CHIP FAQs - The "But For" Test

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The “But For” test is an important part of the CHIP program. It helps determine whether a project truly needs CHIP support in order to move forward. Municipalities and VEPC use this test to show that the project would likely not happen “but for” the help provided through CHIP. The questions below explain what the test means and how it is used.

VEPC's CHIP webpage may have additional FAQs related to this topic.

What is the "But For" Test, and who determines if it has been met?

VEPC will review each application - other than those for which the housing development is an affordable housing development - to determine whether the infrastructure improvements proposed to serve the Housing Development Site and the proposed housing development ***would not have occurred*** as proposed in the application or ***would have occurred in a significantly different and less desirable manner*** than as proposed in the application ***but for*** the proposed utilization of the incremental tax revenues.

A non-exhaustive list of factors VEPC may consider around the question of what is a “significantly different and less desirable manner” may include, but is not limited to:

- a housing development occurring significantly ***later*** than it could occur with CHIP financing,
- a housing development that would include ***fewer units*** without CHIP financing,
- a housing development that is ***significantly less affordable*** than could occur with CHIP financing.

What types of housing must meet the "But For" Test?

1. Moderate-Income - A housing development in which at least 25% of the units are for households earning 150% or less of area median income (AMI).
2. Market Rate – A housing development in which there are no income restrictions on any of the units.

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What does "Area Median Income" (AMI) mean?

Area Median Income (AMI) is the midpoint household income for a specific geographic region, meaning half of families earn more and half earn less, used primarily to determine eligibility for affordable housing and other federal/state programs. Calculated annually by the U.S. Department of Housing and Urban Development (HUD), AMI adjusts for household size, with various income levels (like 30%, 50%, 80% AMI) defining different tiers of affordability.

Where can I find out what the Area Median Income (AMI) is for an "affordable housing development" or a "moderate-income housing development" in my municipality?

The Vermont Housing Data website, also known as HousingData.org, provides Vermonters with tools for making more informed decisions about affordable housing. This website is loaded with valuable data and information.

Area Median Income can be found by following this path: Home>> Vermont Community Data Profiles>>Income & employment>> Area Median Income (AMI). You also can use this simple table for quick reference: Home Purchase Price & Rental Affordability Thresholds by Income Level and Household Size.

In the But-For justification, what is being justified – the housing project or the infrastructure project?

Both. The CHIP Guidelines note that VEPC will review each application other than those for which the housing development is an affordable housing development to determine whether the infrastructure improvements proposed to serve the Housing Development Site and the proposed housing development would not have occurred as proposed in the application or would have occurred in a significantly different and less desirable manner than as proposed in the application but for the proposed utilization of the incremental tax revenues.

How can I demonstrate that infrastructure improvements and proposed housing development "would have occurred in a significantly different and less desirable manner?"

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