

# Frequently Asked Questions Tenant Occupied Units



<b>What is Vermont Housing Improvement Program (VHIP) 2.0?</b> .....	2
<b>How much funding are projects eligible for?</b> .....	2
<b>How does the 10-year 0% interest forgivable loan work?</b> .....	2
<b>What are the program requirements?</b> .....	2
What expenses are considered eligible towards the 20% match requirement? .....	3
When is the 20% match requirement due? .....	3
How do I file a rental covenant or forgivable loan agreement? .....	3
<b>How are VHIP 2.0 funds disbursed?</b> .....	3
<b>Who determines the scope of work and selects the contractor?</b> .....	4
<b>What role do building codes and local officials play in developing the scope of work and permitting for my project?</b> .....	4
Can the tenant be displaced so that repairs can occur? .....	4
Who pays for the accommodations for temporary relocations? .....	4
What happens if my tenant has to be unexpectedly temporarily relocated? .....	5
Do ALL housing code violations need to be addressed in occupied units? .....	5
<b>What is the deadline for construction?</b> .....	5
What happens if I don't meet this deadline? .....	5
Who reviews and approves or denies the extension request? .....	5
<b>How do I apply to receive VHIP 2.0 funding? Which Homeownership Center should I work with?</b> .....	6

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

The Vermont Housing Improvement Program (VHIP) 2.0 provides grants and 0% interest loans up to \$50,000 per unit to property owners to create affordable rental units. The program is flexible and allows for several ways to bring rental units online including rehabbing units with code violations, converting non-residential structures to residential units, and building new structures with up to 5 rental units. Apartments and homes funded with VHIP 2.0 must be available as long-term rentals at an affordable rate, and the property owner must provide a 20% match of grant funds.

## **How much funding are projects eligible for?**

Property owners are eligible for up to **\$50,000 per unit** enrolled in VHIP 2.0.

## **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 [DHCD's website](#). To use the calculator, you must complete the utility worksheet, which indicates which utilities the tenant is responsible for payment. Once the utility worksheet is complete, the calculator will show the maximum allowable rent based on the county the unit is located in and the number of bedrooms.

**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 rental covenant or 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.

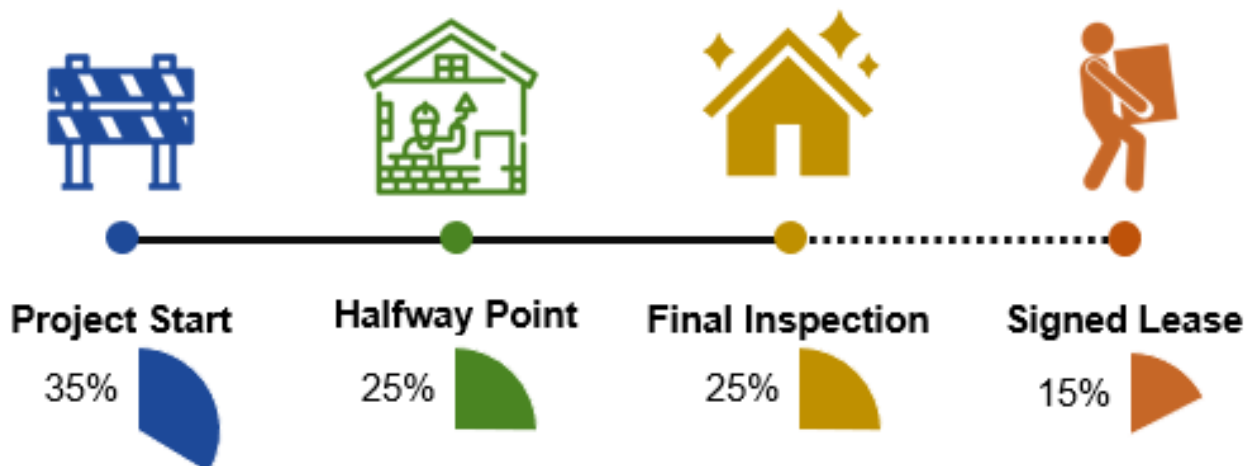
### How do I file a rental covenant or forgivable loan agreement?

First, you should connect with your Homeownership center to get a template for the rental covenant (5-year grants) or forgivable loan agreement (10-year forgivable loans). Once you have filled out all the necessary information in the template, you should contact the town where the property is located to file the rental covenant or forgivable loan agreement. **Once the agreement is filed in the land records, you must share a copy with your Homeownership Center.**

### 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 grant 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?**

Permanent displacement of tenants in occupied units is prohibited. Existing tenants must not be permanently displaced by this project and owners are required to provide accommodations for the temporary relocation tenants and 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?**

The property owner must pay the expenses related to the temporary relocation of tenants and their personal property. The property owner 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 provisions for 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?**

Repairs and construction should be completed, with the unit ready for occupancy, within 18 months from the date the VHIP 2.0 grant agreement was signed.

### **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> <a href="tel:802-535-3555">802-535-3555</a>
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:802-810-8217">802-810-8217</a>
Addison, Bennington, and Rutland Counties	<a href="#">NeighborWorks of Western Vermont</a>	<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:vsmith@downstreet.org">vsmith@downstreet.org</a> <a href="tel:802-477-1343">802-477-1343</a>
Windham and Windsor Counties	<a href="#">Windham &amp; Windsor Housing Trust</a>	<a href="mailto:info@homemattershere.org">info@homemattershere.org</a>