

2026-2027 Qualified Allocation Plan Update



July and August 2024: QAP Public Comment Meetings

<https://www.vhfa.org/rentalhousing/qualified-allocation-plan-qap>

Today's agenda

- What is the Qualified Allocation Plan?
- Process for 2026-2027 update
- Topics for consideration in this update
- Next steps

Today's agenda

- What is the QAP?
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Resources directed by the QAP

The Qualified Allocation Plan (QAP) guides VHFA in deploying Vermont's largest pool of federal affordable housing resources, as well as important state resources:

- **Federal** 9% Low-Income Housing Tax Credits (LIHTCs) or “Ceiling Credits” are received by each State annually on a per capita basis or a Small State Minimum.
- **Federal** 4% LIHTCs or “Bond Credits” are generated through Tax-Exempt Bond Financing.
- **State** Rental Housing Credits
- **State** Homeownership Credits (includes Manufactured Home Credit)
- **State** Down Payment Assistance Credits

In 2024, VHFA allocated 9% credits that are expected to yield over **\$40 million** in equity to develop subsidized, permanently affordable homes.

Key components of the QAP



Primary policy drivers of the QAP

- IRS Code Section 42: Low-Income Housing Tax Credit
 - Serving:
 - **lowest income** tenants.
 - for the **longest period of time**.
 - Developing:
 - Qualified Census Tracts
 - communities with a **community revitalization plan**.
 - Considering
 - **energy efficiency**
 - **historic nature**
 - **public housing waiting list**

Primary policy drivers of the QAP

- Statewide Housing Policy:

Consolidated Plan: Outlines Vermont's proposed uses of federal housing resources.

- **Three Policy Priorities:**

- Perpetual affordability,
- development pattern (Designated Downtowns, etc.),
- linking homelessness assistance with permanent housing.

- **Four Goals:**

- Increase supply and quality of affordable housing,
- decrease the number of Vermonters experiencing homelessness,
- strengthen communities,
- and improve quality of life.

How is this done?

Thresholds apply to all projects, regardless of the type of credits the project is pursuing.

- Thresholds are required by IRS, and some are explicitly required. Some thresholds can also be state created priorities.
- The Board may, in most cases, waive a threshold within reason but must substantiate the reasoning in doing so.

Criteria are used in analyzing 9% LIHTC applications, providing the basis for comparative analysis.

- “Checkmarks” are issued based on project characteristics and used to help differentiate projects in a competitive funding round.

Priorities are used in evaluating State Rental Credit applications, which include 4% LIHTCs.

Threshold requirements for all projects

Historic settlement pattern of compact villages and urban centers

Occupancy and rent restrictions

Mixed income

Extended use period

Previous loss of affordable housing

Sponsor housing at least 15% occupancy by formerly homeless households across their portfolio

Project does not exceed 30% of units as Housing with Services for formerly homeless households

Sponsor experience, capacity, and commitment to racial equity

Tax credit yield and internal rate of return

Appraisal supports acquisition cost

Meets proven market need

Capital Needs Assessment

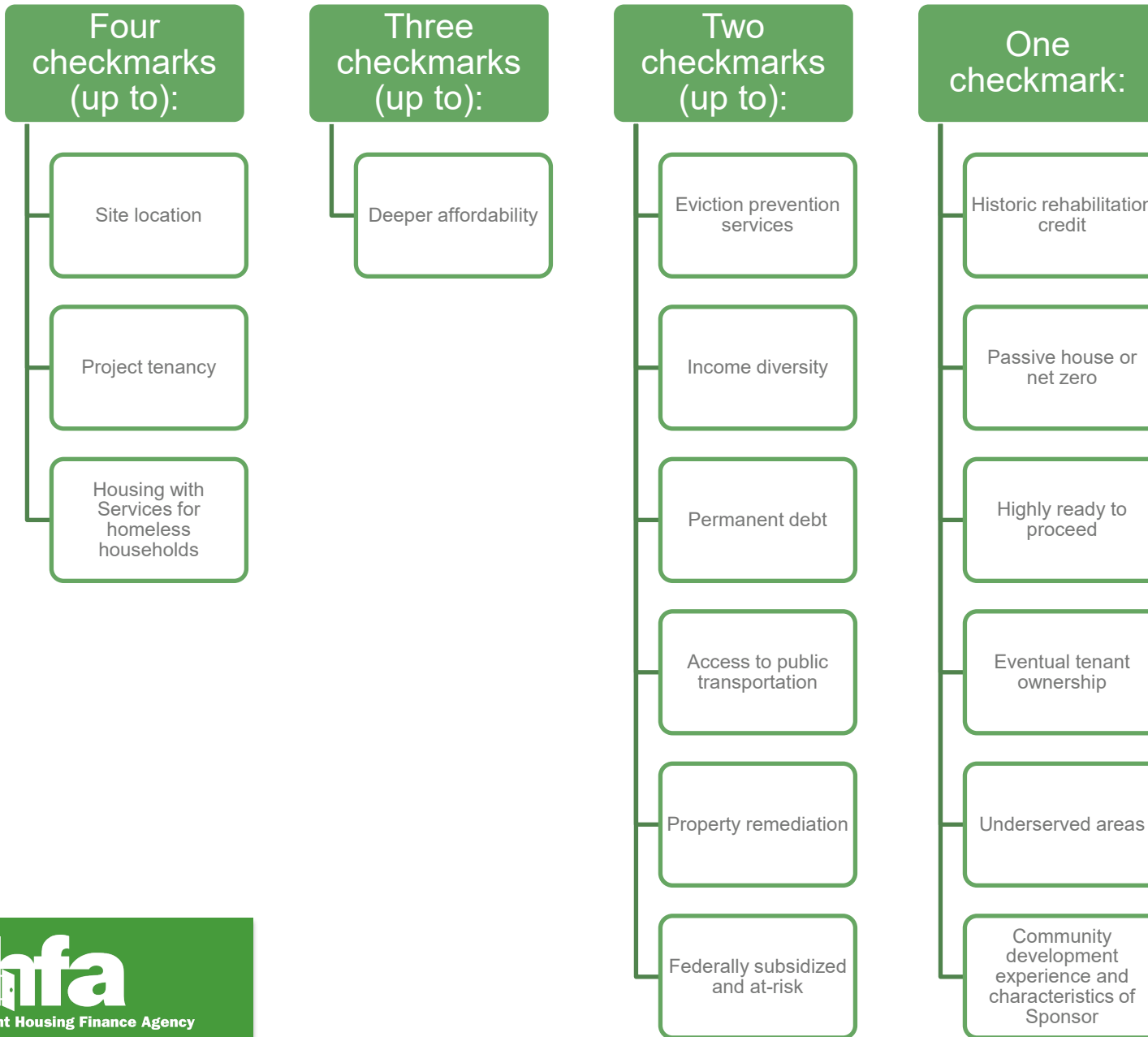
Universal Design and Adaptable and Visitable housing

VHCB/VHFA building design standards

Submits cost information

Project fees

Evaluation criteria for 9% projects



Priorities for State Rental Tax Credits

Utilize 4% credits

Target a minimum of 15% of units as Housing with Services for formerly homeless households

Create net new Housing Credit units in growing communities

Rehabilitate existing affordable housing

Demonstrate innovation in cost and scarce resource efficiencies

Exceed Threshold requirements

Priorities for State Homeownership Tax Credits

Down payment assistance programs

Projects supported under an Employer Assisted Housing Program

New construction in growing communities, and rehabilitation in all other communities

Uses Section 8 Homeownership Vouchers for deeper subsidy

Replaces manufactured housing that is substandard, energy inefficient, or flood-prone

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Process for 2026-2027 QAP Update

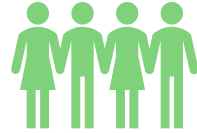
2024



2025

VHFA's goal is to have the QAP approved a year in advance of 2026 applications to ensure potential applicants have time to consider any updates in planning 2026 projects.

Public engagement & comment



Public Comment open
June 2024 through
August 13th 2024.

Public Comment re-
opened after the first
draft is published
October 2024.



Staff will hold outreach
sessions for feedback
and collaborative
thinking with public.













Public Comments will
be available on VHFA
website after public
comment periods end.



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(Some) Topics under consideration:

-  Location
-  Housing with Services for formerly homeless households
-  Housing Retention
-  Costs
-  Timing
-  Age-specific housing and tenancy
-  Energy & emissions reduction policies
-  Racial equity and social justice outcomes
-  Eventual tenant ownership
-  Mixed-Income and the Average Income Test
-  Broadband/High-speed Internet
-  Format

Location

Current: focus on State designations, with a weighted priority to:

- Downtown or a Village Center or projects that support Downtowns or Village Centers by virtue of their location (i.e., that are within a reasonable walking distance from these areas)
- Neighborhood Development Area or Growth Center associated with a Downtown or Village Center
- New Town Center or Growth Center not associated with a Downtown or Village Center or that are in a Neighborhood Development Area associated with a New Town Center or Growth Center
- Dense Infill Site

Questions:

- What do you think of these location considerations?
- Are there considerations that should be changed or added?
 - Proximity to municipal amenities like a library or community center; Access to walking or biking trails

Housing with Services for formerly homeless households

Current:

- **All projects:** Sponsor must house formerly homeless households in at least 15% of units across their portfolio
- **9% projects:** Priority for providing at least 25% of the Housing Credit units as Housing with Services, with an MOU in place with a service provider for services at these units.
- **9% projects:** can receive an increase of up to 30% in eligible basis if they dedicate at least 15% of Housing Credit units as Housing with Services.
- **State Rental Credit:** Priority for projects where 15% of Housing Credit units are Housing with Services.

Questions:

- Do you think these priorities encourage development of Housing with Services units?
- What are the benefits and challenges of concentrating or deconcentrating formerly homeless households in one development?
- Should VHFA prioritize projects seeking to deconcentrate housing that has a high concentration of formerly homeless households?

Housing retention

Current:

- **9% projects:** Sponsors demonstrate programming and capacity that focuses on housing retention that effectively reduces the risk of eviction.

Questions:

- Clarify the definition of housing retention programming?
- Clarify differences between services available for formerly homeless residents and for all residents?
- Incentivize an on-site presence for property manager or service provider?

Costs

Current:

- Sponsor must agree to submit information related to costs to allow for an analysis of project cost-effectiveness and reasonable use of public resources.
- VHFA staff compare available cost estimates with previous housing development cost data.
- VHFA's goal is to select developments whose value to a community justifies the costs of the project.

Questions:

- Should VHFA introduce a more formal comparison of costs with other projects?
- Are there other ways that VHFA should track development costs or incentivize lower development costs?

Timing

Current:

- No formal timeline requirements, but an informal comparison of projected timelines.

Questions:

- VHFA is considering making changes to award and allocation timelines. What are the benefits and drawbacks of allocating at time of award?
- What would a good format be for projects to provide VHFA with quarterly status reports?

Age-specific housing and tenancy

Current:

- **9% projects:** Awards to age-specific projects limited to no more than 30% of the available Ceiling Credits to award.
- **9% projects:** Projects that are age-specific for senior occupancy receive between 1 and 3 checkmarks depending on robustness of service package; projects that are for general occupancy receive 4 checkmarks.

Questions:

- What are the benefits of prioritizing age-specific housing?
- What are the drawbacks of prioritizing age-specific housing?
- Is general occupancy housing with VHFA's universal design standards suitable for all age populations? What would make it more suitable for all age populations?

Energy and emissions reduction policies

Current:

- **All projects** must meet VHCB/VHFA Building Design Standards
- **9% projects:** Priority for projects constructed to Passive House standards or Net Zero guidelines (with Net Zero requiring on-site renewable energy generation).

Questions:

- Should VHFA add an incentivize for projects to use all-electric utilities, including hot water heating?
- What are the trade-offs, like higher cost, for incentivizing additional energy and building emissions policies?

Racial equity and social justice outcomes

Current:

- **All projects:** Developers should demonstrate a commitment to meeting the housing needs of all Vermonters, and to partnering with Black, Indigenous, or People of Color (BIPOC)-owned or -led organizations, professional service teams, and services providers.
- **9% projects:** A documented approach to continually identify and address racial inequities within the Sponsor's organization, housing portfolio, or broader community investments. Priority for BIPOC-owned or led development partners, professional service teams, and services providers.

Questions:

- Should VHFA create a set-aside for projects that include BIPOC-owned or -led organizations, professional service teams, and service providers?
- How else could the QAP incorporate additional racial equity and social justice priorities?

Eventual tenant ownership

Current:

- **9% projects:** Priority for projects intended for Eventual Tenant Ownership.

Questions:

- Should VHFA continue to incentivize the use of 9% credits for eventual tenant ownership?
- Should the creation of equity within a home be considered an integral component of future ownership?

Mixed-Income and the Average Income Test

Current:

- **All projects:** Projects must meet the Mixed-Income Threshold, which requires a base percentage of market rate units that are not included in LIHTC eligible basis.
- **9% projects:** Priority for projects which have a larger percentage of market rate units that are not included in LIHTC eligible basis.

Questions:

- Should 80% AMI units that are included in LIHTC eligible basis in projects electing the Average Income Test set-aside be considered “market rate units” for the purpose of VHFA’s Mixed-Income Threshold?
- Are there other changes VHFA should consider to better reflect Average Income Test projects in the QAP?

Broadband/High Speed Internet

Current:

- None.

Questions:

- Should projects be required to provide broadband/high speed internet access to all units?
- In community rooms or other interior common space for residents to congregate outside of their individual units (workspace, fitness center, lounge, etc.), should the project provide free WiFi access for residents?
- Should all projects located in areas without access to broadband/high speed internet service be constructed in anticipation of that service being available in the future with the necessary infrastructure to support it?

Format

Current:

- QAP includes some LIHTC-related processes and procedures, along with policy and priorities.

Questions:

- VHFA is considering creating a separate LIHTC manual with information on processes and procedures, outside of the QAP. Would this provide better clarity?
- Are there other formatting changes that would make the QAP more accessible?

2.6. Carryover Allocation

VHFA is authorized to issue a [Carryover Allocation](#) to a Sponsor if the Sponsor has met the conditions stated in the [Letter of Intent / Reservation Agreement / Advanced Binding Commitment](#). The Sponsor must apply for the Carryover Allocation no later than one year from the effective date of the Carryover Allocation, accompanied by updated project information, including a current budget and additional documentation to substantiate the project costs.

As permitted by [Section 42](#), VHFA may issue less than the maximum amount supportable by the project's eligible basis. Allocation of [Housing Tax Credit](#) less than requested may be permitted, with conditions that the gap be funded by the funding source on or before a specified date. This reduction will be permitted in certain circumstances, with the agreement of the applicant, and not be applied retroactively. In all cases, any funding gap must be filled in time to meet the earlier deadline as staff imposes in the [Reservation Certificate](#).

2.7. Final Tax Credit Allocation (8609) and Cost Certification

VHFA staff can issue the Final Tax Credit Allocation (8609) only after the project has received confirmation of the final square footage. The Sponsor and the contractor must submit and confirm the final square footage of the project. VHFA requires

Discussion

- **What other topics should VHFA consider in this QAP update?**



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Next steps

- Submit initial comments by August 13 at 4:30 pm, by e-mailing: developmentdept@vhfa.org.
- **Summer and Fall 2024:** VHFA drafts 2026-2027 QAP.
- **Oct. 2024:** Draft version of 2026-2027 QAP available for public comment.
- **Late 2024:** Joint Committee on Tax Credits.
- **Jan. 2025:** VHFA Board of Commissioners.
- **Feb. 2025:** 2026-2027 sent to Governor for signature.

Learn more

- Find the current QAP, upcoming drafts of the QAP, and other updates: www.vhfa.org/rentalhousing/qualified-allocation-plan-qap
- Contact VHFA's Development team and submit comments by e-mail: developmentdept@vhfa.org.