

Frequently Asked Questions

Tenant Occupied Units



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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?

For unit rehabilitation projects the amount of funding you are eligible for depends on the number of bedrooms in the unit. VHIP 2.0 offers:

- Up to \$30,000 for the rehabilitation of a 0-2 bedroom unit
- Up to \$50,000 for the rehabilitation of a 3+ bedroom unit or gut rehabilitation of smaller units

How does the 10-year 0% interest forgivable loan work?

10-year 0% interest forgivable loans are available to complete work on tenant occupied units. Forgivable loans work similarly to grants because there isn't a loan committee, credit check, etc. Forgivable loans have a 10-year compliance period.

The 0% interest forgivable loan offered through VHIP 2.0 is forgiven at 10% per year. The unit would need to comply with the program requirements for 10 years for the loan to be forgiven in its entirety. Funds will need to be repaid to the State of Vermont for every year the program requirements are not met or if you decide to leave the program before the end of the 10-year compliance period. For example, if an owner only leases the unit at or below Fair Market Rent for 7 years, 3 years (30%) of funding will need to be repaid to the State of Vermont. These funds will need to be repaid at the time you exit the program in one lump-sum payment. For the entirety of the compliance period, you must rent at or below United States Department of Housing and Urban Development (HUD) Fair Market Rent and follow the other program requirements. Review the [Program Requirements](#) section to learn more.

A Fair Market Rent Calculator is available on the [DHCD website](#). The calculator will show the maximum allowable rent based on the county the unit is located in, the number of bedrooms, and which utilities the tenant pays.

Forgivable loans are taxable income. You are strongly encouraged to seek advice from a tax professional to help determine the impact receiving funds will have on your taxes.

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.

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

Any expense related to an approved VHIP 2.0 project incurred after the grant agreement is signed can be considered towards the match requirement. You can match the grant funds in several different ways. You can pay for the expense out-of-pocket, apply for a loan to cover the match requirement, through sweat equity (working on the project), or use another grant to cover the expense. Expenses incurred before the signing of the grant agreement will NOT be considered eligible toward the match requirement (or for reimbursement), with the exception of some pre-development costs.

Pre-development costs, including permitting or zoning fees, hiring an engineer/architect, etc., may be eligible as long as there is documentation of the work and the work was completed after the grant application was submitted. A complete application does not guarantee approval, so doing any work before signing the grant agreement poses a risk.

When is the 20% match requirement due?

Approved VHIP applicants must provide a 20% match of grant funds **before requesting any program funds**. For example, if you are approved for a \$50,000 grant, you will be required to a \$10,000 match before any grant funds are disbursed.

How do I file a rental covenant or forgivable loan agreement?

VHIP 2.0 recipients must sign a 10-year forgivable loan agreement that will be filed in the town's land records. These are legally binding documents that are an encumbrance on the property. Property Owners are encouraged to review loan agreements with their HOC before filing them with the town.

First, you should connect with your Homeownership center to get a template for the 10-year forgivable loan agreement.

Property owners will return signed and notarized Forgivable Loan Agreement/s to the following homeownership centers to be recorded with the town/city clerk:

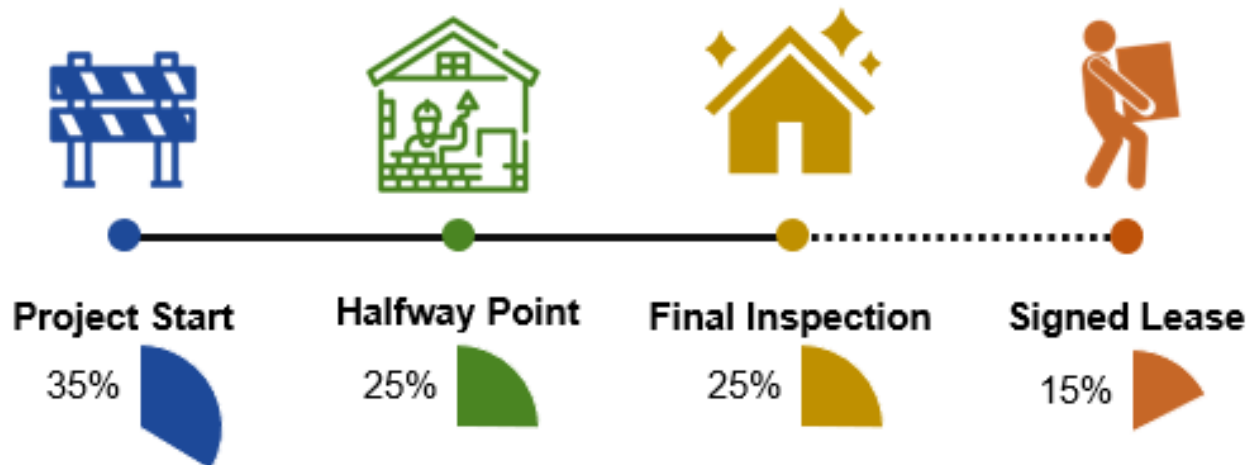
- Champlain Housing Trust
- Downstreet Housing & Community Development
- Windham & Windsor Housing Trust

Property owners 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:

- NeighborWorks of Western Vermont

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 grants and 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 Subsidy Covenant 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.

Can the tenant be displaced so that repairs can occur?

Existing tenants must not be permanently asked to move out of their units to allow for project repairs. As the property owner, you are required to provide a place for the tenant and their families to stay and store their

personal property if needed. It is also expected that temporary relocation will be for the shortest amount of time possible.

Who pays for the accommodations for temporary relocations?

As the property owner, you must pay the expenses related to the temporary relocation of tenants and their personal property. You must provide all parties, the tenant, the Homeownership Center (HOC), and the Department of Housing and Community Development, with a temporary relocation agreement outlining accommodations for tenants and their personal properties signed by the owner and tenants. Additional notes about temporary accommodations:

- Tenants may identify their own temporary housing unit, which can include hotels and short-term rentals.
- If the tenant chooses to stay with a family member or friend and pays rent during their stay, they must be able to provide the landlord and HOC with proof of any rental payments.
- Tenants will be reimbursed for all out-of-pocket expenses, including the cost of moving to and from the temporary unit, of changing utilities, of storage, and increased rent.
- If there are no cooking facilities in the temporary unit, tenants will be provided with an adequate meal stipend.*
- Landlord can use these expenses as part of their 20% match.

*Meal and lodging stipends for displaced tenants shall be determined and set by the U.S. General Services per diem table. Different rates may be agreed upon, in writing, between landlord and tenant prior to the displacement. Here is a link to the [per diem rates](#).

What happens if my tenant has to be unexpectedly temporarily relocated?

You must notify tenants, HOC, and DHCD in writing if there needs to be an unanticipated temporary relocation. The owner will also provide all parties with a temporary relocation agreement outlining accommodations for tenants and provisions for personal properties signed by the owner and tenants.

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	RuralEdge	rentalrehab@ruraledge.org 802-473-3919
Chittenden, Franklin, and Grand Isle Counties	Champlain Housing Trust	vhip@getahome.org 802-861-7389
Addison, Bennington, and Rutland Counties	Cornerstone Housing Partners	info@nwwwvt.org 802-438-2303
Lamoille, Orange, and Washington Counties	Downstreet Housing & Community Development	rcarpenter@downstreet.org 802-477-1330
Windham and Windsor Counties	Windham & Windsor Housing Trust	info@homemattershere.org