
VHIP How to Guide:

Resources for Property Owners

May 2023



Developed by the Vermont Housing Division

Contributions from: Naomi Cunningham, Jayme Bauer, and Shaun Gilpin

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VHIP How To

The Vermont Housing Improvement Program (VHIP) provides rental property owners up to \$50,000 per unit to cover the costs of bringing vacant and blighted rental units up to Vermont Rental Housing Health Code guidelines or to create new Accessory Dwelling Units (ADU). This program is designed to address two critical issues in the state, the declining quality of rental units and the homeless assistance programs that often struggle to find suitable housing for their clients.

This resource guide provides information on every step of enrolling in the VHIP program, from deciding if VHIP is the right fit for your project, submitting an application, completing the project, to maintaining compliance with the program requirements once your unit is complete.

Decide if VHIP is a Good Fit for Your Project

Based on the type of project, property owners are eligible to receive up to:

- \$30,000 per unit for 0-2 bedroom units;
- \$50,000 per unit for 3+ bedroom units;
- \$50,000 per new unit creation; or
- \$50,000 for the creation of new Accessory Dwelling Units (ADUs).

VHIP-related expenses will be reimbursed at four different points in the project, so it is important to know you will be responsible for paying the costs upfront. This means you will need to have some capital upfront, or get a loan, to cover some of the costs until you receive reimbursement for the expenses. To learn more about this process, review the section on [grant disbursement](#).

To receive VHIP funding, applicants must agree to:

- Provide a 20% match of the grant funds, with the option for an [in-kind match](#) for unbilled services or owned materials;
- Complete the project within 18 months of signing the grant agreement;
- Rent VHIP units at or below HUD Fair Market Rent for the area for at least 5 years; and
- Work with Coordinated Entry Lead Organizations to find suitable renters exiting homelessness for at least 5 years (ADU development is exempt from this requirement).

Approved applicants will be required to sign a Rent Stabilization Covenant outlining the requirement to maintain a rental rate at or below HUD Fair Market Rent. Now that you know the program requirements, you can decide if VHIP is a good fit for your project.

Using VHIP for Accessory Dwelling Units (ADU)

An Accessory Dwelling Unit (ADU) is a smaller, independent dwelling unit that is located on the same lot as an existing single-family home. Vermont's law on equal treatment of housing and town bylaws requires municipalities to allow homeowners to add one ADU to their house as a permitted use as long as certain conditions are met. To qualify as an ADU, the existing single-family unit must be owner-occupied and their primary residence.

ADUs can take several forms, as depicted in the image below. For example, an ADU may be located on a separate floor, in a garage, a basement, an addition, or in a detached unit, like a converted carriage barn.



Adapted from: Wake County North Carolina. (2023). Ready to Apply for an ADU. <https://www.wake.gov/departments-government/planning-development-inspections/inspections-permits/accessory-dwelling-units/ready-apply-adu>

ADU must be a standalone unit, including their own lockable entrance, kitchen and bathroom. For further guidance on ADUs, check the following resource [ADU Information](#).

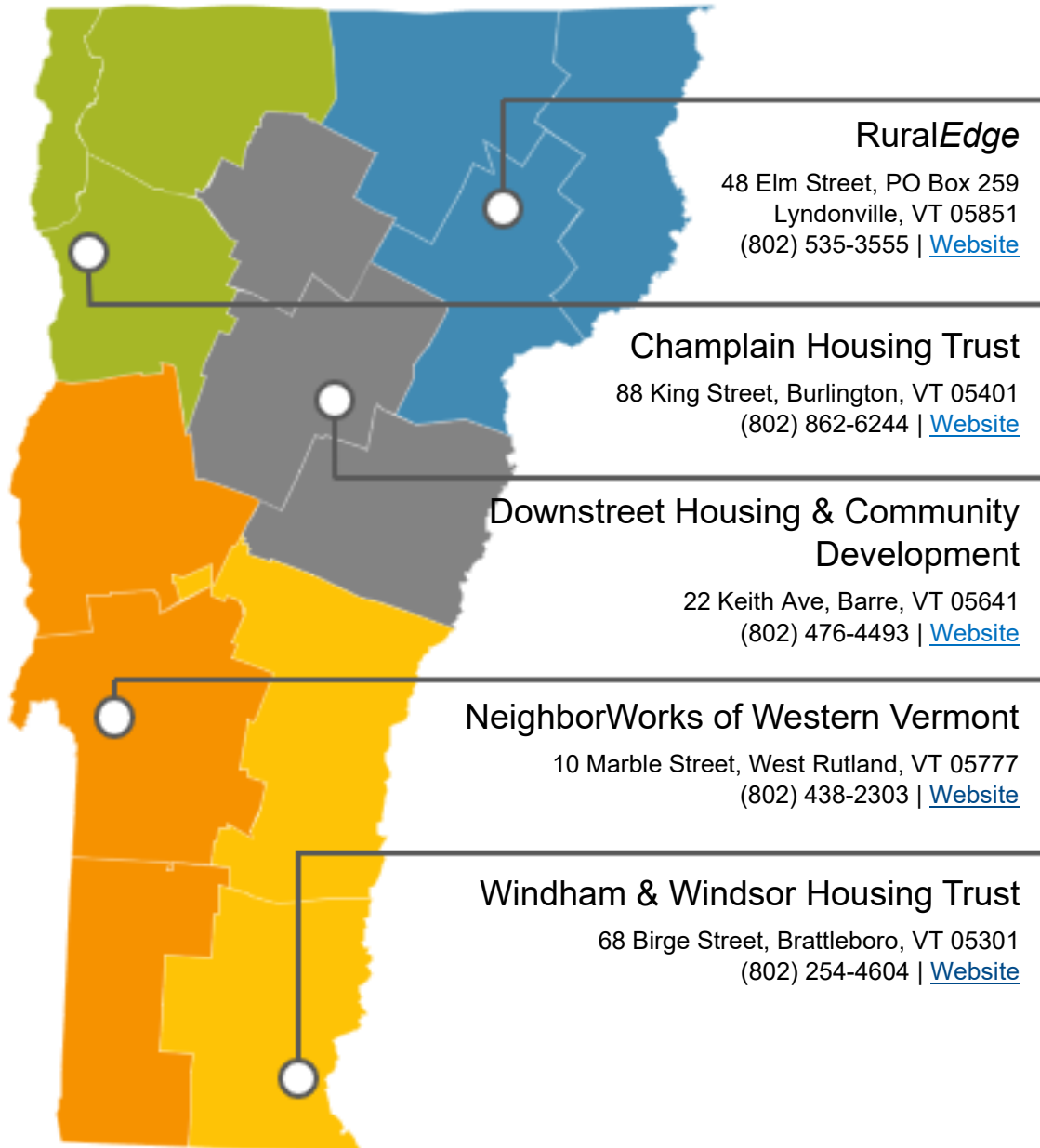
If you are looking for additional financing for an ADU check out these local lenders who are aware of the VHIP program and want to work with clients on financing.

- [National Bank of Middlebury](#)
- [Peoples Trust Company](#)
- [The Bank of Bennington](#)

An important difference when applying for VHIP funds to create an ADU is that these projects are exempt from the requirement to work with a Coordinated Entry organization to find a tenant.

Connect with the local Homeownership Center

The first step in enrolling in VHIP is connecting with your area's Homeownership Center (HOC). Select the appropriate HOC based on where the property you hope to rehab or create is located. The HOCs will have copies of the VHIP application on their website and can provide you with application assistance.



Counties Served by the HOCs:

- [RuralEdge](#) - Caledonia, Essex, and Orleans
- [Champlain Housing Trust](#) - Chittenden, Franklin, and Grand Isle
- [Neighborworks of Western Vermont](#) - Addison, Bennington, and Rutland
- [Downstreet Housing and Community Development](#) - Lamoille, Orange, and Washington
- [Windham & Windsor Housing Trust](#) - Windham, and Windsor

Submit the VHIP Application

Before beginning your VHIP application, make sure you are using the correct form. Since ADUs funded through VHIP have slightly different requirements than other projects, they have a separate ADU-specific application. All other projects will complete the general VHIP application (rehabilitation of existing units or creation of new units).

Complete applications will include:

- 1) Completed VHIP Eligibility Application Form, signed by the Applicants/Property Owners
- 2) Copy of Property Insurance
- 3) Copy of the Tax Bill and Deed (for each property if applying of multiple unit)
- 4) Standard Lease Agreement
- 5) Completed W-9 form
- 6) [Scopes of work and budget for each project](#)
- 7) Copy of Contractor contracts, if available
- 8) Copy of any applicable permits, if available

Developing a Scope of Work

The scope of work requirements may differ between Homeownership Centers (HOC). However, in general, you must include:

- A detailed description of the work that needs to be done to bring the code up to Vermont Rental Safety guidelines;
- Cost of each renovation including estimates from contractors for both the cost of labor even if you plan to complete the work yourself and necessary materials (check out the [resource section](#) for a budget template);
- Your plan to meet the match requirement, especially if you plan to complete some of the work yourself for [sweat equity](#), this should include a description of the work you plan to complete and an estimate of the expected costs (for labor and materials); and
- A timeline for the necessary repairs. *Note:* All repairs must be complete within 18 months of signing a VHIP contract.



Scope of Work



Develop a Timeline



Provided Estimates

Before approving your scope of work, some HOCs may want to conduct a site visit to review the scope of work and sequence of the project. Additionally, they may conduct an inspection to ensure the outlined repairs will bring the unit up to Vermont Rental Safety guidelines.

Grant Agreement and Rental Covenant

Once a VHIP application is approved, the HOC will share a grant agreement with the recipient. The agreement outlines the responsibilities of the property owner, the [payment schedule](#), and the project deadline (within 18 months of signing the grant agreement). Once this agreement is signed and shared with the HOC, project work can begin.

VHIP recipients must also sign a rental covenant. The rental covenant is a legally binding document that is an encumbrance on the property and will be recorded in the towns land records. This covenant will be effective for 5 years and states that for this period, the unit must remain a long-term rental with a monthly rental rate at or below HUD Fair Market Rent and that the Department of Housing and Community Development must approve the sale of the property. Review the section on [Selling a VHIP Property](#) to learn more about this process.

Attention: Charging more than the HUD Fair Market Rent for your area violates the Covenant placed on your property. Violations may incur penalties including, but not limited to, repayment of rent charged over the fair market rate. Please double-check your calculations to ensure you are charging a monthly rent within the allowable range. If you have questions, please check out the HUD Fair Market Rent Calculator on our [website](#) or reach out to accd.VHIP@vermont.gov.

Match Requirement

Approved VHIP applicants must provide a 20% match of grant funds before requesting any grant 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.



Out-of-pocket



Loan



Sweat Equity



Grant

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 (as long as the other funding source permits).

Sweat Equity

In the case of VHIP, sweat equity refers to when a property owner performs work on the property they received grant funding for. Property owners may be reimbursed for the work they perform on the property, given they included these details were included in the scope of work approved by the HOC (the scope of work should include an estimate of the time needed to complete the repairs and your hourly rate).



1. Include details about sweat equity in the scope of work.



2. Perform and track the work you perform on the property.

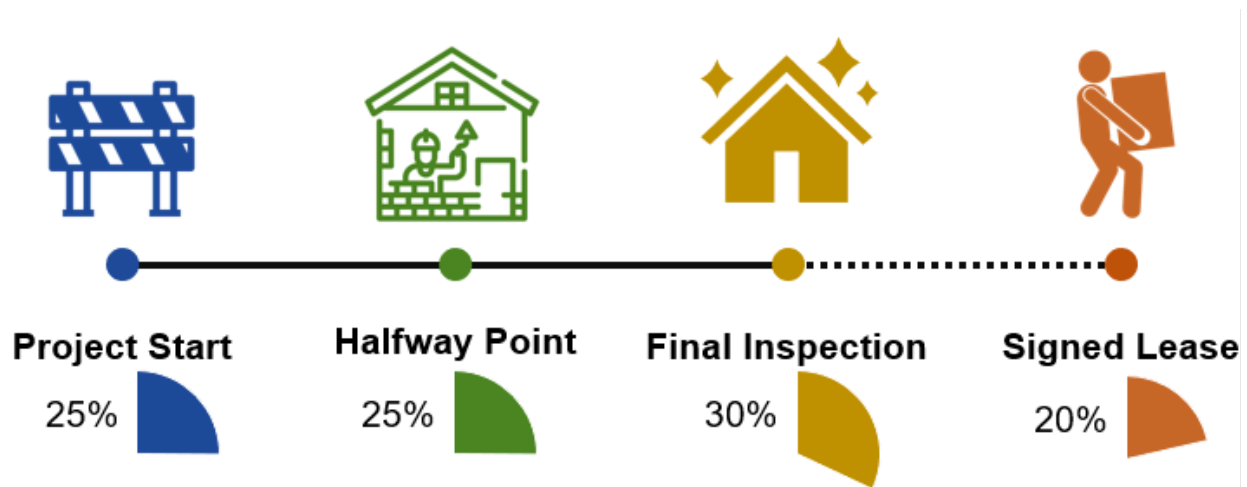


3. Send a sweat equity invoice to your HOC for approval.

To receive reimbursement for your work, you must also provide an invoice documenting dates, times, an hourly rate, and a description of work performed. It is important that the documentation you provide can be tied back to the property you received funding for. Including the property address on all invoices, estimates, and work orders is helpful and may be required by some HOCs. Check out the sweat equity invoice template in the [resource](#) section.

Grant Disbursements

It is important to note VHIP funds are disbursed on a reimbursement basis at certain points during the project, so you will need to have the capital upfront to cover these expenses until you receive reimbursement. To receive reimbursement for the work on your VHIP unit, you must submit invoices or receipts documenting the expenses. **Please ensure that these documents include the unit's address** to ensure prompt payment – this is important so the work can be connected back to the unit you received funding for.



VHIP grants are disbursed at four different points during the project:

- 25% 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;
- 30% upon satisfactory final inspection of the unit to ensure it complies with the agreed upon scope of work; and

- 20% 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.

Connecting with the Coordinated Entry (CE) Organization

When you enroll in the VHIP program you agree to work with the Coordinated Entry (CE) organizations to find a suitable tenant exiting homelessness for a minimum of 5 years.¹ This means that when the project is complete and any time there is turnover, the property owner must contact their CE organization for a tenant referral. This is outlined in the grant agreement that all VHIP participants sign and is an essential component of program compliance.

Your Homeownership Center will connect you with the appropriate Coordinated Entry organization for your area to get referrals for your unit(s). The referral request form has four pages:

- **Page 1:** Cover letter to the CE organization to be completed by the HOC.
- **Page 2:** Referral Request Form to be completed by the Property Owner with HOC assistance. This page will require details about the unit location, rent, and additional information about the property's policies.

Upon completion of Pages 1 & Page 2, the form will be sent to the referring CE organization, along with a copy of the blank Common Rental Application for Housing in Vermont.

- **Page 3:** Referral Verification Form that will be completed by the CE organization and shared with the property owner and HOC. This page will contain information about the referred tenants or state that an acceptable referral is not available at this time. A completed Common Rental application will also be completed by the prospective tenant and shared with the HOC and property owner. If no referral is available, please review the next section on seeking a waiver.
- **Page 4:** Coordinated Entry Listings provided as a reference. It contains information about which CE organizations served various counties and towns throughout Vermont.

Please note that VHIP participants are required to accept housing vouchers to cover some or all their rent.

When is a Waiver Acceptable

VHIP participants may seek a waiver to seek tenants outside of the CE referrals if the CE Lead fails to provide a suitable tenant option within four weeks of project completion or three weeks after the unit has been vacated during the five-year compliance period.* This waiting period may be waived at the discretion of the Department of Housing and Community Development (DHCD) for tenants referred by organizations serving other vulnerable populations, such as the U.S. Committee for Refugees and Immigrants (USCRI).

Your HOC can provide a waiver request form, which will be reviewed by DHCD and approved or denied depending on the documentation provided and the reason for the request. When the VHIP project is first completed, you should work with your HOC to complete the waiver; however, at turn-over during the five-year compliance period, you can connect directly with

¹ ADU are exempt from this requirement.

DHCD (email waiver requests to accd.vhip@vermont.gov). Property owners are strongly encouraged to begin communication with CE Lead before project completion, and property owners who can show they have done so will be more likely to have their waivers approved. If a waiver is requested before the end of the four-week waiting period, it will be denied, and future requests for waivers will not be considered.

Acceptable reasons to request a waiver:

- The CE organization could not provide references within the 4-week period.
- Prospective tenants can't demonstrate the ability to pay (only if there is no voucher) – VHIP participants are required to accept housing choice vouchers.
- The unit size doesn't match the referrals. For example, the unit is a 1-bedroom, and the household has 4 members.

Yearly Recertification

Each year the Department of Housing and Community Development requires you to recertify that you are complying with the program requirements, including:

1. Charging at or below HUD Fair Market Rent (FMR) for any units that received VHIP funding; and
2. If your unit had turnover within the last year that you connected with your Coordinated Entry organization to find a suitable tenant or received approval from the Department to waive this requirement (ADU are exempt from this). Refer to the [waiver](#) section to learn more about when it is acceptable to request a waiver.

To simplify this process, all this information is captured in one yearly recertification form on the Department of Housing and Community Development's VHIP [webpage](#). This form includes instructions on how to calculate FMR for your area, and the VHIP webpage also has a FMR calculator to assist you with this process.

FMRs regularly published by HUD represent the cost to rent a moderately-priced dwelling unit in the local housing market, including the costs of utilities related to housing. Any utilities the tenant pays for will require a utility allowance to be deducted from the Fair Market Rent base rate. HUD adjusts its Fair Market Rent rates annually, and a Fair Market Rent calculator can be found on the Department of Housing and Community Development's VHIP [webpage](#).



**Rent is at or below
HUD Fair Market
Rent**



**Connects with a CE
organization at
turnover**



**Send a completed
reverification form to
DHCD**

Attention: Charging more than the HUD Fair Market Rent for your area violates the Covenant placed on your property. Violations may incur penalties including, but not limited to, repayment of rent charged over the fair market rate. Please double-check your calculations to ensure you are charging a monthly rent within the allowable range. If you have questions, please check out the HUD Fair Market Rent Calculator on our [website](#) or reach out to accd.VHIP@vermont.gov.

Refinancing

Most lenders will require a “Subordination Agreement” before refinancing a VHIP project. This is a commonly used contract for real estate financing.

A “Subordination Agreement” is a contract to prioritize one debt over another for repayment.... The subordination agreement adjusts the priority of the new and older second mortgage to ensure that the refinancing lender gets paid first if a foreclosure happens....

(<https://www.nolo.com/legal-encyclopedia/what-subordination-agreement.html>)

Please reach out to accd.VHIP@vermont.gov **BEFORE** applying for refinancing. The Department of Housing & Community Development can help walk you through the process, tailor a Subordination Agreement contract and help coordinate the needed signatures so you can close on a refinance loan with fewer headaches.

Selling a VHIP Property

If you want to sell a property that received VHIP funding within five years of project completion, when the rental covenant is in effect, you must notify and receive approval from the Department of Housing and Community Development (DHCD). You can contact your Homeownership Center for a copy of the Sale Approval Template.

Here is an example disclaimer to include in your real estate listing:

This property has a covenant agreement that transfers to any new owner/s and is in place for 5 years from the date the property was placed in service.

At least one rental unit at this property was updated using Vermont Housing Improvement Program (VHIP) funds. This funding requires that the unit remains a residential rental home with rent restrictions in accordance with Vermont Act 137 of 2020 and rent rates must be reported to the Department annually. Please contact Jayme Bauer of the Vermont Department of Housing & Community Development at jayme.bauer@vermont.gov for more information.

When a property is sold or transferred within this period, the new property owner will be obligated to abide by the Rent Stabilization Covenant Agreement and work with the Coordinated Entry Lead Organizations to identify suitable tenants for the remaining term. You must disclose this information when selling the property, so the new owner is informed about the covenant on the property. The new owner will be responsible for maintaining these requirements and submitting the [yearly recertification](#) form for the remainder of the time the covenant is in effect.

Additional Resources

Documents

- [Vermont Common Rental Application](#) (fillable PDF) – VHIP recipients are required to accept the Vermont Common Rental Application. This form will be included with any tenant referrals from the CE organizations.
- [Sample Lease](#) – There is no requirement to use this sample lease. This is provided as an example for VHIP recipients who may be new landlords and would like an example lease to work off of. You may use this sample lease in part or in whole if you desire.
- [Rental Recertification Form](#) (fillable PDF) -VHIP recipients are required to submit a recertification form attesting that they are complying with the program requirements, including charging at or below HUD Fair Market Rent and working with a CE organization at turnover, when applicable. This form can also be found on [DHCD's website](#).
- [Sweat Equity Invoice Template](#) – This template is provided for property owners who have been approved to complete some of the work on their VHIP unit for sweat equity.
- [Budget Template](#) – This fillable PDF is provided for property owners to assist them with developing and organizing the budget for their VHIP project (a [printable version](#) is also available here).

Landlord Relief Program

The [Landlord Relief Program](#) provides an incentive and added security to landlords statewide who house Vermonters receiving rental assistance or who are homeless.

The goal of the Landlord Relief Program is to increase rental opportunities to people who may not otherwise be able to access housing due to rental barriers. The program offers up to \$5,000 for:

- Prorated cost to hold the unit for a future program-eligible tenants, limited to two months' rent;
- Prorated cost for loss of rent from a vacancy due to repairs needed (that exceed normal wear and tear), limited to one month of rent;
- Repair qualifying damages caused by a tenant; or
- Rent associated with early termination of the lease by the tenant, limited to one month of rent.

Fair-Housing

[Fair Housing](#) is the right to equal opportunity in the rental, sale, and financing of housing under federal, state and local laws.

The Federal Fair Housing Act was part of the Civil Rights Act of 1968, making it illegal to discriminate on the basis of race, color, religion, national origin, and sex. In 1988, Congress added familial status and disability to the categories protected under that law. Vermont's Fair Housing Act is similar to federal law with six additional protected categories: marital status, age, sexual orientation, gender identity, receipt of public assistance, and victims of abuse.

Resources

- [Vermont's Analysis of Impediments to Fair Housing](#)
- [Housing Discrimination in Vermont Rental Markets](#)
- [CVOEO's Fair Housing Project](#)
- [Vermont Human Rights Commission](#)
- [Vermont Legal Aid, Inc.](#)
- [Vermont Center for Independent Living](#)

Tenant-Landlord Laws

Renting is a two-way street. A successful rental relationship is much more likely when both renters and owners understand their rights and responsibilities. Our [Landlord Tenant Education Materials](#) will help landlords and tenants understand everything one needs to know about renting a home in Vermont.

Appendix

A1. Vermont Coordinated Entry organizations by County and Town

- Addison County (all towns) - **Charter House Coalition**
- Bennington County (all towns) - **BROC Community Action**
- Caledonia County (except Hardwick) & Essex County towns (East Haven, Granby, Guildhall, Lunenburg, Victory & Concord) - **NEKCA (St. Johnsbury)**
- Chittenden County (all towns) - **CVOEO (Burlington)**
- Franklin County & Grand Isle County (all towns) - **CVOEO (St. Albans)**
- Lamoille County (plus Hardwick) - **Capstone Community Action (Morrisville)**
- Orange County (all towns), plus the following Windsor County towns (Bethel, Rochester, Stockbridge, Barnard, Hartford, Hartland, Norwich, Pomfret, Royalton, Sharon, Bridgewater & Woodstock) - **Upper Valley Haven (White River Junction)**
- Orleans County (all towns) - **NEKCA (Newport)**
- Rutland County (all towns) - **Homeless Prevention Center**
- Towns of (Stratton, Jamaica, Townshend, Athens, Westminster, Brookline, Wardsboro, Newfane, Putney, Somerset, Dover, Dummerston, Wilmington, Marlboro, Brattleboro, Whitingham, Halifax, Guilford & Vernon) - **Groundworks Collaborative**
- Windsor County towns (Andover, Baltimore, Cavendish, Chester, Ludlow, Plymouth, Reading, Springfield, Weathersfield, Weston, West Windsor & Windsor) plus the following Windham County towns (Grafton, Londonderry, Rockingham & Windham) - **Springfield Supported Housing Program**
- Washington County (all towns) - **Capstone Community Action (Barre)**