

# VHFA Responses to Public Comments on VHFA Qualified Allocation Plan (QAP)

During the public comment period from March 24th through April 24<sup>th</sup>, VHFA received comments from 93 different commenters regarding the draft Qualified Allocation Plan (QAP). VHFA also held a public hearing on April 6<sup>th</sup> with 38 members of the public. A recording of the public hearing and all written comments received by the deadline are posted to VHFA's [website](#).

Below is a summary of comments by topic area and VHFA's response. For ease of use, the comments and responses have been ordered to first address general comments regarding the public engagement process and implementation schedule, followed by comments on specific aspects of the March 24<sup>th</sup> draft according to the order these topics appeared in the draft QAP.

Note: Text colored red indicates QAP provisions that were revised in this latest draft in response to the public feedback.

<b>Public Engagement Process</b>	
<p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Extend the public comment period beyond the current 30 days due to the scale and significance of proposed QAP changes</li> <li>• Facilitate structured dialogue sessions (beyond the current public comment sessions) between VHFA and stakeholders.</li> <li>• Provide a plain-language summary or presentation explaining major QAP changes and implications.</li> <li>• Provide a marked-up version to show how language has changed from the current QAP.</li> <li>• Provide examples or simulations showing how prior projects would have scored under the new QAP.</li> <li>• Issue a second draft QAP after public comments are incorporated and allow additional public review.</li> <li>• Ensure materials going to the Joint Committee and VHFA Board are publicly available in advance.</li> <li>• Engagement participation has been concentrated among developers who receive program funds. Better translation of QAP policies for tenants and the general public would enable more meaningful participation by a broader constituency.</li> </ul>	<p><b>VHFA Response:</b></p> <p>The QAP engagement process VHFA has conducted is considerably more robust than the federal requirements set forth in Section 42 of the Internal Revenue Code and Vermont Statutes (§VSA 5930u). The extensive public engagement reflects VHFA's deep commitment to transparency and integrity in fulfillment of its administrative duties.</p> <p>The draft QAP released by VHFA in March 2026 is the culmination of a public engagement process that started in June of 2024 and included 8 community meetings, the release of 3 previous drafts, and 4 public hearings with comment periods. Throughout this 2-year public process, VHFA has made all public comments, drafts, and materials available to the public and will continue to do so.</p> <p>In accordance with Vermont Statutes, the QAP must be recommended by the Joint Committee on Tax Credits (JCTC), approved by VHFA's Board of Commissioners, and signed by the Governor to become fully adopted. Both the JCTC and the VHFA Board will take up the QAP at public meetings with agendas and materials posted in advance.</p> <p>VHFA acknowledges that the engagement process has generated little to no input from persons who rely on housing financed with tax credits, including unhoused persons, current residents of tax credit properties, and those on waiting lists for affordable housing. The Agency is currently examining how it might address this gap in the stakeholder feedback for future QAP approval processes and commits to more intensive outreach to these groups and their advocates in the future.</p>

## QAP Implementation Timing

### Summary of Comments:

- Keep the existing QAP in place for 2027 and delay implementation of the new QAP.

### VHFA Response:

In 2025, VHFA delayed the adoption of a new QAP for a full year to revisit policies designed to promote greater cost effectiveness. The current QAP was adopted October 1, 2023, and was designed to set policy for two competitive application cycles in 2024 and 2025. It was extended in 2025 and is now being used to award tax credits for projects in 2026. The housing challenges in Vermont have intensified since 2023 due, in part, to unsustainable development costs and the loss of critical federal housing subsidies.

Since delaying the new QAP adoption last year, VHFA has engaged the national consulting firm, Novogradac, which specializes in the federal Low-Income Housing Tax Credits (LIHTCs) to assist in drafting a new QAP. Novogradac has supported VHFA's efforts to tailor QAP best practices to the Vermont context where there is an urgent need to contain development costs for LIHTC projects.

It is a widely recognized best practice among state Housing Finance Agencies (HFAs) to review and update the QAP at regular intervals to ensure that it remains an effective tool for directing scarce resources to Vermont's most pressing housing needs. No clear public benefit from further delaying the implementation of a QAP has been identified that outweighs the need to maintain policies that reflect current priorities and evolving needs.

## Chapter 2. Application & Award Process

### Summary of Comments:

- Application materials should be available longer than 30 days prior to the submission deadline.
- A pre-application phase is beneficial for applicants to decide whether the time and expense of a full application is worthwhile.

### VHFA Response:

VHFA has changed the minimum time from posting to submission deadline in the updated QAP, increasing it from 30 days to 90 days.

VHFA added a provision stating that a pre-application process will be available to applicants.

## Chapter 3.0 – 3.04 Threshold Requirements

### 3.02 Readiness to Proceed

#### Summary of Comments:

- Requiring all permit approvals to be in hand at time of application is not realistic when projects may need LIHTC to be viable.
- It is not clear what is required for Act 250 review
- Permanent debt commitments at the time of application are generally not available and may effectively steer projects toward VHFA debt.

#### VHFA Response:

VHFA has updated *Section 3.02 Readiness to Proceed* of the draft QAP related to zoning and land use approvals to clarify these requirements and does not require all permit approvals in hand at the time of application.

VHFA has updated Section 3.02 of the draft QAP with respect to *funding commitments* to allow letters of interest and conditional commitments as documentation of a complete financing plan.

### 3.03 Financial Feasibility & Cost Reasonableness

#### Summary of Comments:

- It is infeasible for projects to reach construction drawing, full bid packages, and third-party Capital Needs Assessments at the time of application.
- Provide clearer, more objective standards for evaluating cost reasonableness. Avoid broad discretionary authority without defined benchmarks for rejecting projects on cost grounds.

#### VHFA Response:

VHFA has updated the draft QAP to clarify the requirements related to *third-party cost estimates and Capital Needs Assessments* where appropriate but does not mandate fully bid construction documents at application.

### 3.04 Development Team Capacity

#### Summary of Comments:

- Reconsider prohibitions on applying if a developer has not reached construction closing for a prior year award. As currently worded, this language will generally preclude any sequential awards even for applicants whose projects are on schedule.

#### VHFA Response:

VHFA has modified this requirement to state that prior year awards must have a “*clear path to a construction closing within the next 6 months*”.

## Chapter 3.05 - 3.11 Threshold Requirements

(Moved to Chapter 6. General Policies in Updated QAP)

### 3.09 Design Standards and Broadband

#### Summary of Comments:

- Remove or reduce the electrification requirements in new construction based on concerns about lack of cost/benefit balance.

#### VHFA Response:

VHFA has changed the draft QAP to remove references to electrification. The proposed QAP requires that projects meet [VHCB/VHFA Building Design Standards](#) (See 6.06 Design Standards and Broadband).

### 3.10 Amenities/Opportunities and Incompatible Uses

#### Summary of Comments:

- Confirm that the draft QAP aligns with the Consolidated Plan, including maintaining the historic settlement pattern.
- Create more certainty earlier in the application process about whether the site will be deemed ineligible.
- Reduce staff discretion regarding thresholds.
- Policies may preclude rural areas from the benefits of housing tax credits.
- Requirements regarding location of projects near amenities are unfeasible since many communities lack grocery stores, pharmacies, or similar amenities.

#### VHFA Response:

This section was initially included in the Threshold Requirements section of the QAP. Upon review, VHFA has concluded that this is more appropriately addressed outside the application threshold review process and created a new *Chapter 6. General Program Policies* section.

VHFA has updated the QAP to affirm alignment with the Consolidated Plan. The amended language is found in 6.03 Location/Amenities/Opportunities and Incompatible Uses.

Applicants may raise questions about site eligibility with VHFA staff during the pre-application phase or at any time a site is being considered. Staff will provide candid feedback and work with applicants as needed to assess the suitability of a site.

Staff discretion is limited to making funding recommendations to the Board of Commissioners. All recommendations and final funding decisions must be authorized by VHFA's duly appointed Board of Commissioners in its oversight role. VHFA's Board has a longstanding practice of exercising its discretion transparently and responsibly to enhance the strategic and effective use of limited public resources, respond to unforeseen conditions, and avoid unintended consequences.

VHFA's objective is to ensure efficient, effective, and equitable use of housing tax credits throughout the state. In response to this feedback, VHFA has changed the draft QAP language about location and amenities from "within a two-mile radius" to "reasonable proximity" in recognition that this may vary depending on the type of community.

### 3.12 Maximum Developer Fees

#### Summary of Comments:

- Removing the cap on developer fees opens the door to larger projects, disadvantaging smaller projects.
- Removing the restriction of no more than 30% of the 9% Ceiling Credits per project opens the door to larger projects taking up more of the pool.
- By opening the door to larger projects, smaller projects will be less competitive, and many rural sites cannot support larger project sizes.
- Some commenters also expressed additional concern that larger projects in a smaller number of towns could concentrate poverty and/or racial segregation.

#### VHFA Response:

It is correct that the previous policies limiting the credits and developer fees created barriers to funding any larger projects regardless of their impact or effective use of public resources. The proposed new QAP policies reduce barriers for larger projects but in no way preclude funding awards to smaller high-impact, cost-effective projects throughout the state. It is important to note that these policies are not part of the evaluation criteria used to score and rank projects for funding awards. VHFA recognizes that including this language under the application threshold criteria section of the QAP may have caused confusion. In the updated draft, this language has been moved to *Chapter 6. General Program Policies section 6.07*.

<p><b>4.01 Site Location &amp; Designation</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• New site designations under Act 181 should be included and prioritized.</li> </ul>	<p><b>VHFA Response:</b></p> <p>The Act 181 designations were not used in the March draft since statewide maps will not be published prior to the QAP’s effective date. <b>In response to comments, VHFA has updated the draft QAP</b> to include both the existing program designations and references to the new Act 181 areas with 10 points available for projects in designated areas.</p>
<p><b>Chapter 4. Evaluation Criteria</b></p>	
<p><b>4.02 Project Tenancy</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Promote age-specific housing</li> <li>• Promote general occupancy housing.</li> </ul>	<p><b>VHFA Response:</b></p> <p>Section 42 IRC requires VHFA to include selection criteria for tenant populations of individuals with children. The proposed QAP includes this criterion in 4.03 <i>Project Tenancy</i> where applications for non-age-specific properties will earn 5 points.</p>
<p><b>4.03 Occupancy &amp; Rent Restrictions</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Restore scoring incentives for producing 50% AMI units.</li> <li>• 60% AMI rents are unaffordable to many Vermont households.</li> <li>• Restore incentives for mixed-income projects.</li> </ul>	<p><b>VHFA Response:</b></p> <p>Based on these comments, <b>VHFA has updated the QAP to incorporate points for creating units affordable at 50% AMI.</b></p>
<p><b>4.04 Housing with Services for the Homeless</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Require project sponsors to report HUD performance measures, including 12-month housing retention, rates of return to homelessness, exit destinations, and legal bases for eviction, as well as data on reasonable accommodation requests and outcomes. Use this data to evaluate sponsor capacity on retention performance and prioritize projects from sponsors with high performance rates.</li> <li>• Increase the income restrictions from 30% AMI to 50% AMI to secure these points due to the limited availability of Project Based Rent Assistance.</li> </ul>	<p><b>VHFA Response:</b></p> <p><b>The updated QAP reinforces expectations around housing stability and eviction prevention</b> by requiring all projects to include an eviction prevention plan and by embedding these practices within threshold requirements. The implementation of these policies and their monitoring over time happen outside the QAP through certain legal documents outlining the terms and conditions of funding and VHFA’s subsequent compliance monitoring.</p> <p>The QAP retains up to 10 points for serving households at 30% AMI because this population represents those with the greatest housing need. Projects may demonstrate feasibility through a combination of average income structures or use of rental subsidies.</p>
<p><b>4.05 Project Based Rent Assistance</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Reduced availability of housing vouchers provided a very strong scoring advantage for any project that obtains the required number of vouchers.</li> </ul>	<p><b>VHFA Response:</b></p> <p>Providing 5 points for projects with a financially viable way to serve households at 30% AMI is consistent with VHFA’s policy objective to create meaningful incentives to serve the hardest to house households.</p>

<p><b>4.07 Permanent Debt</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• The permanent debt score is confusing and unable to score up front.</li> <li>• The QAP should align public funding scoring with realistic per-unit contributions, and make scoring to reflect true financial feasibility, not nominal funding presence.</li> <li>• This incentivizes projects using more public funds, and instead, should award these points to the projects that use the fewest LIHTCs/unit to incentivize efficient use of tax credits.</li> </ul>	<p><b>VHFA Response:</b></p> <p>The purpose of this criterion is to recognize projects that demonstrate credible, committed non-LIHTC resources that meaningfully support financial feasibility and projects that are more shovel ready. The relative ranking approach is intended to reflect per-unit contributions in a consistent manner. VHFA clarified eligible funding sources and scoring mechanics to improve predictability. VHFA considered but did not adopt an approach that would award points based on lowest LIHTCs per unit, as this metric alone may disadvantage preservation, rural, or complex projects with higher unavoidable costs. The scoring framework is designed to balance efficient use of tax credits with realistic financing requirements and long-term project sustainability.</p>
<p><b>4.09 On Site Challenges</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• The Evaluation Criteria 10-point deduction for projects located on brownfield sites unless there were committed funds sufficient to cover 110% of estimated costs is infeasible would likely rule out any future projects with these features from competing successfully for a funding award. These projects bring considerable public benefit and should not be disadvantaged.</li> </ul>	<p><b>VHFA Response:</b></p> <p>In response to these comments, <b>VHFA has changed the Evaluation Criteria</b> in the updated draft QAP relating to brownfield sites in response to these comments. The updated draft reduces the amount of committed funds needed to avoid the point deduction to an amount sufficient to cover 80% of costs associated with these features. VHFA recognizes the benefits of restoring certain brownfield sites and seeks to strike a balance in terms of how much of the state's scarce housing resources are used to support other policy objectives. This language is found in section 4.10 in the updated draft QAP.</p>
<p><b>4.11 Historic Rehabilitation or Energy Efficiency</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• The Evaluation Criteria 5-point award for historic preservation projects only if there committed funds sufficient to cover 110% of estimated costs is infeasible. These projects bring considerable public benefit and should not be disadvantaged.</li> <li>• Vermont's energy codes already require high performance standards. Certification has high fees and should not be incentivized.</li> <li>• Making the points contingent on proving that the cost of receiving the certification pays for itself is an improvement, but it should be eliminated.</li> <li>• Award points to incentivize renewable energy instead of the current policy.</li> </ul>	<p><b>VHFA Response:</b></p> <p>In response to these comments, <b>VHFA has changed the Evaluation Criteria</b> in the updated draft QAP relating to historic preservation. The updated draft reduces the amount of committed funds needed to secure the 5 incentive points to an amount sufficient to cover 80% of costs associated with these features. VHFA recognizes the significant benefits of certain historic preservation projects and seeks to strike a balance in terms of how much of the state's scarce housing resources are used to support other policy objectives. This language is found in section 4.12 of the updated draft QAP.</p> <p>Section 42 requires that QAPs include selection criteria for the energy efficiency of the project. The proposed QAP addresses concerns about certification costs while preserving an incentive for projects that exceed baseline requirements in a cost-effective manner.</p>

<p><b>Serving Persons with Disabilities</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Permit the creation of a rental subsidy fund for units accessible for very low-income tenants with Intellectual and Developmental Disabilities.</li> <li>• Establish a dedicated Accessible Supportive Housing Tax Credit Allocation Pool for people with Intellectual and Developmental Disabilities.</li> <li>• Add scoring points or otherwise prioritize serving individuals with Intellectual and Developmental Disabilities.</li> </ul>	<p><b>VHFA Response:</b></p> <p>The proposed QAP encourages and supports the creation of supportive housing and general occupancy housing for persons with disabilities.</p> <p>VHFA requires project sponsors to accept rental subsidies for very low-income tenants through legal documents setting the terms and conditions of funding.</p>
<p><b>Chapter 5. Vermont Housing Tax Credits</b></p>	
<p><b>5.1 Vermont Rental Tax Credit</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Clarification is needed regarding which QAP requirements apply to state tax credit applications and projects</li> <li>• The QAP should not apply threshold requirements to State Rental Tax Credit applications because state credits are often gap fillers and should have tailored requirements.</li> </ul>	<p><b>VHFA Response:</b></p> <p>Projects receiving Vermont state tax credits must meet the threshold and general program requirements of the Plan as well as the requirements in Section 5.1.</p>
<p><b>5.2 Vermont Homeownership Tax Credits</b></p> <p><b>Summary of Comments:</b></p> <ul style="list-style-type: none"> <li>• Policies for the Vermont Homeownership Tax Credits should be a separate policy document.</li> </ul>	<p><b>VHFA Response:</b></p> <p>The statute establishing the Vermont Affordable Housing Tax Credit requires allocation in accordance with the Qualified Allocation Plan which itself has a statutorily mandated process for adoption as described above. There is no clear public benefit from establishing a separate process for adopting these policies.</p>
<ul style="list-style-type: none"> <li>• The QAP should explicitly recognize a shared equity homeownership model and make it a preferred funding approach.</li> </ul>	<p>VHFA does not recommend making shared equity a preferred approach within the homeownership tax credit at this time. While shared equity models can be an effective tool in certain contexts, they encompass a wide range of structures with distinct implications for buyers, developers, and long-term affordability. VHFA's position is that it is more effective for the QAP to prioritize the outcomes we seek—such as increased and accelerated production, equitable access to subsidies, and cost effectiveness—rather than prescribing a specific model. This approach encourages innovation and creates space for sponsors to propose solutions that best fit local market conditions and community needs, while still advancing core policy objectives.</p>

<ul style="list-style-type: none"> <li>Funding awards should be provided as grants rather than loans.</li> </ul>	<p>Vermont Statute governing the State Affordable Housing Tax Credit (32 V.S.A. § 5930u) states that the homeownership credits are to be used for “loans or grants for owner-occupied unit financing or down payment loans.” The draft QAP mirrors this language and thereby maintains flexibility for VHFA to choose whether to provide funds as a grant or a loan based on the characteristics of a proposed project or program.</p> <p>VHFA may choose to provide its state Homeownership Tax Credits in the form of a loan rather than a grant to enhance oversight, preserve long-term affordability protections, and allow VHFA to maintain and recycle public investment. Structuring the subsidy as a loan allows VHFA to retain an ongoing financial interest in the property as a publicly held asset, which supports stronger control and oversight over key program objectives, such as continued affordability, resale restrictions, and occupancy requirements.</p> <p>In contrast, a grant transfers funds directly to a private party with limited ongoing leverage once the initial requirements are met. While grants may be simpler to administer, they generally do not provide the same level of long-term control or recourse.</p>
<ul style="list-style-type: none"> <li>Clarify how expected award amounts to support pricing certainty, fixing the sale price amount.</li> <li>Establish a minimum 30% spread between the income used to set the initial sales price and the maximum eligible buyer income.</li> <li>Establish a minimum housing cost ratio, where the buyer is expected to spend at least 20% of their income on monthly mortgage costs, with waiver authority.</li> <li>Exclude any additional buyer-driven down payment assistance from affordability ratio calculations.</li> <li>Set resale eligibility up to 120% AMI across all homes.</li> </ul>	<p>VHFA has not included prescriptive programmatic policies in the QAP because Homeownership Tax Credits are not limited to a single program model. Instead, the goal is to create a competitive framework that encourages applicants to propose innovative, cost-effective approaches to expanding homeownership opportunities. By focusing on clearly defined outcomes set forth in the QAP rather than a fixed delivery structure, VHFA can better ensure that resources are deployed in ways that respond to diverse local market conditions and community needs across the state. This approach promotes efficiency, rewards strong proposals, and supports a broader range of solutions tailored to Vermont’s evolving housing landscape.</p>
<ul style="list-style-type: none"> <li>Reduce scoring incentives for larger projects, which are not feasible in many areas.</li> <li>Scoring criteria for geographic equity should be based on current housing need by region, rather than whether a region has received SHOTC awards in the past five years.</li> <li>Eliminate the criteria for reaching underserved households and communities, which is too vague and subjective.</li> </ul>	<p>Vermont faces an urgent need to increase the pace and scale of housing production which will require leveraging funds more effectively. While the scoring provides some advantage for larger projects, smaller projects are not precluded from applying, and effective proposals are still able to compete.</p> <p>The draft QAP incentivizes projects with <u>both</u> documented need and few or no prior awards. Of the homes funded with homeownership tax credits through 2025, 80% were developed in Chittenden County. Offering an incentive for projects in underserved areas is a way to balance out incentives for larger-sized projects, offering viable pathways to serve communities across the state.</p>

