



## **ARPA-SFR Guidelines and Procedures**

Effective February 1, 2022

The State of Vermont has allocated federal Coronavirus State Fiscal Recovery funds to VHCB, in addition to supplemental state funding, to advance the recovery from the COVID-19 pandemic. The source of funds is Vermont's allocation from the Coronavirus State Fiscal Recovery Fund (SFR) established by the American Rescue Plan Act (ARPA) of 2021. The purpose of the appropriations by the State to VHCB is to "provide housing and increase shelter capacity, with priority given to populations who may be displaced from the hotel/motel voucher program or are currently without housing, including by providing permanent homes in mixed-income settings."

VHCB shall administer ARPA-SFR funds in compliance with the Act and rules and guidance issued by the U.S. Department of the Treasury and the State of Vermont. Grantees shall be responsible for meeting eligibility, compliance and reporting requirements.

[General Information on ARPA State Fiscal Recovery Funds – U.S. Treasury Department](#)

[Final Rule on Implementation of ARPA State Fiscal Recovery Funds](#)

[State Fiscal Recovery Funds Compliance and Reporting Guidance](#)

[U.S. Treasury ARPA-SFR Frequently Asked Questions](#)

[VHCB ARPA-SFR Frequently Asked Questions](#)

Treasury guidance related to the implementation of ARPA-SFR is evolving. These Guidelines and Procedures are based on Treasury's Final Rule and guidance available as of January 15, 2022. The Treasury Department will be issuing additional compliance and reporting requirements. VHCB's ARPA-SFR Guidelines and Procedures, along with VHCB FAQs will be updated accordingly.

### **USE OF ARPA-SFR FUNDS**

The development of affordable housing is eligible for ARPA-SFR funding to the extent it responds to the negative economic impacts of the COVID-19 public health emergency by providing assistance to impacted households and communities. Treasury presumes households at or below 65 percent of the area median income have been impacted by

the pandemic. It allows designations of additional populations. The State of Vermont and VHCB have determined, given the extent of homelessness and pressure on housing affordability and availability caused by the pandemic, that households up to 80 percent of the area median income (AMI) have been impacted. Based on this determination, the Final Rule, the State appropriation of ARPA-SFR and the terms of its grant agreement with the State of Vermont, VHCB has established the following eligible uses of ARPA-SFR:

- Non-congregate emergency housing and transitional housing for individuals and families experiencing homelessness. The construction of congregate facilities is not eligible.
- Multi-family rental housing serving households at or below 80 percent of AMI. At least 15 percent of the units must be dedicated to those experiencing homelessness.
- Permanent supportive housing to improve access to stable, affordable housing among individuals who are experiencing homelessness.
- Housing for individuals in recovery from substance use disorders.

Homeownership: At the time these Guidelines were adopted, it was not clear the extent to which the development of homeownership units is an eligible use of ARPA-SFR funds. VHCB is working with the State of Vermont and others to make this determination. The Guidelines will be updated as more information is available about this potential use.

Loans: Under Treasury's Final Rule, ARPA-SFR funds cannot be used for the full value of loans that mature after December 31, 2026, which limits the extent ARPA-SFR can be included in basis for projects using federal low income housing tax credits. VHCB is advocating for a clarification from Treasury to address this limiting factor.

### **New Housing and Addressing Homelessness**

The Vermont General Assembly and Governor Scott directed VHCB to use ARPA-SFR to support the creation of new units of affordable housing and increase the state's capacity to shelter individuals and families experiencing homelessness or who are at risk of becoming homeless due to a disruption to their previous housing situation related to the pandemic. To meet this objective and the requirements of [Executive Order 03-16: Publicly Funded Housing For The Homeless](#), 15 percent of units in multi-family developments funded by ARPA-SFR must be dedicated to the homeless and filled through coordinated entry or a pre-approved alternative referral system.

Additionally, projects in all categories will be funded in consultation with the Agency of Human Services.

### **Maximum Award Amounts:**

VHCB has established ARPA-SFR maximum per unit award guidelines for multi-family

housing proposals based on HUD-published limits for other federal housing programs (specifically the HOME Program.)

The guidelines for maximum ARPA-SFR per-unit awards are as follows:

0 BR \$153,314  
1 BR \$175,752  
2 BR \$213,718  
3 BR \$276,482

Actual award amounts will be based on a variety of factors which will be considered by staff when reviewing projects, including the impact of the proposed project and leverage. Generally, projects serving the most vulnerable and lowest income Vermonters, will be considered for deeper subsidy.

The maximum subsidy guidelines above do not apply to Recovery Housing, which will be reviewed on a case-by-case basis. Staff will evaluate the reasonableness of the proposal, other opportunities for leverage, the need in the proposed geographic location, and will make funding recommendations accordingly.

Staff may also consider recommending awards that exceed the maximum amounts described above if a project that meets a critical need or priority is unable to move forward without a deeper subsidy and all other avenues for leveraging other funding sources have been exhausted or if providing a deeper subsidy would bring a critically needed project into service on a shorter timeline, or would facilitate the creation of more housing units than would otherwise be feasible.

## **PROJECT SELECTION CRITERIA**

### **Thresholds**

To be eligible for ARPA-SFR, applications must meet the following threshold criteria:

- The project sponsor must be a community based 501(c) (3) nonprofit with an affordable housing mission and commitment to permanent affordability, or a municipality, or private developer. Project sponsors must participate in a risk assessment process to confirm the administrative and fiscal capacity to administer the ARPA-SFR funds as required by the Treasury Department's Compliance and Reporting Guidance.
- Multi-family projects must meet the goals of [Executive Order 03-16: Publicly Funded Housing for the Homeless](#) by dedicating at least 15 percent of the units to the homeless. For the ARPA-SFR units, those units must be leased to those experiencing homelessness or at risk of homelessness due to a disruption to their previous housing situation as a result of the COVID-19 public health emergency or its economic impact; and referred through the local system of coordinated entry to housing unless an alternate plan has been approved by VHCBS in consultation with the Agency of Human Services. The remaining ARPA-SFR units must be restricted, at a minimum, to households at or

below 80% of AMI.

- There must be a demonstrated plan and commitment for referrals, coordination and partnership between developer, Continuum of Care, local housing authority, if any, and social service providers who work with the target population to serve homeless households.
- The project must be located in an area of the State shown by data to have a number of homeless households or a lack of affordable housing units.
- VHCB will award ARPA-SFR consistent with VHCB housing policy, including [VHCB's Policy Position for Funding Affordable Housing Projects](#). All projects will be subject to a perpetual VHCB Housing Subsidy Covenant. VHCB's Housing Subsidy Covenant will require that restricted units are permanently affordable and, at a minimum, are restricted to households earning 80% or less AMI and are rented at rent levels of 70% or less AMI. In accordance with VHCB policy, deeper rent and income restrictions will be applied to some units.

## **Priorities**

VHCB Staff will make funding recommendations based on the following priorities:

- Projects that are ready to proceed, with an achievable timeline to incur all costs by December 31, 2026. Evidence of readiness to proceed includes, at a minimum, site control, level of support from municipality, and capacity of related development partners. Priority will be given to projects making units available sooner.
- Projects that meet urgent housing needs by making permanent homes available for those experiencing homelessness in mixed-income settings.
- The extent to which projects leverage other sources of funding.
- Reasonable per unit capital cost for both homeless households and other households housed.
- Projects that meet threshold requirements and also respond to urgent community housing needs around the state.
- Geographic distribution of funds to the extent practicable.

## **PROJECT SELECTION PROCESS**

### **Full Applications**

VHCB will accept applications for ARPA-SFR through the online application system and according to the regular cycle of application deadlines which are posted on the VHCB website. [VHCB Application Deadlines and Board Meetings](#)

VHCB staff will review applications and make recommendations for funding to the VHCB Board. Staff recommendations will be based, in part, on an assessment of:

- the quality and completeness of the application
- the extent that the project meets project selection threshold criteria
- the extent that the project meets the project selection priority criteria

- the capacity of the development team including the application sponsor and service partner(s)
- the adequacy of the sponsor's plan to provide services to households who have experienced homelessness will be reviewed in consultation with the Agency of Human Services
- the strength of the applicant's commitment to and plan for leasing all units designated to serve those who have experienced homelessness through the local Coordinated Entry System, unless otherwise approved by VHCB in consultation with the Agency of Human Services
- the percentage of restricted units and depth of proposed affordability of these units
- the reasonableness of the development budget, including the scope of work and cost estimates
- the reasonableness of the operating budget, to indicate the successful long-term financial performance of the project
- the data provided which demonstrates the project's area of the State has a need for housing for households experiencing homelessness and affordable housing
- the location of the proposed project, ensuring households served will have access to transportation other than individually owned vehicles, and goods and services
- the impact of the project on the surrounding neighborhood or community, particularly sites where investment can be transformative or preserve or enhance historic buildings
- locations with low rates of poverty and with access to employment, education and transportation opportunities, particularly for families with children
- whether or not proposed projects do not promote sprawl but instead enhance Vermont's historic pattern of compact settlement

Staff will score the applications based on Need, Impact, and Quality. Each criterion may carry a higher or lower weight depending on project characteristics:

**Need**

- Swift Action to preserve a significant resource
- Scarce or unique resource
- Economic needs of the targeted population
- Extent to which alternative sources of funding are available

**Impact**

- # of housing units created/protected and their affordability
- Who will benefit
- Extent of perpetual use
- Impact of lack of action
- Relative costs of the benefits

**Quality**

- Dual goal
- Capacity of applicant to carry out the project
- Availability of other resources to make project work & sustain it, including the strength of the proposed partnership between developers and service partners
- Importance of the resource

**VHCB Board Meeting**

Staff's ARPA-SFR funding recommendations will be made to the Board in the form of a memorandum that will include a description of the proposal and the project's strengths and challenges. Staff will also propose closing conditions for the Board to consider.

The Board will meet in a public session. The Board's project funding decisions are final.

## **IMPLEMENTATION**

Project awards will be made in a manner that is consistent with VHCB's usual and customary policies and procedures. VHCB will allow for the customary and reasonable use of ARPA-SFR funds for real estate acquisition, construction costs and contingencies including site work, soft costs including architectural, engineering and construction management fees, replacement and operating reserves, and a developer fee

Awards may be conveyed as grants or loans. Loans may not mature after December 31, 2026. A grant or loan agreement will describe terms and conditions associated with the award; awards will be secured by a mortgage. If a project has previously received VHCB funding, the housing subsidy covenant will be amended to reflect the supplemental award. A housing subsidy covenant will be recorded for new projects.

Upon execution of grant/loan agreements and satisfaction of closing conditions, VHCB will begin to disburse funds for incurred eligible expenses. ARPA-SFR funds can only be used on a reimbursement basis. VHCB staff and/or consultants will conduct periodic construction progress inspections and will conduct an inspection prior to the final disbursement.

Grantees will submit periodic reports to VHCB as required to meet State and Federal requirements and to assist VHCB in determining Project Sponsor compliance. VHCB will monitor projects for compliance according to a risk-based schedule and as required by The Treasury Department and the State of Vermont.

## **PROJECT DEVELOPMENT GUIDANCE**

### **Administrative Requirements**

- A. Grantee agrees to comply with all applicable regulations within OMB 2 CFR, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."
- B. The Grantee will undergo a timely annual audit of the Grantee's financial statements covering any fiscal year that includes the use of these funds. If applicable, the audit will be in accordance with OMB 2 CFR, part 200, Subpart F. Grantee will submit all annual audit reports to VHCB staff for review, and shall include all auditor communications in regards to internal controls and/or compliance, such as management letters, SAS 115 Communication of Internal Control Related Matters, and reports on compliance.

- C. The Developer shall utilize a financial management system that includes effective controls for accountability over funds received and expended and have written procedures that define allowable costs and certain cash management functions. Financial management systems shall include: 1) records that identify sources and uses of federal funds; 2) effective controls over and accountability for all funds and assets; and, 3) records that are supported by source documentation. Records shall be maintained by VHCB and Grantees for a period of five (5) years after final payment is made using ARPA-SFR monies.
- D. Grant funds shall not be requested or disbursed until needed and shall be the minimum amount necessary. Eligible costs must have been incurred, as ARPA-SFR funds can only be used on a reimbursement basis. Grantee must provide documentation supporting costs to VHCB as part of request for funds.

### **Procurement Guidelines**

The procurement of construction and construction-related goods and services, such as buying supplies, retaining design professionals and awarding construction contracts on VHCB-funded projects is subject to the requirements of Procurement Standards of the federal Uniform Guidance at 2 CFR Part 200.318, as well as the specific VHCB requirements outlined in VHCB's [Procurement Guidelines for Housing Grantees](#):

Developers shall document all procurement activities, and make the documentation available to VHCB upon request.

### **VHCB ARPA-SFR Environmental Assessment Process**

The National Environmental Policy Act (NEPA) does not apply to ARPA-SFR. In its stead, VHCB requires a Phase 1 Environmental Site Assessment (ESA), which shall document the absence of environmental contamination, for all newly acquired properties. Rehabilitation of existing properties will be required, at a minimum, to address toxic substances, if applicable.

#### Toxic Substances:

Rehabilitation work completed with ARPA-SFR funds that disturbs surfaces or building components potentially containing toxic substances (ex. Lead-based paint, asbestos) shall be in compliance with applicable State and Federal laws and regulations.

VHCB may require additional environmental assessment depending on the nature of the project and sources of funding. It is important to note that if a proposed project has a variety of funding sources, the developer must follow the guidance for whichever source has the most restrictive requirements related to environmental review.

Developers shall document all environmental assessment activities, and make available to VHCB upon request.

## **Historic Review**

The National Historic Preservation Act does not apply to ARPA-SFR funds and they do not trigger Section 106 Review. However, in keeping with VHCB's Historic Preservation Policy, projects that do not need to complete the Section 106 Review (Historic Preservation) for other funding sources or permitting (such as Act 250), must complete the ARPA-SFR Preliminary Review form and submit the form to the Division of Historic Preservation. The State Historic Preservation Officer (SHPO) will review and provide advisory comments on the form regarding Historic Properties and/or Archeological Historic Properties. Applicants will be required to provide VHCB with responses to these advisory comments. The SHPO comments and the applicants' responses will be taken under consideration during VHCB's project review and recommendations to the Board.

## **VHCB ARPA-SFR Displacement/Relocation**

All projects receiving ARPA-SFR funding shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended.