DRAFT for 2026-2027

State of Vermont Qualified Allocation Plan

IRC Section 42 Housing Credit Program

32 VSA 5930u Vermont Affordable Housing Tax Credit Program

Revised

Effective

Contents

1. Program Guidance and Applications

1.1 Introduction

The purpose of this Qualified Allocation Plan (QAP or Plan) is to set forth the process and criteria under which specific housing developments will be selected to receive Housing Credits:

1. Federal Low-Income Housing Tax Credit (LIHTC), including:
   a. 9% "Ceiling Credits" or "Allocated" or "70% Present Value"
   b. 4% "Bond Credits" or "Automatic Credits" or "30% Present Value"
2. Vermont Tax Credits for Affordable Housing, including:
   a. Rental Housing Tax Credits
   b. Homeownership Tax Credits
   c. Downpayment Assistance Tax Credits

In accordance with the requirements of Section 42 of the Internal Revenue Code, this QAP describes the application and allocation process. Priorities are set by the requirements of the statutory law and by the housing needs of Vermont, as determined by the Joint Committee on Tax Credits (JCTC), adopted by the Vermont Housing Finance Agency (VHFA) Board of Commissioners, and approved by the Governor.

Congress established the federal Housing Credit program as part of the Tax Reform Act of 1986. It offers a ten-year federal income tax credit to owners of rental housing who make specific percentages of their rental housing available for occupancy by low-income residents for at least 15 years. This housing must be available for General Public Use. The credits provide an incentive for the development, acquisition, and rehabilitation of low-income housing and allow owners, developers, and/or investors to reduce their federal tax liability in exchange for the provision of eligible low-income rental housing.

VHFA has administered the federal and state Housing Credit programs since their inceptions. Per Executive Order 32-10, an advisory Joint Committee on Tax Credits reviews and recommends allocation policies for use when the VHFA Board of Commissioners awards both federal and state Housing Credits. The Joint Committee is comprised of the Commissioner of the Department of Housing and Community Development ("DHCD"), the Executive Director of VHFA, the Executive Director of the Vermont State Housing Authority ("VSHA"), the Executive Director of the Vermont Housing and Conservation Board ("VHCB"), and one additional member representing housing interests appointed by the Governor. A designee can fill any of these positions.

The Vermont tax credit for affordable housing was created in 2000 and is governed by 32 VSA § 5930u and the requirements outlined in this plan. Allocations of state credits for rental housing are intended to supplement eligible federal low-income housing tax credit rental projects as described in this plan. Allocation of these credits and those to facilitate homeownership are described at the end of this plan.

The appendices at the end of this Allocation Plan, along with the application materials, list the various policies that will guide the Housing Credit sponsor/applicants.

1.2 Summary of Program Guidance

The requirements of the federal Low-Income Housing Tax Credit program include the requirement to create a QAP that reflects a number of federal priorities according to Section 42. These include:

- project location,
- housing needs characteristics,
- project characteristics, including whether the project includes the use of existing housing as part of a Community Revitalization Plan,
- sponsor characteristics,
- tenant populations with special housing needs,
- public housing waiting lists,
- tenant populations of individuals with children,
- projects intended for eventual tenant ownership,
- the energy efficiency of the project, and
- the historic nature of the project.

Additionally, Section 42 States must give preference among selected projects to those serving the lowest income tenants, those serving qualified tenants (those persons at or below the maximum income limits set by law) for the longest period, projects that are located in qualified census tracts and the development of which contributes to a concerted Community Revitalization Plan. There are no requirements as to the relative weight of the various project characteristics.

Vermont's QAP intends to embrace the best affordable housing practices and allocate resources in as effective and efficient a manner as possible. The QAP aligns with the State's overarching housing policies as outlined in the HUD-required Consolidated Plan (ConPlan) and other State policies (Appendix 3). The HUD Consolidated Plan, which guides the use of Federal housing funds, is designed to help states assess their affordable housing and community development needs and to guide investment decisions that reflect market conditions.

The Vermont ConPlan highlights three guiding principles, which help define the policies and priorities of the allocation of federal and state Housing Credits described in this QAP:

- The first principle is achieving the perpetual affordability of housing resources and investments.
- The second principle is promoting development in State designated downtowns, village centers, neighborhood development areas, and other areas that are consistent with the state's historic settlement pattern and "Smart Growth" – including designated new town centers and growth centers.
- The third principle is to link our homeless assistance activities with permanent housing through systems, practices, and initiatives that are informed by data and proven approaches.

Under all circumstances, the State is committed and obligated to ensure that any project funded, and those entities responsible for administering such funds, must affirmatively further fair housing, work towards overcoming illegal housing discrimination, and broaden housing options for all people.

The ConPlan additionally calls out three specific housing-related goals:

- Increase the supply and quality of affordable housing.

- Decrease the number of people experiencing homelessness.
- Strengthen communities and improve the quality of life of Vermonters.

The intention of this QAP and Housing Credit awards is to meet the ConPlan's goals through setting high threshold requirements of all Housing Credit applications and a stringent prioritization process. In addition to this process, the VHFA Board of Commissioners may take into account other qualitative factors such as but not limited to: overall housing and community development impacts especially proposals that in its judgement will have a transformational impact in a community; the need to serve all regions of Vermont; developments that can meet the goals of "moving to opportunity" especially in communities that are demonstrably not economically integrated and have little or no affordable rental housing opportunities for lower income households; efficient use of public resources and project cost; serving the greatest public good; and Sponsor conformance with E.O. 3-73 (Appendix 3) in making its final decision for the award of Housing Credits.

1.3 Applications

Applications for all programs are available on the VHFA website, and additional information on the application process can be found in Appendix 2. Applications must be submitted to VHFA no later than the indicated deadlines on the VHFA website. Upon receiving an application, VHFA shall review the application to ensure that the application is complete and contains all required information. VHFA will review complete applications and then evaluate them in accordance with the Qualified Allocation Plan. Staff will work with applicants to determine the minimum amount of LIHTC required to make the project feasible.

1.4 Credits Available to Projects

1. Ceiling Credits Per Project Limit: No project shall receive an initial award greater than 30% of the total housing tax Ceiling Credits available. The VHFA Board can waive this limit for projects that would result in (i) the loss of considerable federal funding; (ii) the displacement of a large number of low-income households; or (iii) the continued presence of significant health hazards.

2. Using Ceiling Credits in Age-Specific Housing: Awards to age-specific projects shall be limited to no more than 30% of the available Ceiling Credits to award. There is no requirement that an age-specific housing development receive an award annually. To the extent that multiple applications for age-specific projects cumulatively total more than 30% of the Ceiling Credits, Staff may recommend age-specific projects that collectively utilize up to 30% of the available credit ceiling and may recommend the balance of the credit ceiling for general occupancy projects.

3. Basis Boost: The tax credit program allows the state to provide a specific incentive for projects it deems of high priority and otherwise might not be feasible, called the Basis Boost. The Basis Boost will be automatically applied to projects using Bond Credits for buildings within a Qualified Census Tract (QCT) or Difficult to Develop Area (DDA).

   For Ceiling Credit project applicants, VHFA will evaluate the need for the state designated basis boost. Basis Boost shall be available for projects that meet one of the following State community development goals. For Basis Boost categories that have a maximum per year, projects will be prioritized in order of the evaluation criteria that they meet. Projects should not assume an award of Basis Boost prior to conferring with VHFA staff. The eligible projects are as follows:

a. One project per year that proposes utilizing Historic Tax Credits as described in the Internal Revenue Code Section 47(a)(2) and is also located in a Designated Downtown or Village Center.

b. Any project that dedicates at least 15% of its Housing Credit units 1) as Housing with Services for the Homeless) or Service-Enriched Housing; or 2) as Special Needs Housing. For more information, see the Application Materials section of the VHFA website.

c. Projects that provide at least 15% more accessible units in the project than otherwise required by federal, state, and local permitting.

d. Additionally, certain high priority projects designated by VHFA as requiring an increase in the credit amount to be financially feasible may be eligible for the Basis Boost.

4. Supplemental Enhancement Pool: At the discretion of the Board of Commissioners, a pool of additional credits may be created to assist projects after their awards to meet needs incurred due to unforeseen circumstances. That pool shall not exceed 5% of the total Ceiling Credits available to award, but can be less than that amount at the discretion of the Board of Commissioners. Requests for enhancements may be granted by staff. Requests shall not exceed 5% of the project's original award. Staff may reduce the enhancement to a proportional amount of the available pool for enhancements authorized by the Board of Commissioners. Projects that receive a maximum award of 30% of the available ceiling are eligible for a supplemental increase. The Developer Fee may not be increased if the project is receiving additional Housing Credits.

5. As permitted by Section 42, VHFA may issue less than the maximum credit allocation otherwise supportable by the project's eligible basis. Allocation of Housing Credits to a project in an amount less than requested may be permitted, with conditions that the gap thereby created be filled by another funding source on or before a specified date. This reduction will be used only in very limited circumstances, with the agreement of the applicant, and not be applied across the board to every applicant. In all cases, any funding gap must be filled in time to meet the absolute deadline or an earlier deadline as staff imposes in the Reservation Certificate / Binding Rate Agreement.

1.5 Determining Ceiling Credits Available

A target of up to two years' worth of Ceiling Credits may be awarded via Letters of Intent (this amount may be adjusted from time to time by the VHFA Board). The VHFA Board may decide to award credits in excess of two years' worth in two limited circumstances:

1. If a development is bringing in substantial new resources to the state that are considered, in VHFA Staff's determination, essential to the financial strength and viability of the development, and which require an award of credits as a precondition to or create a competitive benefit for applying for that resource. Substantial new resources shall not include sources that receive annual appropriations, i.e., HOME, Community Development Block Grants, and state funds. For purposes of this exception, "substantial" is defined as at least 40% of a project's total cost, including non-capital contributions such as funding for services or rental assistance; or

2. If funds are awarded to a project from the Delayed Project Set-Aside.

Within the above practice, two types of Ceiling Credits applications benefit from a “set aside” of available Ceiling Credits:

1. Section 42 requires that at least 10% of the Ceiling Credits be set aside for qualified non-profit organizations (or wholly owned affiliates of those organizations) that:
   a. Qualify as a Nonprofit Sponsor;
   b. Qualify as Nonprofit Material Participation; or
   c. Have exempt purposes, including the fostering of low-income housing.

2. In Vermont, there is one additional set aside of Ceiling Credits: Up to 30% of the available ceiling may be used for projects meeting the definition of Delayed Project Set-Aside.

1.6 Communication and Transparency

Applicants and related parties are permitted and encouraged to contact VHFA staff with any questions, including those relating to the QAP rules, procedures, and applications. Similarly, letters of support from local officials and service providers submitted in connection with an application are encouraged and should be directed to VHFA staff.

2.Threshold Requirements for all Housing Credits (Federal LIHTC and Vermont Tax Credits for Affordable Rental Housing)

All applications approved by the Board will be held to the allocation policies and requirements of the QAP in effect at the time of Board approval unless there are retroactive changes to the Code that staff need to impose on previous awardees. When a new QAP is adopted, it will apply to all applications submitted after its effective date.

Both Ceiling Credit and Bond Credit projects must meet the following thresholds. If the proposal cannot meet a threshold, the Sponsor must request a waiver from that threshold with a detailed description of why the proposal cannot meet the threshold.

2.1. Historic Settlement Pattern of Compact Village and Urban Centers

Projects shall maintain the Historic Settlement Pattern of Compact Village and Urban Centers (Historic Settlement Pattern) separated by rural countryside. This includes development in State designated downtowns, village centers, neighborhood development areas, and other areas consistent with the state's historic settlement pattern and "Smart Growth" – including designated new town centers and growth centers.

2.2. Occupancy and Rent Restrictions

The proposal must meet the basic occupancy and rent restrictions as allowed in the Code, which are:

1. At least 20% of the units must be restricted to tenants at or below 50% of Area Median Gross Income (AMGI); or,
2. At least 40% of the units must be restricted to tenants at 60% of AMGI; or,
3. Average Income Test as allowed under the Code as amended through the Consolidated Appropriations Act of 2018. The restrictions are enforced within the Extended Use Agreement (see "Compliance" section).

The VHFA website has the HUD-published maximum rent and household income restrictions.

2.3. Income Diversity

Projects meet income diversity if:

- For projects under 20 units, no income diversity requirement; or,
- Projects of 20 – 49 units, 5% of the units must be Non-Housing Credit Units; or,
- Projects 50 units or over, 10% of the units must be Non-Housing Credit Units.

An exception to this threshold would be projects that utilize the Average Income Test minimum set-aside. Non-Housing Credit or Unrestricted units must be distributed proportionately throughout each building and each floor of each building and throughout the bedroom/bath mix and type. All units must have substantially similar designs regarding amenities and square footage.

2.4. Extended Use Period

All projects receiving Ceiling Credits or state Rental Housing Tax Credits must agree to perpetual affordability through an Extended Use Agreement. The Agency may require the applicant provide a Right of First Refusal to sell the property to a nonprofit at the end of the 15-year Compliance Period.

All projects receiving Bond Credits must agree to an initial 15-year Compliance Period followed by at least an additional 15 year Extended Use Period.

2.5. Previous Loss of Affordable Housing

The Sponsor must detail any previous Qualified Contract requests that any member of the development team has submitted. Previous Qualified Contract requests that have resulted in the conversion of affordable to market rate housing may be grounds for disqualification of applicants. Further, Sponsor must disclose if any member of the development team, including the investor, has been involved in litigation focused on the transfer of ownership or transfer of interest of affordable housing. Involvement in past litigation may be grounds for disqualification of applicants.

2.6 Age-Specific Housing

All age-specific housing projects will be considered based upon the robustness of the service plan. Age-specific projects should provide Service-Enriched Housing directly to residents to allow them to age in place and avoid nursing home care or other institutional utilization; however, age-specific housing projects without extensive services will be considered. In evaluating competing age-specific projects, VHFA may seek input from the Agency of Human Services (AHS) as to whether the proposal will have sufficient benefits in terms of serving the most frail or disabled residents and support AHS's long-term care goals.

2.7. Housing for Previously Homeless Households

The Governor of Vermont issued Executive Order 3-73 (Appendix 3), which aims for at least 15% of all publicly subsidized housing to be occupied by people who were formerly Homeless. Sponsors must demonstrate compliance with the Executive Order.

If the Sponsor has not achieved at least 15% occupancy of their permanent, publicly supported housing by people who were formerly Homeless, a detailed explanation of the steps planned to reach this goal should be submitted with any Housing Credit application.

2.8. Limitation on Housing with Services for the Homeless and Transitional Housing for the Homeless

Projects that dedicate more than 30% of Housing Credit units as Housing with Services for the Homeless or projects that are intended to provide Transitional Housing must demonstrate market need, appropriateness of project design, the availability of adequate service capacity, and access to necessary rental assistance. Such proposals shall be limited to meeting an emergent and deeply rooted community need where other development resources are unavailable.

Proposed Transitional Housing for the Homeless projects will be limited to recovery residences, transitional housing for those fleeing intimate partner violence, transitional housing for at-risk youth, or those projects which adhere to transitional housing best practices.

2.9. Broadband

The project must provide access to broadband/high speed internet to all units. The transmission medium can be coaxial cable, optical fiber, wireless Internet, or twisted pair cable. The access must be available, but the project is not required to pay for the service.

Projects located in areas without access to broadband/high speed internet service must be constructed in anticipation of that service being available in the future with the necessary infrastructure to support it.

2.10. Community Development Experience, Compliance, and Diversity

Housing Credit awards will be based upon:

a. Experience
   - The Sponsor must demonstrate the capacity to undertake the development as proposed, either through its own experience and qualifications or by utilizing experienced consultants. In the event the Sponsor will have multiple projects under construction in any given year, the organization must have the professional capacity to oversee all of the developments proposed.
   - Sponsor must demonstrate the development team's experience on previous Housing Credit projects as well as knowledge of residential development in Vermont. Sufficient depth of experience and recent timing will be considered in order to demonstrate capacity, capability, and program knowledge.

b. Compliance
   - The Sponsor, as owner, submits compliance documents and information efficiently as requested by VHFA and as outlined on the VHFA website.
   - The Sponsor has not (a) been issued an IRS Form 8823 from owner non-performance; or (b) had an IRS audit finding resulting in a recapture event. VHFA may consider, in its sole discretion, whether (a) or (b) resulted directly from: the Applicant's non-performance, the performance of an unaffiliated third-party, or something outside the control of any affiliated party provided it was corrected appropriately within a reasonable timeframe.
   - The properties within the Sponsor's portfolio meet the National Physical Inspection Standards as outlined in the IRS code and Vermont standards as outlined in the VHFA Compliance Manual.

c. Diversity
   - The Sponsor must document a planned approach to increase opportunities for women, Black, indigenous, and people of color engagement within the Sponsor's organization, housing portfolio, or broader community investments.
   - The Sponsor must demonstrate a commitment to partnerships with entities owned or directed by women, Black, indigenous, and people of color to participate in community

development in Vermont so long as the entity(ies) demonstrate experience outside of Vermont, or is part of a development team with members who have residential development experience within Vermont. The Sponsor must provide individuals from diverse backgrounds an opportunity to participate in both political and non-political decisions that affect their communities.

2.11. Tax Credit Yield and Internal Rate of Return

The Sponsor must demonstrate the ability to administer the marketing and sale of the Housing Credit at a reasonable Internal Rate of Return and credit yield, by providing at least one Tax credit equity Letter of Interest or Letter of Intentthat contains the amount of credit and yield.

2.12. Appraisals

The Sponsor must provide a recent appraisal that conforms with VHFA's Appraisal Standards (Appendix 3), demonstrating that the acquisition cost of land and buildings is supported and is reasonable. In evaluating the appraisal, Staff and the VHFA Board may take extenuating circumstances into account.

2.13. Proven Market Need

The Sponsor must establish the need and demand (i.e. market feasibility) for the type and cost of housing proposed by completing a qualified Market Study. Additionally, projects that are new construction must be located in housing markets with a vacancy rate of 5.0% or less, as demonstrated by the Market Study.

A disinterested party who is approved by the Allocating Agency must conduct an independent, project specific Market Study at the Sponsor's expense that meets the Market Study Standards (Appendix 3). The Sponsor must submit this study at the time of application.

The Allocating Agency will also consider the impact that the proposed development will have on existing rental housing in the area, whether subsidized or unsubsidized. The Agency may, at its sole discretion, reject an application that might have a negative impact on the existing housing stock.

2.14. Capital Needs Assessment

The developer will provide a Capital Needs Assessment (CNA) and will ensure that the scope of work addresses all long-term capital needs of the project according to the standards provided in the Capital Needs Assessment Guidance Policy (Appendix 3). The purpose of this requirement is to provide, in a timely fashion, information to the owner and to VHFA regarding the scope of any rehabilitation work associated with the project and the funding of the replacement reserves in the operating budget.

The timing of the CNA may vary:

- For projects that are new construction (or are creating new housing units through adaptive re-use of a building), or for projects that are "gut" rehabilitation (such that all major systems are either being replaced or are in good condition and are expected to have the same capital lifespan as if they were new) the CNA should be submitted within six months of substantial completion.

- For all other developments, the CNA is required prior to issuance of the Reservation Certificate / Binding Rate Agreement or, if no such agreement is needed, prior to the Carryover Allocation.

2.15. Universal Design & Adaptable and Visitable Housing

All projects and units are required to meet the VHFA Universal Design Policy (Appendix 3) in addition to the Vermont Access Rules for being "adaptable" and "visitable."

2.16. VHCB/VHFA Building Design Standards

The Sponsor must demonstrate that the project meets the VHCB/VHFA Building Design Standards, (Appendix 3). Sponsors are encouraged to incorporate spaces in their designs that are responsive to current residential and employment trends. For example: design features that allow residents to work from home.

2.17. Costs

The Sponsor must agree to submit information related to the project's development budget, plans, and specifications to allow for a thorough analysis of project cost-effectiveness and reasonable use of public resources. VHFA staff, as a part of its underwriting, will compare available cost estimates with previous housing development cost data. Comparative analysis may include looking at the cost of individual line items and the total cost of development. The goal of the review is to identify cost outliers to determine if project costs may be comparatively high or low.

2.18. Projects Intended for Eventual Tenant Ownership

Projects may be structured to transfer to tenant ownership after the initial 15-year compliance period, through the right of first refusal provided for in Section 42(i)(7) of the Internal Revenue Code. Projects proposed to allow for Eventual Tenant Ownership must submit an Eventual Tenant Ownership conversion plan with their application, as outlined in VHFA's Housing Credit Manual (Appendix 2).

2.19. Project Fees

Builder's Overhead, Profit, General Requirements

For projects where there is an identity of interest between the developer and the contractor or the contractor is selected without competitive bidding, the following limits shall apply:

- Builder's Profit: 6% of hard construction costs;
- Builder's Overhead: 2% hard construction costs; and
- General Requirements: 6% of hard construction costs.

These limits will not apply for projects that are competitively bid, whether through open public bidding or selective bidding. The bid process will determine the amount of builder's profit, builder's overhead, and general requirements. The developer must make best efforts to obtain at least three competitive bids; documentation of the bid process must be provided. For Rural Development (RD) 515 projects, the limits will be the amounts approved for each project under the RD cost containment guidelines.

Developer Fee

The Developer Fee is the capital budget fee cost taken by the developer as compensation for their services, resources, and risk associated with the development. The Developer Fee should be payable by full occupancy, unless a portion is deferred. The total Developer Fee shall be calculated as a percentage of the Total Development Cost (excluding the fee itself and cash accounts). The Agency may consider exceptions to the Developer's Fee limit on a case-by-case basis for extraordinary circumstances. The maximum developer's fee will be the lesser of the following calculations:

Ceiling Credit – New Construction or Acquisition/Substantial Rehabilitation	15% of the Total Development Cost (TDC) Total Developer Fee not to exceed $2,000,000 Max Cash Fee $1,200,000
Bond Credit – New Construction or Acquisition/Substantial Rehabilitation	15% of the Total Development Cost (TDC) Total Developer Fee not to exceed $2,200,000 Max Cash Fee $1,500,000
Hybrid Developments – New Construction or Acquisition/Substantial Rehabilitation	15% of the Total Development Cost (TDC) Total Developer Fee not to exceed $2,500,000 Max Cash Fee $1,800,000
Existing Subsidized Housing - Acquisition and Moderate Rehab	15% Hard Costs, including contingency Total Developer Fee not to exceed $1,500,000 Max Cash Fee $1,000,000 Moderate Rehab is defined as any development whose construction eligible basis is less than the acquisition (plus land) basis
Non-Arm's Length – Refinance, Recapitalization, or Workout	15% Hard Costs, including contingency Total Developer Fee not to exceed $1,500,000 Max Cash Fee $1,000,000
Developer Related Party – Contractor Entity	For developers with a related entity contractor, the maximum developer's fee basis shall not exceed the total development costs less the contractor's overhead, profit, and any incentive payments.
Developer Related Party – Architectural Entity	For developers with a related architectural entity, the maximum developer's fee basis shall not exceed the total development costs, less the architectural and engineering fees.
Deferred Developer Fees	Will be based upon the financial strength of the development but should not exceed 10 years. Interest on the deferred Developer Fee will not exceed the long term Applicable Federal Rate (AFR) as published monthly by the IRS, in the month the deferred fee note is executed.
Changes to Developer Fees	Once the Developer Fee has been agreed upon and approved by the VHFA Board of Commissioners, the Allocating Agency will not recognize any increases to the fee, whether total development costs increase or not. This will be the initial approval of a component of funding for a project. Subsequent approvals, unless

	otherwise allowed, will maintain the previously expected development fee. If there is a substantial change to the project (such as an increase or decrease in the total number of units in the project, or the addition of a deferred fee to close a funding gap), the Allocating Agency may permit an increase or require a reduction in the Developer's Fee.

3. Evaluation Criteria

3.1 Bond Credits

Bond Credits must adhere to all threshold requirements listed above and will be underwritten and considered for funding based on the financial strength of the project. There are no additional evaluation criteria.

3.2 Ceiling Credits

Ceiling Credits must adhere to all threshold requirements listed above and will be evaluated based on the extent of the state housing policy goals achieved, as described below.

Staff will consider all applications submitted in an allocation cycle together and will assign weight to a variety of project and/or sponsor characteristics as outlined below. This weight will be used to rank the projects. The ranking will be considered along with other considerations, including community investment, timing, and resource efficiency, in making award recommendations to the VHFA Board.

1. ***Project Tenancy and Services:*** Projects can receive a **maximum of 8 checkmarks** based on a combination of the criteria below. Age-specific projects must be Service-Enriched Housing. Both general occupancy and age-specific projects should have a unit size mix that is supported by a market study.

    a. Projects may receive **5 checkmarks** for dedicating units to either of the following populations:

        i. At least 15% of the Housing Credit units as Housing with Services for the Homeless or At Risk of Homelessness at the proposed project (or within the Sponsor's existing portfolio that are not already dedicated as permanent Housing with Services for the Homeless). For projects electing to satisfy the Housing with Services for the Homeless commitment within the Sponsor's existing owned property portfolio, an inventory of existing housing units owned by the Sponsor and previously set aside for Housing with Services for the Homeless is required at application; or,

        ii. At least 15% of the Housing Credit units as Special Needs Housing.

    b. Projects may receive an **additional 3 checkmarks** when Sponsors demonstrate the following services available to all residents:

        i. The proposed project includes a service plan that includes a Resident Service Coordinator and/or programming (Service Enriched Housing) that focuses on housing retention that effectively reduces the risk of eviction; and

        ii. Sponsor must demonstrate a history of providing housing occupied by households that have experienced homelessness or were at risk of homelessness and the capacity to provide a range of programming and services that focus on housing retention and preventing homelessness.

Housing retention and eviction prevention services could include one-on-one or group services available on demand to all residents of a project. Strategies may include classes, financial coaching, and early intervention strategies with mediation and conflict resolution strategies. This level of service provision is likely to include brief intervention strategies with screening and referral.

2. ***Site Location & Designations:*** Projects can receive a **maximum of 7 checkmarks** based on the criteria below.

   a. Projects will receive **5 checkmarks** based on location in:
      i. Downtowns or Village Center;
      ii. support of a Downtown or Village Center by virtue of their location (i.e., that are within a 0.5-mile walking distance from these areas); or
      iii. Neighborhood Development Areas or Growth Centers associated with a Downtown or Village Center.

   b. Projects will receive **4 checkmarks** based on location in:
      i. New Town Centers;
      ii. Growth Centers not associated with a Downtown or Village Center; or
      iii. Neighborhood Development Areas associated with a New Town Center or Growth Center

   c. Projects will receive **3 checkmarks** based on location in a village or town center of a Rural Community that lacks a State Designation; and,

      Rural Community projects within a one-half mile walking distance of *two of the following* amenities will receive an additional **1 checkmark**.
      - Grocery store, which includes fresh produce, deli, butcher, non-perishable, and home goods (laundry, trash, other cleaning goods) departments
      - Daycare, pre-school and/or elementary school
      - Municipal library
      - Medical facility
      - Post office, or city or town hall

   Additionally, projects located in an Underserved Area will receive **2 checkmarks**.

3. ***Project Characteristics & Amenities :*** Projects can receive a **maximum of 6 checkmarks** based on a combination of the four criteria below.

   Projects that provide at least 10% more accessible units in the project than otherwise required by federal, state and local permitting will receive **3 checkmarks**; and/or,

   Projects that have a community room or other interior common space of at least 300 sq. ft. or size approved by Staff for residents to congregate outside of their individual units (workspace, fitness center, lounge, etc.), and provide free broadband/high speed Internet service to that space (or in areas without service available, a plan to make that service available in the future), will receive **1 checkmark**; and/or, Projects within a quarter-mile radius of (or have on-site) *at least two* of the following amenities will receive **1 checkmark**:

- Daycare/preschool
- Senior Center
- Municipal or state-maintained walking/biking/running/hiking trail
- Free indoor exercise room with standard equipment

Additionally, a project with *at least three* of the following on-site characteristics will receive **1 checkmark**:

- On-site community room with kitchen/meeting space
- On-site secure bike storage
- On-site playground
- On-site accessible community garden and outdoor covered gathering space with seating

4. ***Income Diversity:*** Developments that promote economic integration by providing units that are non-housing credit units or not income restricted can receive a **maximum of 3 checkmarks**. Project must round up to the nearest whole unit when calculating total number of units.

    a. Non-Housing Credit Units between 61-80% AMI will receive **2 checkmarks** if:
        a. Projects of 20 units or more with at least 15% of the units will receive.
        b. Projects of fewer than 20 units with at least two units between will receive.

    b. Unrestricted units over 80% AMI will receive **3 checkmarks** if:
        a. Projects of 20 units or more with at least 15% of the units will receive.
        b. Projects of fewer than 20 units with at least two units between will receive.

    For a project using Average Income Test any unit restricted to 70% or 80% AMI could be considered to be "Non-Housing Credit Units" for purposes of this criteria.

5. ***Access to Public Transportation:*** Projects with Access to Public Transportation can receive a **maximum of 3 checkmarks.** Staff will evaluate operation times, routes available, and the distance from routes to the development to assign checkmarks accordingly.

    a. Projects located within 0.5 miles of local fixed routes will receive **3 checkmarks.**
    b. Projects located within 0.5 miles of a "commuter" or regional/interregional limited transportation will receive **2 checkmarks.**
    c. Projects served by a "Demand Response" or specialized transportation will receive **2 checkmarks**.

6. ***Deeper Affordability:*** Projects with deeper affordability than the minimum required credit election can receive a **maximum of 3 checkmarks** from this section. Developments that set rent levels below the maximum tax credit rents will be evaluated as follows. Units must be properly identified in the project budget as "affordable to residents at" the specified AMI below and supported by a market study.

    a. For projects with the following percentage of units at or below 30% AMI:

    i. 20% to 24.99% of Tax Credit Units will receive **1 checkmarks**
    ii. 25% or more of Tax Credit Units will receive **2 checkmarks**

  b. For projects with the following percentage of units at or below 50% AMI:
    i. 30% to 39.99% of Tax Credit Units will receive **1 checkmarks**
    ii. 40% or more of Tax Credit Units will receive **2 checkmarks**

7. Additionally, projects that have a new award or an open application in response to a Notice of Funding Availability for a federal rental assistance program except for Section 8 Project Based Rental Assistance and Public Housing will receive **1 checkmark**. *Examples of eligible programs include HUD 202, HUD 811, or RD 515 rental assistance.*

8. ***High Performance Building and Energy Efficiency Design:*** Projects may receive up to **3 checkmarks** for the following:
   a. Projects that are LEED Zero or Passive House certified will receive **3 checkmarks**.
   b. Projects that utilize all-electric utilities, and include on-site renewable energy for no less than 90% of the project's total electric load for common areas, residential units, and the site, as calculated by a qualified engineer will receive **2 checkmarks**. (Off-site solar can be approved as an alternative where project constraints prohibit on-site renewables at this capacity.)
   c. Projects that provide solar-ready design, to accommodate future solar panels for the above capacity will receive **1 checkmark**.
   d. Projects that are mechanically commissioned by a certified commissioning agent will receive **1 checkmark**.
   Projects that include envelope commissioning by a certified commissioning agent will receive **1 checkmark**.

9. ***Property Remediation:*** Projects can receive a **maximum of 2 checkmarks**. Projects can only be eligible for one of the qualifying definitions of Property Remediation under this criterion.

   a. Projects that propose the remediation of a building or site as defined will receive **2 checkmarks.**
   b. Projects that propose vacant lot infill as defined will receive **1 checkmark.**

10. ***Permanent Debt:*** Projects utilizing amortizing permanent debt in their funding stacks will receive **2 checkmarks** if:

   a. Projects that receive checkmarks for the Deeper Affordability evaluation criteria above, and that use amortizing permanent debt for at least 7.5% of total development costs in Chittenden County, and 1.75% of total development costs outside of Chittenden County; or,
   b. Projects that use amortizing permanent debt for at least 15% of total development costs in Chittenden County, and 3.5% of total development costs outside of Chittenden County.

11. ***Federally Subsidized and At-Risk:*** Existing projects that are Federally Subsidized and At-Risk will receive **2 checkmarks**.

12. ***Historic Rehabilitation Tax Credit:*** Projects that utilize the Historic Rehabilitation Tax Credit as described in the Internal Revenue Code Section 47(a)(2) will receive **2 checkmarks**.

13. ***New and Emerging Socially Disadvantaged Sponsors:*** 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**.

14. ***Resilient Design:*** Projects that conduct a Property Resilience Assessment to identify physical risks from natural hazards and climate events (acute as well as chronic) and transition risks (such as regulatory, market, and legal), and also develop property-specific plans for risk mitigation measures for identified risks, will receive **1 checkmark**.

15. ***Eventual Tenant Ownership:*** Projects intended for Eventual Tenant Ownership will receive **1 checkmark**.

Projects with significant changes post-award, which do not achieve the proposed evaluation criteria for which they have received checkmarks may be subject to a reduction or cancelation of a tax credit award or may be required to go back before the VHFA Board of Commissioners for approval. Further, project sponsors may jeopardize their future ability to apply for tax credits.

4. Vermont Affordable Housing Tax Credits

The Vermont tax credit for affordable housing is governed by 32 VSA § 5930u and has three eligible uses, which are all described below:

1. Rental Housing Tax Credits
2. Homeownership Tax Credits
3. Down Payment Assistance Tax Credits

4.1 Rental Housing Tax Credits

Eligible Applicant

An eligible applicant is any Sponsor who has also applied for or received an award of federal Bond Credits.

Eligible Project

An eligible project is:

- A rental housing project identified in 26 U.S.C. § 42(g) and meets all of the requirements laid out in the Vermont Qualified Allocation Plan; and
- Agrees to a perpetual Extended Use Agreement.

Prioritization of Awards

Projects will be given preference, in order, for:

1. Targeting a minimum of 15% of the Housing Credit units as Housing with Services to households who are Homeless or At Risk of Homelessness, or Special Needs Housing;
2. Rehabilitating existing affordable housing, including adding new accessible units and improving visitability;
3. Rehabilitating existing affordable housing;
4. Creating net new Housing Credit units in growing communities (based on recent Census data); and/or
5. Demonstrating innovation in cost and scarce resource efficiencies.

4.2 Homeownership Tax Credits

Eligible Applicant

For-profit and non-profit developers who have demonstrated financial strength and experience in for-sale housing development consistent with the nature and scope of the proposed development as determined by VHFA. State instrumentalities such as VHFA or VHCB and municipalities are eligible applicants.

Eligible Projects

1. Eligible housing types include: single family detached units, manufactured housing, and single family attached units, including condominium, cooperative and cohousing, and planned unit developments.
2. Units may be stick-built, modular, panelized, or manufactured homes; however, all units except manufactured housing must conform to the VHCB/VHFA Building Design Standards.

Manufactured housing must meet at minimum Energy Star standards; Zero Energy Ready Manufactured Homes and Zero Energy Modular are preferred.
3. All units receiving the Vermont State Homeownership Tax Credit must be owner-occupied, and developers must agree to provide sales documentation to prove this.
4. A single newly constructed/substantially rehabilitated unit or home can be considered an Eligible Development / Project.

Purchase Price Limit
The Homeownership Tax Credit units in the project must sell at or below the purchase price limits allowed by the VHFA mortgage programs and the credit makes the home available at a reduced cost to the buyer.

Income Limit
The Homeownership Tax Credit units in the project must be sold to households whose incomes are at or below 120% of the Statewide Median Income.

Term of Affordability
All units or programs receiving the Vermont Homeownership Tax Credit must be created and maintained in perpetuity as affordable housing resources.

Prioritization of Awards
The following uses of Vermont Homeownership Tax Credits will be prioritized. Each of the following carries equal weight to each other:

- Down payment assistance programs.
- Projects that are supported under an Employer Assisted Housing Program.
- New construction will only be considered as a priority in growing communities (as determined by recent Census data or Housing Needs Assessment). Rehabilitation of existing housing will be the priority in all other communities.
- The project uses Section 8 Homeownership Vouchers in combination with the Homeownership Tax Credit for deeper subsidies to very low-income households.
- The project serves as permanent replacement housing for manufactured housing that is substandard, energy inefficient, or flood-prone.
- Demonstrating innovation in cost and scarce resource efficiencies.

Final Allocation and Cost Certification
Upon submission of a final cost certification, VHFA will issue a grant to the Homeownership Tax Credit project.

Status Reporting
The Sponsor will be required to report annually to VHFA staff on the status and market need of the project until full occupancy. Projects that no longer are moving forward or are deemed to be unviable may lose the designation of the award.

4.3 Down Payment Assistance Tax Credits

The Vermont Housing Finance Agency has the authority to allocate affordable housing tax credits, as authorized by the Vermont legislature, to finance down payment assistance loans that meet the following requirements:

- the loan is made in connection with a mortgage through a VHFA program;
- the borrower is a first-time homebuyer of an owner-occupied primary residence; and
- the borrower uses the loan for the borrower's down payment or closing costs or both.

The Agency shall require the borrower to repay the loan upon the transfer or refinance of the residence.

5. Compliance

In accordance with Treasury Regulation 26 CFR §1.42-5, VHFA is required to monitor project compliance with IRC Section 42 and the Extended Use Agreement, and to notify the IRS when it becomes aware of any noncompliance. VHFA's monitoring responsibilities begin at the time the first building is placed in service. Additional information regarding compliance monitoring procedures can be found in our VHFA Compliance Manual, and forms can be found on our website.

Section 42 requires state tax credit allocating agencies to monitor developments for compliance with the requirements of the law and notify the IRS of any documented non-compliance, per IRS Compliance-Monitoring Regulations. The following compliance standards apply to all Housing Credit awardees that develop multi-family rental housing using federal or state housing credit resources. Further information on the following is detailed in the VHFA Compliance Manual.

6. Definitions

Each definition that contains an asterisk (*) is intended to be consistent with Section 42 and related IRS regulations and guidance.

Allocating Agency (or Agency): Vermont Housing Finance Agency (VHFA).

Applicable Fraction:* The fraction used to determine the qualified basis of the qualified low income building, which is the smaller of the unit fraction or the floor space fraction, all determined as provided in Section 42(c)(1).

Applicable Percentage:* The percentage used in calculating the tax credit based on a building's qualified basis as defined in Section 42(b), as may be set or amended from time to time by IRS guidance or Congressional action.

At Risk of Homelessness: Individuals and families might qualify under Category 1 (below), unaccompanied children and youth might qualify under Category 2 (below), and families with children might qualify under Category 3 (below).

Category 1 is an individual or family who:

(i) Has an annual income below 30% of median family income for the area; AND
(ii) Does not have sufficient resources or support networks immediately available to prevent them from moving to an emergency shelter or another place defined in Category 1 of the "homeless" definition; AND
(iii) Meets one of the following conditions:
- Has moved because of economic reasons two or more times during the preceding 60 days immediately preceding the application for assistance; OR
- Is living in the home of another because of economic hardship; OR
- Has been notified that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance; OR
- Lives in a hotel or motel and the cost is not paid for by charitable organizations or by Federal, State, or local government programs for low-income individuals; OR
- Lives in an SRO or efficiency apartment unit in which there reside more than two persons or lives in a larger housing unit in which there reside more than one and a half persons per room; OR
- Is exiting a publicly funded institution or system of care; OR
- Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the State's approved Con Plan

Category 2 are unaccompanied children and youth who do not qualify as homeless under the homeless definition but qualifies as homeless under another Federal Statute.

Category 3 are families with children and youth where an unaccompanied youth who does not qualify as homeless under the homeless definition, but qualifies as Homeless under section 725(2) of the McKinney-Vento Homeless Assistance Act, and the parent(s) or guardian(s) or that child or youth if living with him or her.

Basis Boost: An increase of up to 30% in eligible basis provided to Ceiling Credit buildings that meet the State requirements for the Basis Boost set forth herein.

Bond Credits: ("Automatic Housing Credits", "out-of-cap credits", or "4% credits") Federal Housing Credits that are available to an eligible project when half or more of a project's total cost is financed with tax-exempt financing. Bond Credits differ from Ceiling Credits.

Builder's Overhead, Profit, and General Requirements: Limits that apply when there is an identity of interest between the developer and builder (Appendix 3).

Capital Needs Assessment (CNA): An independently, professionally prepared report that evaluates the systems of a building and identifies the remaining useful life of those systems, as well as estimating the cost of replacing them (Appendix 3).

Ceiling Credits: Federal Housing Credits that are allocated to each state based on its population. Federal legislation passed at the end of 2000 granted the State of Vermont a "small state set-aside" of $2,000,000, which is adjusted annually by an inflation index. Ceiling Credits are considered on a competitive basis annually.

Code: The Internal Revenue Code of 1986 as amended.

Common Application: The application adopted for use by the housing funding agencies of Vermont, as may be modified or amended from time to time (Appendix 3).

Community Revitalization Plan: In Vermont, the State's program for designating downtowns, village centers, and neighborhood development areas is the program that is used to identify areas for community revitalization.

Compliance Period:* The period of 15 taxable years beginning with the first taxable year of the credit period, as defined in Section 42(i)(1).

Consolidated Plan: The current State of Vermont HUD Consolidated Plan for Housing and Community Development programs, which can be found at http://accd.vermont.gov/housing/plans-data-rules/hud

Cost Certification: A certified accountant-prepared statement (following the format outlined in the VHFA Housing Credit Application package) that documents the capital costs incurred by the Sponsor. There are two versions of the Cost Certification, the "10%" cost certification and the "final" Cost Certification. These must be submitted for VHFA review.

Delayed Project Set-Aside: A set-aside of Ceiling Credits for projects that have been awarded Ceiling Credits but had to return those credits due to factors beyond the control of development team. Such factors would cause lengthy delays and not allow the project to move forward on the timelines as described in the application materials and/or the credit award documentation. Those factors include but are not limited to permit appeals, lawsuits, and unforeseen physical impediments to construction commencement. This set-aside is not intended to cover long timelines needed to assemble financing. The purpose of this set-aside is to show programmatic support for projects that were evaluated by the VHFA Staff and Board and received an award of Housing Credits but then faced prolonged timelines and delays due to some form of opposition to the project (including from neighbors, local community members, and municipalities) and had to return those Housing Credits due to those delays. Staff will use discretion in determining which projects are eligible to receive credits from this set-aside. Any unused credits from this set-aside as of time of the annual allocation meeting will released from it and will be available to all applicants.

Developer’s Fee: Capital budget fee taken by the developer as compensation for their time and risk associated with the development.

Difficult Development Area (DDA):* Any area designated by the Secretary of Housing & Urban Development as having high construction, land and utility costs relative to Area Median Gross Income in accordance with Section 42(d)(5)(C)(iii)(I).

Downtown: Defined in the Consolidated Plan and as provided for in 24 VSA Chapter 76A, “Downtown” means the traditional central business district of the community that has served as the center for socioeconomic interaction in the community characterized by a cohesive core of commercial and mixed use buildings, often interspersed with civic, religious, and residential buildings and public spaces, arranged along a main street and intersecting side streets and served by public infrastructure.

Employer Assisted Housing Program: A program through which employers assist workers in the purchase of a home through down payment assistance grants, closing cost grants, or other similarly meaningful financial participation to encourage homeownership of employees.

Eventual Tenant Ownership: A project that is intended for “eventual tenant ownership” is one that can demonstrate that the tenants that will be occupying the project at the end of the tax credit initial compliance period would have the choice of purchasing their residence, either as a condominium, a housing cooperative, or a single-family home.

Extended Use Agreement:* The agreement (sometimes called a Land Use Restriction Agreement or Housing Subsidy Covenant) between the Agency and an owner restricting a property to affordable housing use during the Compliance Period and Extended Use Period. See Internal Revenue Code Section 42(h)6.

Extended-Use Period:* The period described in Section 42(h)(6)(D).

Fair Housing: The US Fair Housing Act (45 USC 3601-3619), the State of Vermont Fair Housing Act, and any rules and regulations relating thereto from HUD or from the State of Vermont (9 VSA Chapter 139).

Federally Subsidized and At-Risk:* Defined as any development currently occupied by low-income households that faces, within the next five years: 1) a loss of deep rental assistance or other operating subsidy; and 2) faces prepayment of its mortgage or other involuntary action by its owner that would terminate federal low income use restrictions. In addition, any project(s) that is slated to receive federal funding specifically for the preservation of the units as affordable housing. Examples include but are not limited to RD 515, Section 8, Section 23, Section 236, and Section 221(d)3.

General Public Use*: To be available for “general public use” a building must be open and available to the general public for occupancy. Buildings that restrict occupancy to tenants with special needs, or tenants who share a common occupation or interest, or members of a specified group (so long as those restrictions are otherwise permitted by law and by Federal, State or local programs or requirements) do not violate the general public use requirement because of these restrictions.

Growth Center: As defined by 24 V.S.A. Chapter 76A. An area of land that is within or adjoining a downtown, village center, or new town center designated under 24 V.S.A 2793c that has clearly defined boundaries that can accommodate a majority of commercial, residential, and industrial growth anticipated by the municipality or municipalities over a 20-year period.

Historic Settlement Pattern of Compact Village and Urban Centers: Characteristics of compact urban, town, and village centers include: higher density than surrounding areas; mixed uses; developments with pedestrian, bike, transit, and auto access; public facilities, services, and spaces; diversity in the types and scale of housing, businesses, and industries; center for community activity; open space, including productive farm and forestland, surrounding the town center; and exemplifying a unique cultural heritage.

Homeless: Defined by HUD as household meeting criteria in one of the following categories:

Category 1 is an individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:

(i) Has a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;

(ii) Is living in supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); OR

(iii) Is exiting an institution where (s)he resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution.

Category 2 is an individual or family who will imminently lose their primary nighttime residence, provided that:

(i) Residence will be lost within 14 days of the date of application for homeless assistance;
(ii) No subsequent residence has been identified; AND
(iii) The individual or family lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, needed to obtain other permanent housing.

Category 3 are unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:

(i) Are defined as homeless under the Runaway and Homeless Youth Act (42 U.S.C. 5732a, section 387), the Head Start Act (42 U.S.C. 9832, section 637), the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2, section 41403), the Public Health Service Act (42 U.S.C. 254b(h), section 330(h)), the Food and Nutrition Act of 2008 (7 U.S.C. 2012, section 3), the Child Nutrition Act of 1966 (42 U.S.C. 1786(b), section 17(b)) or McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a, section 725);

(ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing at any time during the 60 days immediately preceding the date of application for homeless assistance;

(iii) Have experienced persistent instability as measured by two moves or more during the preceding 60-days; AND

(iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or GED, illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment.

Category 4 is an individual or family who:

(i) Is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual's or family's primary nighttime residence or has made the individual or family afraid to return to their primary nighttime residence;

(ii) Has no other residence; AND

(iii) Lacks the resources or support networks, e.g., family, friends, faith-based or other social networks, to obtain other permanent housing.

Homeownership Tax Credit: Tax credits provided for owner-occupied developments that meet the eligibility criteria of the Vermont Housing Finance Agency homeownership loan program. The Sponsor or applicant must ensure the resources created by the credits support perpetual affordability to moderate- and low-income Vermonters and that the tax credit will benefit future homeowners.

Housing Credits:* Low income housing tax credits as described in Section 42 and 32 VSA 5930u.

Housing Tax Credit Program Year 15 Policy (Appendix 3)**:** This policy contains information about modified compliance monitoring requirements after year 15 and outlines options available to owners of Housing Credit properties when their tax credit partnerships reach year 15. Options include:

- maintaining a development as affordable housing;
- selling or transferring ownership to an entity exercising a right of first refusal; or
- selling a development through the Qualified Contract Process.

Housing with Services for the Homeless: Housing with Services for the Homeless (Housing with Services) is permanent housing with services for persons who are Homeless or At Risk of Homelessness. Permanent Supportive Housing (PSH) is permanent housing in which housing assistance (e.g., long-term leasing or rental assistance) and supportive services are provided to assist households with at least one member (adult or child) with a disability in achieving housing stability as defined by HUD. Services may be provided by the organization managing the housing or coordinated by them with other public or private agencies who are local partners Candidates are often referred by, but not limited to, the following: homeless shelters, corrections departments, mental health agencies, community action agencies and other social service providers.

Housing with Services include, but are not limited to, life skills, budgeting, credit counseling, and housekeeping and parenting. The purpose of the services is to stabilize situations and allow the individual or family to develop the resources or skills needed to access independent permanent housing.

For additional guidelines and proposed best practices on Housing with Services units, please refer to the Common Application on the VHFA website.

Hybrid Development: A single development constructed simultaneously by two partnerships using both Ceiling Credit and Bond Credit as either a single or separate building(s).

LEED Zero: A complement to USGBC's LEED Certification that recognizes projects that achieve net zero in carbon, energy, water, and/or waste.

Market Area: Unless otherwise defined in the Agency's market study standards, market area refers to the city or town in which the proposed development is located, and adjacent cities or towns.

Market Study: Defined as a comprehensive study of housing needs of low-income individuals in the market area to be served by the project. The market study needs to follow any standards that have been adopted by the Agency (Appendix 3).

Minimum Set-Aside Election:* Means the federally imposed minimum proportion of total project units set aside as low-income units at one or more area median gross income level(s). The minimum set-asides include the "20-50" test, the "40-60" test and "Average Income" test. This election is made by the Sponsor and meets the minimum requirements of Section 42.

Neighborhood Development Area: As defined by 24 VSA Chapter 76A. "Neighborhood planning area" means an automatically delineated area including and encircling a downtown, village center, or new town center designated under this chapter or within a growth center designated under this chapter. A neighborhood planning area is used for the purpose of identifying locations suitable for new and infill housing that will support a development pattern that is compact, oriented to pedestrians, and consistent with smart growth principles. To ensure a compact settlement pattern, the outer boundary of a neighborhood planning area shall be located entirely within the boundaries of the applicant municipality and shall be determined:

(A) for a municipality with a designated downtown, by measuring out one-half mile from each point around the entire perimeter of the designated downtown boundary;

(B) for a municipality with one or more designated village centers, by measuring out one-quarter mile from each point around the entire perimeter of the designated village center boundary;

(C) for a municipality with a designated new town center, by measuring out one-quarter mile from each point around the entire perimeter of the designated new town center boundary; and

(D) for a municipality with a designated growth center, as the same boundary as the designated growth center boundary.

"Neighborhood development area" means a location within a neighborhood planning area that is suitable for new and infill housing and that has been approved by the State Board for designation under this section and associated benefits.

Net Zero: A Zero Energy Building is an energy-efficient building where, on a source energy basis, the actual annual delivered energy is less than or equal to the on-site renewable exported energy.

New Town Center: As defined by 24 VSA Chapter 76A, the area planned for or developing as a community's central business district, composed of compact, pedestrian-friendly, multistory, and mixed use development that is characteristic of a traditional downtown, supported by planned or existing urban infrastructure, including curbed streets with sidewalks and on-street parking, stormwater treatment, sanitary sewers, and public water supply.

Non-Housing Credit Units: Any unit within an affordable housing project that is restricted by funding sources other than the Housing Credit program (e.g. HOME, VHCB).

Nonprofit Material Participation:* Means involvement in the development and operation of a project by a Nonprofit Sponsor (defined below) which is regular, continuous, and substantial as defined in Section 42 and 469(h) of the Code.

Nonprofit Sponsor:* An organization that is described in Section 501(c)(3) or (4) of the Code, that is exempt from federal income taxation under Section 501(a) of the Code, that is not affiliated with or controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low income housing within the meaning of Section 42(h)(5)(C).

Passive House: Passive House is a rigorous, voluntary standard for energy efficiency in a building, reducing its ecological footprint. It results in ultra-low energy buildings that require little energy for space heating or cooling. Passive House standards are enumerated by two certifying bodies: Passive House Institute US (PHIUS) or Passive House International (PHI).

Property Remediation: The property remediation criterion may be met by a project in which there is at least one site that meets one of the preceding qualifying definitions (whether a project has only one site, or if there is at least one site within a scattered site project meeting the definition.)

- ***Building Remediation:*** Projects that propose the removal of substandard structures. Substandard structures are defined as those that have been condemned or significantly damaged from fire or natural disaster.

  This definition includes the construction of new affordable units as replacement housing for units damaged or destroyed in a declared natural disaster area in the same municipality affected by that disaster.

- ***Site Remediation:*** Projects that propose site remediation for land parcels that pose a risk to public health and safety and require the clean-up of a brownfield site in order to be developed into affordable housing. cleanup of properties where a release of a hazardous material has contaminated the environment, including soils, groundwater, surface water, and indoor air

- ***Vacant lot/ infill site:*** Projects that propose the development of a vacant lot into affordable housing given that they are located in a designated Downtown, Village Center, or a Neighborhood Development Area attached to a Downtown or Village Center.

Property Resilience Assessment: A Property Resilience Assessment consists of identifying the natural hazards likely to affect a property; evaluating the risks posed by those hazards along with the capacity of the property to prepare for, adapt to, withstand and recover from those standards; and finally identifying conceptual resilience measures to enhance property-level performance and recovery. The PRA includes a baseline assessment of safety, damage, functional recovery time, and a consideration of community resilience or other material dependencies, such as the ability of utilities to deliver service to a property following a hazard event.

Qualified Census Tract (QCT):* Defined in Section 42 (d)(5)(C), means a census tract designated by the Secretary of Housing & Urban Development in which 50 percent or more of households have an income less than 60 percent of the area median gross income or in which there exists a poverty rate of 25 percent or greater.

Resident Service Coordinator: A Resident Service Coordinator serves as on-site staff for all project residents, providing access to necessary services in the community, case management, and on-site program and resource development that supports the wellness of the entire resident population. Resident service coordination includes advocacy on behalf of residents, resource support for residents on available community-based services, facilitation of wellness and other educational programs for residents, motivation to empower residents to be as independent as possible, monitoring to follow up with services provided to residents, championing and encouraging residents to adhere to a healthy lifestyle, education and trainings to residents and other property staff, advising residents with building support networks and consultation with tenant organizations and resident management, referrals to connect residents to service providers who can meet their needs, and community partnerships to assist residents with accessing community-based service.

Resident Service Coordination does not include direct service provision, recreation or activity development, duplication of existing community services, distribution of medical aids, medications, or medical advice, handling of residents' funds, property management or leasing activities, resident transportation, organizing resident associations or councils, or serving as Powers of Attorney for residents or individuals who sign checks for residents.

Right of First Refusal: A separate legal document that entitles an entity to purchase the property from the owner (which will generally be a limited partnership or limited liability company) for a specified price and under specified conditions. The Right of First Refusal price must be the highest of: 1) the same terms and considerations contained in an offer of a third party; 2) the minimum purchase price as described in Section 42(i)(7)(B); or 3) the target return provided in the Borrower's Limited Partnership Agreement or other document provided to the Agency in a satisfactory form. The Right of First Refusal must allow the holder of the right to make the offer on the property that triggers the Right of First Refusal.

Rural Community: Sites within towns or villages that are not designated downtowns, village centers, neighborhood development areas, growth centers, or new town centers that are intended to provide community-wide oriented goods, services, and employment opportunities within walking or biking distance of the project site. These communities may lack major amenities commonly associated with larger towns or villages.

Section 42: Section 42 of the Code.

Service-Enriched Housing: A combination of housing and services intended to help residents to live healthier, stable, satisfying, and productive lives. Services provide the support and care residents need to maintain or improve their health and to live safely in the housing site. The best examples of Service-Enriched Housing, such as the Vermont Blueprint for Health Support and Services at Home (SASH) program, address a range of health, social, and economic needs of residents. Service-Enriched Housing sites should meet the following criteria:

- Close to other community resources residents will need to access food and other shopping, pharmacy, transportation, physician/medical services.

- Include common areas and residential units that support people with disabilities and aging in place, including physical accessibility and Universal Design features.
- Implement specific methods of serving residents with low incomes, disabilities, chronic health conditions, and/or frailty associated with aging.
- Implement stable and predictable methods of providing services that address a range of needs in an individualized and flexible manner to support individual resident needs, either through site employees or agreements with other entities. Common support services include meals, cooking assistance, cleaning, shopping assistance, personal care, social and recreational activities, and transportation.
- Implement practices that build positive relationships with residents and other community agencies and empower residents to direct their own lives through supportive decision-making.
- Implement methods of improving access to health care and the health status of residents.
- Implement methods of measuring outcomes or performance, and for improving performance.

Two levels of Service-Enriched Housing will be considered when rating age-specific housing developments:

SASH participation or equivalent comprehensive service package that provides for a care or enhanced service coordinator and wellness nurse who will work in partnership with community providers. Participation in these services is voluntary and free of charge. Staffing level shall be adequate to serve all residents living in the building. Standards for this level of Service-Enriched Housing will be similar to those laid out in the Vermont Blueprint for Health Support and Services at Home (SASH) program or the HUD Supportive Services Demonstration for Elderly Households (FR-5900-N-22). It is expected that this model will provide preventative health care and services coordination, including self-management education and coaching, particularly relating to chronic health conditions, medication management assistance, crisis intervention, and transition support after a hospital, nursing home or short-term rehab facility stay. Comprehensive initial and periodic resident assessments would be expected.

The other level of Service-Enriched Housing would offer similar services, but at a lower staffing level, to a majority of the residents in the building. Professional support for residents aging in place or those with disabilities, information and referral, and wellness and social programing would be provided.

Staffing at Service-Enriched Housing would be in addition to management staff normally needed to be on site to serve regular resident needs or meet property management functions. Applicants will be asked to provide detailed descriptions of their proposed service provision and answer how they will meet each element of this definition, as well as provide an Annual Supportive Services Plan and Budget.

Serving Households on Public Housing Waiting List: Waiting list must be operated by a Public Housing Authority (PHA) to queue households for a property owned by the PHA or related entity.

Special Needs Housing: Special Needs Housing serves households with an Intellectual or Development Disability, which is defined under federal law: a developmental disability is defined as “a severe, often lifelong disability that affects people before they reach age 22 and substantially limits functioning ability in three or more life activities such as self-care, receptive and expressive language, learning, mobility, self-direction, independent living, and employability.”

Criteria for Defining Special Needs Housing for Adults with Disabilities

Projects that serve persons who are lower income or at risk of Medicaid dependency and disabled will be considered Special Needs Housing only if the project meets one or more of the following criteria:

1. Licensed Residential Care Homes, Assisted Living Residences, Therapeutic Community Residences, Homes for the Terminally Ill, or other licensed combination of housing and care or services; or Continuing Care Retirement Communities or,
2. Unlicensed combinations of affordable housing and affordable services that the Vermont Department of Disabilities, Aging and Independent Living (DAIL) finds will help residents to accomplish independent living and/or aging in place and where services and housing are affordable and/or coordinated with eligibility for publicly subsidized services. Projects will have a plan to utilize applicable Medicaid State Plan services, Medicaid Waiver Programs, federal or state funded services or programs, and local nonprofit services to the extent possible and in a manner such that independent living and/or aging in place is promoted to the extent possible and to a greater extent than in so-called "independent" housing; or,
3. Projects that are deemed by DAIL to provide a critical option for seniors in regions or market areas that have not met the State goal for community-based long-term care service utilization relative to nursing home utilization; or,
4. Give a preference or otherwise target units to renters participating in a 1915 Waiver or an 1115 Medicaid Waiver Research and Demonstration program designed to provide alternatives to nursing home or other institutional placement.

VHFA will work with the Agency of Human Services (AHS) on projects intended to serve special needs populations. AHS will review any Service Plans being proposed by Housing Credit developers and provide written feedback to VHFA staff on how proposed developments meet the special needs definition in the Allocation Plan and meet community needs.

Socially Disadvantaged: 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.

Transitional Housing for Homeless: Transitional housing for individuals or households experiencing homelessness is a project (or portion thereof) with units that are not used on a transient basis. These units must contain sleeping accommodations, kitchen and bathroom facilities, and be located in one or more buildings. The building(s) or portion of the building must be used exclusively to facilitate the transition of homeless individuals (within the meaning of section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302) to independent living within 24 months. Transitional Housing utilizes a governmental entity, qualified nonprofit organization or private agencies who are local partners to provide such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing. The only distinction of Transitional Housing from permanent Housing with Services is that the housing occupancy is time limited; residency generally lasts from six months to two years.

Transitional housing is similar to permanent Housing with Services since there is not always a distinction in the type or design of a transitional housing unit.

Underserved Area: A city or town that does not have an affordable housing project of a similar type (General Occupancy or Age-Specific) and demonstrates demand but has no affordable housing listed on HousingData.org.

Universal Design: Also called Human Centered Design or Design for All. A set of design practices intended to make space usable by many people, to the greatest extent possible, at little or no extra cost (Appendix 3).

VHCB/VHFA Building Design Standards: A standard relative to building practices acceptable to VHCB and VHFA including design and energy efficiency (Appendix 3).

Village Center: As defined and designated by the Agency of Commerce and Community Development, Division for Historic Preservation and as provided for in 24 VSA Chapter 76A, this means the central area of a village or town. Only projects in those towns that have obtained this designation can meet this evaluation category.

7. Disclaimers

Disclaimer

VHFA is charged with issuing no more Housing Credits to any given development than are required to make that development economically feasible. This decision shall be made solely at the discretion of VHFA, but VHFA in no way represents or warrants to any sponsor, investor, lender or others that the project is in fact feasible or viable, either before or after the final allocation decision.

VHFA's review of documents submitted in connection with any Housing Credit allocation is for its own purposes. VHFA makes no representations to the owner or anyone else as to compliance with the Internal Revenue Code, Treasury regulations, or any other laws or regulations governing the Housing Credit program.

No member, officer, agent or employee of VHFA, or the Joint Committee on Tax Credits shall be personally liable concerning any matters arising out of, or in relation to, the allocation, issuance, or compliance monitoring of the Housing Credit.

Notwithstanding any other limitations of this Plan, VHFA may enter into commitments to allocate Housing Credits from a future year’s Housing Credit ceiling. In addition, VHFA is under no obligation to necessarily reserve or allocate any part of Vermont's Housing Credit ceiling.

The VHFA Board of Commissioners may, at its sole discretion, reserve or allocate credits to a project regardless of its rank or score, provided the Board finds that the project serves a positive community development need or the public good. A written explanation will be made available to the general public for any allocation of a housing credit dollar amount that is not made in accordance with established priorities and selection criteria of the Allocating Agency.

The final decision regarding reservations and allocations of credits lies with the VHFA Board of Commissioners. The VHFA Board will consider recommendations of staff and its own experience and interpretation of the Plan in making the final reservation or allocation decision.

All tax credit awards are made subject to the availability of tax credits under applicable state and federal law and to any and all rules, regulations and requirements thereunder.

Changes to QAP

Notwithstanding anything in the QAP to the contrary:

Without the need for public notice or the Governor’s approval, VHFA has the right, in its sole discretion:

- To amend, modify, or withdraw provisions in the QAP that are inconsistent or in conflict with State or federal laws or regulations;
- To resolve any conflicts, inconsistencies, or ambiguities in the QAP that may come to light in administering, operating, or managing the Housing Credit programs;
- To modify or waive, on a case-by-case basis, any provision of this QAP that is not required by the Code;
- To ensure that the QAP has the flexibility to adjust to changing market conditions or federally declared emergencies, to waive any section of the QAP (not otherwise required by the Code) that would hinder the ability of VHFA to meet the goals and priorities of the QAP.

Without the need for the Governor’s approval, but after public notice, VHFA has the right in its sole discretion:

- To amend, modify, withdraw, or update any provisions of the QAP, including attachments or links, at any time to more effectively administer the Housing Credit programs.

Any amendments, modifications, or waivers that are made on a case-by-case basis are subject to written approval by the Executive Director and are available for review, as requested, by the general public. Any change to the QAP as permitted in this section shall be fully effective and incorporated herein upon the Board’s adoption of such amendments. The QAP may be amended as to substantive matters at any time following public notice and public hearing, and approval by the Board and by the Governor of Vermont.

8. Appendices

Appendix 1 - Housing Credit Program Administration Personnel

Joint Committee on Tax Credits (QAP content development)

- https://vhfa.org/news/joint-committee-on-tax-credits
- Alex Farrell, Commissioner, Department of Housing and Community Development
- Maura Collins, Executive Director, Vermont Housing Finance Agency
- Gustave Seelig, Executive Director, Vermont Housing and Conservation Trust Fund
- Kathleen Berk, Executive Director, Vermont State Housing Authority
- Sarah Phillips, Governor Appointee

VHFA Board (QAP & project approvals)

- https://vhfa.org/about/board-commissioners

VHFA Staff (allocations and compliance)

- https://vhfa.org/contact/staff

Appendix 2 – Application Materials

Please see the Application Materials page of the VHFA website for the following documents:

- Common Application
- Multifamily Rental Proforma

Please see the Underwriting Standards & Design Elements page of the VHFA website for the following document:

- VHFA Underwriting Guidelines

Please see the Program Materials page of the VHFA website for the following document:

- Housing Credit Manual

Appendix 3 – Related Policies

Please see the Underwriting Standards & Design Elements page of the VHFA website for the following documents:

- VHFA Appraisal Standards
- VHFA/VHCB/DHCD Capital Needs Assessment Guidance
- VHFA Housing Credit Program - Year 15 Policy
- VHFA Market Study Standards
- VHFA Replacement Reserve – Surplus Cash Distribution Policy
- VHCB/VHFA Building Design Standards
- VHFA Universal Design Policy

Please see the Rates and Fees page of the VHFA website for the following:

- VHFA Policy on Program Fees
- VHFA Indicative Rates

Please see the Forms and Documents page of the VHFA website for the following document:

- Common Rental Application for Housing in Vermont (Tenant Application)

Please see the Supportive Services & Homeless Information page of the VHFA website for additional guidelines and proposed best practices on Housing with Services units.

Vermont's Housing and Urban Development (HUD) Consolidated Plan:
https://accd.vermont.gov/housing/plans-data-rules/hud

The Governor's Executive Order 3-73 can be found here:
https://legislature.vermont.gov/statutes/section/03APPENDIX/003/00073

The Housing and Urban Development Subsidy Layering Review Guidelines (3/13/23 version, subject to change) can be found here:

https://www.govinfo.gov/content/pkg/FR-2023-03-13/pdf/2023-05045.pdf

Administrative Guidelines: Subsidy Layering Review for Project-Based Vouchers (3/13/23 version, subject to change)can be found here:

https://www.federalregister.gov/documents/2023/03/13/2023-05045/administrative-guidelines-subsidy-layering-review-for-project-based-vouchers

Governor’s Signature

The State of Vermont's Allocation Plan has been developed by Vermont Housing Finance Agency in accordance with the Federal Internal Revenue Code (IRC) of 1986, Section 42, as amended and 32 VSA 5930u. This Allocation Plan shall remain in effect until amended by the Governor of the State of Vermont as may be necessitated by changes in federal law or changes in the State's housing market.

Approved by: ______________________

Philip B. Scott, Governor

Effective Date: ______________________