

VERMONT HOUSING FINANCE AGENCY (“VHFA”)
REQUEST FOR PROPOSALS FOR
VERMONT PROPERTY TRANSFER TAX REVENUE OBLIGATIONS, SERIES 2017

THE INFORMATION CONTAINED HEREIN HAS BEEN ASSEMBLED FOR THE PURPOSES OF OBTAINING FINANCING THROUGH THE ISSUANCE OF THE BONDS OR OTHER DEBT OBLIGATIONS.

TO THE BEST OF VHFA’S KNOWLEDGE THIS INFORMATION IS ACCURATE, BUT THE INFORMATION IN THIS PACKET IS NOT INTENDED TO REPRESENT ALL OF THE INFORMATION THAT A SUBMITTING FIRM MAY CONSIDER RELEVANT TO REVIEW IN CONNECTION WITH APPROVING AND ENTERING INTO THIS TRANSACTION. IT IS EXPECTED THAT SUBMITTING FIRMS WILL CONDUCT THEIR OWN REVIEW OF THE PROPOSED TRANSACTION AND WILL ASK FOR ANY OTHER INFORMATION THAT THEY DETERMINE IS APPROPRIATE IN MAKING A FINAL DECISION IN CONNECTION WITH THIS TRANSACTION.

THE TERM SHEET CONTAINED HEREIN SUMMARIZES THE PROPOSED STRUCTURE(S) OF THE TRANSACTION. THE ACTUAL TRANSACTION WILL BE AS SET FORTH IN FINAL LEGAL DOCUMENTS AND OTHER TRANSACTION DOCUMENTS PREPARED BY VHFA’S COUNSEL. THESE FINAL DOCUMENTS WILL GOVERN THE TRANSACTION.

VHFA RESERVES THE RIGHT TO REJECT ANY OR ALL PROPOSALS, TO WAIVE IRREGULARITIES, AND/OR TO REQUEST ADDITIONAL INFORMATION, AND SELECT THE PROPOSAL MOST FAVORABLE TO VHFA. ADDITIONALLY, VHFA RESERVES THE RIGHT TO NEGOTIATE ALL FINAL TERMS AND CONDITIONS OF ANY AGREEMENT ENTERED INTO BETWEEN VHFA AND THE SELECTED FIRM(S).

NOTHING IN THIS RFP, OR IN YOUR RESPONSE, OR VHFA’S ACCEPTANCE OF A PROPOSAL AND SELECTION OF A FINANCIAL INSTITUTION OR INSTITUTIONS, SHALL OBLIGATE VHFA TO COMPLETE NEGOTIATIONS WITH SELECTED FIRM(S) OR TO PAY ANY EXPENSES TO THE FIRMS. VHFA WILL HAVE THE RIGHT TO END NEGOTIATIONS AT ANY TIME PRIOR TO THE EXECUTION OF A BOND PURCHASE AGREEMENT OR CREDIT/LIQUIDITY ARRANGEMENT WITHOUT ANY COST TO VHFA. ALL COSTS RELATED TO THE PREPARATION AND SUBMITTAL OF A FIRM’S RESPONSE TO THIS RFP ARE THE SOLE RESPONSIBILITY OF THE SUBMITTING FIRM.

THE INFORMATION IN THIS PACKET IS DELIVERED ON A CONFIDENTIAL BASIS FOR USE SOLELY IN THE CONSIDERATION OF THE TRANSACTION. THE INFORMATION MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE WITHOUT THE PERMISSION OF VHFA.

PROPOSED TERMS

Issuer	Vermont Housing Finance Agency (“VHFA”)
Issue	Vermont Property Transfer Tax Revenue Obligations (the “Obligations”). May be in the form of Bonds, Notes or direct debt.
Principal Amount	<p>Approximately \$36,000,000*. Our intent is to maximize the amount of bond/note/loan proceeds that can be supported by \$2.5 million in annual net debt service, including principal, interest and cost of issuance, over 20 years. Two issuance scenarios are possible: (i) all Obligations are issued on a federally taxable basis and (ii) up to \$7,000,000 of federally tax-exempt Obligations, with the remainder being federally taxable.</p> <p>Bids must contemplate the purchase of not less than \$5,000,000 of Obligations.</p>
Purpose	Proceeds will be transferred to the Vermont Housing and Conservation Board to fund the creation, and improvement and purchase of owner-occupied and rental housing for Vermonters with very low to middle income in areas targeted for growth and reinvestment, and to pay for issuance fees and costs and required reserves, if any.
Expected Closing	November 9, 2017*
Principal Payments	Annually November 1, 2018 through November 1, 2037*
Interest Payments	Semiannually each May 1 and November 1, beginning May 1, 2018*
Call Feature	Each bidder will be permitted to designate whatever call feature they desire. Non-callable is an acceptable designation. The Issuer will consider all bids and will determine which to accept based upon call feature in addition to other terms of each bid received. The call feature will be only one part of their consideration.
Source of Security	The Obligations are paid from the first \$2,500,000 collected annually by the State of Vermont from Vermont State Property Transfer Tax set forth in 32 V.S.A. 9602; the statutory provisions directing the first \$2,500,000 of annual Property Transfer Tax collections to the payment of the Obligations expires July 1, 2039. An initial payment for the Fiscal Year ending June 30, 2018 in the amount of \$2,500,000 has been received and will be included as an

*Preliminary, subject to change

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Issuer Contribution to any financing structure. So long as the Obligations are outstanding, the tax rate of the Property Transfer Tax may not be reduced below a rate estimated, at the time of any reduction, to generate annual revenues of at least \$12,000,000. These are NOT general obligations of VHFA and do NOT constitute an obligation where the “full faith and credit” of VHFA, the Vermont Housing and Conservation Board or the State of Vermont is pledged to the Obligations.

Additional Debt Covenant	No Obligations with a lien senior to this issue exist or will be permitted. No subordinate lien Obligations exist or will be permitted. These Obligations will not be on parity with any other bonds or other debt obligations of VHFA unless the State legislature approves additional transfer tax revenues to secure additional Obligations.
Reserve Fund	VHFA prefers to not fund a reserve fund.
Rating	VHFA does not plan to obtain a rating for these Obligations.
No Acceleration	The Obligations will not be subject to acceleration.
Covenants	Indicate any covenants you would require in the documents. VHFA will not accept an acceleration provision, and will look unfavorably at provisions that may increase the amount VHFA is required to pay above and beyond the agreed upon amortization schedule, other than in the event of a payment default, or that would otherwise adversely affect VHFA. Those provisions must be identified in your response. Examples of provisions that may increase the amount VHFA is required to pay or otherwise adversely affect VHFA include yield maintenance provisions, and provisions that provide for the governing law or venue to be outside Vermont. If substantive changes are requested subsequent to VHFA’s selection of a bidder, VHFA reserves the option to select an alternative bidder.
Tax Status	Two issuance scenarios are possible: (i) all Obligations are issued on a federally taxable basis and (ii) up to \$7,000,000 of federally tax-exempt Obligations, with the remainder being federally taxable. Please note that depending on the structure, the interest payments on the Obligations MAY be exempt from Vermont state tax.
Form of Instrument	Physical Bonds or Notes will be delivered without CUSIPs. Bonds or Notes will not be delivered via DTC.

Acknowledgements

The Final Agreement will specify that the selected bidder acknowledges that: (a) no official statement is being prepared; (b) it has undertaken an independent review of the credit and been provided with all information necessary to Purchase the Obligations; (c) it intends to hold the Obligations until maturity and does not intend to resell the Obligations; and (d) it will sign and deliver an Investor letter and require any subsequent holder to also deliver an Investor letter.

Registrar & Paying Agent TBD. May not be required if there is a single selected bidder.

VHFA Counsel Kutak Rock LLP

VHFA Financial Adviser Piper Jaffray & Co.

Documentation VHFA Counsel will prepare the final documentation for review and comment by the selected bidder. Indicate your willingness to use the agreements and other legal documents prepared by VHFA Counsel. If there are particular documents you need or wish to use, please provide samples of those documents.

Purchaser Risks

The Obligations are secured by the first \$2,500,000 collected annually by the State of Vermont from Vermont State Property Transfer Tax set forth in 32 V.S.A. 9602. Collections of this tax may fluctuate from year to year (see Historical Vermont State Property Transfer Tax Collections in each year since 2007 set forth below) or the statutory set-aside may be repealed without notice.

The Obligations will have limited liquidity and are not expected to trade due to the lack of an official statement and the restrictions under the Final Agreement.

Historical Vermont State Property Transfer Tax Collections

FYE 2007 -	\$39,317,848	FYE 2013 -	\$28,513,867
FYE 2008 -	\$33,991,555	FYE 2014 -	\$30,930,638
FYE 2009 -	\$25,945,646	FYE 2015 -	\$33,604,115
FYE 2010 -	\$23,818,572	FYE 2016 -	\$35,700,436
FYE 2011 -	\$25,642,975	FYE 2017 -	\$38,693,364
FYE 2012 -	\$24,096,925		

The Vermont State Property Transfer Tax throughout this period was calculated as 1.25% of the value of the property transferred (except that with respect to transfers of certain principal residences the tax was .5% of the first \$100,000 in value of the residence transferred and 1.25% of the value of any amount in excess of \$100,000), with certain additional exceptions and limitations. This rate of taxation has not been changed for FYE 2018.

These amounts include only amounts collected under the property transfer tax set forth in 32 V.S.A. § 9602 and do not include amounts collected under the clean water surcharge set forth in 32 V.S.A. § 9602a, which is not subject to the set-aside.

Further information regarding the State of Vermont, the Vermont Housing Finance Agency and the Vermont Housing Conservation Board can be found at their respective websites: www.vermont.gov; www.vhfa.org; www.vhcb.org.

Additional information not provided on the websites may be requested before September 25, 2017 by email to VHFA at FINRFP@vhfa.org; VHFA will make best efforts to provide requested data but may not be able to accommodate all information requests.

Deadline for Requests for Information **September 25, 2017**

Deadline to Submit Bid **3:00 p.m. Burlington, VT time on October 2, 2017.**

Bid Selection Expected by October 19, 2017

Closing Expected by November 9, 2017

Bid Requirements

1. Two pricing scenarios should be provided: one that assumes all obligations are issued on a federally taxable basis and one that assumes up to \$7,000,000 of federally tax-exempt obligations, with the remainder being federally taxable. Bidders should provide (i) an interest rate scale or fixed rate that matches an annual level debt service not to exceed \$2,500,000 and (ii) the preferred Form of Instrument. **Please note that unless the closing date is changed beyond November 15, 2017, VHFA expects that the winning bidder will hold the interest rate quoted.** Please also provide an indication of the formulation the bidder would use to determine the interest rate should the closing date be modified. Note also that VHFA reserves the right to modify the amount and amortization schedule in order to maintain a level debt service structure. Bids must contemplate the purchase of not less than \$5,000,000 of Obligations.
2. Indicate the maximum amount of fees and charges that the bidder would impose, including origination fees, legal fees, etc. Evaluation of the bids will utilize the maximums provided here.
3. Indicate any covenants you would require in the documents. See “Covenants” above.
4. Indicate your willingness to use legal documents prepared by VHFA Counsel. If there are particular documents you need or wish to use, please provide sample(s) of those documents.
5. Please explain any reporting requirements that would be required of VHFA.
6. Please indicate any diligence materials that would be required of VHFA.
7. Please provide the contact information (email, address, phone) of the individuals (both internally and with any outside counsel) who will be working with VHFA.

Please send an electronic copy of your proposal no later than October 2, 2017 by 3:00 pm Burlington, VT, time to the following:

VHFA	FINRFP@vhfa.org
Melanie Lien	melanie.k.lien@pjc.com
Michelle Adams	michelle.adams@kutakrock.com