of any other principal indebtedness of the Agency to the holder of this Note, and not to the payment of interest; or if such excessive interest exceeds the unpaid balance of principal hereof and such other indebtedness, the amount of such excessive interest that exceeds the unpaid balance of principal hereof and

such other indebtedness shall be refunded to the Agency. All sums paid or agreed to be paid to the holder of this Note for the use, forbearance or detention of the indebtedness of the Agency to the holder of this Note shall be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof.

This Note is a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency pledging particular assets or revenues for the security thereof. The Agency is not obligated to pay this Note or the interest hereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest of this Note.

This Note is issuable solely as a single fully registered note in denomination equal to the unpaid principal balance hereof. This Note may not be assigned or transferred without the express consent of the Agency.

In case any one or more of the provisions contained in this note are determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

No recourse shall be had for the principal of or interest on this Note or for any claim based thereon, or on the Agreement, the Resolution or the Mortgage, personally, against any commissioner of the Agency or any person executing this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Vermont.

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

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused this Note to be signed in its name and on its behalf by its Chairman or Vice Chairman, and its corporate seal to be affixed hereto or imprinted hereon and attested by its Secretary or Assistant Secretary as of the day and year first above written.

VERMONT HOUSING FINANCE AGENCY

By _____
(Vice) Chairman

[SEAL]

Attest:

_____
(Assistant) Secretary

NGWPN

ADDRESSES FOR NOTICE AND PAYMENT

Maker:	VERMONT HOUSING FINANCE AGENCY One Burlington Square P.O. Box 408 Burlington, VT 05402-0408
With Copy To:	William Wolff, Senior Vice President The Howard Bank, N.A., Trustee 111 Main Street Burlington, VT 05401
Payee:	NORTHGATE ASSOCIATES LIMITED c/o Bernard A. Gilhuly, Agent c/o Fairfield Associates 144 Island Brook Avenue Bridgeport, CT 06606
With Copy To:	Kathleen Carey, Esq. Cummings and Lockwood 10 Stamford Forum Stamford, CT 06904

NGWPN

VERMONT HOUSING FINANCE AGENCY
WRAPAROUND PROMISSORY NOTE
(GREENFIELD SERIES)

$4,171,203.00 December 27, 1989

FOR VALUE RECEIVED, the undersigned, Vermont Housing Finance Agency, a body politic and corporate and public instrumentality of the State of Vermont (the "Agency"), promises to pay to GREENFIELD ASSOCIATES LIMITED ("Payee"), at the address stipulated on the last page hereof, or such other address as Payee may direct in writing, the sum of FOUR MILLION EIGHT HUNDRED EIGHTY THOUSAND SIX HUNDRED SEVENTY NINE AND 00/100 ($4,880,679.00) DOLLARS in legal and lawful money of the United States of America, together with interest accruing from the date or dates and at the rate or rates set forth herein, until payment in full of all principal amounts hereunder, on the unpaid principal balance of this Note as it may exist from to time hereafter.

This Note is issued under and by virtue of the Vermont Housing Finance Agency Act, being Public Law No. 260 of the Laws of Vermont, 1974, as amended (the "Act") and a resolution of the Agency adopted December 21, 1989 (the "Resolution"). This Note arises out of that one certain Agreement dated May 1, 1989, between Agency, as purchaser, and Payee, as owner (the "Agreement"), and is subject to Paragraph 14(g) of the Agreement. The total principal amount of this Note has been calculated, in part, with reference to the scheduled debt service payable to retirement of the unpaid principal balance of an underlying note, being that one certain promissory note dated September 9, 1969, in the original principal amount of $3,200,000 from GREENFIELD ASSOCIATES LIMITED to The Howard National Bank and Trust Company (the "Underlying Note"). This Note is due and payable as follows:

(i) The principal sum of ONE MILLION FIVE HUNDRED SEVEN THOUSAND EIGHT HUNDRED FIVE AND 00/100 ($1,507,805.00) DOLLARS, together with interest set forth in Payment Schedule I attached hereto and incorporated herein by reference, shall be payable in 254 consecutive and equal monthly installments of principal and interest in the amount of $11,455.50, commencing on the 26th day of January, 1990, and thereafter on the same day of each succeeding month until February 26, 2011, when any remaining sum then payable as shown on Payment Schedule I shall be due and payable in full. In addition, one payment in the amount of $11,455.50 shall be due and payable on December 27, 1989.

(ii) The principal sum of TWO MILLION SIX HUNDRED SIXTY THREE THOUSAND THREE HUNDRED NINETY EIGHT AND 00/100 ($2,663,398.00) DOLLARS, plus interest thereon accruing from the date hereof until that date which is two (2) years from the date hereof (the "Second Anniversary Date"), at the rate of nine and seventeen thousand thirty six ten thousandths (9.1736%) per annum. Interest so accrued shall be added to

principal on the Second Anniversary Date, resulting in a principal balance of $3,152,058.00 on the Second Anniversary Date. From and after the Second Anniversary Date, such resulting principal balance shall bear interest at the rate of seven and eighty-five thousandths percent (7.085%) per annum, shall be payable in one hundred sixty (160) consecutive equal quarterly installments of principal and interest, commencing on the ninetieth (90th) day following the Second Anniversary Date, and thereafter on the same day of the third (3rd) calendar month following each month in which an installment falls due, until the forty-second (42nd) anniversary of the date hereof, when all principal and interest not previously paid under this subparagraph (ii) shall be due and payable in full. The amount of each quarterly payment required to be made pursuant to this subparagraph (ii) is set forth on Payment Schedule II attached hereto and incorporated herein by reference.

The Agency may not voluntarily prepay the note prior to March 1, 2011. At any time on or after March 1, 2011, this Note may be prepaid voluntarily in full at the option of the Agency and upon not less than thirty (30) days' prior written notice from the Agency to Payee. Except as specified in the preceding sentence, no right of voluntary prepayment is given or reserved under this Note, and the Agency shall not prepay this Note except to the extent expressly permitted herein or otherwise hereafter authorized in writing by the Payee.

The payment of this Note is secured by a mortgage (the "Mortgage") dated of even date herewith, from the Agency to Payee, encumbering certain property situated in Burlington, Chittenden County, Vermont (the "Property") to which Mortgage reference is hereby made for a description of the property mortgaged, the nature and extent of the security, and the rights of the holder hereof in respect of such security.

By acceptance of this Note, the Payee covenants and agrees that Payee will pay or cause to be paid all amounts due on the Underlying Note in a timely manner and when due.

If the Agency shall fail to pay any installment of principal or interest on this Note and such failure shall continue for a period of twenty (20) days following written notice thereof from Payee to the Agency, such failure shall constitute a default hereunder. In the event of any such default, the entire principal amount hereof and any unpaid interest then accrued hereon shall, at the option of Payee, immediately become due and payable without presentment, protest, or demand, or other notice (including notice of intent to accelerate and notice of acceleration) of any kind. If this Note is not paid at maturity, howsoever such maturity may be brought about, or if Payee elects to bring an action for collection of one or more overdue installments hereof without accelerating this Note, and the same is collected by suit or through bankruptcy, probate, foreclosure on the Mortgage or other legal proceedings,

the Agency agrees to pay to payee all costs of collection, including reasonable attorneys' fees. Notwithstanding anything herein to the contrary, the Agency agrees to pay interest on any overdue installment of principal hereunder at a rate per annum equal to ten percent (10%) per annum from the date of said default hereunder until such overdue amount is paid in full.

If any principal or interest payment due under this Note is not made within twenty (20) days of the due date thereof, Payee shall have the right to collect, and the Agency agrees to pay, a late charge equal to (i) in the case of any scheduled monthly installment five percent (5%) of such installment; or (ii) in the case of a scheduled quarterly installment, two percent (2%) of such installment.

Any notice required hereunder shall be deemed to be delivered on the date such notice is deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the Agency or Payee as the case may be at the address set out herein below, or at such other address as such party may have theretofore delivered in accordance herewith. If and when included within the term "Payee" or "Agency" there is more than one person, all shall jointly arrange among themselves for their joint execution and delivery of a notice to other specifying some person at some specific address for the receipt of all notices, demands, payments and documents given in accordance with the provisions of this paragraph to the same extent as if each had received such notice, demand, payment or document.

Except as otherwise expressly provided for herein, the Agency, to the extent permitted by law, waives demand, presentment, protest, notice of intent to accelerate, notice of acceleration, notice of nonpayment, and notice of protest.

Notwithstanding anything to the contrary in this Note or in any other agreement entered into in connection herewith or securing the indebtedness evidenced hereby, whether now existing or hereafter arising and whether written or oral, it is agreed that the aggregate of all interest and any other charges constituting interest, or adjudicated as constituting interest, and contracted for, chargeable or receivable under this Note or otherwise in connection with this transaction shall under no circumstances exceed the maximum amount of interest permitted by applicable law. In the event the maturity of this Note is accelerated by reason of an election by the holder hereof resulting from a default hereunder or under any other document executed as security herefor or in connection therewith, or otherwise, then earned interest may never include more than the maximum rate of interest permitted by applicable law, computed from the dates of each advance of the proceeds outstanding until payment. If from any circumstance any holder of this Note shall ever receive interest or any other charges constituting interest, or adjudicated as constituting interest the amount, if any, which would exceed the maximum rate of interest permitted by applicable law shall be applied to the reduction of the principal amount owing on this Note or on account of any other principal indebtedness of the Agency to the holder of this Note, and not to the payment of interest; or if such excessive interest exceeds the unpaid balance of principal hereof and such other indebtedness, the amount of such excessive interest that exceeds the unpaid balance of principal hereof and

such other indebtedness shall be refunded to the Agency. All sums paid or agreed to be paid to the holder of this Note for the use, forbearance or detention of the indebtedness of the Agency to the holder of this Note shall be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof.

This Note is a general obligation of the Agency payable out of any revenues or moneys of the Agency, subject only to agreements heretofore or hereafter made with holders of bonds, notes, or other obligations of the Agency pledging particular assets or revenues for the security thereof. The Agency is not obligated to pay this Note or the interest hereon except from such revenues and moneys and any other assets pledged therefor and neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged to the payment of the principal of or interest of this Note.

This Note is issuable solely as a single fully registered note in denomination equal to the unpaid principal balance hereof. This Note may not be assigned or transferred without the express consent of the Agency.

In case any one or more of the provisions contained in this note are determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

No recourse shall be had for the principal of or interest on this Note or for any claim based thereon, or on the Agreement, the Resolution or the Mortgage, personally, against any commissioner of the Agency or any person executing this Note.

This Note shall be governed by and construed in accordance with the laws of the State of Vermont.

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

IN WITNESS WHEREOF, VERMONT HOUSING FINANCE AGENCY has caused this Note to be signed in its name and on its behalf by its Chairman or Vice Chairman, and its corporate seal to be affixed hereto or imprinted hereon and attested by its Secretary or Assistant Secretary as of the day and year first above written.

VERMONT HOUSING FINANCE AGENCY

By _____
(Vice) Chairman

[SEAL]

Attest:

_____
(Assistant) Secretary

GFWPN

ADDRESSES FOR NOTICE AND PAYMENT

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

With Copy To: William Wolff, Senior Vice President
The Howard Bank, N.A., Trustee
111 Main Street
Burlington, VT 05401

Payee: NORTHGATE ASSOCIATES LIMITED
c/o Bernard A. Gilhuly, Agent
c/o Fairfield Associates
144 Island Brook Avenue
Bridgeport, CT 06606

With Copy To: Kathleen Carey, Esq.
Cummings and Lockwood
10 Stamford Forum
Stamford, CT 06904

GFWPN

AMENDMENT TO NORTHGATE PURCHASE AND FINANCE AGREEMENT

This agreement, effective as of December 22, 1989, amends a certain prior agreement (the "NPFA") dated September 15, 1989, among Vermont Housing Finance Agency ("VHFA"), Northgate Non-Profit, Inc. ("NNP"), and Housing Vermont ("HV" and, together with NNP, the "Non-Profits").

1. The NPFA shall be conditioned upon preliminary approval by HUD of the transaction pursuant to applicable HUD procedures for Application for Transfer of Physical Assets, and supporting documents submitted to HUD. No transfer of any interest in the projects under this sale agreement shall be effective prior to such HUD approval. The Limited Partnership, its successors and assigns, shall have no right upon any breach by VHFA under the NPFA (as herein amended) to seek an attachment against the Property, including any of the assets, rents, issues, or profits thereof, and Limited Partnership shall have no right, for the purpose of recovering any damages awarded to it against VHFA for breach of the NPFA (as herein amended) to effect a lien upon the Property or the assets, rents, issues or profits thereof.

2. The attached form of "Premium Replacement Note" is substituted in its entirety as and for ATTACHMENT B to the Commitment Letter.

3. The attached form of "Vermont Housing Finance Agency Regulatory Agreement" is substituted in its entirety as and for ATTACHMENT D to the Commitment Letter. Exhibit 1 to ATTACHMENT D ("Mortgagor's Application for Transfer of Funds to Rehabilitation Account") shall remain as is and shall continue to apply.

4. The form of "Amendment to Option Agreement" attached hereto, when executed by the parties thereto, shall amend Annex A to the NPFA. Except as provided in the sentence next following this sentence, the Purchase Price shall be adjusted consistently with the Amendment to Option Agreement. To the extent of the Owners' specific contribution to the purchase of the lessor's interest in the Ground Leases, the Purchase Price payable by the Limited Partnership shall not be reduced; rather, the principal amount of the Permanent Note shall be increased to the extent that the aggregate principal amount of the New Money portions of the Wraparound Notes is reduced specifically to reflect the Owners' contribution to the purchase of the lessor's interest in the Ground Leases by VHFA, as contemplated by the Amendment to Option Agreement.

   Further, the Non-Profits specifically agree that the substance of paragraph 7.E of the Amendment to Option Agreement shall be binding upon the parties hereto, such that a delivered Readiness Certificate shall be binding upon the parties only to the extent that a Notice of Exercise becomes binding upon the Sellers and VHFA, and the NPFA shall be terminated under the same conditions as a Notice of Exercise shall be terminated pursuant to said paragraph 7.E.

5. Pursuant to paragraph 12 of ATTACHMENT A to the Commitment Letter and paragraph 6 of the VHFA Regulatory Agreement, as and for a Reserve Fund for Replacements, the Borrower shall make monthly cash deposits in an amount equal to $7,700.00, (a) first, to the extent required by HUD under the HUD-insured First Mortgages and the HUD regulatory agreements executed in connection therewith, with the escrowee or escrowees under the HUD-insured First Mortgages, and (b) to the extent of the monthly remainder, with the Agency; PROVIDED, HOWEVER, that the payment of such remainder shall be suspended during any period in which the principal balance on deposit in the Reserve Fund is not less than $_____ per unit (being $_____ in the aggregate, or the "Reserve Requirement"). Thereafter, at any time after the expenditure of funds from the Reserve Fund for a proper purpose thereof, regular payments shall resume until the balance of the Reserve Fund again equals the Reserve Requirement. Nothing herein shall be construed to limit the time at which funds may be expended from the Reserve Fund, which may be at any time subject to the consent or direction of VHFA as provided in the VHFA Regulatory Agreement.

6. In the event of a conflict between any provision of the NPFA and the provisions of this Amendment to NPFA, the provisions of this Amendment to NPFA shall control and govern. Except as modified herein, the NPFA remains of full force and effect.

IN WITNESS WHEREOF, the parties have caused this agreement to be subscribed by their respective duly authorized agents effective as of the date first above written.

VERMONT HOUSING FINANCE AGENCY

By _____
Its Executive Director & authorized agent

HOUSING VERMONT

By _____
Its President and authorized agent

NORTHGATE NON-PROFIT, INC.

By _____
Its President and authorized agent

NG002

AMENDMENT TO OPTION AGREEMENT

This agreement, effective as of December 22, 1989, amends a certain prior agreement (the "Option Agreement") dated as of May 1, 1989, among Northgate Associates Limited, Greenfield Associates Limited, Westgate Associates Limited, Applegate Associates Limited, and Highgate Associates Limited (the "Owners"), Donald Tarinelli as Agent for the Owners, and Vermont Housing Finance Agency ("Purchaser").

1. Pursuant to the terms of the Option Agreement, Bernard A. Gilhuly has replaced Donald Tarinelli as Agent.

2. Provided that Purchaser has extended its Option to June 1, 1990, as provided in paragraph 4(b) of the Option Agreement, the following additional provisions shall apply.

   A. PHASE TWO EXTENSION. If Purchaser does not deliver any Notice of Exercise on or before June 1, 1990, or, if Purchaser delivers a Notice of Exercise on or before June 1, 1990, but does not deliver further Notices of Exercises as to either or both of the two remaining Properties on or before October 1, 1990, then the Purchaser shall be further entitled to extend its option term in accordance with the following provisions of this subparagraph A:

      (1) Prior to the expiration of any valid option term (including the term ending June 1, 1990), Purchaser shall be entitled to extend its option with respect to any or all of Applegate Apartments, Westgate Apartments, and Highgate Apartments for successive periods of six months each upon delivery to Agent of a Notice of extension identifying the Property to which the Notice applies together with a sum (the "Extension Price") equal to the Option Price applicable to the Property; PROVIDED, however, that all extensions under this subdivision 1 of this subparagraph A shall expire not later than June 1, 1991, with no right of renewal except as provided in subdivision 2 of this subparagraph A, and subparagraph B (a Phase Three Extension).

      (2) If the Purchaser elects to proceed to the Phase Two Extension and, on or before March 1, 1991, Purchaser shall deliver to Agent a valid Notice of Exercise with respect to not less than one of Applegate Apartments, Westgate Apartments, and Highgate Apartments, then, upon payment of the applicable Extension Price on or before June 1, 1991 and delivery to the Agent of a valid Notice of extension, the Purchaser shall be entitled to extend its option term until December 31, 1991, as to either or both of the remaining Properties.

   B. PHASE THREE EXTENSION. If, as to any of Applegate Apartments, Westgate Apartments, and Highgate Apartments the Purchaser has effected a Phase Two Extension and Purchaser fails to deliver to

Greenfield Apartments in proportion to their respective original Purchase Prices, and shall be reflected, in each case, as a reduction in the New Money Portion of the applicable Wraparound Note. The principal amount to be amortized pursuant to Payment Schedule I of the Wraparound Note applicable to Northgate Apartments shall be reduced to $892,003.00, and the interest rate payable thereon shall be SEVEN AND EIGHTY-FIVE HUNDREDTHS (7.085%) percent per annum, resulting in a monthly payment of $7,015.06. The principal amount to be amortized pursuant to Payment Schedule I of the Wraparound Note applicable to Greenfield Apartments shall be reduced to $1,507,805.00, and the interest rate payable thereon shall be SEVEN AND EIGHTY-FIVE HUNDREDTHS (7.085%) percent per annum, resulting in a monthly payment of $11,455.50.

B. Nothing in this paragraph shall be construed to authorize a reduction in the Down Payment for either of Northgate Apartments or Greenfield Apartments, which shall be calculated without regard to the reduction in Purchase Price established hereby, or to affect the amount, in dollars, of the interest to be accrued under each applicable Wraparound Note during the first two years thereof, which shall remain unchanged.

C. After taking into account the foregoing provisions of this paragraph, and in order to facilitate preparations for closing, the Down Payment applicable to each of Northgate Apartments and Greenfield Apartments shall be determined in each case as if the Closing Date were December 24, 1989, regardless of the actual Closing Date, provided that the actual Closing Date is on or before December 31, 1989.

D. The parties agree to make such other changes in the final form of the Wraparound Notes for Greenfield Apartments and Northgate Apartments as may be necessary to conform them to the provisions of this paragraph 7.

E. With respect to the Notice of Exercise of Option, Agent waives the time limitations of the Notice of Exercise, such notice shall be given to Owner of Purchaser's intent to exercise the option on Northgate Apartments and Greenfield Apartments, but such notice shall not be binding upon the parties until the recording of those closing documents required to be recorded in the Burlington Land Records and the Release of Escrow is delivered to Robert Roesler, Esq., pursuant to the Site Acquisition Agreement between Purchaser and John R. Derway, dated December __, 1989.

In the event that such closing documents are not recorded and the Release of Escrow is not delivered to Robert Roesler, Esq., the Option Agreement with respect to the option on Northgate Apartments and Greenfield Apartments shall be terminated with no liability upon either party.

This paragraph 7 applies only to Northgate Apartments and Greenfield Apartments.

8. As to each Wraparound Note which may be delivered by the Purchaser pursuant to the Option Agreement, the date after which voluntary prepayment shall be permissible shall be the maturity date of the applicable First Mortgage.

9. In the event of a conflict between any provision of the Option Agreement and the provisions of this Amendment to Option Agreement, the provisions of this Amendment to Option Agreement shall control and govern. Except as modified herein, the Option Agreement remains of full force and effect.

10. Notwithstanding the availability of any Phase Two Extension or Phase Three Extension, Purchaser agrees to use reasonable efforts to put itself in a position to deliver its Notice of Exercise with respect to each of Applegate Apartments, Highgate Apartments, and Westgate Apartments at such earlier time as is practicable. Nothing in this paragraph shall be construed to require Purchaser to deliver a Notice of Exercise with respect to any Property.

[SEE NEXT PAGE FOR SIGNATURES]

IN WITNESS WHEREOF, the Owners, the Agent, and the Purchaser have caused this agreement to be subscribed effective as of the date first above written.

IN THE PRESENCE OF:

Northgate Associates Limited

By _____
General Partner

Greenfield Associates Limited

By _____
General Partner

Westgate Associates Limited

By _____
General Partner

Highgate Associates Limited

By _____
General Partner

Applegate Associates Limited

By _____
General Partner

_____
Bernard A. Gilhuly, Agent

Vermont Housing Finance Agency

By _____
Executive Director and
Authorized Agent

NG003

applicable Wraparound Note, but the amount of the applicable Down Payment and the amount of interest accrual under the applicable Wraparound Note shall not be affected by any such increase.

4. FORGIVENESS OF OUTSTANDING BALANCE OF PREMIUM NOTES. Under the circumstances contemplated by paragraph 3, above, the outstanding principal balance, as of each applicable Closing Date, of one Northgate Premium Note and one Greenfield Premium Note, shall be forgiven, and each such Premium Note shall be marked "cancelled" and shall be returned to the Maker. No Phase Three Extension shall have any effect on the dates on which payments are scheduled to commence under the terms of any Premium Note. After the date payments are scheduled to commence under any Premium Note, no subsequent forgiveness of such Premium Note shall be construed to require the return of any payments actually made or the forgiveness of any payment which should have been made.

5. As required by HUD, the Purchaser, its successors and assigns, shall have no right upon any breach by an Owner under the Option Agreement (as herein amended) to seek an attachment against any of the Properties, including any of the assets, rents, issues, or profits thereof, and Purchaser shall have no right, for the purpose of recovering any damages awarded to it against an Owner for breach of the Option Agreement (as herein amended) to effect a lien upon any of the Properties or the assets, rents, issues or profits thereof.

6. Under subparagraph (c) of the definition of "Wraparound Mortgage" as contained in the Option Agreement, it is provided, inter alia, that any Wraparound Mortgage shall be subordinate to any mortgage (a "New HUD Mortgage") which may secure any future loan made, guaranteed or insured by HUD for the purpose of financing any portion of the cost of rehabilitating the applicable Property. Owners specifically agree that they shall enter into a subordination agreement substantially in the form attached hereto as "Exhibit A" (or in such other form as HUD may require), agreeing to subordinate any Wraparound Mortgage to any New Hud Mortgage and any mortgage given in the future to replace or refinance the same; provided, that the aggregate principal amount of any mortgage or mortgages given to replace or refinance any New HUD Mortgages shall not exceed $7,000,000.00.

7. PURCHASE PRICE REDUCTION FOR NORTHGATE AND GREENFIELD, TECHNICAL ADJUSTMENTS PERTAINING TO THOSE PROPERTIES.

A. In order to induce the Purchaser to purchase the interest of the Lessor under the Ground Leases for the sum of $_____, and in consideration of such purchase (which purchase the Owners acknowledge will have the practical effect of removing an impediment to the realization by them of the benefits of the Option Agreement), the Owners agree that the combined Purchase Price of Northgate Apartments Limited and Greenfield Apartments Limited shall be reduced such that the total combined Purchase Price (including Premium Notes) shall be $_____. $_____ of the reduction shall be allocated to Northgate Apartments and

Greenfield Apartments in proportion to their respective original Purchase Prices, and shall be reflected, in each case, as a reduction in the New Money Portion of the applicable Wraparound Note. The principal amount to be amortized pursuant to Payment Schedule I of the Wraparound Note applicable to Northgate Apartments shall be reduced to $892,003.00, and the interest rate payable thereon shall be SEVEN AND EIGHTY-FIVE HUNDREDTHS (7.085%) percent per annum, resulting in a monthly payment of $7,015.06. The principal amount to be amortized pursuant to Payment Schedule I of the Wraparound Note applicable to Greenfield Apartments shall be reduced to $1,507,805.00, and the interest rate payable thereon shall be SEVEN AND EIGHTY-FIVE HUNDREDTHS (7.085%) percent per annum, resulting in a monthly payment of $11,455.50.

B. Nothing in this paragraph shall be construed to authorize a reduction in the Down Payment for either of Northgate Apartments or Greenfield Apartments, which shall be calculated without regard to the reduction in Purchase Price established hereby, or to affect the amount, in dollars, of the interest to be accrued under each applicable Wraparound Note during the first two years thereof, which shall remain unchanged.

C. After taking into account the foregoing provisions of this paragraph, and in order to facilitate preparations for closing, the Down Payment applicable to each of Northgate Apartments and Greenfield Apartments shall be determined in each case as if the Closing Date were December 24, 1989, regardless of the actual Closing Date, provided that the actual Closing Date is on or before December 31, 1989.

D. The parties agree to make such other changes in the final form of the Wraparound Notes for Greenfield Apartments and Northgate Apartments as may be necessary to conform them to the provisions of this paragraph 7.

E. With respect to the Notice of Exercise of Option, Agent waives the time limitations of the Notice of Exercise, such notice shall be given to Owner of Purchaser's intent to exercise the option on Northgate Apartments and Greenfield Apartments, but such notice shall not be binding upon the parties until the recording of those closing documents required to be recorded in the Burlington Land Records and the Release of Escrow is delivered to Robert Roesler, Esq., pursuant to the Site Acquisition Agreement between Purchaser and John R. Derway, dated December __, 1989.

In the event that such closing documents are not recorded and the Release of Escrow is not delivered to Robert Roesler, Esq., the Option Agreement with respect to the option on Northgate Apartments and Greenfield Apartments shall be terminated with no liability upon either party.