Rental Revolving Loan Fund (RRLF) – FAQs

Updated: March 1, 2024

- **Can I set rents lower than the 65% AMI level on VHFA's Affordability Matrix?**

The Rental Revolving Loan Fund is designed to prioritize the creation of middle-income rental housing. As a result, the minimum target rents serve households with incomes between 65%-150% AMI rents for a unit size and location as shown on the VHFA Affordability Matrix. RRLF can only be used for units with lower rents in very limited cases where the sponsor is not relying on other public subsidies, and a limited amount of RRLF is needed. In some Vermont counties, this means that RRLF rents will align with the rent standards for other housing affordability programs, but in some Vermont counties this means that developers will not be able to layer RRLF and some other housing development subsidies on the same unit (though subsidies can be layered at a project level).

- **How should I determine rent levels if utilities are not included?**

The rents in VHFA's Affordability Matrix include utilities. If you are not including utilities, you should use the utility allowances published by the Vermont State Housing Authority (see: https://vhfa.org/rentalhousing/developers/program-materials) to back out utilities from rents.

- **How will annual rent increases for RRLF units be determined?**

Rents may increase a maximum of 3% annually, as long as they are still within the VHFA Affordability Matrix for the current year and AMI served. The VHFA Affordability Matrix is updated every spring when HUD publishes annual median income estimates. Projects should use the rent levels in the current (November 2023) Affordability Matrix at the time of application. If a project receives RRLF, prior to construction closing, projects may update rents if a new Affordability Matrix is published before that time. Once a project is occupied, the annual rent increases are limited for the duration of the RRLF Minimum Affordability Period plus three years. This means that once a project has paid off its RRLF loan, the project will still be subject to caps on rent increases for three years.

- **For projects receiving priority for employer or municipal investment, does this investment need to come from a larger/major employer in the area?**

To receive this priority, the employer investment may come from any size of employer. In cases where the employer/municipality is making an equity investment or loan to the project, the employer may receive a reasonable return at or below current interest rates (consult with VHFA on determining current rates). Any employer/municipal loan that accrues interest must be subordinate to the primary lender and RRLF. The investment may not be tied to having residency contingent on a resident's employment. Though special marketing efforts may be made to connect local employer current/prospective employees to project units, the project must be generally available to the public and not limited or exclusive to an individual or group of employers. Projects that obtain direct or in-kind investment from employers or municipalities will be prioritized for funding and preferred terms, but this is not a requirement for RRLF applications.

- **Can RRLF be used for construction financing?**

Yes, RRLF funds may come in at construction and convert to permanent. If the RRLF funds are proposed to amortize during the permanent loan period, there may still be interest-only payments during construction period. Applicants will be required to share primary construction lender progress reports on construction. To the extent possible, VHFA will require one single disbursement during the construction period.

- **Is there a threshold at which projects need to have architectural drawings and design, or is there a scenario where VHFA would consider design-build?**

If a developer has previous success with design-build, and if the proposal conforms with requirements of the locality and other lenders, VHFA may consider design-build proposals. VHFA will require an architect's stamp on all plans.

- **I am a small and emerging developer. Can my RRLF project also apply for the "small and emerging developer" pool of LIAC?**

At this time, VHFA will be working with developers to size requests for the "small and emerging developer" pool of LIAC funds on a case-by-case basis. If you think you may be eligible for this pool of LIAC, and your project is not financially feasible with conventional debt or other financing sources, you may submit your RRLF application with a gap. VHFA will then work with you to determine whether a LIAC loan could help fill that gap.