



# *Department of Economic Development: Capital Investment Grant Program and Community Recovery and Revitalization Grant Program*

Insufficient Diligence on Need  
Assertions Increases Risk of  
Unnecessary Awards and Limited  
Documentation of Selection Decisions  
Undermines Accountability and  
Integrity of Decisions



## Mission Statement

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The mission of the Auditor's Office is to hold State government accountable by evaluating whether funds are being used effectively and identifying strategies to eliminate waste, fraud, and abuse.

## Audit Team

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Tanya Morehouse, Chief Auditor  
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Dear Colleagues,

The Legislature allocated \$50,580,000 of this funding across two new grant programs — the Capital Investment Program (CIP) and the Community Recovery and Revitalization Program (CRRP) — and authorized the Department of Economic Development (DED) to design them. Under CIP, grant awards were limited to the lesser of \$1.5 million or the estimated net State fiscal impact (NFI) of the project which was to be calculated by the Legislature’s and Administration’s economists. At the request of DED, this guardrail required by law was removed for CRRP. As a result, there was no analysis of the economic or fiscal impact of individual CRRP projects.

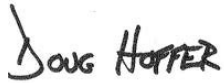
We found flaws in DED’s award decision process for these programs and noted frequent instances of limited documentation of decision-making. For example,

- DED largely relied on awardees’ assertions about need for the grants rather than design processes to corroborate funding gaps via a thorough review of each applicant’s financial position and inquiry about alternate means of funding the projects such as bank loans. We found CIP awardees with cash and investment balances 27 and 300 times the project cost and CRRP awardees with cash and investment balances 8 and 101 times the CRRP award amount.
- Three grant recipients indicated that their projects would proceed in the absence of CIP or CRRP funding, but they received grant funds anyway.
- By ignoring evidence that that awards weren’t necessary, and failing to thoroughly review applicants’ financial position, DED awarded funding for projects that could have been completed without an award.
- Limited documentation existed that addressed how the Department weighed the factors required to be considered for each CIP award. In addition, the impact of the numerical score sheet used in the CRRP program on award decisions and how all required factors were weighed in the CRRP award process was not documented.
- Job creation is cited as an objective of both CIP and CRRP, but we found limited documentation of any consideration of this factor and none of the grant agreements in our samples specify that this be measured.
- DED awarded \$12.9 million to organizations that promised to provide affordable childcare and/or housing to low- and moderate-income households but did not include any requirements in the grant agreements to ensure that affordability would be maintained past December 31, 2026, the end date of the agreements. Some housing projects that received CRRP awards also received funding from other affordable housing programs which required that units be permanently affordable. For those that did not and for the childcare facilities, it’s possible that limited to no benefits will be provided to low- and moderate-income households by the spending of millions of taxpayers’ dollars.

The professional auditing standards governing the work of the auditors who produced this audit require that findings and conclusions be supported by evidence that is documented. Per generally accepted government auditing standards, we offered DED an opportunity to comment on the draft audit report. DED's response included disagreement with the findings and conclusions but provided no evidence to support their claims.

When management comments are inconsistent or in conflict with the findings, conclusions, and recommendations, standards require that we evaluate them. In this case, management comments are misleading or inaccurate and we point this out in our evaluation. Appendix VII includes our evidence-based responses to passages in the Department's comments on the draft report.

Sincerely,



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State Auditor

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Speaker of the House of Representatives

The Honorable Philip Baruth  
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# Highlights

The COVID-19 pandemic caused extraordinary loss and hardship throughout Vermont. The federal American Rescue Plan Act (ARPA) of 2021 allocated \$1.05 billion of pandemic recovery assistance to the State of Vermont through the State and Local Fiscal Recovery Fund (SLFRF). According to the State of Vermont Recovery Plan, State Fiscal Recovery funds offered an opportunity to provide a solid foundation for community resilience and the State pledged to focus on transparent spending and using the recovery funds on results-oriented programs. To address some of the loss and hardship through capital investments, the Legislature allocated \$10.6 million of SLFRF funds to a new Capital Investment Grant Program (CIP) in 2021 and an additional \$40 million was appropriated to a new Community Recovery and Revitalization Grant Program (CRRP) in 2022. Both programs were to be administered by the Department of Economic Development (DED) within the Agency of Commerce and Community Development (ACCD).

The purpose of the CIP and CRRP programs is to address the negative economic impacts of the pandemic while simultaneously leveraging opportunities to grow Vermont's economy. According to the federal Final Rule for SLFRF, eligible uses include renovation or creation of childcare facilities that will serve low-to-moderate income (LMI) families, affordable housing projects for LMI households, and capital projects that assist nonprofits and small business in industries most impacted by the pandemic. In November 2022, Vermont's Agency of Administration informed the Legislature that based upon updated federal guidance the State could classify these programs under a category in the Final Rule, known as "Revenue Loss," which allowed much broader uses. Namely, any government service was an eligible use. At this point, both the CIP and CRRP programs' designs were complete, guidelines had already been distributed for CIP, and some awards had been made under CIP.

[Act 74 \(2021\)](#) and [Act 183 \(2022\)](#), the enabling legislation for the two programs, added requirements and restrictions. For example, applicants must demonstrate that grant funding is "needed" to complete the proposed project. In addition, specific factors, such as project readiness and creation and retention of workforce opportunities are required to be weighed in award decisions.

We decided to conduct this audit because of the complexity of the program requirements, the timeframe within which DED had to design and implement the award selection process and distribute funds, and the significant funds allocated to the programs. **We also viewed these programs as having risk based upon a previous audit of the Emergency Economic Recovery Grant Program administered by ACCD which raised concerns regarding ACCD's eligibility determinations and effectiveness of their award decisions.**

Our audit objective was: For CIP and CRRP grants awarded to nonprofit and for-profit organizations for projects, assess whether and how ACCD (a) determined applicants met the State's requirement to demonstrate grant funding is needed to complete the project, (b) considered factors specified in state law when making awards, and (c) limited grant amounts consistent with state law.<sup>1</sup>

### Objective 1a Findings

To qualify for funds under CIP and CRRP, Act 74 and Act 183 required for-profit and nonprofit organizations to demonstrate grant funding was needed to complete their project. Neither Act defined "need," or specified how to assess whether an applicant had demonstrated that these taxpayer funds were needed to complete the project. For the 21 CIP and 30 CRRP awards we reviewed, totaling \$17.4 million, DED relied on awardees' assertions that they met the standard DED established to measure need; funds were needed to fill a gap in funding sources for a project and projects would change in scale and/or be delayed if an award was not provided.

For CIP, the Stage 3 Review Sheet is the final summary of DED's review but this document did not include any analysis or a conclusion as to whether applicants needed CIP funds to complete the project. Rather, it only noted whether DED had received tax returns or financial statements. **Thus, there is no documentary evidence to show whether or how DED considered CIP applicants' financial position.** According to the DED Deputy Commissioner, for CRRP, tax returns and balance sheets were reviewed "to understand, generally, the applicant's financial position in conjunction with the initial review" and were also reviewed by department leadership. However, there is no documentary evidence of the initial review for 23 of the 30 CRRP awards in our sample and no documentary evidence of leadership review for 27 of the 30. Lastly, DED's Summary Sheet, used to document discussion with the CRRP team about applications, only summarized applicants' assertions regarding impacts on their project if no CRRP award was made and did not include assessment of applicants' tax returns and balance sheets. **That is, DED had limited documentation to show they reviewed CRRP applicants' financial position to validate the self-attestations regarding need, even though the State's internal control guide states that such due diligence should occur when there is significant risk associated with performing no verification.**

According to DED, the financials are helpful to understanding the applicant's financial position and fiscal viability but, in their words, "it is beyond the scope of this grant program to determine whether an applicant should either use other sources of funds or determine the feasibility for them to take on additional debt or utilize other assets to complete the proposed project. It would not be feasible to make those determinations in a fair and equitable manner nor is it the intent of these recovery funds." It's not clear why DED claimed that this could not be achieved

<sup>1</sup> Appendix I details the scope and methodology of the audit. Appendix II contains a list of abbreviations used in this report.



in a fair and equitable manner as a standard evaluation process applied in a uniform manner would appear to be fair and equitable.

Further, three awardees indicated that their project would proceed in the absence of CIP or CRRP funding, seemingly contravening the requirement to demonstrate the funds are needed, which should have disqualified them from an award. **For the 51 awards we reviewed, DED received financial documents for 40, and we noted that 10 appeared to have sufficient resources to cover the funding gaps they reported without the need for CIP or CRRP funds. In one instance, the awardee had cash that was 27 times the total project cost.**

However, **according to the Legislature’s economist, “in order to ensure that the grants truly make a difference, there must be evidence that without the grants, the projects would not occur. Spending public funds for private projects that would occur without them is unnecessary and wasteful.”** Reliance on self-assertions regarding need without consideration of an applicant’s financial position does not seem an adequate safeguard against unnecessary spending of public funds. In fact, for the State’s social welfare programs, such as Reach Up and 3Squares Vermont which have lower dollar amounts at risk, the State performs extensive verification of applicant financial position. **By relying on self-assertions, ignoring evidence that awards weren’t necessary, and excluding review of applicants’ financial position, DED awarded funding for projects that could have been completed without an award. In total DED awarded \$2,971,399 to awardees who explicitly stated their projects would proceed regardless of an award or whose financial position suggested they could complete the project without taxpayer funds.**

### Objective 1b Findings

DED had limited documentation that addressed how it weighed some of the factors Act 74 required be considered for each CIP applicant. Oftentimes this documentation contained no reasoning to support their conclusions. Without complete documentation of the CIP award decision process, it’s not possible to understand how the factors were considered in decision-making.

While DED used a numerical score sheet in the CRRP program, how it impacted the award decision process and how other factors were weighed in the process was not documented. Lacking documented justifications for DED’s CRRP award decision making, the decisions are inexplicable.

According to a senior DED official, a group of DED staff, including the DED Commissioner and Deputy Commissioner, met to discuss CIP and CRRP awards, and these meetings included consideration of the factors. Each factor required to be considered may have been compared and discussed in the team meetings described by the senior DED official, but the Stage Three Review Sheets (CIP) and Summary Sheets (CRRP) prepared to document DED’s award decisions do not address all the factors. **When management does not adequately document its decisions, they**

**cannot be transparent with the public or demonstrate whether decisions were equitable and based on the requirements in law.**

The legislation that established the grant programs required DED to create an interagency team to review, assess, and recommend applicants considering various factors before making award recommendations to the Secretary of ACCD. However, there is limited evidence that state organizations other than DED were involved in decision-making for CIP awards. Of the twenty-one CIP awardees in our sample, four submitted support letters from other State of Vermont agencies with their application materials. Two letters addressed alignment with state-level goals and workforce opportunities. Three indicated their belief that the project was transformational (i.e., regional impacts, local economy stabilization, or sector wide impacts) and the other merely commented on the awardee's regulatory standing. None mentioned net State fiscal impact, readiness, or quality, all factors required to be weighed in the award decision process.

For the 30 CRRP awards in our sample, DED solicited feedback for 15 of these from partners such as the Department of Housing and Community Development (DHCD located in ACCD) and the Department for Children and Families (DCF). We found that the other half did not receive a recommendation or feedback from DHCD/DCF or from another state entity addressing the factors an interagency team was legally required to consider.

Lacking documentation of how the required factors were weighed in award decisions and input from the required advisory function of the interagency team, it's not possible to understand whether projects that best addressed the required factors received awards. Further, DED lacks the evidence to substantiate its decisions which erodes accountability.

### **Objective 1c Findings**

CIP awards were restricted to the lesser of \$1,500,000 or the estimated net State fiscal impact (NFI), a guardrail required by law and calculated by the Legislature's and Administration's economists. The 21 CIP awards we reviewed met these restrictions. Sixteen in our sample generally received an award equal to NFI. The other five had NFIs greater than \$500,000 but only one received an award above \$500,000. It's not possible to know why because DED had limited documentation of award decisions.

CRRP awards were restricted to the lesser of \$1,000,000 or 20 percent of the project cost. As previously noted, DED used a numerical score sheet in the CRRP program and had some documentation about factors required to be included in decision-making. But how the numerical score sheet and the factors impacted the determination of the dollar amount to award was not documented. Some awardees received a higher percentage of the award amount requested despite scoring lower than other awardees. Lacking documentation to substantiate these decisions, it's impossible to know why award amounts differed. For our CRRP sample, applicants

were awarded from 50 to 100 percent of the amount requested. Fourteen in our sample received 100 percent of the amount requested and seven received 50 percent. The remainder received from 60 to 97 percent. The percentage awarded seems to have no relationship to the numerical score as some awardees that received 50 percent of their requested amount had higher scores than awardees that received 100 percent. In another example, four awardees in our sample had scores of 115; one received 74 percent of the award amount requested, another received 100 percent, and two received awards equal to 50 percent of the amount requested. One of the two that received 50 percent is a day care center. In contrast, another daycare center with a lower score (108) received 100 percent of the amount requested.

**According to the State’s internal control standards, the “concept of accountability is intrinsic to the governing process of our state” and officials who manage programs must be accountable to the public. The failure to preserve evidence to substantiate decisions impedes this accountability. Further, lacking documentation of how award amounts were decided undermines the integrity of the programs, as it’s not possible to understand whether the same process was applied consistently and fairly across awardees.**

### Other Matters

DED awarded millions of dollars to organizations that asserted they would provide childcare or affordable housing to low- to moderate-income (LMI) households but did not incorporate any requirements into the grant agreements to ensure that affordability would be maintained past the end of the grant agreement on December 31, 2026. To the extent these projects aren’t operational by December 31, 2026, affordability requirements will have expired and it’s possible no benefits will be provided to LMI households. Further, the abbreviated period of affordability for rental housing projects that received a CRRP award means these projects are not in accordance with State law which required CRRP projects to be an “enumerated use” (e.g., presumed eligible use) a defined in the SLFRF Final Rule.<sup>2</sup> According to the rule, affordable housing projects are an enumerated use if the units funded serve households that meet certain income levels and have a legally enforceable requirement to maintain housing units as affordable for a period of 20 years or greater. DED should consult with the Attorney General’s Office to determine actions, if any, can be taken to rectify the noncompliance with State law.

<sup>2</sup> State law also allowed CRRP awards to non-profit or certain for-profit organizations that have a documented negative financial impact from COVID-19. For all the affordable housing projects in our CRRP sample, DED cited “affordable housing” as the reason for the projects’ eligibility and not a negative impact from COVID-19.

## Recommendations

In the event additional rounds of funding occur for either CIP or CRRP, or in the event similar grant programs are established in the future, we make several recommendations to DED and the Legislature such as:

- for grant programs that require applicants to demonstrate need, collect, and assess financial data to ensure the applicant's financial position supports their claim of need;
- document critical conclusions or decision points when determining whether and how much funding to award; and
- when utilizing a scoring system in grant award decisions, document program scoring criteria in the grant program procedures manual and specify how the score will be used in decision-making and the significance of scores. Document how the score and other information will influence whether an award is made and the award amount.

## Background

In 2021, the Legislature authorized DED to design and implement the Capital Investment Grant Program (also known as the Capital Investment Program) and in 2022, the follow-on Community Recovery and Revitalization Grant Program (also known as the Community Recovery and Revitalization Program). Combined, the Legislature appropriated \$50,580,000 of Coronavirus State and Local Fiscal Recovery Funds to these programs.<sup>3</sup> Both programs' purpose included funding capital projects that would attract and retain businesses and create jobs. However, CIP was meant to fund transformational projects in each region of the State while CRRP was intended to address negative economic impacts of COVID-19 and to grow the State's economy with a preference for regions and communities with declining or stagnant grand list values.

The programs have some common requirements, but one notable difference is that under CIP, projects were assessed for their net State fiscal impact, and awards were limited to this amount. At the request of DED, this requirement was removed for CRRP, so there was no analysis of the economic or fiscal impacts of individual CRRP applications.

### Capital Investment Program

CIP was created by [Act 74 of 2021](#). Applicants were required to demonstrate that grant funding was needed to complete the project and the amount of the grant award was limited to the lesser of \$1.5 million or the estimated net State fiscal impact (NFI) of the project.

DED was required to collaborate with the Legislative Economist to design a data model to assess the fiscal, economic, and societal impacts of proposed projects and prioritize them based on the results. Using the model, DED was required to analyze the information provided by the applicants to estimate the NFI of each project.

The Act required the Secretary of ACCD to appoint an interagency team to review, analyze, and recommend projects for funding based on the NFI and other factors such as the transformational nature of the project for the region, project readiness, alignment with regional plans and priorities, and creation and retention of workforce opportunities. This team could include members from DED; Department of Housing and Community Development; Agency of Agriculture, Food and Markets; Department of Public Service; Agency of Natural Resources; or other State agencies and departments. The Secretary

<sup>3</sup> The Coronavirus State and Local Fiscal Recovery Fund was established under the federal American Rescue Plan Act.

was directed to consider the recommendations of the interagency team before giving final approval to the projects.

The terms “transformational” and “readiness” were not defined in the CIP program legislation but DED’s CIP FAQ described transformational projects as those that have regional impacts on workforce development or supply chain improvements, add stability to local areas with fragile economic conditions, and sector-wide impacts that other businesses will be able to benefit from. A senior DED official indicated that readiness meant those projects for which DED could be reasonably confident of completion within the ARPA deadlines and were more favorably viewed if they demonstrated they had a degree of shovel readiness.

At the time the awards were announced, DED considered them “proposed” as grant agreements had not been finalized. Of the \$10,580,000 appropriated to the CIP program, DED awarded \$7,382,576 to 32 projects. See [Appendix III](#) for details. **The remaining funds were redirected to the Community Recovery and Revitalization Program, which did not require calculation of NFI. Thus, \$3.2 million (30 percent of the initial appropriation) was no longer subject to the NFI analysis required for the CIP so DED has no means to measure fiscal value to the State.**

CIP funds are paid to awardees on a reimbursement basis upon providing proof of expenditures. Through April 30, 2024, \$3,841,835 has been paid to 21 awardees.

## Community Recovery and Revitalization Program

CRRP was created by [Act 183 of 2022](#). Like CIP, applicants had to demonstrate that grant funding was needed to complete the project. New under CRRP, the state law specified that for-profit and nonprofit applicants must have documented financial impacts from the COVID-19 pandemic or had to use the funds for an enumerated use as defined in the U.S. Treasury Final Rule for Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The CRRP Act also added the requirement for DED to consult with the Joint Fiscal Office (JFO) to develop guidelines and approval processes for the program and to submit the proposed guidelines and processes to the Joint Fiscal Committee (JFC) and chairs of the relevant legislative committees of jurisdiction prior to accepting applications for grants. Proposed CRRP guidelines were submitted to the JFC and the Commissioner of DED provided an overview of the guidelines to the JFC on September 21, 2022.

As with the CIP program, the Secretary of ACCD was directed to appoint an interagency team to review, analyze, and recommend projects for funding.

The team's review was required to be consistent with the guidelines developed in coordination with JFO and to incorporate the factors listed in Act 183. The factors were those considered under the CIP program, including readiness and workforce creation and retention, except the requirement to consider the transformational nature of the project was removed. Readiness was not defined in the CRRP legislation, but DED's Reviewer Manual, the instructions for reviewing applications, addressed project readiness, specifying that preference would be given to projects that are ready to move forward and that funding from the program will close a gap that would otherwise keep the project from proceeding.

CRRP awards were limited by the Act to the lesser of \$1 million or 20 percent of the total project cost. The total allocated to the CRRP is comprised of the original appropriation to the program of \$40 million plus \$3.4 million remaining from the CIP program. The total awarded under the CRRP program was \$42,345,951. Of the total awarded, \$27,130,812 was to 102 nonprofit and for-profit businesses which is the focus of this audit. See [Appendix IV](#) for details. An additional \$15,215,139 was awarded to municipalities for water, sewer, and wastewater projects. Another \$1,033,291 may be used for administrative costs but a final decision has not been made.

The first CRRP awards were announced on March 14, 2023. The fourth and final round was announced on January 11, 2024. Awards are considered "proposed" until grant agreements are finalized. Once grant agreements are signed, funds are paid on a reimbursement basis upon providing proof of expenditures. Through April 30, 2024, \$5,861,277 has been paid to 36 nonprofit and for-profit awardees.

## Objective 1a: DED Failed to Conduct Sufficient Due Diligence of Applicant Need for Awards, Overlooking Information that Disproved Need for Some Applicants

To be eligible for an award, Act 74 and Act 183 required that applicants demonstrate grant funding was needed to complete the project. DED relied on awardees' assertions about funding shortfalls and claims that projects would be delayed or reduced in scale without an award as demonstrating need. DED did not design processes to determine whether the project in fact would be delayed or reduced, or to corroborate the funding gap with a thorough and documented review of each applicant's financial position and



inquiry about alternate means of funding the projects such as bank loans or the applicant's own funds. We noted a few awardees who indicated the project would proceed regardless of an award and several other awardees appeared to have adequate resources to proceed without an award. **In total, DED awarded \$2,971,399 to awardees who either explicitly stated their project would proceed regardless of an award or whose financial position suggested they could complete the project without an award.** Reliance on self-assertions regarding need without thorough consideration of an applicant's financial position and documentation of this assessment increased the risk that funds would be awarded in instances for which they weren't needed.

## DED Relied on Applicant Self-Assertions to Demonstrate Need for Awards

All 51 of the awardees in our CIP and CRRP samples, totaling \$6,052,115 and \$11,388,509, respectively, submitted information to DED that showed a gap between the funding sources that were available to them **at that time** and their project cost, meaning that the sources were less than the cost of the project. In addition, the majority of awardees asserted that without additional funding from the grant programs, the project would be delayed, or the scale of the project would be reduced. DED relied on these assertions as demonstrating need instead of designing processes to determine whether the project in fact would be delayed or reduced, or to corroborate the funding gap with a thorough and documented review of each applicant's financial position and inquiry about alternate means of funding the projects such as the applicants' own funds or bank loans.

Neither Act specified the definition of need or how to evaluate whether an applicant had demonstrated that taxpayer funds were needed to complete the project. Rather, DED had the flexibility – and in fact was required by the Legislature - to design and implement the processes used to assess whether an applicant demonstrates that “grant funding is needed to complete the project” for CIP and CRRP.

**DED did not develop written guidelines for reviewing CIP applications. In response to our request for guidelines, DED provided its CIP Program Overview. While this document provides guidance on how to assess applicant eligibility under the U.S. Treasury Final Rule for SLFRF, the remainder of the document is largely a general description of the application process and workflow for DED's selection process. The CIP Program Overview does not address how DED will evaluate whether “grant funding is needed to complete the project,” and other than stating that NFI will be the upper limit of award amounts, provides no**



**guidance for application reviewers or the required interagency team about how to evaluate the factors that the law required be considered in award decisions.**

DED recorded its analysis of each application for CIP in two standard review sheets. According to the Deputy Commissioner, the Stage 3 Review Sheet is the final summary of DED's review. This review sheet recorded whether DED had received tax returns or financial statements but did not include any analysis or a conclusion as to whether the applicant needed CIP funds to complete the project. **According to DED personnel, applications were reviewed by a group that included the Commissioner and Deputy Commissioner of the Department of Economic Development. However, DED has no documentary evidence of these discussions other than the review sheets. Thus, there is no evidence to show whether or how DED considered applicant financial position.**

For CRRP, DED was required to consult with the JFO and to submit proposed guidelines and processes to the Joint Fiscal Committee (JFC). The guidelines provided to JFO and submitted to the JFC stated, "review of applicant need: balance sheets, tax returns, sources and uses statements." While vague, it might give the impression that DED planned to consider the applicant's financial position in connection with determining the need for a grant. Further, guidance in the CRRP Reviewer Manual instructs application reviewers to review and document information from federal and state tax returns and balance sheets. Specifically, the CRRP Reviewer manual advised application reviewers to concentrate on three basic items of information to demonstrate need: 1) financial records, 2) applicant need, and 3) sources of funding.

1. CRRP applicants were required to provide federal and state tax returns and balance sheets. The reviewer was advised to make a note in the score sheet if the entity had a revenue decline, whether the financial results indicate need for a grant award, the amount of investments, including cash-on-hand the applicant had, if the applicant had marketable securities, and if there was evidence of losses.
2. Applicant need – Reviewers were instructed to review applicants' responses to questions regarding need and to indicate how the project would differ but for the CRRP funding. Twenty points were awarded if the applicant stated that the project would differ in timeline – be delayed, for example, or if the project would differ in scale – or if some parts of the project would not go forward without the CRRP award. No distinction was made as to whether the project would be delayed for a very short time – while the applicant secured additional funding elsewhere, for instance – or if the project would be delayed a year or more. Further,

there was no distinction regarding the extent to which the scale of the project might change.

3. Sources of funding – Each applicant was asked to provide the sources of funding for the project and the funding gap – the difference between these sources and the uses of the funds to complete the project. The applicant was awarded 20 points for demonstrating a funding gap that CRRP would help close. DED did not always require detailed sources and uses information at the time of the application.

According to the Deputy Commissioner of DED, tax returns and balance sheets were reviewed “to understand, generally, the applicant’s financial position in conjunction with the initial review. If the box was left blank, there were no substantive factors to note at that stage.” This is contrary to the guidance in the Reviewer Manual, and we found that for our sample of 30, the application reviewer made no notes in the score sheet (23 awardees) or incomplete notes with limited or no reference to the applicant’s financial records (7 awardees). The Deputy Commissioner of DED explained that department leadership also reviewed balance sheets and tax returns but the notes from this review only addressed financial status of the applicant in three of the awards in our sample. Without this documentation, it’s not clear what, if any, assessment of financial position occurred and DED lacks evidence to substantiate its decisions.

**DED’s “Summary Sheet,” used to document discussions with the CRRP team regarding the applications, contained a section that addressed funding needs, but this section only summarized applicants’ assertions regarding impacts on their project if no CRRP award was made. It did not include documentation of DED’s assessment of the applicants’ tax returns and balance sheets. Further, for all the CRRP awardees we reviewed - which were from award rounds one and two - the Summary Sheets were not prepared contemporaneous with the award decisions. That is, the discussions of the Round One and Two applications were documented many months after the award decisions (during Round 3), versus promptly as recommended by the State’s internal control guide. According to DED, the score sheets were also used in the team discussion and in decision-making and these serve as a record of the discussions. As we previously noted, 23 of the 30 that we reviewed had no notes about the applicant’s financial records.**

In explaining the actions taken to determine need, DED acknowledged that financials are helpful to understanding the applicant’s financial position and fiscal viability but stated “it is beyond the scope of this grant program to determine whether an applicant should either use other sources of funds or determine the feasibility for them to take on additional debt or utilize other

assets to complete the proposed project. It would not be feasible to make those determinations in a fair and equitable manner nor is it the intent of these recovery funds.” In contrast, extensive verification of applicant financial position, via matches with automated systems or documentation submitted by applicants, is performed for applicants to State social welfare programs such as Reach Up and 3Squares Vermont even though the benefit amounts per applicant are significantly less than the amounts available to individual CIP and CRRP awardees. For example, under 3Squares Vermont, a family of four will receive \$11,676 per year while the median award in our CIP sample was \$187,674 and the median in our CRRP sample was \$448,869.

According to the State’s internal control guide management should determine which information should be verified based on the risk if there were no verification of the information. The guide lists reviewing and verifying participant’s eligibility for State program services as an example. Given that applicant’s “need” is foundational to eligibility under CIP and CRRP and there was the potential that DED could award \$1 million or greater of State resources, the risk associated with this determination is significant. Additional procedures to assess applicant need could have mitigated this risk.

**Reliance on self-assertions regarding need, the lack of documentation of DED’s review of tax returns and balance sheets, and the failure to consider whether applicants could pursue other grants, obtain a loan, or use their own resources increased the risk that funds would be awarded in instances where they weren’t needed. Further, as the Legislature’s economist observed in discussing the CIP program, “in order to ensure that the grants truly make a difference, there must be evidence that without the grants, the projects would not occur. Spending public funds for private projects that would occur without them is unnecessary and wasteful.”**

DED could have chosen to incorporate an assessment of applicants’ financial position that included assessing whether an applicant could pursue other grants, had sought but was unable to obtain loans, or could utilize its own assets to complete the proposed project. It’s not clear why DED claimed that this could not be achieved in a fair and equitable manner as a standard evaluation process applied in a uniform manner would appear to be fair and equitable. DED could have worked with the Legislature, the Joint Fiscal Office, or the State Economist to create a fair and equitable system for incorporating an assessment of financial position into the evaluation of need.

## Some Applicants Indicated Projects Would Proceed Without an Award and CIP's Technical Working Group Doubted Award was Essential for Others

The CIP Stage 2 application form included three questions that relate to whether CIP funds were needed to complete the project. For two of the twenty-one awardees we reviewed, the awardees stated in their applications materials that the project would proceed in the absence of CIP funding. For example, one awardee stated the project “would proceed without this investment from the State” and “would likely not be derailed by the absence of CIP funding.” This contradicts the requirement that applicants demonstrate CIP funds are needed to complete the project and disqualifies the applicant.

The CIP Technical Working Group (TWG), responsible for calculating the net State fiscal impact (NFI) which capped the amount of CIP awards, pointed out that there is no net fiscal benefit to the State unless the CIP award is an essential condition of the project. As a result, the TWG calculated the NFI of each project on the assumption that the CIP award was indeed essential. The TWG, comprising the Legislature's and Administration's economists and a DED staff member, produced a memo for each applicant. The memos were written by the economists who reached consensus on the NFI. For two CIP awards in our sample, the TWG expressed doubt about whether an award was needed for the projects to go forward.

- The TWG stated that one project would occur without a CIP grant as a normal profit-maximizing decision, based on the team's calculation that the project's payback period would be less than four years even without CIP.
- For another project, the TWG stated "it is difficult to argue that this project would not be built without state CIP funding."

DED awarded funds for these two projects despite these concerns expressed in the economists' joint memos.

DED asked CRRP applicants for the effect on the project if an award was not received. All but one awardee in the sample asserted that they would delay the project or eliminate some features of the project. In some cases, the applicant stated they would not be able to start the project. However, one CRRP awardee stated in their application forms that if they did not receive a CRRP grant, they would proceed nonetheless and that there would be no change to the scale of the project and no delay as the organization would

obtain a loan. Thus, the applicant did not demonstrate that CRRP was needed to complete the project and should not have received an award.

In total, DED granted \$1,811,523 to these five awardees across both programs.

## Despite Assertions That Funding was Needed to Complete Projects, Some Awardees Appeared to Have Enough Resources Without a State Grant

From our sample of 21 CIP awardees, 10 submitted financial documents such as tax returns and balance sheets. A senior DED official explained that subrecipients were not asked to submit tax returns or financial statements.<sup>4</sup> Because DED did not have financial statements or tax returns for all applicants, we obtained Form 990, the publicly available Internal Revenue Service (IRS) form required to be submitted by nonprofits, for another six. **Of the 16 for which we had financial information, six awardees had cash and investments on hand that exceeded the total costs of their projects. DED did not ask why these awardees could not use these resources to complete their projects and in total awarded \$1,336,399 to these six.**<sup>5</sup>

- One awardee's IRS Form 990 showed it had cash and investments more than 27 times the project cost. In addition, the awardee submitted information to DED that indicated they had intended their own resources to pay for a portion of the project, but a later update showed these resources had been removed and replaced with non-CIP grants. The original amount pledged exceeded the amount of the CIP award. This further undermines the awardee's assertion that CIP funds were needed to complete the project.
- **In another case, the awardee's IRS Form 990 showed it had cash and investments more than 300 times the project cost.**

For the CRRP Program, the numerical score sheet DED used to review each application contained a question about demonstrated need in relation to the financial status of the applicant. The question asked the reviewer to review tax returns, balance sheets, debt, and losses and indicate how these should impact the calculation of the award. In 23 of the 30 applications in our sample, DED had not written a response to this question. In the seven

<sup>4</sup> A subrecipient is a non-federal entity that receives a sub-award to carry out a part of a federal program. It does not include an individual that is a beneficiary of such a program.

<sup>5</sup> Two of these with awards totaling \$658,147 are the same organizations that stated in their applications materials that the project would proceed in the absence of CIP funding. See report page 11.

applications in which the score sheet contained a response, six indicated that there was no impact and one indicated that the applicant was operating at a loss.

DED management stated that when there was no response, DED had not found any substantive factors to note. Given that the Reviewer Manual advised reviewers to make note in the score sheet “the amount of investments, including cash-on-hand the applicant had...this should include unrestricted investments” and to note if the applicant “possesses marketable securities or other assets” it’s not clear why the box was empty for several awardees with millions of dollars shown on their tax returns as cash or marketable securities.

Of the 30 CRRP awardees we reviewed, all submitted financial documents with their applications.<sup>6</sup> Of these, four awardees had cash and investments on hand that exceeded the amount requested for a CRRP award. In total, these awardees received \$481,624 for projects costing \$3.5 million when they had \$9.4 million on hand. Even with some applicants’ financial information clearly showing large amounts of resources, we did not find a single instance where DED documented that the financial information made an impact on the award amount.

- **For example, tax records for one awardee showed they had cash equal to the amount of the project cost and eight times the CRRP award amount.**
- **In another example, an awardee had cash that was 20 times the entire project cost and 101 times the CRRP award amount.**

**By relying on self-assertions, ignoring evidence that awards weren’t necessary, and failing to thoroughly review applicants’ financial position, DED awarded funding for projects that could have been completed without an award. In total DED granted \$1,818,023 to awardees who indicated the project would proceed regardless of an award and awardees whose financial position suggested they could complete the project without an award. As a result, funds may have been diverted from applicants that needed funds to complete a project and either did not receive awards or received less than needed.**

<sup>6</sup> For purposes of the report, we refer to all successful applicants as awardees even though five of the thirty CRRP awardees in our sample did not have signed grant agreements as of May 9, 2024.

## Most Awardees that Received 50 Percent or Less of Requested Award had Project Delays or Scope Changes

Proceeding with projects with less funding than requested could be viewed as undermining the awardees' original claims of the need for CIP or CRRP grant funds to complete projects. Conversely, project delays or scope changes for projects that received less funding than requested could be viewed as bolstering awardees' assertions regarding the need for grant funds to complete projects. We found examples of both circumstances in our CIP and CRRP samples.

### CIP

Generally, because of the NFI calculations by the economists, DED awarded 50 percent or less of the amount requested for 20 of the 21 CIP awardees in our sample. Three were subsequently awarded additional funds through CRRP so that their total award was more than half what they had requested in their CIP application: these three all proceeded with their projects. Of the remaining seventeen, eight have not received grant payments even though the grant agreements were signed more than a year ago. One of the eight has withdrawn from the program citing business conditions, including high inflation and interest rates, depleted cash reserves during COVID, and a slow recovery in the retail business sector. Of the other seven, one stated in its progress reports that the delay was related to setbacks in obtaining non-CIP funds and six cited reasons not related to lack of funds.

Another nine that were awarded less than half of what they requested have drawn CIP funds. Two of these have drawn less than fifteen percent of the grant amount thus far and according to the organizations are on hold due to uncertainties with the project. Six have received 100 percent of the grant amount.

- One reduced the project scope and cost which supports the awardee's contention that CIP funds were needed to complete the project.
- The other five identified funding elsewhere and continued with the project as described in the application. Three of these are for-profits that either obtained loans or grants or used their own resources. The other two are non-profits and obtained additional grant funds or used their own resources.

Lastly, one has received payments equal to 84% of the award amount. This awardee identified other funding sources and continued with the project as described in the application.



To the extent awardees were able to identify other non-CIP funding sources, it undermines their contention that a CIP grant was needed to complete their projects. Had DED reviewed applicant financial position or inquired about whether applicants had pursued all potential funding sources, these awards may not have occurred or been for lower amounts. Although this control was not in place, the NFI acted as a guardrail, constraining CIP awards to the fiscal value to the State.

### CRRP

DED awarded 50 percent or less of the requested amount for 7 of the 30 awardees in our sample of CRRP awards. One of the projects proceeded, while others appear stalled as they did not have signed grant agreements or had received very little or no grant payments.

Three of the seven awardees with proposed awards less than 50 percent of the amount requested did not have signed grant agreements as of the end of April 2024, even though the awards occurred more than one year ago. According to DED, the department is waiting to obligate funds until they are certain the projects will proceed. Based on correspondence between DED and the three awardees without signed grant agreements, one has experienced an increase in costs for which they are seeking additional funding sources; another is working to finalize a complex funding structure; and the last has not provided documentation required by DED to complete the grant agreement. Two of the seven awardees signed grant agreements in June of 2023 but grant payments of a mere \$6,000 have occurred. The lack of grant payments could indicate the projects weren't ready to proceed at the point the awards occurred, or the project was delayed while additional funding was sought to replace the portion of CRRP requested but not received, or there was some other reason for delay.

## Objective 1b: Some Required Factors Evaluated but Award Decisions Largely Made Without Required Input from Outside DED

Act 74 (CIP) and Act 183 (CRRP) required certain factors to be considered in making award decisions, including project readiness, alignment and consistency with regional plans and priorities, quality, and creation and retention of workforce opportunities. CIP also required that applications be assessed based on their net State fiscal impact (NFI) and the transformational nature of the project for the region. DED did not always document their consideration of these factors; for the CIP program, DED collected



information that was relevant to the factors, but largely failed to document any conclusions drawn from that information. **DED created a numerical spreadsheet to assess applications to the CRRP program, but the spreadsheet did not include job creation and retention or quality and there was limited documentation of discussions that DED indicated had occurred relative to the factors. Thus, it's unclear how these factors weighed in decision-making. Lacking this documentation reduces transparency of decision-making and undermines accountability for public resources.**

The Acts also directed DED to create an interagency team from other state departments and agencies to review applications based on the factors stated in these laws. By failing to obtain recommendations from an interagency team based on required factors for most CIP awards and half of the CRRP awards in our sample, DED omitted a control that could have helped to ensure achievement of desired results and effective stewardship of public resources.

### Limited Documentary Evidence of DED Analysis of Required Factors in CIP Award Decisions

The CIP application process was designed to collect information on factors required by Act 74 to be considered in award decision making such as project readiness, alignment and consistency with regional plans and priorities, and NFI. However, DED did not have written procedures that explained how the factors were to be evaluated and the weight attributed to each factor. Documentation of DED's assessment of applications included references to some of the factors, but oftentimes contained no reasoning to support their conclusions. For example,

- The Review Sheet used by DED in the Stage One application phase asked application reviewers to note whether "Project is transformational." We received copies of the review sheet for 14 of the 21 applications in our sample, and for 4 of these the response was "yes" with no further explanation and no evidence cited to substantiate the conclusion. For two the response was "no" with no further explanation, for one the response was "potentially", with some explanation but no evidence cited, and for seven there was no response. In the CIP FAQ, transformational projects are described as "those that have regional impacts on workforce development or supply chain improvements, add stability to local areas with fragile economic conditions, and sector-wide impacts that other businesses will be able to benefit from." Lacking documentary evidence of DED's reasoning, it's not clear which, if any, of these impacts were

predicted to occur and how the application reviewer determined a project was transformational.

- The Stage Three Review Sheet, the primary evidence of review of CIP applicants according to a DED senior official, includes a section on readiness, with a series of questions addressing timeline, status, and sources of funding. However, there is no assessment of the readiness of the project and no conclusion. Each applicant's Stage Three Review Sheet generally had the statement that "they have sufficiently demonstrated community and regional support for the project," but the review sheet did not record the evidence or reasoning behind that conclusion. Further, the Stage Three Review Sheet did not include a section to document whether a project was transformational.
- Neither the Stage One nor Stage Three Review Sheet addressed creation and retention of workforce opportunities.

**According to a senior DED official, a group of DED staff, including the DED Commissioner and Deputy Commissioner, met to discuss awards and these meetings included consideration of the factors. However, no minutes were maintained so there is no documentary evidence of the deliberation of these factors other than the review sheets. If the "transformational" nature of projects or other factors were addressed in these meetings, there is no documentary evidence to substantiate how this factor or others influenced award decisions. Without documentation, though, it's unclear how these factors were weighed in decision-making.**

### Some Required Factors Used in CRRP Award Decisions

The numerical score sheet used to assess CRRP applicants incorporated some of the required factors, such as project readiness and alignment and consistency with regional priorities but did not include job retention and creation and quality. As previously noted, DED was required to consult with JFO on the guidelines developed to implement the CRRP program, but DED did not provide the score sheet to JFO.

The maximum potential score from the numerical score sheet was 160 points and within this total, project readiness and program priorities (project located outside of Chittenden County, in a qualified census tract, in a declining grand list town, on regional priority list, etc.,) accounted for 100 points. For the 30 awards we reviewed, the range of points calculated by DED for projects ranged from 65 to 130 points. DED did not establish a minimum

total score needed for an award and seven of the awardees we reviewed scored 95 or below (less than 60 percent of total potential points).

**Act 183 states that one of the purposes of CRRP is to create new jobs. Applicants were asked to provide information about job retention and creation as part of their application. However, DED’s guidelines for application review, the Reviewer Manual, did not address jobs.** Some awardees estimated that jobs would be created. Of the CRRP awards in our sample of 30, totaling \$11,388,509, awardees estimated a total of 250 jobs would be created. However, it’s not clear if jobs or lack thereof impacted award decisions because “jobs created and retained” was not a factor included in the numerical score sheet and most of the Summary Sheets written by DED to document their rationale for making the awards do not address jobs. **DED asserted that they considered job creation and retention in their overall review, but we found limited documentation of any consideration of this factor.**

The numerical score sheet does not contain a field for assessing project quality and DED’s Reviewer Manual does not specify how quality will be assessed. Furthermore, none of the Summary Sheets in our sample of 30 address project quality.

The numerical score sheet largely consists of a series of yes/no questions where the applicant received all or nothing for points. As a result, it provided less refined information for award decision making. **For example, the numerical score sheet section on readiness directed application reviewers to award points for “acknowledging permit needs”** and percent of committed funding. Several projects received full points for acknowledging they needed permits, but had not applied for them, while one project received full points for having nine permits in hand. In terms of judging readiness, there is a significant difference between *having all permits in hand* and merely acknowledging the need to seek permits and having a plan to apply for them. **A scoring system that differentiated between those with all permits in hand, those who have applied for all permits but do not yet have all permits in hand, and those who have not yet applied for permits would more clearly convey readiness and make the scoring system more useful to award decisions.** See Exhibit 1.

### Exhibit 1: Numerical Score Sheet Project Readiness Section

Project Readiness		
Determines if project is ready to move forward.	40 points total available	Description of characteristics ACCD used to demonstrate readiness:
Capital Stack	0	<25% of needed funding secured
	8	25% - 49% of needed funding secured
	15	50% - 74% of needed funding secured
	30	>75% funding secured
Permitting	10	applicant acknowledged permitting needs and articulated plan for obtaining them

According to DED, the numerical score was taken into consideration, but many other criteria were used in award decision making. However, DED did not have written procedures that explained how the numerical score would be weighed in decision making and the score was not documented in the Summary Sheet.

Similar to CIP, a senior official of DED explained that a group of DED staff, including the DED Commissioner and Deputy Commissioner, met to discuss awards and these meetings included consideration of the factors. Each factor required to be considered may have been compared and discussed in team meetings described by the senior DED official, but the Summary Sheets prepared to document DED's award decisions do not address all the factors, so if discussions of these factors were held, there is no record of whether and how these factors were taken into consideration.

**Lacking documentation of how (or if) the factors and the numerical score were weighed in award decisions reduces the transparency of decision-making and undermines accountability for public resources.**

### Most Award Decisions We Reviewed Lacked Input from Interagency Team

The Legislature directed DED to create an interagency team for both CIP and CRRP, pulling members from among the DED; the Department of Housing and Community Development; the Agency of Agriculture, Food and Markets; the Department of Public Service; the Agency of Natural Resources; or other state agencies and departments, though the membership did not need to include all organizations listed in the law. However the team was established, it was required to serve as an advisory body to the Secretary of ACCD, assisting in

the decision-making process. Specifically, to review and recommend projects for CIP and CRRP funding based on the various factors specified in law. An advisory team can serve as a form of checks and balances in the grant allocation process, serving as an independent review and evaluation and to ensure consistency and fairness in treatment of grant applicants and that award decisions are aligned with the objectives of the grant program. When testifying about the proposed CIP program, the Legislature's economist noted that it was important to put funds in places where it makes a difference and changes what would otherwise occur. He noted that the process needs to be fair and transparent and "loading it up in one agency, with a model they develop and criteria and such that are internal is a recipe for disaster." He also emphasized that there should be "as much transparency as possible in the application, review, approval, and post-award follow-up processes."

### DED Sole Evaluator in Most CIP Awards Reviewed

In addition to the requirement in Act 74 to form an interagency team to review, analyze, and recommend projects for funding, the CIP Notice of Funding Opportunity (NOFO) described the funding decision process, including an interagency team responsible for reviewing, analyzing, and ranking projects for funding based on numerous factors such as transformational nature of the project for the region, net fiscal impact, project readiness and quality, and creation and retention of workforce opportunities.

**DED did not provide documentary evidence of review or recommendation from other state entities for 17 of the 21 applicants in our CIP sample.** Four awardees submitted support letters from State of Vermont organizations with their application materials: one from the Department of Children and Families (DCF), one from the Department of Forests, Parks, and Recreation, and two from the Agency of Agriculture, Food and Markets. Two letters addressed alignment with state-level goals and workforce opportunities. Three indicated their belief that the project was transformational. None mentioned net fiscal impact, readiness, or quality. In particular, the letter from DCF regarding a childcare facility applicant did not address any of the factors listed in Act 74. Instead, it commented on the regulatory standing of the applicant and indicated the high need for childcare in Franklin County.

### Half of CRRP Award Decisions Lacked Input from Outside of DED

DED's CRRP Reviewer Manual described the steps to review for-profit and nonprofit applications. The manual required a partner agency review by the Department for Children and Families (DCF) for childcare projects and the Department of Housing and Community Development (DHCD) for affordable

housing projects before the reviewer could submit the application for DED leadership review.

Our analysis of 30 CRRP awardees showed that 15 (50 percent of the sample) did not receive a recommendation or feedback from DHCD/DCF or from another state entity addressing the factors an interagency team was legally required to consider. These 15 applicants comprised \$4.3 million of the \$11.4 million of awards we reviewed, and award amounts ranged from \$6,000 to \$500,000.

DED obtained recommendations and commentary for the other 15 proposed awards comprising \$7.1 million in our sample from the following state entities:

- DCF's Child Development Division for seven applicants with childcare projects (23 percent of the sample),
- DED's Department of Housing and Community Development for six applicants with affordable housing projects (20 percent of the sample),
- Agency of Natural Resources for one applicant with an upgrade for a wastewater system, and
- Agency of Agriculture, Food and Markets for one applicant with a building renovation and expansion project.

By failing to obtain recommendations from an interagency team based on required factors for most CIP awards and half of the CRRP awards in our sample, DED missed the opportunity to increase the transparency of its decision-making and omitted a control that could have helped to ensure DED achieved desired results and effective stewardship of public resources.

## Objective 1c: DED Did Not Document Rationale for Differing Awards Amounts, Although They Stayed Within Legal Maximums

Act 74 limited CIP grants to the lesser of \$1,500,000 or the estimated net State fiscal impact of the project, and Act 183 limited CRRP grants to the lesser of \$1,000,000 or 20 percent of the total project costs. In both samples, DED made awards that were within these statutory limits. In most cases for our sample of 21 CIP awards, NFI limited award amounts to less than \$500,000. In five instances, NFI was higher but only one awardee received an amount greater than \$500,000 and DED's documentation did not address

what warranted this distinction. Further, DED did not clearly document how the amounts awarded were related to the numerical scores calculated under the CRRP program and the factors required to be considered in award decisions. **According to the State's Internal Control Guide for Manager's, documentation serves to substantiate decisions. Without documentation that explains amounts awarded, DED's decisions lack transparency and it's difficult to know whether CIP and CRRP resources were allocated to awardees in ways that achieve the purposes for which these funds were authorized and intended.**

## Reasoning Unclear for Differing Award Amounts

State law limited CIP grants to the lesser of \$1,500,000 or the estimated net State fiscal impact of the project and all the awards in our sample complied with these limits. For most of our CIP sample, the award amounts were less than \$500,000 and were equal to NFI. According to the CIP Program Overview, DED expected most awards would not exceed \$500,000 but did not address circumstances that would warrant a higher amount. In five instances, NFI exceeded \$500,000 but only one of these projects received an award greater than \$500,000. The Stage Three Review Sheet for this project documented the award as \$500,000 and did not indicate that a higher award was warranted even though an amendment to the grant agreement increased the amount to almost \$1 million. After the original award, the awardee requested an increase to its CIP award and DED approved it based on the awardee indicating it did not borrow as much as intended and had a shortfall. For the other four, none of the Stage Three Review Sheets addressed why the award amount remained at \$500,000 when NFI was higher. Because of the limited documentation of award decisions, it's not clear why only one received more than \$500,000. According to a DED official, the four awardees did not ask for additional funds. However, none of the CIP program materials indicate that awardees may ask for higher awards.

State law applicable to CRRP allowed awards up to the lesser of \$1 million or 20 percent of total project costs. All the awards in our sample were in accordance with these limits. See Exhibit 2 for the award amounts and award as a percentage of total project costs for our sample.



**Exhibit 2: Award Amounts and Award as a Percentage of Total Project Costs  
for Sample Selection**

Applicant	Award Amount	Award as a Percentage of Total Project Costs
Center & Wales	\$500,000	1%
Paramount Center	\$154,462	3%
Otter Creek Child Center	\$500,000	5%
Springfield Regional Development Corp.	\$500,000	7%
Tri-Park Cooperative Housing	\$500,000	7%
Lake Champlain Community Sailing Ctr.	\$312,326	7%
Town Hall Theater	\$500,000	8%
Hale Resources	\$500,000	9%
NEKDC-Yellow Barn	\$1,000,000	10%
Bolton Valley Resort	\$500,000	10%
Gilman Housing Trust	\$360,228	13%
Montessori School of Central Vermont	\$449,309	13%
Turning Point Center	\$500,000	15%
Pittsford Village Farm Redevelopment	\$437,111	15%
American Precision Museum	\$500,000	16%
Friends of the Jeudevine Library	\$500,000	16%
The Learning Tree Child Care Center	\$166,733	18%
GMEDC-OCPC Randolph	\$1,000,000	19%
Neck of the Woods	\$468,400	19%
Sienna Construction	\$500,000	19%
KSL	\$1,395	20%
Ledgenear Farm	\$201,450	20%
3B	\$90,000	20%
ABC Academy	\$406,000	20%
Cellars at Jasper Hill	\$261,600	20%
Holton House	\$110,000	20%
Springfield Hospital	\$60,000	20%
The Willowell Foundation	\$296,160	20%
Tullar Group	\$48,730	20%
VT Granite Museum	\$60,000	20%

Per the CRRP Reviewer Manual procedures, awards would not exceed \$500,000 unless they showed exceptional need and that the award was made in consultation with DED leadership. Two applicants in our sample received \$1 million awards, but the scores for these two were equal to or lower than nine others that had requested more than \$500,000 and did not receive it.



The Summary Sheets for both \$1 million awardees cite reasons for the awards such as the nature of the project (e.g., childcare facility) but do not explain how they “showed exceptional need.” As the documentation of award decisions did not address the rationale for this differing treatment, it’s not clear why two and not the nine others received more than \$500,000.

CRRP applicants were awarded from 50 to 100 percent of the amounts that were requested. Fourteen applicants in our sample received 100 percent of the amount they requested and seven received 50 percent. The remainder received from 60 to 97 percent of their request.

**The amount awarded or the percent of amount requested that was awarded seem to have no relationship to the score DED calculated.** For example, in our sample,

- Seven were awarded 50 percent of the amount the requested and the score for these ranged from 65 to 115 points.
- Fourteen were awarded 100 percent of the amount they requested, and the scores ranged from 80 to 130 points.

For those in our sample that received the same score, the award amount as a percentage of amount requested varied.

- Four had scores of 115; one received 74 percent of the award amount requested, another received 100 percent, and two received awards equal to 50 percent of the amount requested. One of the awardees that received 50 percent is a day care center. In contrast, another day care center with a lower score (108) received 100 percent of the amount requested.
- Four had scores of 95; one received 87 percent of the amount requested and three received 100 percent. One of the awardees that received 100 percent is a day care center. In contrast, another day daycare center with a higher score (105) received only 94 percent of the amount requested.

While DED used a numerical score sheet in the CRRP program, how the score impacted the selection process and how other factors were weighed in the selection process was not consistently documented. Thus, it’s impossible to know why these awards differed. Specifically, there is no understanding of why projects with higher scores received less than projects with lower scores.

**According to the State’s internal control standards, “public sector managers are responsible for managing the resources entrusted to them to carry out government programs” and the “concept of accountability is intrinsic to the governing process of our state.” Officials who manage programs must be accountable to the public. The failure to preserve evidence to substantiate decisions impedes this accountability. Further, lacking documentation of how award amounts were decided undermines the integrity of the programs, as it’s not possible to understand whether the same process was applied consistently and fairly across awardees.**

### Some Awards Greater than the Projects’ Fiscal Value to the State

**At DED’s request, the Legislature removed the requirement for the economists to calculate an NFI from the CRRP program. The law also allowed CRRP grants to be combined with funding from other sources so did not prohibit organizations from receiving funding through both CIP and CRRP. For those who had applied under the CIP program and for which the NFI had been calculated, DED knew the maximum net fiscal impact the project would provide to the State. Therefore, when DED made CRRP awards to those projects above the calculated NFI, DED knowingly made awards *above* their estimated fiscal value to the State. In addition, because NFI wasn’t required under CRRP, for those projects that did not apply for a CIP award the information to assess whether a project has a positive fiscal impact is not available.**

Nine projects received both CIP and CRRP awards. To the extent awardees submitted the same project under both programs and the input values did not change (e.g., changes in mix of project expenditures, such as labor or materials), the NFI calculated under CIP would be the same under CRRP. Based on the CIP and CRRP application materials, it appears that while costs either increased or were unchanged for all nine projects, project scope remained the same for only six. According to the Legislative economist, if inflationary costs raise the project cost but the input mix remains constant, the NFI is likely to increase proportionally with the expenditure increase. If this is the case, even with NFI increased for inflation, we estimate that the combined award amounts for these six projects exceeded NFI by about \$850,000. For the three with scope changes, the input values would be different for the NFI calculation and it’s not possible to estimate a possible impact on NFI. Thus, these projects were excluded from our estimate of the amount the combined awards exceeded NFI.

Three other applicants in our CRRP sample also applied under the CIP program but did not receive a CIP award. For two of these, the projects in the

CRRP application differed somewhat from those in the CIP application. For the one where the project appeared the same, after adjusting NFI for inflationary costs, we estimate that the CRRP award exceeds NFI by approximately \$410,000. **Altogether, after adjusting for the inflationary effect of project cost increases, we estimate that DED awarded about \$1.3 million above the fiscal impact that the Legislature's and Administration's economists calculated the State would receive from these projects.**

**DED senior management stated that because NFI was not a statutory consideration for CRRP awards, DED did not take NFI into account when proposing awards. However, these examples demonstrate the effect of removing the objective limit on awards. That is, without this guardrail, DED knowingly awarded funds for projects beyond their estimated net fiscal benefit.**

## Other Matters

We observed the following matters which have implications for the eligibility of some projects and the State's ability to measure the performance of the awards.

### Some Affordable Housing Projects and Most Childcare Projects Intended to Benefit LMI Families Lack Requirements to Preserve Affordability Beyond 2026

The shortage of affordable housing and affordable childcare was exacerbated by the COVID-19 pandemic and are critical issues facing Vermonters. To address these issues, the State invested more than \$200 million of federal pandemic funding and State funding to increase the supply of affordable housing units. In addition, the State received about \$67 million of federal pandemic funds for support of the childcare industry to address the financial burdens faced by childcare providers during COVID-19 and the instability of the market as a whole.

Via the CIP and CRRP programs, DED awarded \$9.1 million of SLFRF for 27 projects to construct, renovate, or repair affordable housing and \$5.1 million of SLFRF for the construction or expansion of 14 childcare facilities to increase the number of slots for low-to-moderate income (LMI) families. Four projects totaling \$1.3 million include development of both affordable housing units and childcare slots for LMI families and are in both totals.

**When DED presented to the JFC in the fall of 2022, they described the CRRP program design and provided written guidelines which indicated that affordable housing requirements would be in place for 20 years (consistent with the federal guidelines). However, neither the CIP nor CRRP grant program have requirements for preserving housing affordability beyond the grant period which expires December 31, 2026.** According to DED, they consulted with DHCD about affordable housing projects, but the comments from DHCD for the projects in our sample did not address the period of affordability. In addition, DED did not establish mechanisms to ensure preservation of affordable childcare slots beyond December 31, 2026. To the extent some projects aren't operational by December 31, 2026, the deadline to spend SLFRF funds, it's possible no benefits will be provided to low- and moderate-income households by the spending of millions of dollars.

### Affordable Housing

Some affordable housing programs require preservation of affordable units for an extended period. For example, the Vermont Housing Conservation Board (VHCB) and Vermont Housing Finance Agency (VHFA) administer programs that require affordability to be preserved permanently. **In contrast, DED only required affordable housing projects funded with CIP or CRRP to maintain affordability through the end of the grant period which expires December 31, 2026.**

This end date is problematic because the benefit to LMI households provided by some projects could be very short-term. Further, it is inconsistent with the State law requirement that CRRP projects be an “enumerated use as defined in the U.S. Treasury Final Rule.”<sup>7</sup> According to the U.S. Treasury Final Rule, affordable housing projects are an enumerated use if the units funded serve households that meet certain income levels and have a legally enforceable requirement to maintain housing units as affordable for a period of 20 years or greater.<sup>8</sup>

In some cases, projects that received CRRP awards also received funding from other affordable housing programs which require that units be permanently affordable. Thus, despite DED's failure to establish requirements for long-term affordability, there will be long-term benefits for LMI families from the investment of \$5,773,652 of CRRP funds in these

<sup>7</sup> State law also allowed CRRP awards to non-profit or certain for-profit organizations that have a documented negative financial impact from COVID-19. For all the affordable housing projects in our CRRP sample, DED cited “affordable housing” as the reason for the projects’ eligibility and not a negative impact from COVID-19.

<sup>8</sup> An affordable housing project is also an enumerated use if the project is eligible to be funded under certain federal housing programs. For the affordable housing projects in our CRRP sample, DED did not cite alignment with federal housing programs as the reason for project eligibility.

projects. Further, these projects meet the State law requirement to be an enumerated use because they serve households that meet certain income levels and have a legally enforceable requirement to maintain housing units as affordable for a period of 20 years or greater. Exhibit 3 lists the 12 affordable rental housing projects with funding from other sources which have requirements for permanent affordability.

**Exhibit 3: Affordable Rental Housing with Required Extended Affordability Periods**

Project Name	CRRP Award Amount	Number of Affordable Rental Units	Funding with Extended Affordability Periods	Required Period of Affordability
Benn High Redevelopment	\$500,000	17 units	VHCB ARPA-SRF	Permanent
Hospital Heights Rehabilitation	\$500,000	22 units	VHFA federal low-income housing tax credits, VHFA loan	Permanent
Reid Commons	\$500,000	33 units	VHCB	Permanent
10 <sup>th</sup> Cavalry Apartments	\$500,000	65 units	VHCB, VHCB ARPA-SRF	Permanent
Alice Holway Drive	\$500,000	25 units	VHCB	Permanent
Salisbury Square	\$500,000	11 units	VHCB ARPA -SRF	Permanent
Marble Village	\$475,000	24 units	VHCB	Permanent
Pittsford Village Farm Redevelopment <sup>a</sup>	\$437,111	2 units	Community Development Block Grant	Permanent
Central & Main	\$397,588	25 units	VHCB ARPA-SFR	Permanent
St. Johnsbury Accessory Buildings	\$360,228	7 units	VHCB ARPA-SFR	Permanent
Riverwalk Community Housing	\$200,000	42 units	VHCB, VHCB ARPA-SRF	Permanent
61 N. Pleasant St	\$168,725	6 units	VHCB ARPA-SRF	Permanent
<b>TOTALS</b>	<b>\$5,038,652</b>	<b>279 units</b>		

<sup>a</sup> Project also includes a childcare facility.

In addition, two projects at mobile home parks were awarded a total of \$735,000 of CRRP. As noted, DED did not require affordability to be maintained beyond December 31, 2026, but both projects received VHCB funding, and this funding requires that the associated 171 home lots be permanently affordable.

Of the remaining nine affordable rental housing projects, totaling \$2,177,277 in CRRP awards, one project has funding from the Vermont Housing Improvement Program (VHIP) which requires units to be affordable for five years after receipt of the certificate of occupancy (e.g., project completion).

The other eight do not have any legal obligation to maintain units as affordable beyond December 31, 2026. Depending on when units are ready to be occupied, there may be a limited period with a requirement for affordability. To the extent projects aren't operational by December 31, 2026, the DED-imposed affordability requirements will have expired, and it is possible that no affordable housing benefits will be provided by the expenditure of a large dollar amount of federal funds.

See Exhibit 4 for the list of nine residential rental housing projects with limited affordability period requirements.

**Exhibit 4: Affordable Rental Housing with Affordability Period Ending December 31, 2026, or Five Years After Project Completion**

Project or Organization Name	CRRP Award Amount	Number of Affordable Rental Units	Required Period of Affordability
Armory House	\$500,000	2 units	Ends December 31, 2026
ABC Academy, LLC <sup>a</sup>	\$406,000	2 units	Ends December 31, 2026
Old Training School Brandon	\$379,200	12 units	Ends December 31, 2026
Wren's Nest Preschool Sustainability and Housing Expansion <sup>a</sup>	\$296,160	1 unit	Ends December 31, 2026
Stay & Play Daycare Center <sup>a</sup>	\$186,067	1 unit	Ends December 31, 2026
Johnson Apartment Building	\$180,000	2 units	Ends December 31, 2026
Gryphon Restoration <sup>b</sup>	\$129,920	4 unit	Five years following project completion
24-26 Prospect Street Revitalization	\$51,200	2 units	Ends December 31, 2026
288 Church St.	\$48,730	1 unit	Ends December 31, 2026
<b>TOTALS</b>	<b>\$2,177,277</b>	<b>27 units</b>	

<sup>a</sup> Project also includes childcare facilities.

<sup>b</sup> Project received an award from VHIP which requires affordability to be maintained for five years following project completion.

Another four projects, three for residential care facilities and one for refugee housing, totaling \$1,118,095 of CIP and CRRP awards also have affordability periods ending December 31, 2026. As previously noted, to be an enumerated use as required by state law, affordable housing projects must be maintained as affordable for a period of at least 20 years. Two of the residential care facilities received CRRP awards, thus this requirement is applicable to them. According to the Howard Center, the residential care facility that it operates

is a licensed residential care home providing housing for a population that must be eligible for long-term care Medicaid, which is understood as a program for low-income individuals. Further, it is a program the Howard Center expects to continue indefinitely. The other, Vergennes Grand, a senior housing and assisted living facility, asserted in its application that 40 percent of units/beds will participate in the Enhanced Residential Care Medicaid program. Indications are that these two projects will provide long-term affordable housing. However, neither has a legally enforceable requirement to do so beyond December 31, 2026.

Beyond the potential limited benefit for LMI families, the abbreviated period of affordability for the nine affordable rental housing projects and two residential care facilities that received CRRP awards means these projects are not in accordance with the State law requirement that projects be for an enumerated use as defined in the SLFRF Final Rule. Specifically, these projects lack a legally enforceable requirement to maintain housing units as affordable for at least a 20-year period. DED should consult with the Attorney General's Office to determine actions, if any, that can be taken to rectify the noncompliance with State law.

#### Affordable Childcare

The State's Child Care Financial Assistance program aims to make childcare affordable for families by covering some or all the childcare costs for eligible families. CIP and CRRP were an opportunity for investments that would increase access and affordability by expanding the number of childcare slots available to low- to moderate-income families. According to ACCD's award announcements, the State awarded \$5.1 million to 14 childcare facility projects. These projects are anticipated to result in 612 new childcare slots, 221 of which are intended for LMI families. However, DED did not establish mechanisms to ensure preservation of the affordable childcare slots beyond December 31, 2026, the end of the grant period. See Exhibit 5 for the list of facilities, award amount, and number of slots required to be maintained for LMI households.



**Exhibit 5: Childcare Slots with Affordable Period Ending December 31, 2026**

Project or Organization Name	CIP or CRRP Award Amount	Number of Affordable Childcare Slots	Required Period of Affordability
Orange County Parent Child Center Randolph	\$1,000,000	18 of 88 (20%)	Ends December 31, 2026
Otter Creek Child Center, Inc.	\$500,000	15 of 77 (20%)	Ends December 31, 2026
Alburgh Family Clubhouse <sup>a</sup>	\$500,000	32 of 62 (52%)	Expected through 2030 or 2031
The Homestead at Lakewood Commons	\$500,000	12 of 60 (20%)	Ends December 31, 2026
Neck of the Woods, Inc. <sup>b</sup>	\$499,478	25 of 75 (33%)	Ends December 31, 2026
Montessori School of Central Vermont <sup>b</sup>	\$449,309	65 of 72 (90%)	Ends December 31, 2026
Pittsford Village Farm Redevelopment <sup>c</sup>	\$437,111	13 of 26 (50%)	Ends December 31, 2026
ABC Academy, LLC <sup>c</sup>	\$406,000	6 of 30 (20%)	Ends December 31, 2026
Wren's Nest Preschool Sustainability and Housing Expansion <sup>c</sup>	\$296,160	4 of 18 (22%)	Ends December 31, 2026
The Learning Tree Child Care Center	\$186,800	3 of 14 (21%)	Ends December 31, 2026
Stay & Play Daycare Center <sup>c</sup>	\$186,067	8 of 36 (22%)	Ends December 31, 2026
Starksboro Cooperative Preschool	\$75,000	8 of 13 (62%)	Ends December 31, 2026
The Mill School	\$48,688	4 of 17 (24%)	Ends December 31, 2026
The Pumpkin Patch - Child Care & Early Learning Center	\$12,800	8 of 24 (33%)	Ends December 31, 2026
<b>TOTALS</b>	<b>\$5,097,413</b>	<b>221 LMI slots of 612 slots</b>	

<sup>a</sup> Project received funding from Vermont Community Development Program. According to DHCD, the prescribed percent of slots for LMI families will be through 2030 or 2031.

<sup>b</sup> Grant agreement does not contain requirements for percentage of new childcare slots required to be maintained for LMI households. The number of affordable childcare slots is based on information presented in the application.

<sup>c</sup> Project also includes affordable housing units.

Awardees with projects to expand or construct new childcare facilities asserted that they would reserve childcare slots for low- to moderate-income households. Most of these organizations have a history of serving LMI families. The five that do not - Alburgh Family House, Pittsford Village Farm, The Homestead at Lakewood Commons, The Mill School, and The Pumpkin Patch - are either newly licensed or not yet licensed.

**Although there is evidence that many have served LMI families, not all the grant agreements for awardees in our sample specified that slots were required to be maintained for LMI households. In addition, at the**



**end of the grant period on December 31, 2026, 13 of the 14 awardees have no obligation to preserve the slots for LMI families and will be able to raise rates, excluding the most vulnerable Vermonters and undermining the reason for the State’s investment. Further, depending on when construction is completed on childcare facilities and LMI slots are available, there may be a limited period with any requirement of affordability.**

## CRRP Awardee May Not be Eligible Under State Law

The federal SLFRF rules provided four main eligible use categories for state governments. In October 2022, after CIP awards were made, but before any CRRP awards occurred, the State changed their eligible use category under the SLFRF, moving the CIP and CRRP programs from “Public Health and Economic Impacts of COVID-19” to the “Revenue Loss” category. The Public Health and Economic Impacts eligible use category prescribed specific enumerated uses while the Revenue Loss category (also known as Revenue Replacement) afforded broad latitude in use of SLFRF as funds may be used for government services, defined as “any service traditionally provided by a government.” This shift reduced the risk of noncompliance with federal eligible use requirements that existed when the State had assigned the CIP and CRRP programs to the Public Health and Economic Impacts eligible use category.

Despite this switch, as previously noted, some of the rules under the Public Health and Economic Impacts category continued to apply to CRRP because the State’s enabling legislation incorporated federal requirements applicable to this category, namely the requirement that for-profit and certain nonprofit applicants must have documented financial impacts from the COVID-19 pandemic **or** had to use the funds for an enumerated use as defined in the U.S. Treasury Final Rule for SLFRF. In the Final Rule, the U.S. Treasury provided a list of enumerated uses of SLFRF to address pandemic impacts experienced by individuals, households, small businesses, nonprofits, or impacted industries (together “beneficiaries”).

According to DED, a framework was implemented to ensure awards were for eligible uses under the more stringent requirements (i.e., the COVID-19 Public Health and Economic Response category) and it was used for both CIP and CRRP. However, DED’s determination regarding eligibility of the following awardee and project is questionable, and if incorrect, **may mean DED awarded funds to a project that is not eligible under State law.**

- Northeast Kingdom Development Corporation (NEKDC) received a \$1,000,000 CRRP award for the Yellow Barn project, with DED concluding

it qualified as aid to an impacted industry (e.g., agriculture). Aid to impacted industries is an enumerated use per the Final Rule. However, Guidehouse, the State's consultant, advised that qualifying this project under aid to an impacted industry involved risk since NEKDC is not part of the impacted industry. Per Guidehouse, "Treating NEKDC as a subrecipient so that it may assist other impacted classes (such as households facing food insecurity or impacted industries) does not appear to be appropriate in this case." Furthermore, Guidehouse stated that the SLFRF final rule allows for direct spending by the recipient (ACCD) in support of an impacted industry, but the final rule notes that the "construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries" are not eligible uses of fiscal recovery funds. Despite the Guidehouse advice, DED awarded the funds to NEKDC. Given Guidehouse's advice and the fact that the Final Rule specifies large capital projects intended to aid impacted industries are not an eligible use of fiscal recovery funds, DED's conclusion that this project qualified as an enumerated use is puzzling.

- This project does not appear to meet the definition of an "enumerated use" and as a result doesn't meet the State law requirement that funds be for an enumerated use as defined in the U.S. Treasury Final Rule. DED should consult with the Attorney General's Office to determine actions, if any, that can be taken to rectify the noncompliance with State law.

## Limited Requirements for Performance Measures

In its 2022 SLFRF Performance Report to the U.S. Treasury, the State emphasized the importance of monitoring the effectiveness of programs and services and learning from performance data. The State also noted that it seeks to use data analytic tools for SLFRF-funded projects to ensure project outputs and outcomes are measured.

Despite this acknowledgement of the importance of evaluating results, we observed limited requirements for performance measures that address outcomes (e.g., the desired results of the program) in the grant agreements of our CIP and CRRP samples. Only six of twenty-one CIP grant agreements specified an outcome measure which was for the group expected to benefit from the project (i.e., LMI households or farmers) and just four of these had a numeric target. Likewise, just seven of the CRRP grant agreements contained an outcome measure which was relative to the LMI households expected to benefit from the project, but all had a numeric target.

In most cases, the sole performance measure is to complete the capital investment work described in the grant agreement and/or grant application. While this captures an expected output (e.g., capital investment) of the awards, it does not address objectives or desired outcomes of the programs.

Job creation is cited as an objective of both CIP and CRRP but none of the grant agreements in our samples specify that this be measured. Progress reports required for CIP contain a field to input jobs created or retained but do not specify the target (desired numerical value related to a measure). Without a target to serve as a benchmark, DED lacks information to judge whether an awardee's performance is as expected or not. DED did not provide progress reports for our CRRP sample or a template as we requested on May 22, 2024. DED explained that the progress report is very similar to those required for CIP.

The grant agreements for both programs indicate that periodic progress reports and a final report are required but do not specify the information required to be reported. Thus, DED has the flexibility to address these deficiencies. Further, a JFO 2022 Issue Brief highlighted that evaluating ARPA spending was critical to channeling the remaining ARPA funds to the best uses for the state long-term, looking at business grants, higher education and training programs, and community support with a critical eye. The brief suggested that the Legislature consider an independent evaluation of programs that use ARPA funds which could provide additional information about the effectiveness of the programs.

## Conclusions

The Legislature authorized DED to design the CIP and CRRP programs but we found numerous flaws in the tools (e.g., internal controls) that DED relied on to implement the programs.

Specifically, DED was charged with granting funds that would enable recipients to undertake capital investment projects that they could not complete without these grants. However, DED largely relied on awardees' assertions about need for the grants rather than design processes to corroborate funding gaps via a thorough review of each applicant's financial position and inquiry about alternate means of funding the projects such as bank loans.

DED had limited documentation that addressed how it weighed the variety of factors Act 74 required be considered for each CIP award. DED used a numerical score sheet in the CRRP program but how it impacted the award decision process and how all factors required by Act 183 were weighed in the

process was not documented. According to a senior DED official, a group of DED staff, including the DED Commissioner and Deputy Commissioner, met to discuss awards and these meetings included consideration of the factors. However, there is limited documentary evidence of the deliberation of the factors.

DED made awards that were within statutory limits; however, DED did not clearly document how the amounts awarded were related to information presented in the CIP applications, the numerical scores calculated under the CRRP program, and the factors required to be considered in the award decision.

The Legislature's Economist pointed out that to ensure that these grants of government funds truly make a difference, there must be evidence that the projects would not occur without the grants. Spending public funds for private projects that would occur without them is unnecessary and wasteful. Further, the economist indicated there should be as much transparency as possible in the application, review, approval, and post-award follow-up processes.

According to the State's Internal Control Guide, internal controls are essential for proper stewardship and accountability of government resources. Given the flaws we noted, DED undermined its ability to be an effective steward of the CIP and CRRP program resources and increased the risk that the Legislature's desired results for these programs will not be achieved.

## Recommendations

In the event additional rounds of funding occur for either CIP or CRRP, or similar grant programs are established in the future, we make the recommendations in Exhibit 6 to the Commissioner of the Department of Economic Development:

**Exhibit 6: Recommendations and Related Issues**

Recommendation	Report Pages	Issue
<p>1. Design and document grant program procedures to verify applicants' assertion that grant funds are needed to complete projects by 1) requiring documentary evidence of applicant financial position and efforts to pursue other funding sources such as bank loans or private fundraising and 2) articulating clear guidelines for how financial position will be assessed and the extent to which it will impact award decisions.</p>	<p>9-12, 13-15</p>	<p>DED relied on applicant self-assertions of need, without conducting a thorough review of an applicant's financial position. Two CIP awardees and one CRRP awardee stated in their application materials that the project would proceed in the absence of CIP/CRRP funding. DED did not consider that applicants in the CIP and CRRP programs, who had large amounts of cash and investments, could use those resources to complete the project.</p>
<p>2. Specify in grant program procedures that application review team discussions about award decisions must be documented contemporaneous with the meetings and that conclusions and decisions be explicitly documented.</p>	<p>12, 19, 21</p>	<p>According to DED, a group of staff met to discuss awards and these meetings included consideration of the factors required to be considered in award decisions. There is limited documentary evidence of these discussions, so it's unclear how the factors were weighed in decision making. For CRRP, DED created Summary Sheets to document discussions held but these were created after the awards had been proposed.</p>
<p>3. When the Legislature requires certain factors to be considered in award decisions, ensure the grant program procedures define the factors, address how factors will be weighed in decisions, and require that the assessment of factors be documented.</p>	<p>18-21, 24</p>	<p>DED did not have written procedures for CIP to explain how the factors were to be evaluated and the weight attributed to each factor. For CRRP, the Reviewer Manual addressed how to complete a score sheet for applicants but the score sheet did not include all required factors. Further, the manual did not address how the numerical score would be weighed in decision making and the score was not documented in the Summary Sheet. DED asserted that they conducted meetings to consider the factors required by the Legislature, but they did not document these discussions.</p>
<p>4. When utilizing a scoring system in grant award decisions, consult with the JFO on the scoring criteria. Document program scoring criteria in the grant program procedures manual and specify how the score will be used in decision-making and the significance of scores. Document how the score and other information will influence whether an award is made and the award amount.</p>	<p>20-21, 24-27</p>	<p>DED used a scoring model for CRRP but did not establish a minimum required point value; some projects received grant funding with less than 60 percent of total points. Awardees with lower scores received larger percentages of the grant amounts they requested than higher scoring projects. For similar types of projects, lower scoring projects received larger awards than higher scoring projects. DED was required to consult with JFO on the guidelines developed to administer the CRRP program but did not provide the score sheet to JFO.</p>

Recommendation	Report Pages	Issue
5. When the Legislature requires establishment of an advisory team (i.e., interagency team) to review, assess, and recommend awards, comply with the legislative requirement, and document the procedures the team will follow, how the advisory team recommendations will be weighed by DED in the award decision, and that awards may not proceed without an advisory team review.	22-23	DED did not provide documentary evidence of review or recommendation from other state entities for 17 of the 21 applicants in our CIP sample and half of the 30 CRRP awards we reviewed had no input to the decisions from outside of DED.
6. For capital investment in affordable housing, consult with experts in affordable housing development to determine a reasonable period to require maintenance of affordable housing units and specify this term in the grant agreements.	29-33	DED has been making awards to projects that assert they will create housing for low-to-moderate income families. However, the grant agreements contain no legal requirement to keep the housing affordable past 2026.
7. For capital investment in affordable childcare, consult with experts in affordable childcare development to determine a reasonable period to require maintenance of affordable childcare slots and specify this term in the grant agreements.	33-35	DED has been making awards to projects that assert they will create childcare slots for low-to-moderate income families. However, the grant agreements contain no legal requirement to keep the childcare affordable past 2026.
8. Include requirements for performance measures with numeric targets that address program objectives and desired outcomes in the grant agreements and specify the measures that must be reported in periodic progress reports and the final grant report required at completion of the project.	35-36	In most grant agreements the sole performance measure was completion of the capital investment work, which does not address program objectives or outcomes. Only six of twenty-one CIP grant agreements specified an outcome measure which was for the group expected to benefit from the project (i.e., LMI households or farmers) and just four of these had a numeric target. Likewise, just seven of the CRRP grant agreements contained an outcome measure which was relative to the LMI households expected to benefit from the project, but all had a numeric target.

In the event additional rounds of funding occur for either CIP or CRRP, or similar grant programs are established in the future, we make the recommendations in Exhibit 7 to the Legislature:

**Exhibit 7: Recommendations to the Legislature**

Recommendation	Report Pages	Issue
<p>1. If grant eligibility includes a requirement to demonstrate that grant funds are needed to complete projects, specify whether the agency should assess applicants' ability to use their own resources, obtain private loans, seek other grants, or pursue private fundraising.</p>	<p>10-12, 14-16</p>	<p>Neither Act 74 nor Act 183 defined "need," or specified how to assess whether an applicant had demonstrated that taxpayer funds were needed to complete the project. DED relied on awardees' assertions that they met the standard DED established to measure need; funds were needed to fill a gap in funding sources for a project and projects would change in scale and/or be delayed if an award was not provided. DED did not consider that applicants in the CIP or CRRP programs, who had large amounts of cash and investments, could use those resources to complete the project.</p>
<p>2. For grant programs with an expectation of fiscal return to the State, utilize a data model such as NFI.</p>	<p>27-28</p>	<p>At DED's request, the Legislature removed the requirement for the economists to calculate an NFI from the CRRP program. The law also allowed CRRP grants to be combined with funding from other sources so did not prohibit organizations from receiving funding through both CIP and CRRP. The NFI calculation was available for nine projects that received both CIP and CRRP awards and three other CRRP awardees had applied for CIP but not received an award. Altogether, after adjusting for the inflationary effect of project cost increases, we estimate that DED awarded about \$1.3 million above the fiscal impact that the Legislature's and Administration's economists calculated the State would receive from these projects.</p>
<p>3. Specify in legislation that capital investment in affordable housing and childcare must result in preservation of affordability for an extended period. Consult with experts in affordable housing development and childcare to determine a reasonable period to require maintenance of affordability.</p>	<p>27-31</p>	<p>DED has been making awards to projects that assert they will create housing for low-to-moderate income families. However, the grant agreements contain no legal requirement to keep the housing affordable past 2026.</p>
<p>4. Consider conducting an independent evaluation of the CIP and CRRP programs as suggested by JFO.</p>	<p>37</p>	<p>A JFO 2022 Issue Brief highlighted that evaluating ARPA spending was critical to channeling the remaining ARPA funds to the best uses for the state long-term, looking at business grants, higher education and training programs, and community support with a critical eye. The brief suggested that the Legislature consider an independent evaluation of programs that use ARPA funds which could provide additional information about the effectiveness of the programs.</p>



## Management's Comments (and Our Evaluation, if applicable)

On September 23, 2024, the Commission of the Department of Economic Development provided an amended version of written comments on a draft of this report. The Commissioner disagreed with many of our findings but acknowledged that we made a valid point regarding affordable housing grants and would seek a solution for extending the affordability period. These comments are reprinted in Appendix VI. Our evaluation of these comments is in Appendix VII.

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## Appendix I

### Scope and Methodology

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To gain an understanding of the CIP and CRRP programs, we reviewed laws from both the Federal and State domains. We reviewed the [Federal Final Rule for Coronavirus State and Local Fiscal Recovery Funds](#), a part of the American Rescue Plan. We reviewed Act 74 (2021) and Act 183 (2022), the state legislation which created the programs, and identified criteria to use in our audit testing.

We reviewed additional information from a consultant the State hired to keep track of all the federal requirements and make recommendations on the eligibility of projects in alignment with federal requirements.

We conducted several interviews. We interviewed ACCD staff responsible for administering the program. We interviewed the Legislative economist regarding use of the NFI. We interviewed the Covid Financial Office chief regarding the Federally Funded Projects Team (FFP) team.

We reviewed testimony to the Legislature about the programs and committee meetings held by the Legislature to discuss creating the programs.

We reviewed proposed awards and determined to focus on for-profit and nonprofit business awardees.

#### Capital Investment Grant Program (CIP)

We reviewed DED's documentation of the CIP and DED staff conducted a walkthrough of their processes with the audit team.

We obtained the list of proposed awards from ACCD's website. From this list, we judgmentally selected 21 applications for testing, based on:

- Dollar value of proposed award – all awards \$500,000 and greater.
- Sector – the largest award from each sector.
- County – at least one award from each county.
- Award amount that was significantly (200%) higher than the TWG's recommendation.
- For-profit or nonprofit – proportional to ensure even distribution.

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## Appendix I

### Scope and Methodology

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For each of the items selected, we:

- Reviewed the application materials, TWG memos, DED’s review documents, grant agreements, and extracted certain information from them.
- Compared the amounts awarded to the limits set by Act 74.
- Identified instances when the applicants’ statements contradicted DED’s conclusions.
- Compared the applicants’ project costs to their cash and investments.
- Sought documentary evidence of review of the factors specified in Act 74.
- Summarized the results of the testing.

For a selection of rejected applications, we reviewed the documentation and determined if the reason for rejection was documented.

We inquired about unspent CIP funds.

We documented weaknesses we identified in the application review process and assessed whether there were compensating controls to offset these weaknesses.

#### Community Recovery and Revitalization Grant Program (CRRP)

For the CRRP program in particular, we reviewed DED guidelines for the program. We reviewed DED’s CRRP Reviewer Manual.

We interviewed DED staff about the programs in general and conducted a walkthrough of DED procedures specifically regarding the CRRP program. We discussed program priorities and whether they were time limited.

We determined which internal controls were relevant to our audit objectives and analyzed DED’s use of these controls.

We documented weaknesses we identified in the application review process and determined if there were compensating controls to offset these weaknesses.

We discussed with DED staff which factors they used in selecting projects for awards and how these factors related to their determinations.

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## Appendix I

### Scope and Methodology

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We obtained the list of proposed awards for Rounds One and Two (Rounds Three and Four had not been announced) from ACCD's website. From this list, we judgmentally selected 30 awardees for testing, based on:

- Dollar value of proposed award – all awards \$500,000 and greater.
- Sector – at least one award from each sector.
- County – at least one award from each county for each funding round.
- For-profit or nonprofit – proportional to ensure even distribution.

DED prepared a numerical score sheet for each applicant. We obtained the score sheets, the application materials, and supporting documentation from DED.

We performed tests on the samples selected as described below.

Using the score sheet and the supporting documentation provided by the applicant and additional information provided by DED, we:

- Assessed whether DED determined that the applicant demonstrated need by looking at the score sheets DED prepared and comparing them to the documents provided by the applicant, such as financial records, sources of funds, uses of funds, and other applicant data.
- Assessed whether DED had applied the factors required by state law in determining whether to make an award by reviewing the score sheet questions about the factors and the Summary Sheets prepared by DED.
- Assessed whether DED calculated the proposed award correctly by reperforming the calculations and comparing the results.

We created a summary of the number of awards, the dollar amounts awarded, for-profit status, difference between request and award, and the geographic dispersion of the awards.

For a selection of rejected applications, we reviewed the documentation and determined if the reason for rejection was documented and if it was significant to our audit objectives. If the reason cited for rejection was criteria relevant to the audit objective, we verified that DED applied these criteria consistently with those awarded CRRP grants.

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## Appendix I

### Scope and Methodology

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#### Combined

We obtained data from the State's accounting system, VISION, showing payments made to grantees and compared the amounts paid to the awarded amounts. In addition, we used VISION to determine the amount of the appropriated funds that ACCD used for their administrative costs for the programs, such as software development, document management, and personnel expenses.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards, which requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Appendix II Abbreviations

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AAFM	Agency of Agriculture, Farms and Markets
ACCD	Agency of Commerce and Community Development
ARPA	American Rescue Plan Act
CDD	Child Development Division of Department for Children and Families
CIP	Capital Investment Grant Program
COVID-19	Coronavirus Disease 2019
CRRP	Community Recovery and Revitalization Grant Program
DCF	Department for Children and Families
DED	Department of Economic Development
DHCD	Department of Housing and Community Development
FFP	Federally Funded Projects
GAO	Government Accountability Office
HTF	Housing Trust Fund
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
JFC	Joint Fiscal Committee
JFO	Joint Fiscal Office
LMI	Low-to-Moderate Income
NBRC	Northern Border Regional Commission
NFI	Net State Fiscal Impact
NOFO	Notice of Funding Opportunity
SAO	State Auditor's Office
SLFRF	Coronavirus State and Local Fiscal Recovery Funds
TWG	Technical Working Group
VHCB	Vermont Housing and Conservation Board
VHFA	Vermont Housing Finance Agency
VHIP	Vermont Housing Improvement Program

## Appendix III List of CIP Awards

Below is a listing of the CIP awards proposed by ACCD. For complete information on awards, including sector and county, please visit the [ACCD website](#). These project descriptions are as provided by ACCD.

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Vermont Livestock Slaughter and Processing Company LLC	Renovation of a meat processing facility to increase efficiency, modernize equipment, and expand throughput to provide humane slaughter, processing, wrapping, packing, and value-added production for producers in the region.	\$6,622,153	\$464,938
Fairbanks Museum & Planetarium	The award will help to fund the HVAC system installed to support a Science Annex that is a three story, 6,080 square foot mass timber addition onto the Fairbanks Museum's existing building.	\$4,788,733	\$413,921
Burlington City Arts Foundation, Inc.	The Burlington City Arts project will renovate the 405 Pine Street location thereby promoting the arts as an economic generator, retain and recruit workers, and nurture small businesses. This will position the Enterprise Zone as a home for the New Economy and the CIP award will contribute towards these efforts by facilitating large-scale improvements, including a significant upgrade to the building's exterior wall.	\$6,494,506	\$500,000
Champlain College	Champlain College is planning to renovate Durick Hall to house both the Career Collaborative and Champlain College Online.	\$5,350,500	\$304,255
Charest Alpinism LLC	The Petra Cliffs project will build a ground up, modern climbing gym and community facility just a few hundred feet away from its current location of 22 years, abutting City Market's South End store.	\$7,137,965	\$416,448
Fisher Brothers Farm LLC	Purchase equipment to manufacture dry ice to enhance their ability to supply fruit throughout the region.	\$151,958	\$18,030
Lake Champlain Community Sailing Center, Inc.	The award will help upgrade Lake Champlain Community Sailing Center's infrastructure to improve safety and modernize, the CIP award will update dock infrastructure, improve pathway to the dock, and purchase a large boat hoist.	\$2,000,000	\$187,674
Shelburne Museum	A building project that will add a contemporary, state-of-the-art exhibition and educational gathering space and landscape to the Museum's 45-acre campus.	\$10,000,000	\$500,000
The Learning Tree Child Care Center	Construction of a building to prevent closure and allow for expansion of childcare facility.	\$641,250	\$20,067
Soulmate Brewing Company	Soulmate Brewing Company is a new brewery currently renovating an 1870's Morrisville building to house brewing equipment and an accompanying tasting room in which the beer will be served.	\$1,557,810	\$82,234
Appleseed Development LLC	Transform an abandoned gas station into a destination eatery with an outdoor event venue.	\$1,728,000	\$100,000
Farm Developing LLC	The FARM Developing team has planned a 64-room mid-high end scale hotel concept, a three-season outdoor tent event space, and a 152-seat restaurant attached to a 400-seat conference center in a 2-phase project. The project is situated on a 26-acre site near Exit 4 on Interstate 89. The CIP award will be used toward site development and preparing construction of the planned hotel building pad in mid-2023.	\$17,500,524	\$963,197
Jay Peak, Inc.	The Jay Peak, Inc. project is a replacement of a propane fired heating unit with an efficient electric boiler. This will reduce the energy costs for the resort as well as reduce the greenhouse gas emissions from its operation.	\$1,075,204	\$130,179
Northeast Kingdom Development Corporation (Bogner)	NEKDC will rehabilitate a vacant property known as the "Bogner Building" to house a growing manufacturing business.	\$2,980,000	\$232,468



## Appendix III List of CIP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Haystack Catering LLC	The Haystack Catering project involves the relocation and expansion of an existing food preparation business to provide catering services in southern Vermont. The intent of this project is to provide capacity for more events in its served market area. Grant monies will be used for the installation of a range hood.	\$265,000	\$10,653
Paramount Center, Inc.	The renovation of the Paramount Theatre and adjacent four-story Richardson building represents one of Downtown Rutland's most transformative developments in the past two decades. CIP funds will help these properties become more accessible as well as set the stage for future upgrades.	\$5,500,000	\$345,462
Vermont Farmers Market Education Center, Inc	Vermont Farmers Food Center will renovate "the blue building" at 245 West Street.	\$4,378,000	\$293,401
Caledonia Spirits, Inc.	Build four-season patio post and beam event canopy, thereby increasing event business while allowing the bar and retail spaces to remain open. This will contribute toward much needed event space in Montpelier and Central Vermont.	\$938,915	\$181,818
Central Vermont Habitat for Humanity, Inc.	Project will provide grants to help complete critical home repairs on households of income qualifying homeowners.	\$240,000	\$39,475
Living Well Group, Inc.	The CIP award will allow Living Well to update all resident bathrooms to become handicap accessible, thereby increasing the supply of long-term affordable housing units to low to moderate income residents.	\$1,800,000	\$156,095
Maple Corner Community Store, Inc.	Project will upgrade the facilities of this hospitality business including the installation of HEPA (high efficiency particulate air) purification units and construction of additional seating area capacity.	\$200,000	\$10,615
Neck of the Woods, Inc.	Neck of the Woods Inc. will expand the first floor of its facility to provide 30 additional daycare slots and will use the CIP award to construct a commercial kitchen and cafeteria on the first floor. This will enable Neck of the Woods to become a Head Start Program, allowing the facility to serve additional low to moderate income children and families.	\$650,000	\$31,078
Vermont Foodbank, Inc.	As part of the ongoing renovation of its Barre facility, the CIP award will help to fund the purchase of high speed cooler doors, an electric pallet truck, and a ride along jack. The Vermont Food Bank has experienced increased demand as a result of the COVID-19 pandemic and this award represents a significant part of the response to this additional demand.	\$1,032,885	\$158,147
Boys & Girls Club of Brattleboro	The Boys and Girls Club of Brattleboro (BGCB) will use the CIP award to upgrade their building's HVAC system. This project will transform BGCB into a modern and energy efficient facility. Replacing the HVAC system is a long-term investment in maintaining a community resource that benefits the lives of many Vermonters.	\$190,000	\$32,699
Greater Rockingham Area Services, Inc.	Funding for the replacement of an inefficient oil burning heating system with a more efficient wood chip fired steam boiler system for this non-profit.	\$1,755,000	\$72,054
High Street and Green LLC	High Street and Green will conduct a façade enhancement project on the north side of High Street as well as rehabilitation of this commercial building.	\$1,176,600	\$114,609

## Appendix III List of CIP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Retreat Farm LTD	CIP funds will help facilitate the North Barn to become a year-round public and private event venue and community gathering space, allowing Retreat Farm to help increase job creation and tourism. This project includes construction of a new parking lot and renovations to the North Barn, including foundation repairs and replacement, selective replacement of existing structure, insulation and mechanical engineering, and HVAC work.	\$6,073,807	\$500,000
Windham County Dental Center	Expand dental care to low to moderate income households by re-locating to larger facility.	\$901,000	\$47,701
World Learning, Inc.	Renovation of six dormitories to include kitchens, bathrooms, and hallways. These renovations will provide a stable, dependable housing source for 120 refugees needing transitional housing to avoid homelessness.	\$124,000	\$62,000
Northern Stage Company	Rehabilitate a building to house performers for theatrical performances by expanding their facilities.	\$7,504,416	\$417,621
TenFold Engineering LLC	TenFold Engineering will rehabilitate a commercial building which will house manufacturing operations, in a Qualified Census Tract, for building permanent quality housing which can be moved when needed.	\$22,350,000	\$500,000
The Center for Cartoon Studies, Inc.	The Center for Cartoon Studies project will purchase land and rehabilitate the building located at 111 Gates Street. This work will include installation of HVAC, upgrading electric and plumbing systems, window replacement, and accessibility improvements.	\$1,590,950	\$75,737
<b>Totals for 32 CIP awards</b>		<b>\$124,699,176</b>	<b>\$7,382,576</b>

## Appendix IV List of CRRP Awards

Below is a listing of the municipal and non-municipal CRRP awards proposed by ACCD in order of the rounds they were awarded with project descriptions provided by ACCD. For complete information on awards, including sector and county, please visit the [ACCD website](#).<sup>9</sup>

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
3B, LLC - 28 Cross Street Renovation	Renovation of Island Pond building into a vibrant multi-use commercial/residential space in the town center including modifications to create a rental apartment on the second floor, modifications to the first floor from retail to cafe and bakery, modifications to the basement from storage/mechanical space to a modern fitness/yoga studio, facade modifications to include repainting, fire code modifications for a second entrance to the basement which will require changes to the existing front porch, and an outdoor patio along the side of the building. The goal of these exterior changes is to increase the curb appeal of building and maximize the building's property utilization.	\$450,000	\$90,000
ABC Academy, LLC - Childcare Expansion	Expansion of childcare facility including purchase and renovation of building the program currently resides in to increase childcare slots by 30 children and add 7 jobs. This will increase childcare slots from 77 children to 107. Additional renovation of 5,700 sq ft basement will add an indoor gross motor space, space for Saturday Morning Playgroups, onsite gym, and a STEM Innovation Programing and Arts space for children ages 3 - 12 years old.	\$2,030,000	\$406,000
American Legion Brighton Post #80 - roofing, signage, and fencing	Construction/replacement of entire roofing of building, completion of a double-sided sign identifying the building, and proper signage to provide notices to the community.	\$49,000	\$8,320
American Precision Museum - Transformation and Expansion Plan	Expansion of office space to accommodate 3 new full-time employees; restoration and insulation of windows and doors; a new retaining wall; and renovation of storage space into a Smart Classroom and Conference Room. The primary beneficiaries of this project are students, teachers, families, and communities that we serve, and opens space for hosting meetings and events at the historically significant site.	\$3,100,000	\$500,000
Bennington Museum - Roofing Repair and HVAC Upgrades	Repair roof and complete an HVAC improvement project.	\$184,720	\$36,944

<sup>9</sup> The totals for the estimated project cost and the proposed awards come directly from ACCD's website and do not include any adjustments made by ACCD after the award announcement. Totals in the body of the report account for changes we found during our testing of our sample, but there may be additional changes we are unaware of.

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Cellars at Jasper Hill LLC - Food Venture Center Creamery Expansion	Investment in the Vermont Food Venture Center (FVC) creamery milk intake and production capacity including the purchase and installation of two 8,000-gallon silos, one for milk receiving and a second for whey storage. The truck bay will be modified to enable milk delivery by a larger milk truck. Approximately 1,600 sq ft of existing cold storage will be converted to sanitary climate-controlled cheese production space in order to accommodate the processing of increased milk receipts.	\$1,308,000	\$261,600
Center & Wales LLC - Downtown Rutland Hotel and Residences	Construction of a 6-story structure on the corner of Center and Wales Street located in the heart of downtown Rutland. The proposed project is a mixed-use building consisting of 4 stories of hotel and 2 stories of market rate apartments. The proposed structure will fill the footprint of the "pit" area in a U-shape with a courtyard area in the middle. The proposed structure will be constructed directly adjacent (and adjoining) to the former Rutland Herald headquarters that is currently located on the property.	\$35,000,000	\$500,000
Central Vermont Adult Basic Education, Inc - Technology upgrades to facilitate adult learning, necessary for COVID recovery and workforce development	Upgraded technology for Barre City learning center and administrative offices that are imperative for service delivery including 8 desktop and 2 laptop computers for student use, peripherals, as well as a major upgrade of our server system to Microsoft 365.	\$63,280	\$16,127
Friends of the Jeudevine Library, Inc. - Library Expansion	Renovation of historic building in Hardwick Village to better meet community's needs and expansion of a ~5,000 sq ft two-level addition that will add reading rooms for children and teens, a dedicated circulation area, a public event room with an appended kitchen, a staff room, and a small meeting room for committees and book clubs.	\$3,050,000	\$500,000
Gilman Housing Trust - St. Johnsbury Accessory Buildings	Renovation of 2 St. Johnsbury properties resulting in 7 affordable units. All seven of these new units will be affordable as defined and will give priority to folks moving out of homelessness.	\$2,846,974	\$360,228
Green Mountain Economic Development Corporation- Orange County Parent Child Center Randolph	Purchase, renovation, and repurposing of a vacant, two-story building on Route 66 in Randolph, to create a new, high-quality, early care and education (ECE) program serving 88 children, from infancy through preschool, and their families. In addition to the new childcare spaces created, the facility design includes space for ECE workforce training and education, and other child and family support services.	\$5,398,622	\$1,000,000

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Hale Resources LLC - Benn High Redevelopment	Repurpose the historic Old Bennington High School building for housing, community recreation, and social services. The building has been vacant since 2004 and is listed on the National Register of Historic Places. Plans include 70,000 sq ft of potential residential space with 37 housing units 15 units being perpetually affordable in Condo #1.	\$5,773,085	\$500,000
Haystack Catering, LLC	Expanding catering and events business by building a dedicated catering kitchen on first floor of new building, with a yoga and wellness studio on the second floor.	\$450,000	\$79,347
Holton House LLC - Workforce Housing Development	Conversion of existing but vacant senior care facility into 35 co-housing units to support a current need for travel nurses, international refugees, and other members of the workforce.	\$550,000	\$110,000
KSL, LLC - Laundromat Ventilation Upgrade	Installation of a high efficiency energy recovery ventilation (ERV) unit along with a mechanical louvered air intake to mitigate circulation issues in an approximately 1,000 sq ft laundromat with 24 washer and dryers and associated patron waiting areas	\$30,000	\$6,000
Lake Champlain Maritime Museum at Basin Harbor, Inc. - Improving Accessibility and Facilities	Renovation of an existing building to create new workspaces, storage spaces for museum collections, and exhibition spaces. Increase accessibility in this building and across the campus by bringing approaches and thresholds into compliance with ADA standards to make the museum accessible and inviting for more visitors, increasing visitation and tourism to this area of rural Addison County.	\$330,000	\$66,000
LEDGENEAR FARM - Diversification Project	Diversification of dairy farm in Glover to include investments in equipment and capital facilities improvements to support maple, beef, and flower production, as well as agritourism related to self-pick apple orchard and farm-stay attractions.	\$1,007,800	\$201,561
Neck of the Woods, Inc - Capital Improvements and Expansion	Expansion of a major childcare and early education center in Waitsfield that will accommodate 125 children starting at 6 weeks of age. Renovation of recently purchased campus that includes a 10,000 sq ft main building, a 5,600 sq ft warehouse, 11 acres along the Mad River and a large solar array to add a commercial kitchen and cafeteria space on the ground floor, renovation of the second floor to add up to 5 more classrooms and bathrooms, upgrading all fire, safety and communication systems, enhancing ADA accessibility to include an elevator and new entry area, installation of a new heating and cooling system to the second floor plus additional building envelope improvements.	\$2,500,000	\$468,400

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Northeast Kingdom Development Corporation - Yellow Barn Business Accelerator	Rehabilitation of the barn and new construction alongside it. Cabot will lease all the space in the historic barn to operate a retail destination featuring its cheeses, as well as other local foods and beverages. Just footsteps away from the Lamoille Valley Rail Trail, the unique retail destination will draw at least 30,000 visitors from the northeast each year. New construction includes a one-story accelerator just under 22,000 sq ft. Two tenants are leasing the accelerator: Jasper Hill Farm and the Center for an Agricultural Economy. The square footage is roughly divided evenly between the two tenants.	\$10,371,746	\$1,000,000
Orleans County Historical Society, Inc. dba Old Stone House Museum & Historic Village - Cyrus Eaton House Restoration	The Cyrus Eaton House is one of eight historic buildings and 60 acres under the care of the Orleans County Historical Society. The building needs structural restoration and exterior improvements which will stabilize the building and create the opportunity for increased access to and interpretation of the site's nationally significant African American, 19th century history.	\$90,000	\$18,000
Paramount Center Inc. - Renovations and expansion of The Paramount Theatre and adjoining Richardson Building	Energy-efficient and ADA-accessibility upgrades and improvements, and construction of two 4,000 square foot multi-use venues. These flexible spaces are intended for community-wide use, will retain period architectural elements, and enhance customer experience throughout.	\$5,500,000	\$154,462
Sienna Construction LLC - Armory House	Construction of 9-unit multifamily building to supply needed new affordable and moderate-income housing in Vergennes while supporting local. Includes four 2-bedroom units and five 1-bedroom units with the two ground floor units ADA compliant and fully wheelchair accessible.	\$2,565,500	\$500,000
Springfield Area Parent Child Center - Workforce Development & Early Childhood Education Training Center	Multi-tiered project to purchase vacant commercial building across the street from current location and convert it into a diverse education and training facility which will include a mock childcare classroom. The project will allow us to immediately begin providing professional development opportunities to Early Childhood Educators and others in the human services field in the 3,000 square foot event hall that holds 198 people. Another portion of the building will later become a community thrift store, (after upgrades in late 2023) where our "Learning Together" program participants, primarily teen parents, will learn retail job skills.	\$393,465	\$78,693

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Springfield Regional Development Corporation - Black River Innovation Campus, Park St. School Redevelopment	Renovation of the core and shell of 95,000 square foot building to allow Black River Innovation Campus (BRIC) to expand from a small pilot area to safe and accessible use of the balance of the building for provide training, mentorship and support for early stage companies, coworking and office space, serving as a regional connector for technology workers and entrepreneurs.	\$7,300,000	\$500,000
The Willowell Foundation Inc - Wren's Nest Preschool Sustainability and Housing Expansion	Purchase of land and infrastructure to create low-income housing for professionals in early education and help strengthen Vermont's workforce. Expansion of preschool with permanent roots in Bristol, offering three more full time slots per year and reserving twenty percent of those spots for low-to-moderate-income families. Construction of a modest schoolhouse, which will grow our programmatic infrastructure, support the subsequent hiring of more teachers and expand access to more low-income families. Construction of a three bedroom low-income unit that will serve as AmeriCorps member housing.	\$1,480,800	\$296,160
Town Hall Theater Inc. - Town Hall Center for the Performing Arts	Town Hall Theater in Middlebury, Vermont is undertaking a transformational project growing a community theater into a regional performing arts center. Construction of a new 7,000-8,000 square foot three-story wing, which will attach to the existing theater and be constructed on an adjacent lot that Town Hall Theater bought in 2018 with the intention to expand.	\$6,500,000	\$500,000
Twin Pines Housing Trust - Riverwalk Community Housing	Construction of 42 new affordable housing units. The development will consist of one multifamily rental building that is four stories with an elevator, and includes a community room, common laundry facilities, a parking garage beneath the building, and surface parking with a total of 53 parking spaces. The building will have heat pumps for heating and cooling, active energy recovery ventilation, and a robust thermal envelope. Four units will be ADA compliant with all other units visitable/adaptable. The final unit mix will include 7 studios, 8 one-bedroom, 24 two-bedroom and 3 three-bedroom units.	\$16,526,856	\$200,000
Village Ventures - 61 N. Pleasant St Affordable Housing	Renovation of vacant historic 1900 3-family building in downtown Bradford to bring 3 housing units back to market and add 3 new units across the barn and unfinished space.	\$843,623	\$168,725
Asian Homestyle Cooking - Commercial Kitchen Expansion	Build commercial kitchen (electrical, plumbing, propane, and other kitchen equipment, and installations) to allow Asian Homestyle Cooking to reopen and sell frozen homemade artisanal dumplings and sides/condiments.	\$21,235	\$4,747



## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
BVR, Inc. - Wastewater System Upgrade	Upgrade the wastewater treatment and decommission the old treatment system to preserve the health of Joiner Brook as well as the viability of the Bolton Valley Ski Resort.	\$5,000,000	\$500,000
Chroma Technology Corp - Site Stabilization	Significant reduction or flattening of slopes on the north and west side of the building from a 1:1 to a 1:2 pitch with a 4.5 foot rock toe to stabilize the property and protect the building and its foundation from being undermined due to severe slope erosion and flooding.	\$1,912,325	\$382,465
Cutler Block Remodel	Renovation of historic building on Main Street to expand commercial office space. The vacant first floor of the building will be remodeled from a restaurant to office space to accommodate 9 new workspaces and allow the current tenants of the building to expand their businesses.	\$858,743	\$171,748
Friends of Dog Mountain, Inc. - Dog Chapel Foundation Restoration	This 150-acre property is the legacy of the late world-renowned artist Stephen Huneck and is now owned and operated by the non-profit, Friends of Dog Mountain. The Dog Chapel is the most beloved attraction at Dog Mountain and is widely considered to be Huneck's artistic masterpiece. Extensive repairs and improvements are needed to address the water damage to the foundation and improve accessibility, to preserve this cherished destination for generations to come.	\$90,000	\$18,000
Lake Champlain Community Sailing Center - Lake Access For All: Waterfront Redevelopment	Infrastructure necessary for lake access, safe harbor, and growth of Lake Champlain Community Sailing Center's (CSC) programs and services including an education pier (accessible by visitors with mobility impairments), safe launch site, deep-water basin and hoist.	\$4,281,912	\$312,326
Montessori School of Central Vermont - Expansion Project	Expand physical space by approximately 6,000 sq ft to increase infant/toddler programs, hire additional staff, and provide a gathering space (multi-purpose room) for the larger Central Vermont community.	\$3,400,000	\$449,309
Otter Creek Child Center, Inc. - Community Child Care Expansion Project	Construction of a state-of-the art, ADA compliant, 12,000+ sq ft building (part renovation, part new construction), located at the existing Otter Creek Child Center site, which is within a one-mile radius of Addison County's two largest employers. This facility will serve 139 children ages six weeks to five years, serve a cross section of families of all backgrounds, create 28 new jobs, serve as a workforce development hub for the early care and learning industry, and provide a learning lab for high school and college students.	\$10,692,533	\$500,000
Pittsford Village Farm Redevelopment	Renovation and adaptive reuse of the 8,500 sq ft structure on Elm Street to include community meeting space, a new childcare center, and two new affordable apartments.	\$2,825,263	\$437,111

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Springfield Hospital Pedestrian Bridge	Remove and replace pedestrian bridge to restore patient access from main parking lot to the top level of specialty clinic building (Ridgewood Professional Building) that currently houses women's health and psychology outpatient services and expand services offered on that level.	\$300,000	\$60,000
Starksboro Cooperative Preschool - Physical Plant Renovation	Renovation and improvement to the Starksboro Village Meetinghouse, utilized in long-term lease by the Starksboro Cooperative Pre-school (SCP), to add a second classroom and restroom that will extend enrollment opportunities to toddlers aged 24-36 months, creating 8-10 new slots for local families. Renovations include mechanical and life-safety systems, increased safety of outdoor spaces utilized by the pre-school, added functionality to the space, and preservation of the historic character of the Starksboro Village Meetinghouse.	\$375,067	\$75,000
The Learning Tree Child Care Center	Build a new facility to expand childcare center serving 45 pre-school aged youth and their families to add 14 slots all serving lot- to moderate-income families. This project will immediately create two new full-time jobs in the region. The proposed project site is centrally located and is accessible to working families from Enosburg, Richford, Berkshire, Bakersfield, and Montgomery.	\$934,000	\$166,733
Tri-Park Cooperative Housing Corporation - Infill-Relocation Master Plan	Permanently relocate homes out of the floodway (and some in the floodplain) to areas of higher ground, purchase 26 new Zero-Energy Ready manufactured homes, and install the new homes within Mountain Home Park. Remove existing homes and convert the area into a conservation easement.	\$7,300,000	\$500,000
Tullar Group, LLC - 288 Church St.	Renovation of a 2,560 sq ft farmhouse in South Ryegate into 3 housing units (1 affordable).	\$243,650	\$48,730
Turning Point Center of Central Vermont	Completion of a new well-designed two-story community recovery center in Barre City, allowing for a critical and overdue expansion in high quality educational, recreational, and direct recovery services delivered within an appealing and indispensable social hub. The Center's construction will provide a truly transformative opportunity for our organization, in partnership with multiple community and regional stakeholders, to support and promote successful long-term recovery across the highly deserving and underserved recovery community of central Vermont.	\$3,295,200	\$500,000

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Vermont Granite Museum of Barre - West Wall Renovation Project	Renovation of the west wall of the museum, which is the only section of the 28,000 sq ft granite plant that is not insulated and sealed causing most of the building to remain too cold to use six months of the year. With the west wall completed, the museum will be able to operate year-round and expand upon its efforts to fulfill the institution's mission.	\$300,000	\$60,000
Windham County Dental Center, Inc - Relocation and Expansion Project	Relocate and renovate an office building to provide dental care to low to moderate income adults and children.	\$1,149,000	\$182,099
Ruth Stone House Inc - Renovation Completion	CRRP funds will be used to improve property accessibility, renovate dilapidated areas of the main house, address energy-efficiency deficits to increase functionality, and restore the landscape to provide additional in-person literary arts educational programming to the public.	\$480,000	\$80,000
Stonewood Farm - Increase Turkey Sales	This project will renovate an existing turkey barn to also be a brooding barn to grow an additional 2,000 turkeys annually, as well as renovation of the turkey slaughter plant to improve the way live turkeys are handled.	\$132,600	\$26,520
Thirty-Four North LLC - Vergennes Grand Assisted Living	Renovate and expand Vergennes Residential Care Home from an 18-resident care home into a facility for 84 seniors (55 units).	\$25,889,161	\$500,000
Catamount Film & Arts Co. - Catamount Arts Creative Campus	Acquisition and upgrades to establish a Creative Campus in St. Johnsbury to further advance creative sector economic development while promoting job creation/preservation for a vital small and emerging private business in the Northeast Kingdom.	\$1,702,000	\$340,400
Reperio Properties (The Afterschool Collaborative) - The Homestead at Lakewood Commons	Purchase and renovation of space to create a childcare facility for up to 88 children. This is an expansion of an existing childcare provider.	\$2,900,000	\$500,000
Milton Mobile Home Cooperative	Upgrades to mobile home park, including remedying a dangerous electric system by replacing old and deteriorated feeder wires and meters and moving the meters to poles.	\$4,330,000	\$235,000
Champlain Housing Trust - 10th Cavalry Apartments	Redevelop three historic buildings creating 65 affordable apartments in the Colchester area of Fort Ethan Allen. 13 will be set aside for households exiting homelessness or at risk of homelessness.	\$30,920,250	\$500,000

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Essex Resort Holdings LLC DBA Essex Resort and Spa – Essex Resort Event Center	Construction of a 10,600 sq ft event center with a maximum occupancy for approximately 600 individuals that will offer full kitchen and bar service.	\$4,905,000	\$500,000
Cathedral Square Corporation – Reid Commons	Construction of a 33-unit affordable rental housing community for older adults, age 55+. This project will be part of a larger, dense, mixed- income residential development.	\$14,771,428	\$500,000
Manning Dairy LLC – Farm Worker Housing	Replacing a dilapidated 3-BR mobile home currently housing 5 farmworkers with a zero-energy 5-bedroom modular home. This will ultimately increase farm efficiency, retention of employees, and lower energy costs.	\$476,541	\$95,308
Alburgh Family Clubhouse	Construction of a childcare center for 62 children from birth to grade 5 addressing a significant unmet need for affordable child-care in Grand Isle County, particularly in Alburgh.	\$3,064,348	\$500,000
Champlain Islands Celebration of the Arts – Performance Barn Improvements	Construction of a 2-story 18x30 extension to the existing performance barn to house ADA bathrooms, entrances, and community activity rooms.	\$441,350	\$88,270
Blue Heron Farm – Farm Worker Housing	Installation of an approximately 1400 square foot, energy efficient modular home, with room for meat and vegetable processing and storage.	\$632,907	\$126,500
CNJ LLC – Johnson Apartment Building	Construction of a new apartment building on an existing 4-acre parcel with 3 buildings and 20 apartments in Johnson Village.	\$900,000	\$180,000
Randolph Area Community Development Corporation – Salisbury Square	Construction of twelve 1- & 2- Bedroom rental units targeted to 60-100% area median income (AMI) households.	\$7,320,062	\$500,000
Vermont State University – Agriculture Program Redesign and Restart	Part of an overall project to re-design VSU’s agriculture program. Specifically, CRRP will help complete construction of a meat processing lab to teach butchering skills for degree, continuing education, and workforce development learners.	\$997,609	\$199,521
Pisgah Properties – The Notch House Event Center, Accommodations, and Catering Expansion	Expansion of the Notch House’s current accommodation and event facility to include the construction of a new 32’ x 60’ event barn with catering kitchen, four seasonal cabins, a central bathhouse, a caretaker’s unit, a laundry room, and a mechanical room.	\$1,750,000	\$350,000

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Housing Trust of Rutland County – Marble Village	New construction of 24 mixed income multi-family residential units in the downtown designated village of West Rutland. 8 units will be occupied by those at 50% AMI, 11 units at 60% AMI and 5 units at 100% AMI.	\$11,532,508	\$475,000
Ascend Housing Allies – Hospital Heights Rehabilitation	The rehabilitation of 22 existing rental homes in Rutland. The homes, built in 1977, serve Rutland’s most vulnerable community members making at or below 30% AMI.	\$6,285,334	\$500,000
The New School of Montpelier – VCFA Buildings Purchase and Renovation	Purchase and renovate buildings for a new campus.	\$5,150,000	\$500,000
The Confluence – Aquatics Facility Upgrades	Upgrades to aquatic facilities to the only publicly accessible indoor pool in the region. The upgrades will replace the 40+ year-old failing plumbing systems of the pool and spa, replacing the pool liner and deck surface, re-tiling the spa, and making physical improvements to the space.	\$1,082,000	\$216,400
Vermont Adaptive Ski & Sports – Adaptive Sports Center at Mount Ellen Base Lodge at Sugarbush Resort	Completion of a 9,000 sq. ft. accessible addition at Mount Ellen at Sugarbush Resort. The final completion of the new specialized adaptive sports facility will improve the quality and experience of programming and events for all participants, families, volunteers, staff, and guests in the Greater Mad River Valley area.	\$2,980,571	\$214,393
Community House – High School and Ventilation Projects	Establishing a high school to further the education of the currently served population of K-8th grade of children with trauma and emotional disturbances.	\$737,500	\$147,500
Windham + Windsor County Housing Trust – Alice Holway Drive	This project will bring 25 new units to the community, and 100% of the units will be affordable. The two-building site will feature 13 one- bedroom and 12 two-bedroom apartments.	\$11,758,383	\$500,000
Community For Woodstock Co. DBA The Mill School	Purchase and renovation of space to create a childcare facility for up to 17 children, 20% will be reserved for LMI families.	\$243,442	\$48,688
The Sharon Academy Inc. – STEAM Wing Addition	A 5,379 square foot addition to replace 4 very old classroom yurts, with 5 flexible-use, energy-efficient classrooms as a new school wing. The addition includes a large science lab and a large shop/maker space called the STEAM room for the science, engineering, and art building-projects.	\$4,432,210	\$500,000

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Friends of the Vergennes Opera House - All Access Project	Creation of an ADA-compliant elevator tower affixed to the southwest side of the historic Opera House in the heart of Vergennes. The project also involves regrading and resurfacing the alleyway, adding pavers, new lighting, and landscaping which will turn the current alleyway into a beautiful and welcoming courtyard. This new courtyard will create an inviting ADA- accessible entrance to both levels of the building with plenty of parking nearby on Main Street.	\$1,404,139	\$223,787
Lucas Dairy LLC - Dairy Facility Upgrade Project	Purchase and capital improvements at Ledge Haven Farm.	\$2,664,035	\$154,428
Sunrise Orchards Inc - Income Diversification Plan	Construct a commercial cider production facility and relocate an historic carriage barn located in Middlebury, VT restoring it to its original form and used as a permanent farm stand replacing a temporary one.	\$540,000	\$86,400
Arlington Arts Enrichment Program - Arlington Common	The Arlington Common will fully revitalize the four neglected buildings on the two-acre parcel of land previously owned by St. Margaret Mary's Church. This grant will focus on restoring and renovating two of the Common's buildings dedicated to art and recreation. These include 1) Fitness & Wellness Center's renovation and indoor pickleball courts, and 2) the Historic Watkins House Gallery and Studios and Outdoor Performance Space.	\$3,035,177	\$400,000
Conrad Hospitality, LLC - The Barnstead Inn Revitalization Project	This project will assist in completing renovations to a historic Bed & Breakfast. The upgrade includes the addition of eight inn rooms and creation of a year-round use pavilion including a heated concrete pad and ADA accessible bathrooms.	\$615,000	\$98,400
Putnam Block LLC - Putnam Block Redevelopment	Funding this project would enable Putnam Block to complete fit-up in 5 spaces within a 3-building renovation project and lease spaces to businesses who don't have the funding to complete fit up themselves.	\$3,711,929	\$400,000
The Tutorial Center - Tutorial Center renovations Phase 1	Expansion of an adult education and learning center within a QCT. The space will accommodate 3 large classrooms, offices, a conference room and a testing area for GED and PROV (state licensing testing) and a community area and private spaces for tutoring.	\$350,000	\$56,000
Kingdom Trail Association - NEK Outdoor Recreation Community Hub	Creation of a new Outdoor Recreation Community Hub location to serve as a Welcome Center and home base for the Kingdom Trail Association. Phase 1 is identified as: master plan development, purchase of 2 historic homes to be used for the hub, capital improvements to the homes, pre-construction, and site and civil development work for hub access and parking.	\$2,278,510	\$364,562

## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Stay & Play Daycare Center - Child Care Recovery Project	Construction of a new childcare center to be licensed for 36 children, and house two 2-bedroom apartment units.	\$1,162,924	\$186,067
The Thaddeus Stevens School, Inc. - New Campus Renovations	Upgrades to TSS's new campus. These investments include safety and zoning upgrades, ventilation improvements, reconfiguration of bathrooms, modifications to building exits, and finishing the semi-finished basement.	\$190,146	\$30,423
Clemmons Family Farm, Inc. - Capital Improvements to the Historic Clemmons Farm	The requested funds for capital improvements will install security systems and security fencing, implement interior upgrades and remodels of kitchens and bathrooms, install track lighting in areas for art exhibits, and enable CFF to procure and install energy- efficient heating, ventilation, and air conditioning (HVAC) equipment in four buildings on the property. These capital improvements will make the facilities safer for visitors and program participants and will expand CFF's programs in new venues on the farm.	\$1,100,000	\$176,000
Howard Center Inc - Lakeview House	Construction of a purpose- built, environmentally efficient, and accessible long- term or permanent home of 8,000 square feet for 16 aging adults whose mental health conditions make it impossible for them to live independently and safely or to work in the community. An appropriate and efficient environment will improve the lives and outcomes for residents, add value to Vermont's mental health system of care, and provide a safe and comfortable home to these and future Vermonters for years to come.	\$3,500,000	\$400,000
Positive Spin Laundry VT LLC - Laundromat Redevelopment	Purchase and renovation of 2 defunct laundromats. Replace all washing machines in the Burlington location. Fix all dryers in Burlington. Fix both washers and dryers in St Albans. Replace floor, ceiling, and lighting in Burlington. Paint both locations. Looking to provide both cities with much needed clean safe and fully operating laundromats to meet the high demand.	\$525,000	\$84,000
Red Wagon Plants Inc - Red Wagon Expansion Project	Construction of a new building that will house a staff bathroom, farm office, farm product processing kitchen, storage for seeds and herb processing supplies, a staff break room, and space for a seasonal farm stand and bakery.	\$820,000	\$128,000
Machia & Sons Dairy LLC - FWH Replacement Project	Machia & Sons Dairy plans to purchase a highly energy efficient five-bedroom manufactured home for farmworker housing and install a new septic system for the home.	\$312,452	\$49,992
Machia Brothers Dairy - FWH Replacement Project	Machia Brothers Dairy plans to purchase a highly energy efficient, four-bedroom manufactured home for farmworker housing. The existing trailer will be demolished, and the new home will be set on an insulated slab and connected to existing utilities.	\$289,654	\$46,344



## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Vermont Studio Center - Corner House Project	Renovation of the historic "Corner House" at the corner of Pearl/Clay Hill Road and School Street. The "Corner House Project" will be a deep energy retrofit and a full renovation of the living spaces of the 3500 square foot, three-story 1916 Johnson Normal School's girls' dormitory. This building has exciting potential to increase VSC visiting artists and writers by 24% while maintaining the historic aesthetic of downtown Johnson.	\$3,000,000	\$400,000
Chapmans Place LLC - Gryphon Restoration	Renovate a vacant building in Fairlee to facilitate four energy efficient new apartments. The final project will have 1 3-bedroom, 2 2- bedroom and 1 1-bedroom apartments that will be designated for families exiting homelessness and affordable within VHIP guidelines.	\$829,400	\$129,920
Old City Falls Oasis DBA Vermont Maple Weddings - Old City Falls Oasis Expansion	Expansion project increasing the capacity to offer space for multi-day weddings and gatherings, yoga and wellness, music, theater, and comedy, and other events. The expansion project consists of renovations to the main building, building a studio, upgrading to a commercial kitchen, upgrades allowing increased offering of outdoor serving space, stonework, road improvements, and expanding access to trail network.	\$1,450,000	\$232,000
Memphremagog Community Maritime - The Northern Star Renovation	Renovation of the Northern Star cruise boat in Newport City.	\$111,326	\$22,400
Brandon Park Village LLC - Reuse Historic Building for Affordable Housing	Restoring building "K" of the historic Old Training School in Brandon and turning it into 19 apartments, including 12 three-bedroom accessible apartments for low- to medium-income households.	\$2,774,325	\$379,200
NewStory Center, Inc. - Emergency Shelter Campus Expansion	Converting old office space into a second shelter with services, doubling its shelter capacity. The new shelter will serve up to eight households. This project includes some minor floor plan changes, new kitchens and baths, and adding finished space in the walk-out annex level and former attic area increasing the square footage of occupiable space.	\$1,949,000	\$311,840
Brattleboro Development Credit Corporation - Purchase and Redevelopment of 80 Cotton Mill Hill	Purchase and renovation of 80 Cotton Mill Hill adjacent to BDCC's Cotton Hill campus to expand a value-added food producer.	\$2,275,000	\$364,000



## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Community Development Support Inc. - Innovation Hub	This project is a discrete portion of the larger DeWitt Block Project, which includes the ground floor fit-up of the garden-level co-working space which had been slated for classroom space for digital up- skilling courses and kids coding camps run by the Black River Innovation Campus, and homework space for young residents and the nearby Boys & Girls Club, as well as five additional rentable offices.	\$1,422,347	\$217,878
Greater Rockingham Area Services , Inc - Biomass Boiler Project	Replace an antiquated inefficient oil burning heating system with an energy efficient wood chip fired steam boiler system. The system will include instillation of a biomass boiler, an LP boiler backup, and an exterior wood chip silo.	\$1,897,208	\$221,510
High Street & Green, LLC - Facade and Energy Improvements	Additional facade enhancements of the eastern and western faces of the facility working to establish itself as a hub of activity surrounding craft, arts, food, shipping and community. Removal of an inoperable and potentially hazardous elevator that is cost-prohibitive to fix. HVAC upgrade throughout the building.	\$1,750,000	\$188,313
The Pumpkin Patch - Child Care & Early Learning Center	Creation of a childcare center that can offer quality, affordable childcare for children from 6 weeks old to 4 years old. Located just off exit 4 on I91, this center would be easily accessible to the residents of Putney, Westminster, Dummerston, Brattleboro and Bellows Falls.	\$210,000	\$12,800
15-19 Main Street owners LLC - Managed by North Star Realty Group LLC	The proposed project aims to stop further deterioration of an important historic anchor building. The current condition of the building is poor and has not been occupied or maintained for many years. The project will restore the front facade with historically accurate colors, panelize the storefront and restore facades to the original design intent. The rear facade which faces the Black River will be shored and stabilized. The rear walls will be completely rebuilt with new windows, doors, and siding.	\$197,700	\$31,632
Rowan Tree Investments, LLC - 24-26 Prospect Street Revitalization	Renovating an abandoned home into an affordable 2-unit rental in Springfield.	\$320,745	\$51,200
The Center for Cartoon Studies - Telegraph Building Renovation	Renovation of an iconic yet derelict downtown White River Junction building into an educational and community hub. Once renovated, the Telegraph Building will house a production lab, a learning center, original art archive, studio space, a state-of-the- art classroom for on-location and online instruction, a public gallery, and a bookstore.	\$2,089,265	\$79,110

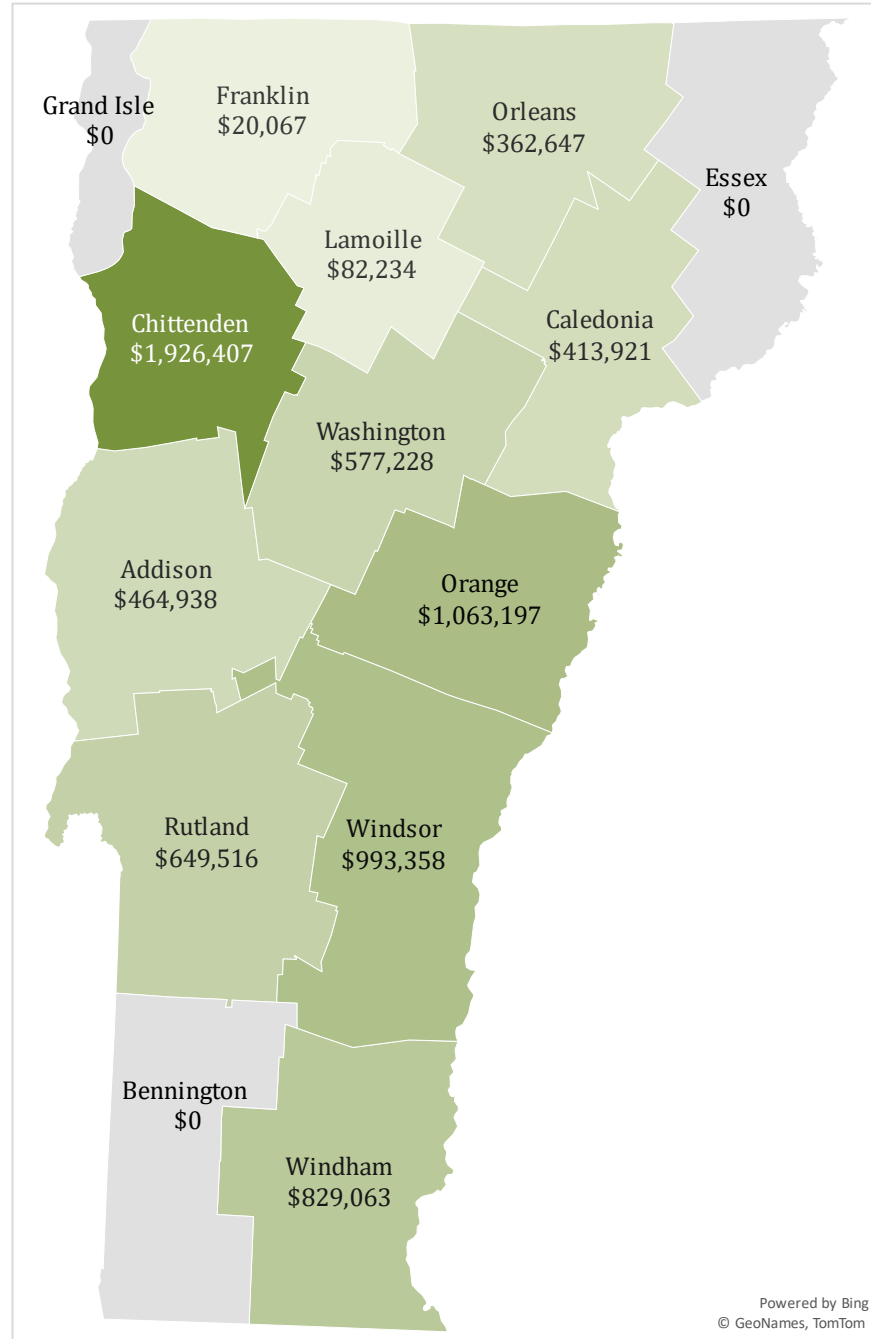
## Appendix IV List of CRRP Awards

Project Name	Project Description	Estimated Total Project Cost	Proposed Award
Windham and Windsor Housing Trust - Central & Main	Central & Main Apartments is a plan for new construction of a 25-unit mixed-income building in Windsor on a vacant site within the Designated Downtown. Of the 25 new units being built, 100% will be affordable as defined in 24 V.S.A. § 4303, with units set aside for (3) households earning less than 30% AMI, (6) less than 50% AMI, (10) less than 60%AMI and (6) less than 80%AMI and 100%. 5 units will be set aside for households leaving homelessness.	\$14,999,328	\$397,588
<b>Totals for 102 CRRP awards</b>		<b>\$362,262,213</b>	<b>\$27,142,129</b>

## Appendix V Geographic Distribution of CIP and CRRP Dollars Awarded

The CIP funds were distributed geographically as shown in Exhibit 7 below.

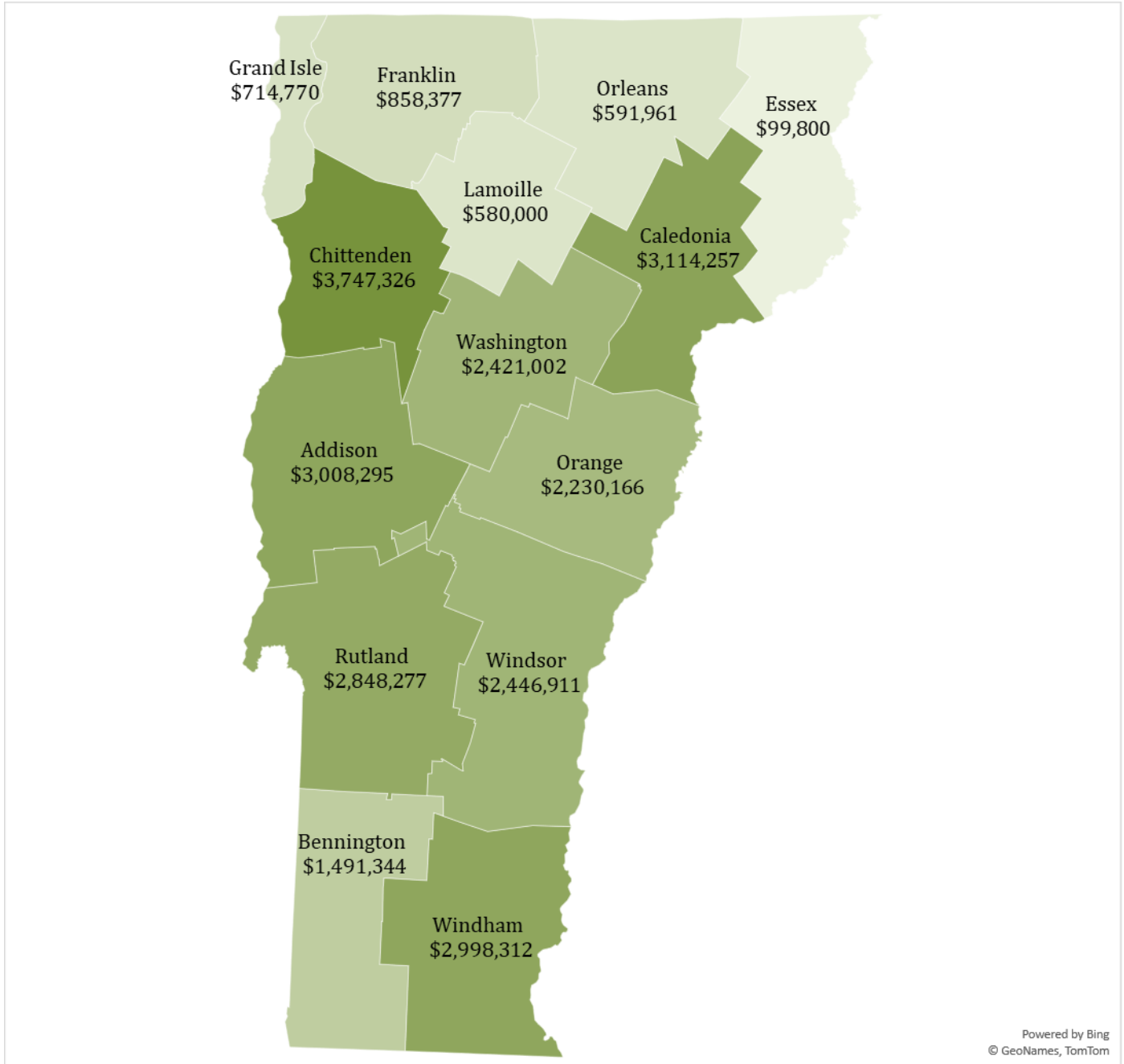
### Exhibit 7: Geographic Dispersion of CIP Awards



## Appendix V Geographic Distribution of CIP and CRRP Dollars Awarded

The CRRP funds were distributed geographically as shown in Exhibit 8 below.

### Exhibit 8: Geographic Dispersion of CRRP Awards, All Four Rounds



# Appendix VI

## Reprint of Management’s Comments

The following is a reprint of management’s response to a draft of this report. Our evaluation of these comments is contained in Appendix VII.



September 18, 2024 (Amended)

Douglas R. Hoffer  
Vermont State Auditor  
132 State Street  
Montpelier, VT 05633-5101

Re: “Report of the Vermont State Auditor: Department of Economic Development: Capital Investment Grant Program and Community Recovery and Revitalization Grant Program”

Dear Mr. Hoffer,

Comment 1

The Department of Economic Development (DED) appreciates the time and effort the Office of the Vermont State Auditor (SAO) spent working on its audit of the [Capital Investment Program](#) (CIP) and the [Community Recovery and Revitalization Program](#) (CRRP). I recognize that a significant amount of time was dedicated to this report by representatives of the SAO and DED and that this was further complicated due to the fluctuating audit objective.

Comment 2

Comment 3

Comment 4

DED would like to say for the record that thorough due diligence was applied in our processes, and decision-making was informed by input from relevant stakeholders, including subject matter experts. Additionally, DED documented the rationale for award amounts to ensure transparency and fully complied with state law in all its actions and decisions.

Comment 5

The SAO performance analysis focuses on compliance with State statutes while disregarding that the program funding was provided under Federal guidelines that control the use of the funds and the associated compliance requirements. Doing so led the SAO to assert that DED failed to follow the rules. We categorically deny this. Further, the SAO emphatically [complained](#) to the Vermont Legislature about DED’s interpretation of the U.S. Treasury directive for CIP implementation. The SAO then issued a technical inquiry to the U.S. Treasury, which subsequently [confirmed](#) that DED’s methodology was aligned with ARPA rules.

The SAO raises a valid point regarding the affordable housing grants. The SAO recommends an affordability period extension beyond our current grant closeout date of 12/31/2026. Because such an extension would be after the closeout date, DED will endeavor to find a solution for how this could be achieved legally and administratively.

Below is DED’s response to each objective area outlined in the SAO report titled: *Report of the Vermont State Auditor: Department of Economic Development: Capital Investment Grant Program and Community Recovery and Revitalization Grant Program*.

## Appendix VI

### Reprint of Management’s Comments

Comment 6	<p><b>Objective 1a:</b> DED finds that the report omits important facts regarding the Federal and State intention for these programs, which was to efficiently distribute COVID recovery funds to prevent business closures and job losses while fostering long-term growth and sustainability for impacted entities. Furthermore, the SAO demonstrates an apparent</p>
Comment 7	<p>lack of understanding of capital projects and the inevitable dynamics that occur throughout the process between proposal and completion. Commonly, plans are made for a project and then costs increase (often by 25-50%), finding funding becomes more difficult, and permitting may restrict the project’s scope. Because of the complex and</p>
Comment 8	<p>evolving nature of capital projects, the ability to review them on a formulaic basis is limited.</p>
Comment 9	<p>Additionally, the SAO focuses on a restrictive definition of "need" that requires applicants to exhaust all cash, investments, or borrowing capacity. DED assessed need by determining whether applicants made reasonable efforts to secure funding and demonstrated a clear funding gap. The SAO’s assertion that applicants have negligible resources to meet the requirement of “need” contradicts the aforementioned program intentions and does not account for the flexibility necessary to support diverse applicants. For example, under the SAO interpretation, non-profit endowments would be expected to be extinguished before becoming eligible.</p>
Comment 3	<p><b>Objective 1b:</b> DED used an Interagency Team to ensure cross-agency collaboration and sought input from relevant agencies, such as the Department for Children and Families (DCF) for childcare facilities, the Agency of Natural Resources (ANR) for water and wastewater infrastructure, and the Department of Housing and Community Development (DHCD) for affordable housing applications. These interactions often raised new considerations that DED incorporated into decisions.</p>
Comment 10	<p><b>Objective 1c:</b> When determining award amounts, DED considered several factors like geographic diversity, size of project, amount of need, and other intricacies that are not easily captured by a purely numerical approach. DED capped most CIP awards at the lesser of \$500,000 or the applicant’s Net Fiscal Impact (NFI) to the State. The intention was to distribute funds more broadly, despite a statutory cap of \$1.5 million per project. For the same reason, most CRRP awards were capped at the lesser of 20% of the total project cost, or \$500,000, despite a statutory cap of \$1 million per project. Under rare special circumstances, awards exceeded \$500,000 and the documented reasoning for this was provided to the SAO.</p>
Comment 11	<p>The NFI requirement was ultimately removed by the Legislature in statute for CRRP. It did not accurately reflect the benefits of essential projects like childcare and affordable housing. While the SAO criticized this decision, the NFI model was inadequate for assessing true social impact and economic recovery goals. Therefore, it is inappropriate</p>
Comment 12	

## Appendix VI

### Reprint of Management's Comments

to rate DED's performance on a measure that was eliminated by statute and therefore could not be a performance requirement of the CRRP program.

It is important to note that the work of the SAO was conducted while DED was in the process of enacting these programs, rather than following their completion. While DED worked with SAO to improve processes throughout the stages of the programs in real-time, DED does not believe that conducting a program analysis of in-progress work accurately reflects their full impact.

DED is appreciative of the work of all parties to complete the SAO report, and we remain available to discuss any further questions or concerns related to CIP and CRRP.

Sincerely,



Joan Goldstein  
Commissioner  
Vermont Department of Economic Development

Attachments:

[SAO memo from March 2022 to Vermont Legislature](#)

[SAO attachment to memo from March 2022](#)

[Agency of Administration memo dated August 2024](#)

Comment 13



## Appendix VII

### SAO Evaluation of Management’s Comments

Generally accepted government auditing standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We have met this standard. Standards also require that we include an evaluation of management’s comments when those comments are inconsistent or in conflict with the findings, conclusions, and recommendations. In this case, management comments are misleading or inaccurate and we point this out in our evaluation. Further, management did not submit additional evidence to support the claims made in their comments. Appendix VII reflects our evidence-based responses to passages in the Management Comments reprinted in Appendix VI.

Comment #	Management’s Response	SAO Evaluation
1	<p><i>I recognize that a significant amount of time was dedicated to this report by representatives of the SAO and DED and that this was further complicated due to the fluctuating audit objective.</i></p>	<p>This is misleading. As we explained to DED in our letter announcing the commencement of the audit and during our initial meeting, the objective is preliminary at commencement of the audit and may be revised based on information learned during planning. Indeed, we revised the audit objective to address concerns raised by DED staff during our initial meeting and communicated this update to them in accordance with generally accepted government auditing standards. At the end of planning, we clarified the wording of the objective to specify that State law is the relevant criteria for the audit and that only for-profit and non-profit organizations were in the audit scope. We explained that the update improved the readability of the objective but did not change the work we planned to do.</p> <p>We recognize that audits represent an increase in workload for already busy staff and we did not press for prompt responses to our questions because we recognized the burdens that were already on the agency. At different points during the audit, DED requested that we pause the audit and sought a longer period to provide comments on a draft of the audit report. All these contributed to a lengthened timeline for the audit.</p> <p>We did not pause the audit, but we expressed hope that our outstanding document requests and questions would be attended to by December 1, 2023. This meant waiting one to two months for responses. Generally, we ask that management provide comments on draft reports within two weeks of receipt of the draft report. DED requested a longer period which added another three weeks to the length of the audit.</p>

## Appendix VII

### SAO Evaluation of Management’s Comments

Comment #	Management’s Response	SAO Evaluation
2	<p><i>DED would like to say for the record that thorough due diligence was applied in our processes.</i></p>	<p>The evidence shows that DED did not perform adequate due diligence on applicants’ assertions about need for the grant funding. DED largely relied on applicant assertions to demonstrate that “grant funding is needed to complete the project” rather than corroborate these claims with a thorough and documented review of each applicant’s financial position and inquiry about alternate means of funding the project such as applicants’ own funds or bank loans.</p> <p>We noted a few awardees who indicated the project would proceed regardless of an award and several other awardees appeared to have adequate resources to proceed without an award. For example, one awardee had cash and investments 27 times the project cost and another had more than 300 times the project costs. In total, DED awarded \$2,971,399 to awardees in our sample who either explicitly stated their project would proceed regardless of an award or whose financial position suggested they could complete the project without an award.</p> <p>Reliance on applicant assertions regarding need without thorough consideration of an applicant’s financial position and documentation of this assessment increased the risk that funds would be awarded in instances for which they weren’t needed.</p>
3	<p><i>Decision-making was informed by input from relevant stakeholders, including subject matter experts.</i></p> <p><i>DED used an Interagency Team to ensure cross-agency collaboration and sought input from relevant agencies such as the Department for Children and Families (DCF) for childcare facilities, the Agency of Natural Resources (ANR) for water and wastewater infrastructure, and the Department of Housing and Community Development (DHCD) for affordable housing applications.</i></p>	<p>The evidence does not support this assertion. DED did not provide documentary evidence of review or recommendation from other state entities for 17 of the 21 applicants in our CIP sample. Our analysis of 30 CRRP awardees showed that 15 (50 percent of the sample) did not receive a recommendation or feedback from DHCD/DCF or from another state entity addressing the factors an interagency team was legally required to consider.</p> <p>Vermont legislation required the Secretary of ACCD to appoint an interagency team to “review, analyze, and recommend projects for funding” based on factors specified in the law. An advisory team, such as the required interagency team, can serve as an independent review and evaluation and to ensure consistency and fairness in treatment of grant applicants and that award decisions are aligned with the objectives of the grant program. By failing to obtain recommendations from an interagency team based on required factors for most CIP awards and half of the CRRP awards in our sample, DED missed the opportunity to increase the transparency of its decision-making and omitted a control that could have helped to ensure DED achieved desired results and effective stewardship of public resources.</p>

## Appendix VII

### SAO Evaluation of Management’s Comments

Comment #	Management’s Response	SAO Evaluation
4	<i>Additionally, DED documented the rationale for award amounts to ensure transparency and fully complied with state law in all its actions and decisions.</i>	<p>The evidence does not support this assertion. We found that DED’s documentation of a CIP award amount higher than \$500,000, the amount DED generally expected to be the maximum for awards, did not address what distinguished this applicant from four others with NFI’s greater than \$500,000 who did not receive awards above \$500,000. For CRRP, DED did not document how the amounts awarded were related to the numerical scoring system used in CRRP nor the factors that state law required DED to consider in making the awards. Some awardees received a higher percentage of the award amount requested despite scoring lower than other awardees. Lacking documentation to substantiate these decisions, it’s impossible to know why awards differed.</p> <p>According to the State’s internal control standards, the “concept of accountability is intrinsic to the governing process of our state” and officials who manage programs must be accountable to the public. The failure to preserve evidence to substantiate decisions impedes this accountability.</p>

## Appendix VII

### SAO Evaluation of Management’s Comments

<p>5</p>	<p><i>The SAO performance analysis focuses on compliance with State statutes while disregarding that the program funding was provided under Federal guidelines that control the use of the funds and the associated compliance requirements. Doing so led the SAO to assert that DED failed to follow the rules. We categorically deny this.</i></p> <p><i>Further, the SAO emphatically complained to the Vermont Legislature about DED’s interpretation of the U.S. Treasury directive for CIP implementation. The SAO then issued a technical inquiry to the U.S. Treasury, which subsequently confirmed that DED’s methodology was aligned with ARPA rules.</i></p>	<p>This is not accurate. We did not disregard that federal SLFRF is the source of awards under CIP and CRRP. Rather, we emphasize this fact in the report Highlights and Background sections. We also explain that in November 2022, the State elected to classify both programs under a category in the SLFRF Final Rule known as “Revenue Loss,” which allowed latitude in the use of funds. Namely, any government service was an eligible use. Because of this flexibility in the Final Rule and for other reasons, our audit objectives focused on State requirements and restrictions added on by Act 74 (2021) and Act 183 (2022), the enabling state legislation for CIP and CRRP, respectively.</p> <p>We reported that DED failed to follow State law, not federal law. Even though the State classified CIP and CRRP under the SLFRF Revenue Loss category, allowing broad uses of the funds, Vermont law (Act 183 of 2022) narrowed eligibility to for-profit or nonprofit organizations that intended “to utilize the funds for an enumerated use as defined in the U. S. Treasury Final Rule for Coronavirus State and Fiscal Recovery Funds.” For example, DED did not require affordable housing projects to preserve affordability for at least 20-years as required to be an enumerated use and did not heed Guidehouse’s advice that the Yellow Barn project was not an enumerated use.</p> <p>DED’s assertion that our office “emphatically complained” is unfortunate. In March 2022, we communicated concerns to the Senate Committee on Economic Development about the potential for impermissible uses of federal funds in the CIP program and in the proposed legislation for a Grand List Enhancement Program (S.263). Specifically, we warned that the program design for CIP did not appear to comply with the updated federal rules. We highlighted that the U.S. Treasury’s January 2022 Final Rule prohibited use of SLFRF for large capital investments for the purpose of general economic development and noted that Act 74 (2021), the enabling legislation for CIP, and S.263 both touted the very type of projects that were prohibited. We explained that 1) neither Act 74 nor the current version of S.263 mentioned Final Rule requirements, 2) publicly available materials did not provide insight as to how ACCD was addressing the Final Rule requirements, and 3) ACCD did not answer our questions about the processes being used to assess eligibility under the Final Rule. Months later, the State elected to classify the CIP and CRRP programs under the SLFRF Revenue Loss category, acknowledging the risks of noncompliance with the federal Final Rule, explaining that “These appropriations face either significant inconsistencies with final rule eligibility guidance or prohibitively complex administrative requirements if allocated under a different section of the final rule, heightening the risk of an ineligibility determination by Treasury.”</p>
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## Appendix VII SAO Evaluation of Management’s Comments

Comment #	Management’s Response	SAO Evaluation
		Our April 2022 technical inquiry to the U.S. Treasury was limited to questions about the Final Rule requirement for 1) written justifications for capital projects over \$1 million and 2) the analysis required for unenumerated capital expenditures under \$1 million. U.S. Treasury answers to these narrow questions did not address the whole of DED’s CIP program design and thus did not confirm that the entirety of DED’s methodology “was aligned with ARPA rules” as DED claims.
6	<i>DED finds that the report omits important facts regarding the Federal and State intention for these programs, which was to efficiently distribute COVID recovery funds to prevent businesses from closures and job losses while fostering long-term growth and sustainability for impacted entities.</i>	This assertion is inaccurate. We did not omit important facts about Federal and State intention for these programs. Rather, we report the purpose of the CIP and CRRP programs according to the State’s 2023 Annual Recovery Plan Performance Report submitted to the U.S. Treasury and as memorialized in State law. That is, to address the negative economic impacts of the pandemic while simultaneously leveraging opportunities to grow Vermont’s economy. These purposes are consistent with the Federal rationale for establishing the SLFRF which is to provide state and local governments with the resources needed “to respond to the pandemic and its economic effects and to build a stronger, more equitable economy during the recovery.” Moreover, we describe the interplay of State and Federal requirements and note that state law added requirements and restrictions for these two programs. Lastly, our audit objective is clear in its focus on requirements in state law, not federal.
7	<i>Furthermore, the SAO demonstrates an apparent lack of understanding of capital projects and the inevitable dynamics that occur throughout the process between proposal and completion.</i>	This assertion is inaccurate. While considering applicants for awards and finalizing grant agreements, DED obtained project updates such as cost changes and funding source status. Our review of 21 CIP awardees and 30 CRRP awardees incorporated these updates to the extent applicable. Regardless of “the inevitable dynamics that occur throughout the process between proposal and completion,” State law required that applicants demonstrate grant funding is needed to complete the project. Based on our review of 51 awardees, we concluded that DED relied on applicant assertions even though the State’s internal control guide states that due diligence should occur when there is significant risk associated with performing no verification. The guide lists reviewing and verifying participant’s eligibility for State program services as an example. Given that applicant’s “need” is foundational to eligibility under CIP and CRRP and there was the potential that DED could award \$1 million or greater of State resources, the risk associated with this determination is significant.
8	<i>Because of the complex and evolving nature of capital projects, the ability to review them on a formulaic basis is limited.</i>	Regardless of complexity and changes, DED has a responsibility to perform due diligence, implementing internal controls that adequately address risk. We recommended that DED perform reasonable steps, such as verifying an applicant’s financial position, asking about the ability to pursue other financing, and articulating clear guidelines for how financial position will be assessed and the extent to which it will impact award decisions.

## Appendix VII

### SAO Evaluation of Management's Comments

Comment #	Management's Response	SAO Evaluation
9	<p><i>SAO focuses on a restrictive definition of "need" that requires applicants to exhaust all cash, investments, or borrowing capacity. DED assessed need by determining whether applicants made reasonable efforts to secure funding and demonstrated a clear funding gap. The SAO's assertion that applicants have negligible resources to meet the requirement of "need" contradicts the aforementioned program intentions and does not account for flexibility necessary to support diverse applicants. For example, under the SAO interpretation, non-profit endowments would be expected to be extinguished before becoming eligible.</i></p>	<p>This assertion is inaccurate. We do not suggest that DED require applicants to exhaust their funds to be eligible for CIP or CRRP. Rather, our examples point out that there were CIP awardees with cash and investment balances 27 and 300 times the project costs and others who indicated they would continue with the project regardless of an award. We also found CRRP awardees with cash and investment balances 8 and 101 times the CRRP award amount and one awardee that stated they would proceed with the project without a CRRP grant. These examples suggest the applicants did not demonstrate that "grant funding is needed to complete the project."</p>
10	<p><i>When determining award amounts, DED considered several factors like geographic diversity, size of the project, amount of need, and other intricacies that are not easily captured by a purely numerical approach.</i></p>	<p>This assertion is misleading because SAO did not recommend using only a numerical approach, merely that when DED chooses to include a numeric score in its approach, as they did for CRRP, they should specify how the score will be used in decision-making and what significance should be attached to the score. Otherwise, as we point out, the amount awarded or the percent of the amount requested that was awarded seemed to have no relationship to the score DED calculated. For example, four in our sample had scores of 115; one received 74 percent of the award amount requested, another received 100 percent, and two received 50 percent of the amount requested. However, how the score impacted the selection process and how other factors were weighed in the selection process was not consistently documented.</p>

## Appendix VII

### SAO Evaluation of Management’s Comments

Comment #	Management’s Response	SAO Evaluation
11	<i>Under rare special circumstances, awards exceeded \$500,000 and the documented reasoning for this was provided to the SAO.</i>	<p>This assertion is misleading. State law limited CIP grants to the lesser of \$1,500,000 or the estimated NFI of the project. According to the CIP Program Overview, DED expected most awards would not exceed \$500,000 but did not address circumstances that would warrant a higher amount. Five awardees in our sample had NFI greater than \$500,000 but only one received an award greater than this amount. This awardee requested an increase to its original CIP award and DED approved it based on the awardee indicating it did not borrow as much as intended and had a shortfall. While this is “the documented reasoning,” DED lacked an established standard for what circumstances warranted awards greater than \$500,000 so it’s not possible to know if DED applied a consistent and equitable approach to these decisions. According to a DED official, the other four awardees did not ask for additional funds. However, none of the CIP program materials indicate that awardees may request higher awards.</p> <p>For the CRRP program, two applicants received awards of \$1,000,000, even though their numerical scores were equal to or lower than nine others that had requested more than \$500,000 but did not receive it. The Summary Sheets for the \$1 million awardees cite reasons for the awards such as the nature of the project (e.g., childcare facility) but do not explain how they “showed exceptional need” as required by the CRRP Reviewer Manual.</p>
12	<i>The NFI requirement was ultimately removed by the Legislature in statute for CRRP. It did not accurately reflect the benefits of essential projects like childcare and affordable housing. While the SAO criticized this decision, the NFI model was inadequate for assessing true social impact and economic recovery goals. Therefore, it is inappropriate to rate DED’s performance on a measure that was eliminated by statute and therefore could not be a performance requirement of the CRRP program.</i>	<p>We reported that the NFI requirement was removed for CRRP by the Legislature at the request of DED. The stated purpose of CRRP is to address negative economic impacts of the pandemic <u>while simultaneously leveraging opportunities to grow Vermont’s economy</u>. Because of the continued focus on economic growth, for those CRRP awardees with an NFI calculated under CIP, a comparison of NFI to the total award amount is instructive.</p>
13	<i>Attachments</i>	<p>The following are documents listed as attachments in DED’s management comments:</p> <p><a href="#">SAO March 2022 memo and attachments to Vermont Legislature</a>  <a href="#">Agency of Administration memo dated August 2024</a></p>