



**Coronavirus Relief Fund  
Awards to Grantees: Procedures and Guidance**

July 31, 2020

On June 19, 2020, Vermont Governor Phil Scott signed “An act relating to creating emergency economic grants,” awarding VHCB \$23 million of the State’s CRF funds. The section of the Act related to VHCB’s award:

S.350

Sec. 5. HOUSING; HOMELESSNESS; APPROPRIATION

(a) The amount of \$23,000,000.00 is appropriated from the Coronavirus Relief Fund to the Vermont Housing and Conservation Board, which funding the Board shall use, in part through grants to nonprofit housing partners and service organizations, for housing and facilities necessary to provide safe shelter and assistance for persons who are, or are at risk of, experiencing homelessness, in order to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.

(b) The Board shall adopt guidelines governing the use of the funds to:

(1) establish application and award procedures for grant recipients;

(2) establish standards for the amount and eligible use of grant funds;

and

(3) establish procedures to ensure that grant awards comply with the requirements of the CARES Act and that the State maintains adequate records to demonstrate compliance with the Act.

**This documents is intended to be a response to subsection (b) above.**

Additionally, the Governor signed H.966 on July 2, 2020, “An act related to COVID-19 funding and assistance for broadband connectivity, housing, and economic relief. The section of the Act related to VHCB’s award:

H.966

Sec. 11. COVID-19 RESPONSE; HOUSING

(2) Housing and facilities. \$9,000,000.00 to the Vermont Housing and Conservation Board, which the Board shall use, in part through grants to nonprofit housing partners and service organizations, for housing and facilities necessary to provide safe shelter and assistance for persons who are, or are at risk of, experiencing homelessness, or who have suffered economic harm due to the COVID-19 crisis, in order to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.



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The source of funds awarded to VHCB is Vermont's allocation of Coronavirus Relief Funds, provided through the CARES Act (<https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>) and the U.S. Department of the Treasury.

VHCB shall administer CRF funds in compliance with the CARES Act and current and evolving guidance provided by the U.S. Department of the Treasury and by the State of Vermont. Additional federal legislation may further change the potential for and appropriateness of CRF usages and, as a result, CRF requirements may be updated.

From The U.S. Department of the Treasury (<https://home.treasury.gov/policy-issues/cares/state-and-local-governments>):

The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover expenses that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

The Vermont General Assembly found that one impact of COVID-19 is that the number of Vermonters in need of emergency housing doubled from the Point in Time count of January 2020 to approximately 2,000 Vermonters by the end of May 2020. The Agency of Human Services has also confirmed that, at the same time, the shelter capacity was greatly reduced in order to comply with CDC guidance and in many markets there is a lack of available housing so the issuance of a housing voucher is insufficient to help a household acquire rental housing. Further it appeared from the best information available that the pandemic's economic impact would likely result in more Vermonters at risk of and experiencing homelessness due to rising unemployment.

## **USE OF CRF FUNDS**

VHCB will use the combined \$32 million CRF funds to secure shelter and housing for homeless households in order to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions. We will award capital to 501(c) (3) organizations or a municipality for expenses for two purposes. First, to help secure and/or rehabilitate housing for 150- 200 households. Funds will be targeted to areas of highest need based on AHS data and a lack of available housing units. Second, we will assist existing homeless shelters to make building modifications necessary to comply with CDC guidance related to preventing the spread of COVID-19 in congregate housing.

## **New Housing Units**

We seek to support the creation of 150-200 new units of housing for households and/or individuals who are currently residing in units who were homeless or at risk of homeless due to a disruption to their previous housing situation as a result of the COVID-19 public

health emergency; and/or referred through the local system of coordinated entry to housing. This will require alliances that combine the development capacity of the non-profit housing network with homeless shelters and other service providers to create housing opportunities that could fall into four categories:

- 1) A project that is currently owned by a nonprofit or by a LIHTC partnership with a nonprofit general partner with vacancies that can be set- aside for homeless households if capital needs are addressed.
- 2) A project that is currently in development that will create new units that can be set-aside for homeless households and could be brought online more quickly but for a funding gap.
- 3) A new project that houses the homeless “at scale,” i.e. converting an existing facility such as a motel, hotel, or other multi-family building.
- 4) A new general occupancy project that will have a set-aside for homeless households.

### **Shelter Improvements**

Funds will be awarded to existing homeless shelters to allow them to meet [CDC guidelines for congregate housing](#) during the pandemic

Upgrades could include no-touch faucets and soap dispensers, auto-door openers, room dividers, interior reconfiguration, or an addition to expand shelter space to allow for social distancing and improved ventilation systems.

VHCB will work with shelter providers and the Vermont Office of Economic Opportunity to identify other necessary improvements that could be made to shelter facilities with Emergency Solutions Grant funding.

### **PROJECT SELECTION CRITERIA**

#### **Thresholds:**

- The project sponsor, a 501(c) (3) nonprofit or a municipality, must demonstrate that the project is a response to the COVID-19 pandemic. (See CRF guidance here.)
- There must be a demonstrated plan and commitment for coordination/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 and a lack of affordable housing units.

#### **Priorities:**

- Experience and capacity of the project sponsor(s) to successfully complete project and demonstrate compliance with CARES Act requirements.
- Evidence of project readiness to proceed and achievable timeline, including site control, level of support from municipality, and capacity of related development partners.
- VHCB seeks to award funds to projects that will be completed by December 30 and they will be evaluated based on the relative amount of total development cost that will be incurred by December 30, 2020.
- Of the proposed number of units, percentage that will be available for occupancy by December 30, 2020. Highest priority will be given to projects making units available sooner.

- Reasonable per unit capital cost for homeless households housed as compared with new construction or substantial rehabilitation projects.
- Ability of the project to proceed without CRF funds being dedicated to reserves for resident services and/or rental subsidy.
- Projects that meet threshold requirements and also respond to urgent community housing needs around the state.
- Geographic distribution of funds to the extent practicable and within the strict timelines required by CRF.

## **PROJECT SELECTION PROCESS**

### **Letters of Interest**

Project sponsors were invited to submit a Letter of Interest to VHCB by June 23, 2020. The LOI required sponsors to describe their project, provide a preliminary budget, and provide narrative regarding how their proposed project responds to the selection criteria.

VHCB received 42 LOIs with total CRF funding requests of \$56 million.

### **Full Applications**

On June 30, 2020, VHCB invited 29 project sponsors to submit a full application to VHCB. These projects proposed \$39 million in CRF investment. Thirteen projects involved investment in existing shelters and the balance were for new units of housing.

VHCB reserves the right to accept additional funding applications after the initial deadline if the projects in-hand will not fully commit the available CRF funds and if we seek a proposal from areas of high unmet need in the state.

These projects were selected based on (1) the extent that they meet project selection criteria, (2) VHCB's staff assessment of the likelihood that CRF funds would be expended by December 30, 2020 resulting in a successfully completed project, and (3) the quality and completeness of the application.

VHCB staff will review these applications and will make recommendations for funding for review by the VHCB Board on August 6, 2020. Staff's recommendation will be based, in part, on an assessment of:

- the extent that project meets project selection threshold criteria
- the quality and completeness of the application
- the extent that the project meets the project selection priority criteria:
  - the capacity of the development team including the application sponsor, service partner, and development team
  - the reasonableness of the development budget, including the scope of work and cost estimates
  - likelihood that CRF funds would be expended by December 30, 2020 resulting in a successfully completed project
  - the percentage of total proposed units which will be leased to homeless families by December 30, 2020
- the reasonableness of the operating budget, to indicate the successful long-term financial performance of the project
- data provided by the state which demonstrates the application's area of the state has a

- need for housing for the homeless
- the location of the proposed project, ensuring households served will have access to transportation and goods and services

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
- Lack of availability of housing for the homeless in the applicants' community
- Extent to which alternative sources of funding are available

**Impact**

- # of housing units created/protects and their affordability
- Who will benefit
- Long-term plan for de-concentrating poverty/homelessness as the impact of the pandemic anticipated recession recedes
- 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 CRF funding recommendations will be in a memo to the Board that will include a description of the proposal and the project's strengths and challenges. Staff will also propose conditions for the Board to consider (i.e. a cost estimate will be provided to staff's satisfaction prior to grant closing).

The Board may allow less restrictive affordability covenants than is typically required due to, among other things, the relative size of an award or uncertainty whether the owned real estate is appropriate for a perpetual covenant.

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

**IMPLEMENTATION**

VHCB will use the CRF funds to secure shelter and housing for homeless households in order to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions. Project awards will be made in a manner that is consistent with VHCB's usual and customary policies and procedures, specifically in a manner consistent with projects utilizing LIHTC funds. With this consideration, VHCB will allow for the customary and reasonable use of CRF 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.

All awards will be conveyed as grants. A grant agreement will describe terms and conditions associated with the award and the grants 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, although it is within the VHCB's authority to waive or modify this requirement on a case-by-case basis.

Upon execution of grant agreements, VHCB will begin to disburse funds for incurred eligible expenses. CRF 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. By December 20, 2020, VHCB will confirm CRF remaining award balances and will report to the State on the amount of anticipated CRF-related expenses that will not be incurred by December 30, 2020.

All construction contracts will have, at the latest, a construction completion date of December 30, 2020.

Grantees will submit periodic reports to VHCB as required to meet State and Federal requirements. VHCB will provide reports as follows:

August 15 – To Approps, House General and Senate Economic Development. \$ distributed. \$ remaining. Plan for awarding remaining by 12/30.

September 7 – To Agency of Administration (AoA). List of all expenditures through August 31.

October 1 - To Approps, House General and Senate Economic Development. \$ distributed. \$ remaining. Plan for awarding remaining by 12/30.

December 7 or when CRF fully expended, if sooner. To AoA. List of all expenditures.

## **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 the 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 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 CRF monies.

- D. Grant funds shall not be requested or disbursed until needed and shall be the minimum amount necessary. Costs must have been incurred and grantee must provide documentation supporting costs to VHCB as part of request for funds; CRF funds can only be used on a reimbursement basis.

### **VHCB CRF Emergency Procurement Guidelines**

Due to the Federal and State states of emergency, the emergency federal procurement regulations will be applied to the CRF funds. Procurement by noncompetitive process will be allowed, subject to the Developers procurement guidelines. Developers shall procure goods and services in a prudent manner, allowing for the most efficient and effective use of the CRF funds.

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

### **VHCB CRF Environmental Assessment Process**

VHCB will require 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 CRF 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.

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

### **Historic Review**

Historic Review – In conjunction with State Historic Preservation Officer, Section 106 Review will be completed. A new CRF short form for Section 106 has been developed and SHPO is completing for any Exempt properties. Properties not immediately determined to be exempt will be desk-reviewed by the VDHP, and questions will be sent to VHCB. VHCB will work with VDHP and/or a historic consultant to conduct a site visit and complete the Section 106 Review.

### **VHCB CRF Emergency Displacement/Relocation**

All projects receiving CRF funding shall comply the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.