

# Vermont Housing Finance Agency Asset Management Plan 1602 Tax Credit Exchange Program

**OVERVIEW:**

Vermont Housing Finance Agency (VHFA) is the administrator of the 1602 Tax Credit Exchange Program and is responsible for ensuring compliance with Section 42 of the Code and Section 1602 (c)(3) of the American Recovery and Reinvestment Tax Act.

VHFA has policies and procedures in place to ensure the long-term viability of all projects financed with state-administered funds, and will utilize those same asset management functions for 1602 Exchange projects. Not every activity on this list must be performed for every property, assume activities will not be applicable or necessary to every property.

Below is an overview of the Asset Management functions VHFA performs or delegates to others and oversees that the functions are performed. More details can be found in corresponding manuals and documents on our website at [www.vhfa.org](http://www.vhfa.org).

**ASSET MANAGEMENT RESPONSIBILITIES:**

Task	Department	Timeframe
Underwriting Review: <ul style="list-style-type: none"> <li>• Tax Credit/1602 needs analysis</li> <li>• Financial feasibility</li> <li>• Rents and Income</li> <li>• Operating Expenses</li> <li>• Construction Expenditures</li> <li>• DCR</li> <li>• Establishment of Reserves</li> </ul>	Development	At application and/or agency commitment
Review of Architectural/Engineering Plans and Specs/Capital Needs Assessment	Development <ul style="list-style-type: none"> <li>• Construction Consultants</li> </ul>	Prior to starting construction
Review of Construction Schedule	Development	Prior to construction start
Review of Construction Contract and Trade Payment Breakdown	Development	Prior to starting construction
Energy Efficiency Improvements	Development <ul style="list-style-type: none"> <li>• Construction Consultants</li> </ul>	Prior to starting construction
Monitoring Construction: <ul style="list-style-type: none"> <li>• Progress inspections</li> <li>• Change Orders</li> <li>• Housing Code Compliance</li> </ul>	Development <ul style="list-style-type: none"> <li>• Construction Consultants</li> </ul>	Monthly

<ul style="list-style-type: none"> <li>• Job Site Meetings</li> <li>• Construction Draws/</li> <li>• Applications for Payment</li> <li>• Construction Closing</li> <li>• As-Builts</li> <li>• Certificate of Occupancy</li> </ul>		
Reporting to Treasury <ul style="list-style-type: none"> <li>• Financial Status</li> <li>• Project Status</li> </ul>	Development	Quarterly during construction – through 12/31/2010
Construction Draw Requests and Budget Reviews	Development	Per the approved draw schedule
Tax Credit Carryovers <ul style="list-style-type: none"> <li>• Including Tax Credit/ TCAP needs analysis</li> </ul>	Development	Prior to the end of the calendar year of award
Cost Certification Review	Development	Prior to issuance of 8609
Operating Procedures <ul style="list-style-type: none"> <li>• Affirmative Fair Housing and Marketing Plan</li> <li>• Reserve Analysis</li> <li>• Preventive Maintenance/Review CNA</li> <li>• Turnover Inspection</li> <li>• Insurance Coverage</li> <li>• Internal Controls</li> </ul>	MF Management	On-going
Operating Reports <ul style="list-style-type: none"> <li>• Occupancy/Vacancy</li> <li>• Monthly Rent Collection</li> <li>• Cash Receipts</li> <li>• Cash Disbursements</li> <li>• General Ledger</li> <li>• Payroll</li> </ul>	MF Management	Quarterly
Operating Budget	MF Management	Annually
Audited Financial Statements	MF Management	Annually
Physical Inspection Reports	MF Management	Annually
Continued Marketability Analysis	MF Management	Annually
Tax Credit Report Reviews <ul style="list-style-type: none"> <li>• Owner Certification</li> <li>• Status Report</li> <li>• Questionnaires</li> <li>• WCMS</li> </ul>	MF Management	Annually
Tax Credit Tenant File Reviews/Physical Inspections	MF Management	Within 2 years of PIS date and no less than every 3 years
Final Tax Credit Summary Report	MF Management	Annual
Notification of Non-compliance, 8823s	MF Management	As needed
Compliance Training/updates to Compliance Manual	MF Management	As needed

**AT RISK/WATCH LIST PROPERTIES:**

Projects that are at risk, based on information revealed during monitoring are handled on an individual basis.

**NON-COMPLIANCE AND RECAPTURE:**

Non-compliance notification and correction periods will be handled similarly to the tax credit program.

Failure of the project to maintain the required applicable fraction of affordable units will result in recapture of the full 1602 Exchange grant amount, minus 6.67% (1/15<sup>th</sup>) for each full year that the applicable fraction was maintained. Upon expiration of any correction periods, this will be due and payable immediately to the U.S. Treasury.

**FEES:**

Tax Credit Allocation Fee = 4% of credit award paid at time of Reservation.

No fee for 1602 Grants.

Tax Credit Compliance Monitoring Fee = \$6/tax credit unit/month