

# Frequently Asked Questions

## New Unit Construction



<b>What is the Vermont Housing Improvement Program (VHIP) 2.0? .....</b>	<b>2</b>
<b>How much funding are projects eligible for? .....</b>	<b>2</b>
<b>What are the differences between the 5-year and the 10-year 0% interest forgivable loan projects?.....</b>	<b>2</b>
How does a forgivable loan work? .....	2
How are 5-year loans converted to 10-year loans? .....	3
<b>What are the program requirements? .....</b>	<b>3</b>
How do I file a forgivable loan agreement? .....	3
When is the 20% match requirement due? .....	4
What expenses are considered eligible towards the 20% match requirement? .....	4
What happens if I choose the 5-year option, and I can't find a suitable tenant through the Coordinated Entry (CE) referral process? .....	4
<b>What is considered an eligible unit? .....</b>	<b>4</b>
<b>How are VHIP 2.0 funds disbursed? .....</b>	<b>4</b>
<b>Who determines the scope of work and selects the contractor? .....</b>	<b>5</b>
<b>What role do building codes and local officials play in developing the scope of work and permitting for my project? .....</b>	<b>5</b>
Do ALL Housing Code Violations need to be addressed in Occupied Units? .....	5
<b>What is the deadline for construction? .....</b>	<b>5</b>
What happens if I don't meet this deadline? .....	6
Who reviews and approves or denies the extension request? .....	6
<b>How do I apply to receive VHIP 2.0 funding? Which Homeownership Center should I work with? .....</b>	<b>6</b>

## What is the Vermont Housing Improvement Program (VHIP) 2.0?

The Vermont Housing Improvement Program (VHIP) 2.0 gives 0% interest forgivable loans to property owners to create or improve affordable rental units. VHIP 2.0 funds different types of projects. It can help fix units with code violations, change non-residential buildings into homes, or build new buildings with up to 5 rental units. There are also additional funds available to apply to projects that commit to developing ADA compliant housing. Participants need to contribute a 20% match of the funding they receive. Property owners must keep the rental units affordable and available for long-term rentals. 5-year projects also commit to renting to tenants through homeless service or refugee organizations.

## How much funding are projects eligible for?

New construction projects are eligible for up to **\$50,000 per unit**. **New buildings cannot have more than five residential units (including units that do not receive VHIP funding)**, so the maximum award for this type of project is \$250,000 for a 5-unit structure.

## What are the differences between the 5-year and the 10-year 0% interest forgivable loan projects?

VHIP 2.0 provides funding for projects through forgivable loans. Forgivable loans work similarly to grants, because there isn't a loan committee or credit check involved like in a traditional loan.

The main difference between five and ten-year forgivable loans is the length of the compliance period. The compliance period is how long you must follow the rules for the property set up in their VHIP legal agreements you will sign. This period starts when a tenant first occupies the unit. You may choose a 5- or 10-year compliance period. Five-year projects also require you to work with a homeless services or refugee organization to find a tenant who is exiting homelessness. If you get approval from the Department of Housing and Community Development (DHCD), you can convert 5-year into 10-year forgivable loans ([learn more here](#)).

During the compliance period, you must rent the unit at or below the Fair Market Rent set by the United States Department of Housing and Urban Development (HUD), and follow other program requirements. To learn more, look at the [Program Requirements](#) section. You can use a Fair Market Rent Calculator on [DHCD's website](#) to determine the about of rent you would be allowed to charge for a unit. To use the calculator, fill out unit and lease details, and which utilities the tenant must pay. The calculator will give you the maximum allowable rent based on the information you enter.

FMR requires that all utilities are included in rent. If the tenant must pay any utilities, deductions are taken from maximum allowable rent.

**Forgivable loans may be taxable income. You are strongly encouraged to seek advice from a tax professional if you are unsure about how this may impact your tax situation.**

## How does a forgivable loan work?

The VHIP 2.0 program offers a 0% interest forgivable loan. This loan is forgiven at a rate of 20% per year for five-year loans, and 10% per year for ten-year loans. You must meet the program requirements for the entire compliance period to have the entire loan forgiven. If you fail to meet the requirements for any year or decide to leave the program early, you will need to repay some of the loan to the State of Vermont, based on how many years your unit participated in the program.

For example, if you only lease the unit at or below Fair Market Rent for 7 years of a 10-year loan, you will need to repay 30% of the funding (for the 3 years remaining). You must pay back remaining funds in one lump-sum if you exit the program before your 10-year compliance period is done.

### How are 5-year loans converted to 10-year loans?

If you get approval from the Department of Housing and Community Development (DHCD), you can change the 5-year loan to a 10-year loan. When you convert a grant to a forgivable loan, the VHIP units are excused from renting to a household that is exiting homelessness. To make this change, you need to write a letter to DHCD. In the letter, explain why you want to convert the grant to a forgivable loan.

If DHCD approves your request, they will reduce the amount you owe on the loan based on how long you followed the loan rules. They forgive 10% of the loan for each year you kept the loan requirements of a 10-year loan, or 20% of the loan for each year you kept the 5-year loan. (1 year of 10-year = 10% OR 1 year of 5-year loan = 20%).

For example, if you received \$50,000 and followed the 10-year loan rules for 2 years, you would get \$10,000 forgiven (20% of the loan). You would then need to follow the forgivable loan terms for 8 more years to get the remaining \$40,000 forgiven completely.

### What are the program requirements?

VHIP 2.0 requires participants to:

- Match 20% of the award funds
- Sign a Forgivable Loan Agreement stating they will charge a rent at or below Fair Market Rent for the duration of the agreement (5 or 10 years)
- Complete short, interactive Fair Housing Education videos
- Complete the project within 18 months of the signed agreement
- Follow the tenant selection criteria

\*Out-of-State owners are required to identify a property manager located within 50 miles of the unit to ensure that a local, responsible party can manage the property in the absence of the property owner.

Additional requirements for the 5-year grant option:

- Find a suitable renter exiting homelessness through a homeless service or refugee organization, like a Coordinated Entry (CE) Lead Organization or a suitable tenant actively working with an immigrant or refugee resettlement program. This arrangement shall continue at unit turnover for a minimum of 5 years from the date a tenant first occupies the unit.

### How do I file a forgivable loan agreement?

If you receive a VHIP 2.0 award, you must sign either a 5- or 10-year Forgivable Loan Agreement. The town will file these documents in their land records. These agreements are legally binding, which means they stay with the property and encumber it. An encumbrance is a claim against a property by a party who is not the owner. You should review these documents with your Homeownership Center before filing them.

First, contact your Homeownership center to complete a Forgivable Loan Agreement, as well as the HOC-Property Owner Agreement.

You will return signed and notarized Forgivable Loan Agreement/s to the following Homeownership Centers to be recorded with the town/city clerk:

- Champlain Housing Trust
- Downstreet Housing & Community Development
- Windham & Windsor Housing Trust

You will be responsible for recording signed and notarized Forgivable Loan Agreement/s with the town/city clerk and providing a copy to the following homeownership centers:

- Cornerstone Housing Partners (formerly NeighborWorks of Western Vermont)
- RuralEdge

### **When is the 20% match requirement due?**

If your Homeownership Center approves you for a VHIP 2.0 award, you must provide a 20% match of awarded funds **before requesting any program funds**. For example, if you are approved for a \$50,000 grant, you will be required to provide a \$10,000 match before your HOC disburses any award funds.

### **What expenses are considered eligible towards the 20% match requirement?**

If you have an approved VHIP 2.0 project and sign a Forgivable Loan Agreement, you can count any expenses you make after that date toward your match requirement. There are different ways to provide your match for the award funds. You can pay for expenses directly from your own money, apply for a loan, contribute your time and effort through “sweat equity” by working on the project, or use another grant to help cover the costs.

Keep in mind that expenses you incur before signing the agreement cannot count toward the match requirement or for reimbursement. There may be an exception for certain pre-development costs. Pre-development costs can include permits, zoning fees, or hiring engineers and architects. These costs can qualify if you have proof of the work, and if you complete it after you submitted the VHIP application. Remember, just because you submit a complete application does not guarantee approval. Starting any work before signing the grant agreement can be risky.

### **What happens if I choose the 5-year option, and I can’t find a suitable tenant through the Coordinated Entry (CE) referral process?**

If you are unable to identify a suitable tenant through the established referral process, you may submit a waiver request to the Department of Housing and Community Development (DHCD). If this waiver request is approved, you must then lease the unit to a household with an income equal to or less than 80% of the area median income. If such a household is unavailable, you may lease to another household, with the approval of DHCD.

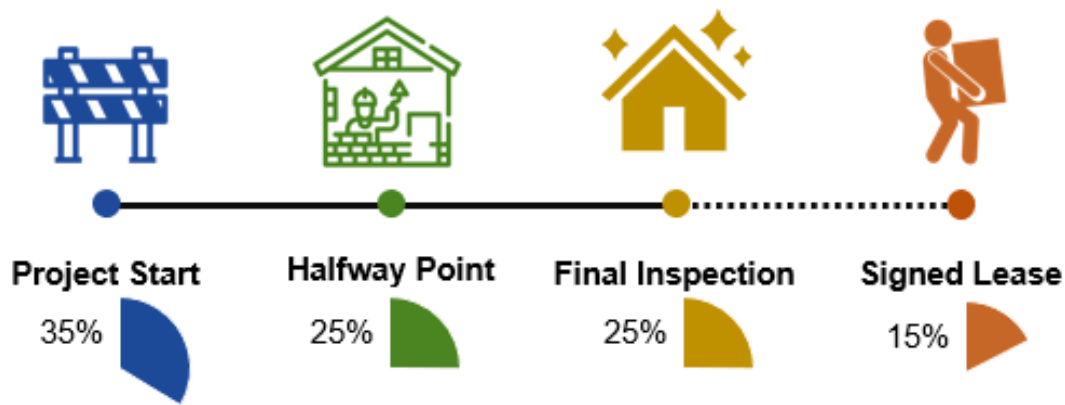
### **What is considered an eligible unit?**

VHIP 2.0 can fund the construction of new structures **that have 5 or fewer residential units**. This includes building new single-family homes, or new multifamily or mixed-use buildings. A mixed-used building can have both residential and commercial units, but only the residential units will be eligible to receive funding.

**VHIP 2.0 also provides funds to convert existing structures into new rental units. For example, you can convert an existing commercial space into a rental unit. However, these projects apply using the rehab application.**

### **How are VHIP 2.0 funds disbursed?**

**VHIP 2.0 funds are disbursed on a reimbursement basis at certain points during approved projects, so you will need to have the capital upfront to cover these expenses until you receive reimbursement.** Funds will only be disbursed once the 20% match requirement has been met. To receive reimbursement for the work on your VHIP unit, you must submit invoices or receipts documenting the expenses.



VHIP forgivable loan funds are disbursed at four different points during the project:

- 35% when the project starts
- 25% at the halfway point of the project, subject to the property owner returning the fully executed and notarized original Forgivable Loan Agreement to the HOC
- 25% upon satisfactory final inspection of the unit to ensure it complies with the agreed upon scope of work
- 15% once all receipts have been shared with the HOC, all code and occupancy inspections have been completed, and a lease for the apartment has been signed

### Who determines the scope of work and selects the contractor?

The property owner should apply with a basic idea of the work that needs to be completed to bring the unit in compliance with Vermont Rental Housing Health Code guidelines. The Homeownership Center you are working with will conduct a site visit to verify that the scope of work meets program guidelines and identify any other items that may need to be addressed. The property owner must select the contractor and have a contract that ensures project completion within 18 months of signing the forgivable loan agreement.

### What role do building codes and local officials play in developing the scope of work and permitting for my project?

Completed units must comply with the Vermont Rental Housing Health Code and local ordinances. The town health officer and regional Division of Fire Safety officer will inspect your rental units to help ensure you don't overlook any provisions of the Vermont Rental Housing Health Code and other life-safety codes when you are developing the scope of work for your project. **It is important to note that these officials will inspect the entire property that abuts the VHIP 2.0 project.** You should anticipate that these code officials will inspect your property when the project is complete and approve it for occupancy, so it will be to your benefit to work with them from the start on developing the scope of work and obtaining the proper permits.

### Do ALL Housing Code Violations need to be addressed in Occupied Units?

All fire, housing, or health code violations identified in occupied units and common areas must be corrected by law, and owners are subject to fines and penalties if they are not corrected. **This applies even if the owner does not move forward with the VHIP 2.0 program.** Applicants are encouraged to discuss their project with their local HOC before scheduling an inspection.

### What is the deadline for construction?

You should have the unit finished and ready for occupancy within 18 months after signing the VHIP 2.0 Forgivable Loan Agreement.

### What happens if I don't meet this deadline?

If construction is not completed by the deadline, you will forfeit the undisbursed remainder of the grant funds. Project deadlines can be extended on a case-by-case basis if you can show there was a good-faith effort to complete the project within the agreed-upon timeframe. Once a plan to complete the project within a new timeframe has been established, you must complete a Project Extension Form. The form must be submitted to your Homeownership Center (HOC).

### Who reviews and approves or denies the extension request?

For project extension requests under 6 months, the HOC will review and approve or deny the extension request. For extension requests greater than 6 months, the HOC will sign the Extension Request Form to show they approve of the new plan to complete the project, and the Department of Housing and Community Development will review it.

### How do I apply to receive VHIP 2.0 funding? Which Homeownership Center should I work with?

Please contact your local Homeownership Center to learn more about VHIP 2.0 and receive application assistance.

Counties Served	Homeownership Center	Contact Information
Caledonia, Essex, and Orleans Counties	<a href="#">RuralEdge</a>	<a href="mailto:rentalrehab@ruraledge.org">rentalrehab@ruraledge.org</a> 802-473-3919
Chittenden, Franklin, and Grand Isle Counties	<a href="#">Champlain Housing Trust</a>	<a href="mailto:vhip@getahome.org">vhip@getahome.org</a> <a href="tel:802-861-7389">802-861-7389</a>
Addison, Bennington, and Rutland Counties	Cornerstone Housing Partners	<a href="mailto:info@nwwvt.org">info@nwwvt.org</a> <a href="tel:802-438-2303">802-438-2303</a>
Lamoille, Orange, and Washington Counties	<a href="#">Downstreet Housing &amp; Community Development</a>	<a href="mailto:rcarpenter@downstreet.org">rcarpenter@downstreet.org</a> <a href="tel:802-477-1330">802-477-1330</a>
Windham and Windsor Counties	<a href="#">Windham &amp; Windsor Housing Trust</a>	<a href="mailto:info@homemattershere.org">info@homemattershere.org</a>