To: Commenters on the QAP 2026-2027 during the initial public comment period
From: VHFA Development Department
Re: 2026-2027 QAP Feedback
Date: November 8, 2024

Background

VHFA started the process of the 2026-2027 Qualified Allocation Plan (QAP) update in June 2024. Over the following months, VHFA received initial written public comments, and held five QAP public comment meetings in locations around the state and virtually. VHFA closed the initial public comment period in mid-August, and over the remainder of the summer and fall, reviewed comments and developed a draft of the 2026-2027 QAP.

The following document provides a summary compilation of public comments received during the initial public comment period for the 2026-2027 QAP update, as well as VHFA staff responses to each.

To view the current 2026-2027 QAP draft, visit VHFA's website.

Section 1: Program Guidance and Applications

- 1.1 **Introduction**
- 1.2 **Summary of Program Guidance**
- 1.3 **Applications**
  - This brief section was added and replaces the previous Section 2: Application Process.
- 1.4 **Credits Available to Projects**
  - **Age-Specific Housing**: Removed language that was repetitive with evaluation criteria, which requires Service-Enriched Housing (or similar) for all age-specific housing proposals. Also, the language around the process of evaluating general occupancy and age-specific proposals was removed. The process used by VHFA has consistently been grouping applications to compare the evaluation criteria. Now, with the opportunity for all proposals to meet the same number of checkmarks, it didn't seem necessary to state that age-specific proposals would not be evaluated separately. VHFA staff has consistently sought Agency of Human Services (AHS) feedback for all housing proposals that include services, but not specifically for age-specific projects alone. Since this isn't the practice, the language around an AHS review for only age-specific proposals was eliminated.
  - **Basis Boost**: Removed language around memorandum of understanding with a Human Service Agency for Housing with Services for the Homeless or Service Enriched Housing. This requirement has been added to the common application update. A new pathway to a basis boost is added, which states that a basis boost can be obtained by providing "at least 15% more accessible units in the project than otherwise required by federal, state, and local permitting."
- 1.5 **Determining Ceiling Credits Available**
- 1.6 **Communication and Transparency**

Section 2: Application Process

Section 2 “Application Process” has been removed entirely from the QAP. This section described the process in which a Sponsor would apply for credits, receive an award, and then go through the remaining steps to get to 8609. Since this process is complicated and changes depending upon the structure differences of projects (tax-exempt vs. taxable, multiyear construction period, multiphase/building projects), Staff has decided to create a more comprehensive Housing Credit Manual. This will describe in depth various processes as they relate to development and will allow more frequent updates instead of on the two-year QAP cycle.

- “The biggest challenge of allocation timelines is the level of investment required to get to an award. While there are certainly benefits to the state of allocating later in the process, when timelines are more certain, that requires developers to take on much more financial risk without certainty of a project’s path forward. In particular, we strongly discourage making state permits a threshold requirement for application. Obtaining state permits effectively requires completing Design Development, which means a significant outlay of money prior to award. Furthermore, it starts the permit expiration clock; if a project were not funded and its permits expired, having to pursue re-issued permits would re-open appeals periods.”
- **VHFA Comment:** At this time no changes were made to the QAP to require permits at the time of application. The only time permits would have been required would be for the Highly-Ready to Proceed evaluation criteria; however this evaluation criteria was removed with this update.

Section 3: Threshold Requirements for all Housing Credits (Federal LIHTC and Vermont Tax Credits for Affordable Rental Housing) – note this is the new Section 2 in the draft.

- 3.1 **Historic Settlement Pattern of Compact Villages and Urban Centers**

- 3.2 **Occupancy and Rent Restrictions**
  - **VHFA Comment:** Staff made a minor change to clarify the reference to the HUD-published maximum rent and household income restrictions. Staff also inserted a link to the current VHFA website where these files are located.

- 3.3 **Income Diversity**
  - “We support eliminating ‘market rate’ from the definition of mixed-income properties, and instead focusing on whether a project includes units above 60% AMI, regardless of whether they generate basis. This allows developers to leverage AIT’s largest benefit – 100% applicable fractions – without creating an administrative burden for VHFA while also recognizing that most ‘market rate units’ being developed under the former and existing QAPs were in fact income- and rent-restricted below market by VHCB and other funds.”
  - **VHFA Response:** Income Diversity is the new Mixed Income threshold. Other than the name change, Staff created a new "Non-Housing Credit Unit" definition to reference units within a project which, while not Housing Credit units, are still restricted by other programs such as HOME or VHCB, which may have higher Area Median Income (AMI) limits than the Low-Income Housing Tax Credit (LIHTC) program. There is an automatic exception to the threshold for Average Income Test (AIT) projects, which will eliminate the need for the VHFA Board to waive these projects from this threshold as they are hitting AMI levels up to 80% AMI. This also means

that an AIT project can meet Income Diversity evaluation criteria to the extent it incorporates 70% and 80% AMI restricted units.

- 3.4 **Extended Use Period**

- 3.5 **Previous Loss of Affordable Housing**

- 3.6 **Age-Specific Housing**
    - Multiple commenters had similar statements: **"**We strongly urge you to remove the 30% cap on age specific housing projects seeking ceiling credits. Maintaining a cap is detrimental to serving the housing needs of older adults."
    - "The 2020 Housing Needs Assessment shows that the unmet need for affordable rental housing continues to be higher for non-senior households in comparison to senior households. The report also notes that nearly 50% of income eligible senior renter households are living in subsidized rental housing, relative to 30% among non-senior households. We believe the current framework is appropriate."
    - **VHFA Response**: Staff broke up the various age-specific housing requirements that were in the previous QAP into pieces that fit into different sections of the QAP more naturally. This threshold requires that age-specific housing projects provide some level of Service-Enriched Housing directly to residents. It also provides that VHFA may ask AHS for their input on the proposed services.
    - According to the most recent *Vermont Housing Needs Assessment: 2025-2029*, the need for general occupancy housing still outweighs the need for housing restricted by age. In 2022, 36% of the total population that lived in the state year-round was Vermonters aged 55 plus. This group made up only 21% of all renter households. While between 2025 and 2029 projected growth in demand for renter households will be spread amongst the age groups, older Vermonters aged 55 and up will comprise only an estimated 42% of these additional renter households. There is an overwhelming need for affordable housing in Vermont. Only 26% of renter households were above the median income in 2022. Of the remaining 74% of renter households, the median income is less than half of the income of homeowners. Given the need for affordable housing coupled with the relative size of renter populations under and over age 55, the priority of creating affordable housing that is not restricted to any one population group seems to be the most efficient use of limited resources. Recognizing however that a preference for an age-restricted community does exist for some, and that older Vermonters tend to have a much lower household income, there should still be new affordable housing created for age 55+ households albeit at a slightly lower priority. The limitation of the QAP on the amount of ceiling credit available for age-specific housing (which matches the overall limit of an award to any one project) seems to be appropriately sized given all the various factors previously discussed.

- 3.7 **Housing for Previously Homeless Households**
    - **VHFA Comment**: In coordination with the Department of Housing and Community Development, Staff proposes removing the requirement that Sponsors submit a Homeless Access Reporting Tool (HART). DHCD stopped requiring the submission of these forms, so VHFA

has integrated the information needed from that form into the services portion of the Common Application.

- 3.8 **Limitation on Housing with Services for the Homeless and Transitional Housing for the Homeless**

- 3.9 **Broadband**
  - "We believe projects would universally score well if a checkmark were given for broadband infrastructure, especially since HOME already requires such broadband infrastructure and delivering internet infrastructure to all units is standard practice at this time."
  - **VHFA Response:** This is a new threshold. It requires that all projects provide *access* to broadband/high-speed internet. This would require all projects to have one of four different types of transmission medium installed for each unit. The project owner is not responsible for providing internet *service*. If a project location does not have access to broadband/high-speed internet, the threshold requires that the building be constructed in anticipation of access being made available in the future.

- 3.10 **Community Development Experience, Compliance, and Diversity**
  - **VHFA Comment:** The QAP has historically had a requirement that the developer have the capacity to undertake the proposed development based on the developer's own experience or that of a consultant hired by the developer. This has not changed.
  - A new threshold around compliance requires that the project Sponsor has previously been an owner who has followed the rules around tax credit compliance and kept the physical condition of other projects in good repair based on the VHFA and national standards.
  - In addition to experience and compliance, the threshold includes diversity, which had previously been part of an evaluation criteria, it has now been broken into different components and blended into other areas of the QAP. The diversity section of this threshold has two parts. The first requires the Sponsor to have a planned approach to increase opportunities for women and Black, indigenous, and people of color (BIPOC) within the Sponsor's organization, housing portfolio, or broader community investments. This would include a demonstrable commitment to partnerships with women- or BIPOC-owned entities to participate in housing development.

- 3.11 **Tax Credit Yield and Internal Rate of Return**
  - **VHFA Comment:** The threshold now requires a letter of interest or a letter of intent to demonstrate the ability to administer the marketing and sale of LIHTC. This was previously called a financing acknowledgment letter, which often led to confusion for applicants.

- 3.12 **Appraisals**
  - "The timing of pre-closing appraisals does not line up with site control and purchase and sale negotiations earlier in project development."
  - "We support reconsidering appraisal standards that require an updated 'as-is' appraisal prior to closing, such that it is acceptable to update the original appraisal as opposed to having the construction lender's appraiser provide an 'as is' value… This would ensure that updated information is available, but that a consistent evaluation approach is utilized, leading to fewer surprises as the project nears a construction loan closing."

- **VHFA Response:** The VHFA Board of Commissioners recently approved new VHFA Appraisal Standards. Page 3 of these standards include a table outlining what type of appraisal is required at what stage of the development process. Appraisals used to substantiate land value (or other acquisition) must list VHFA as an intended user, but VHFA does not expect to order these appraisals. Staff anticipate that this new policy will successfully overcome some issues with appraisals that have come up in recent years. It is important, however, that all development entities provide a copy of these standards to an appraiser for any appraisal intended to be used for affordable housing development which will use VHFA resources or housing credits. Staff do not anticipate any change to the threshold requirement beyond administrative.

- 3.13 **Proven Market Need**

- 3.14 **Capital Needs Assessment**

- 3.15 **Universal Design & Adaptable and Visitable Housing**
    - "The QAP qualifies Universal Design inclusion 'to the greatest extent possible, at little or no extra cost.' Housing for folks to age in place, universal design and visitability does cost more. If we are approving housing for the future we must be aware that it must include these units and that they will cost more."
    - "We would appreciate the opportunity to review and comment on any updates to the Universal Design checklist prior to its formalization and publication."
    - **VHFA Response:** Any proposed changes to the Universal Design Policy will need to be voted upon by the VHFA Board of Commissioners. Our typical process is to ask for feedback from the development community when changing design policies.

- 3.16 **VHCB/VHFA Building Design Standards**

- 3.17 **Costs**
    - "Because the Vermont QAP only incentivizes policy priorities that increase cost, we have far exceeded our neighbor states in TDC/unit. Incentivizing cost control would refocus the development community on an efficient delivery of net new units. It is worth noting that Vermont is one of the only—if not the only—state that doesn't score or have a threshold on cost in its QAP, but we do have one of the least efficient credits/unit ratio, one of the highest cost/unit ratio, and one of the most acute housing crises in the country. Considering cost is consistent with NCHSA's Recommended Practices in Housing Credit Administration 2023 update, recommending that 'each Allocating Agency should develop a standard for limiting development costs to reasonable amounts' to prevent congressional and public support being 'imperiled by developments, however meritorious, the cost of which exceeds an accepted standard of reasonableness.'"
    - "We believe that VHFA's current practices of identifying project TDCs and per unit or per square foot costs are adequate. It allows reviewers of the 9% memo an opportunity to compare projects generally, without trying to create an apples-to-apples comparison that is so challenging given the spectrum of project types and small pool of projects across Vermont in a given year. The desire to incentivize lower development costs is in conflict with the locational incentives for building in downtowns and tight infill sites."

- **VHFA Response:** The threshold has been updated to reflect the Staff's practice when looking at project costs during a competitive round and underwriting. The goal of this review isn't to create a cost cap but rather to be able to identify cost outliers. Cost outliers need to be understood better to determine if project costs are reasonable.
  - Staff are not currently considering any formal cost restraints like per unit or per square foot cost caps. Nor are staff considering any additional checkmarks for projects with lower costs than other projects. It is understood that project costs vary greatly based on a number of factors including location, environmental characteristics. Development cost information for project applications has been used to compare proposed projects against other proposed projects in the funding round as well as projects previously approved. This practice has provided some insight into development costs and the reasons behind those costs, whether they are higher or lower than others. Staff is considering formalizing this method in the QAP so that project applicants are aware of what metrics will be used.

- 3.18 **Projects Intended for Eventual Tenant Ownership**
  - "We recommend keeping this point. Providing low-income residents with more control over their housing is a positive, if often difficult to obtain, goal. There could be opportunities for single-family developments that include modular housing that could be converted to shared-equity ownership. There could also be opportunities for co-op ownership."
  - "As with checkmarks for Passive House, we believe these projects are challenging, unique, rare, and therefore worthy of a checkmark but not likely to become a significant part of the application pool."
  - **VHFA Response:** This threshold creates a formal requirement that the Sponsor of a project intended to transfer to tenants after the 15-year LIHTC compliance period submit a conversion plan, which will be outlined in the Housing Credit Manual.

- 3.19 **Project Fees**
  - "The cash fee has been capped at $1 million for many years. We would request that the cap be raised to $1.2 million to reflect overall cost inflation and the higher risk of projects."
  - "Increasing developer fees in a rising cost environment, as we are experiencing today, generates additional eligible basis and additional tax credit equity. This can be particularly impactful on 4% bond transactions where the LIHTCs are capped by eligible basis rather than an annual state ceiling. Maximizing developer fees, within the constraints of the tax law, regulation, and reasonable underwriting, is a proven and successful method of generating additional LIHTC eligible basis, and in turn, equity proceeds which help fill project gaps and/or reduce the need to obtain state gap financing resources."
  - "Given the increase in project cost, complexity and timelines, we advocate for raising the cap on payable fee to be the same for 9% projects as it is for 4% projects ($1.5M). While we seldom come close to the overall development fee cap (12%-15% of TDC), we are increasingly encountering the payable cap, which then requires deferring any additional fee to be paid out of cashflow. Because deferred fee must be paid down within 10 years in order to be a LIHTC basis-eligible and therefore generate credits and equity, cashflow that could otherwise be utilized to pay debt service is instead required to be protected in order to pay down the deferred fee."

- **VHFA Response:** The developer fee section has now been completely rewritten to make it clearer and easier to determine an appropriate development fee calculation based on the project proposed. Both percentages used for calculating the fee and maximum fees were changed for most calculations. Maximum fees were split into a maximum cash portion of the fee and a corresponding maximum deferred fee.

Section 4: Evaluation Criteria – note this is the new Section 3 in the updated draft.

The overall number of checkmarks has grown from 33 to 45. Checkmarks were increased for the following: tenancy type (specifically age-specific housing and special needs housing), rural communities (previously vacant lot infill), income diversity, property remediation, historic rehabilitation, underserved areas, high performance buildings, resilient design, and public transportation.

- **Project Tenancy and Services**
  - Multiple commenters had similar statements: "We strongly urge you to remove the distinction between general occupancy and age specific housing, and simply provide checkmarks for any project that is service-enriched, and none for those that are not service-enriched. Otherwise, age-specific housing has two significant structural challenges to overcome."
  - Multiple commenters had similar statements: "We are requesting that the 2026 QAP add language that includes adults with Intellectual and Developmental Disabilities in the state priorities for awarding federal tax credits. Eligibility criteria specific to senior occupancy could be extended to include occupancy by people with a wide range of disabilities who need on-site supports such as case management, counseling, and crisis prevention or intervention services. Development that sets aside a percentage of units for people with disabilities should be incentivized in the same way that priority is given to set-asides for unhoused Vermonters. Community development projects that take a creative approach to integrating people with disabilities into affordable housing projects should also be a VHFA priority."
  - "If 'tax credit units' is more clearly defined in the 2026 QAP as units restricted to <60% of Area Median Income, we feel the current incentive for projects designating 25% of tax credit units for households exiting homelessness continues to be appropriate and should remain an evaluation criterion."
  - "We suggest that the Consolidated Plan govern state policy regarding addressing the homelessness crisis. The QAP does not need to have a direct role but there should be a more robust conversation, with input from human service agencies and providers as well as housers."
  - "Instead of a threshold, a sponsor's current portfolio meeting 15% designated homeless units should be a checkmark. Since the Executive Order requiring 15%, many projects working towards this current threshold receive waivers. Instead it seems that sponsors 'working towards' this threshold should be the threshold, and those sponsors meeting this directive should receive a checkmark."
  - "Underwriting to 15% of units with PBVs at time of application is not aligned with the need to meet a 25% homeless designation level to be competitive for 9% awards. While projects working with Burlington Housing Authority are generally able to provide a commitment letter at the time of application, projects relying on a commitment from VSHA are not able to provide such a letter until much closer to closing. We do need the ability to underwrite full PBVs for those units, otherwise this point is not equally available to all regions of the state.

- **VHFA Response:** For the update we have combined the Project Tenancy, Eviction Prevention, and Housing with Services for the Homeless evaluation criteria from the 2024-2025 QAP into one section. Age-specific and general occupancy projects are now valued equally depending upon the services each type of project provides. We have added a "Special Needs Housing" category to include projects that are designed to serve households with an intellectual or developmental disability. (Note: After the JCTC meeting, we recognize that the term "Special Needs Housing," while being the term used in LIHTC statute, may not be the right term to use here. Staff will look to change this to be consistent with understood terminology.) Projects that provide either Housing with Services for the Homeless or Special Needs Housing for at least 15% of the housing credit units will receive 5 checkmarks. This is an overall increase of 1 checkmark for general occupancy projects and 2 checkmarks for age-specific projects. An additional 3 checkmarks are available for projects with either resident service coordinators or service-enriched housing programming available to all residents, focusing on housing retention, and to Sponsors with a history of providing housing retention and eviction prevention services to households occupied by formerly homeless or at-risk residents. This criterion now totals 8 possible checkmarks overall.

- **Site Location & Designations**
  - "There is opportunity for the QAP's evaluation criteria to reflect state changes to designations and approach to targeting development areas that do not exclude good locations from potential development."
  - "We encourage treating dense infill locations connected to town water and sewer similarly to New Town Centers – as worthy of three checkmarks.
  - "Proximity to amenities is an interesting consideration but has similar challenges to transportation. The smaller towns have fewer specific amenities or buildable locations within walkable proximity to those locations. Additionally, state designated centers are a longstanding, cross-cutting state policy approach that have worked well to concentrate state spending in locations with infrastructure and a wide variety of resources."
  - **VHFA Response:** Since 1998, the QAP has included a priority for projects located within a "Downtown" as defined by either the Consolidated Plan or other official State of Vermont standards. Over time this has morphed but remained mostly consistent with the Consolidated Plan. In recognition of areas which were not included in these definitions, the QAP also allowed for housing within growth centers designated by regional or local plans which were also approved by a regional planning commission. In the 2004-2005 QAP, regionally approved growth centers were removed from the QAP in favor of historic settlement patterns and downtown or village centers. Recognizing well thought out development which did not contribute to sprawl is important in communities without a designation, VHFA added a new dense infill site definition to the 2011 QAP. Since that time, prioritization of state designations or dense infill sites has evolved as the state made changes to its designation programs and the Consolidated Plan.
  - The long-held approach of generally aligning with the Consolidated Plan will continue with this QAP update. It is our intent that well-located projects within existing communities will continue to be eligible for additional checkmarks. The state designated areas will likely continue to receive the most checkmarks, a change around additional checkmarks for location-based amenities could provide projects in dense infill developments with additional checkmarks. This

would provide more "weight" to a proposal while not diverging from the same basic priorities for location outlined in the Consolidated Plan.
  - Overall checkmarks were increased in this criterion to maintain the overall importance of location within certain designations and to match percent changes for other sections. Additionally, vacant site infill was replaced with Rural Communities. These are village or town centers without a state designation, like the previous vacant site infill. Rural Communities can also receive an additional checkmark based on the community amenities within walking distance of the site location. This will also allow these projects to be considered equal to New Town Centers or Growth Centers and Neighborhood Development areas that are not associated with Downtowns or Village Centers. An additional 2 checkmarks will also be provided for projects that are in underserved areas. This was previously a separate criterion. This criterion now has a total of 7 possible checkmarks overall.

- **Project Characteristics & Amenities**
  - **VHFA Comment:** This is a new criteria that offers four different paths to additional checkmarks based on additional accessible units, a community room with free WiFi access to the internet, amenities within walking distance to the project that are in addition to those previous site location amenities, and on-site characteristics such as a community room with a kitchen/meeting space, secure bike storage, playground or community garden/covered outdoor community meeting space. This criterion totals 6 possible checkmarks overall.

- **Deeper Affordability**
  - **VHFA Comment:** Projects that have an award of or an open application submitted in response to a NOFA for a federal rental assistance program for new project based rental assistance that is not Section 8 PBRA or Public Housing (e.g., HUD 202) are eligible for an additional checkmark. The criterion now totals 3 possible checkmarks overall.

- **Income Diversity**
  - "We support eliminating "market rate" from the definition of mixed-income properties, and instead focusing on whether a project includes units above 60% AMI, regardless of whether they generate basis. This allows developers to leverage AIT's largest benefit – 100% applicable fractions – without creating an administrative burden for VHFA while also recognizing that most "market rate units" being developed under the former and existing QAPs were in fact income- and rent-restricted below market by VHCB and other funds."
  - **VHFA Response:** This criterion remains largely the same, except it now distinguishes between non-housing credit units (less than 80% AMI) and unrestricted units (no AMI restriction from any funding source). It also allows for AIT units over 60% AMI to qualify as Non-Housing Credit Units. This criterion remains at 3 possible checkmarks overall.

- **High Performance Building and Energy Efficiency Design**
  - **"**We encourage you to remove 'certified to' under Passive House, and have it be 'designed and constructed to' instead. Certifications are costly and do not necessarily add value. The value is in the building envelope and its systems. Preferably, projects that exceed Efficiency Vermont's High Performance Standard should get this checkmark. This would be more practical and cost effective and have a similar goal, in creating high performance buildings."

- "We do not believe that the cost of green building certifications bring equivalent value to a MF building. The 2024 Energy Code and Efficiency Vermont's High Performance Track, updated this year to align with the new energy code, already require highly energy efficient buildings. Vermont's energy code is updated every three years with the goal of all new construction being net zero by 2030."
- **"**We do not support VHFA requiring electric domestic hot water, which is currently not broadly achievable for MF housing. Heat pump hot water heaters require large spaces to draw waste heat in order to operate, and in the limited instances where we have designed for them, the implementation has proved a challenge. Alternatively, geothermal DHW systems are an option, but at a significant cost premium."
- **VHFA Response:** This criterion now totals 3 possible checkmarks overall. Projects that are LEED Zero or Passive House certified will receive the full 3 checkmarks. The previous QAP only provided checkmarks for Net Zero or Passive House certification. Staff explored options around this criterion, including eliminating Passive House, but after talking with Vermont Energy Investment Corporation (VEIC) determined that there is value in the certification process even with the cost of certification. In addition to certification options, staff provided additional options for earning checkmarks relative to energy efficiency measures. These options were created to encourage developers to continue pushing the envelope in improving emissions reduction policies, energy efficiency operations, and data collection. Projects that are all-electric and include on-site renewables for no less than 90% of the electric load of the project will receive 2 checkmarks. Projects that are solar-ready to accommodate future solar panels, which would provide 90% of the electric load for an all-electric building, will also be recognized with 1 checkmark. This criterion now also includes a provision for off-site solar if the project constraints prohibit on-site renewables at this capacity. Finally, projects that are mechanically commissioned by a certified commissioning agent may receive 1 checkmark, and projects that include envelope commissioning by a certified commissioning agent will receive 1 checkmark.

- **Permanent Debt**
  - "The scoring criteria introduced in 2022-2023 QAP of a target percentage of permanent debt disadvantages Chittenden County projects. Modeling projects with lower project-based vouchers does not allow them to reach 18% permanent debt in today's construction cost and interest rate environment. Sponsors seek to maximize permanent debt while also striving to target deep affordability and to secure sufficient sources to finance a project. We suggest that if a permanent debt percentage criteria continues in the QAP that the target percentage for Chittenden County projects is lowered."
  - "We do not think projects should be ranked by how much debt they can carry. This is an underwriting issue, not a scoring issue. We recommend removing this criterion. Projects that come in with rents below LIHTC 60% maximum rents, and rents at 50% AMI, which provide greater affordability to residents. These kinds of projects can afford less debt, but better serve very low-income persons, and have limited cash flow which typically stays with the project."
  - "In general, we think this checkmark works against having adequate operating budgets. In particular, permanent debt reduces the capacity to financially support ample supportive services. This is one of the few line items in a budget not explicitly dictated by third-party providers and therefore is one of the few levers we have in our operating budgets to shift as permanent debt needs change. By reducing pressure to carry higher debt for the purpose of

securing checkmarks, we'll reduce pressure to underfund supportive services. In light of recent increases in property taxes and insurance, the 18% debt checkmark for Chittenden County is very challenging."

- **VHFA Response:** The overall percentage of Total Development Costs (TDC) that is required to be permanent debt to receive this checkmark for projects within Chittenden County, was lowered because of looking at recent projects that carried debt and setting a high and low mark. Projects outside of Chittenden County were also looked at, and the current percentage of debt was determined to be reasonable for these projects. Staff continue to value the importance of permanent debt to lower the demand for soft sources. Staff also recognizes that there are tradeoffs in these criteria. A project may not be able to achieve very deep affordability and carry permanent debt without rental assistance. A project like that may be able to achieve greater income diversity instead, which could also be valuable to the project Sponsor. This criterion totals 2 possible checkmarks overall.

- **New and Emerging Socially Disadvantaged Sponsors**
  - "We generally do not support set-asides. We do support VHFA's efforts in building a pipeline of BIPOC development professionals."
  - **VHFA Response:** Sponsors with at least one principal having an ownership interest of at least 25% in the general partner for the proposed development who is a socially disadvantaged individual completing their first tax credit project will receive 2 checkmarks.
  - Additionally, a definition for socially disadvantaged individuals was added. Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans, Hispanic Americans, Native Americans, and Asian Americans and Pacific Islanders. This provision shall be interpreted in accordance with 13 CFR 124.103.
  - Acknowledging social disadvantages within the development community has been a focus of the Agency and the QAP. VHFA continues to prioritize growth in this area in all of the Agency's policies and practices. The addition of these checkmarks would be unique for new and emerging BIPOC sponsors and will perhaps encourage new sponsors to participate in the Vermont affordable housing development community.
  - This is not intended or structured to be a set-aside.

- **Resilient Design**
  - Several public comments identified a need to incentivize resilient design in the face of increasing climate-related natural disasters.
  - **VHFA Response:** This is a new criterion for 2026. Projects that conduct a Property Resilience Assessment, and also develop property-specific plans for risk mitigation measures for identified risks, will receive 1 checkmark.

Section 5: Vermont Affordable Housing Tax Credits – note this is the new Section 4 in the updated draft.

- **Rental Housing Tax Credits**: Staff is recommending some slight changes to the prioritization process to create some variation among projects with both tiered priorities and additional specifications. Prioritization is now in order of preference as follows:
    - Targeting a minimum of 15% of Housing Credit units to either Housing with Services to Homeless Households or Special Needs Housing
    - Rehabilitating existing affordable housing, including adding new accessible units and improving visitability.
    - Rehabilitating existing affordable housing.
    - Creating net new Housing Credit units in growing communities.
    - Demonstrating innovation in cost and scarce resource efficiencies.

  A goal of this QAP update is to increase the accessibility of the affordable housing stock in Vermont. There is a high need for housing for individuals with Intellectual or Developmental Disabilities as well as individuals with physical disabilities, which require accessible units. Prioritizing Special Needs Housing, even in state rental credit projects, will hopefully increase the availability of this type of housing around the state. Equally important is prioritizing rehabilitation of existing affordable housing to increase accessibility, even if that accessibility is limited, to improve the visibility of those homes.

- **Homeownership Tax Credits**: Most of the edits were to update language but not alter the intent of the content. Prioritization of awards was updated to add innovation in cost and scarce resource efficiencies.

Section 6: Compliance

With the exception of the first two paragraphs of the compliance section, everything has been removed with this QAP update. All information regarding compliance for the LIHTC program is available to developers and owners in the VHFA Compliance Manual. Similar to the goal of the Housing Credit Manual, this change allows more flexibility for Staff to update compliance policies in accordance with changes from the IRS without waiting for a QAP update. This creates a more streamlined and consistent compliance process for owners and managers.