CHIP FAQs - Definitions

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CHIP uses certain words and phrases that have special meanings within the program. Understanding these terms can make it easier to follow program requirements, complete applications, and plan projects. The definitions below are from the State's CHIP Guidelines.

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

Affordable Housing

See 24 V.S.A. Chapter 117 § 4303.

- Owner-occupied housing for which the total annual cost of ownership, including principal, interest, taxes, insurance, and condominium association fees, does not exceed 30 percent of the gross annual income of a household at 120 percent of the highest of the following:
    - the county median income, as defined by the U.S. Department of Housing and Urban Development;
    - the standard metropolitan statistical area median income if the municipality is located in such an area, as defined by the U.S. Department of Housing and Urban Development; or
    - the statewide median income, as defined by the U.S. Department of Housing and Urban Development.
- Rental housing for which the total annual cost of renting, including rent, utilities, and condominium association fees, does not exceed 30 percent of the gross annual income of a household at 80 percent of the highest of the following:
    - the county median income, as defined by the U.S. Department of Housing and Urban Development;
    - the standard metropolitan statistical area median income if the municipality is located in such an area, as defined by the U.S. Department of Housing and Urban Development; or
    - the statewide median income, as defined by the U.S. Department of Housing and Urban Development.

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Affordable Housing Development

A housing development where at least 15% of the units are designated as affordable housing with a recorded covenant or deed restriction ensuring affordability until the Final Repayment Date. Units must be used as the tenant's or owner's primary residence during such time. An application serving an affordable housing development does not have to meet the "but-for" test. The municipality may retain up to 85% education tax increment and must retain at least 85% of the new municipal tax increment.

Committed

Committed means pledged and appropriated for the purpose of the current and future payment of financing and related costs.

Developer

The person or entity responsible for undertaking to construct the housing development. Developers must enter into a binding Housing Infrastructure Agreement with the municipality.

Final Repayment Date

In the event of municipal financing of CHIP debt, the date on which the municipal debt is fully repaid, or in the event of non-municipal financing of CHIP debt, the date on which the municipality's obligation to reimburse eligible infrastructure costs ends.

Financing

Financing means debt, including principal, interest, and any fees or charges directly related to that debt, incurred by a Sponsor, or other instruments or borrowing used by a Sponsor, to pay for a housing infrastructure project and, in the case of a Sponsor that is a municipality, authorized by the municipality pursuant to the law.

Housing Development

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The construction, rehabilitation, or renovation of any building on an approved Housing Development Site. In connection with an approved Housing Development that is not an Affordable Housing Development or Moderate-Income Housing Development. A municipality may retain up to 75% of the education tax increment and must retain at least 85% of new municipal tax increment.

Housing Development Site

The whole parcel or parcels where the housing development will occur. If the development is to occur over multiple parcels, the parcels must be contiguous (i.e., a parcel may be separated by a road). Only parcels where the housing development is to occur can be included in the Housing Development Site, unless contiguous parcels are under common ownership and share a School Property Account Number (SPAN), in which case they must also be included. Housing Development Sites must be formally designated by the municipality (24 V.S.A. § 1908) and approved by VEPC. Housing Development Site boundaries define the area within which the original taxable value is established, and tax increment is generated. Once established, the boundaries of the Housing Development Site shall not change.

Housing Infrastructure Agreement

A homestead is the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by the resident as the person's domicile as defined by the Vermont Department of Taxes. Or, if the unit is a rental unit, the lease agreement stipulates that the tenant occupies the unit as their primary residence. Both owner-occupied and rental units must remain a primary residence until the Final Repayment Date.

Housing Infrastructure Project

A set of infrastructure improvements that support a specific CHIP housing development. These improvements must be directly tied to enabling the housing development. These improvements may or may not be located on the Housing Development Site.

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Improvements

The installation, construction, or reconstruction of infrastructure that will serve a public good and fulfill the purpose of the program; and the funding of debt service interest payments, or other financing, for a period of up to four years, beginning on the date on which the debt or other financing is first incurred. Improvements do not need to be within the Housing Development Site, but the applicant must demonstrate that the proposed improvements enable the proposed housing development.

Legislative Body

For CHIP, "Legislative Body" means the mayor and alderboard, the city council, the selectboard, and the president and trustees of an incorporated village, as appropriate. (24 V.S.A. § 1906(12)

Moderate-Income Housing Development

A housing development in which at least 25% of the units are for households earning 150% or less of area median income (AMI) and also subject to affordability restrictions until the Final Repayment Date. Units must be used as the tenant's or owner's primary residence during such time. A municipality with an application serving a moderate-income housing development may retain up to 85% of the education tax increment and must retain at least 85% of the new municipal tax increment.

Original Taxable Value (OTV)

The assessed value of taxable real property within the Housing Development Site on April 1 of the year the site is approved by VEPC.

Primary Residence

A homestead is the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by the resident as the person's domicile as defined by the Vermont Department of Taxes. Or, if the unit is a rental unit, the lease agreement stipulates that the tenant occupies the unit as their primary residence. Both owner-occupied and rental units must remain a primary residence until the Final Repayment

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Date.

Public Good

The public good will be considered met for improvements that directly support the housing development and are:

- publicly owned and publicly accessible; or
- privately owned and publicly accessible; or
- privately owned and privately accessible improvements may be eligible so long as they can demonstrate a community benefit from the CHIP-supported infrastructure project. The municipality shall articulate with evidence how the community needs or desires the planned improvements and that they are mutually beneficial for the municipality and developer. (i.e., private septic systems for a development in a community that does not have a municipal wastewater system, and/or the cost of connecting the development to an existing system would be cost-prohibitive for the developer and town.

Related Costs

Expenses incurred and paid by a municipality or Sponsor that are directly related to the creation, implementation, and administration of the Housing Infrastructure Project, including reimbursement of sums previously advanced for those purposes.

Sixty Percent (60%) Floor Area

60% of the indoor floor area must qualify as housing. The housing must primarily serve residential uses. Floor area to be considered housing includes all housing units dedicated to primary residences, shared spaces that are accessible to residents or exist solely to serve residential units, including but not limited to hallways, elevators, stairwells, common rooms, or mechanical and utility spaces directly serving residential units. Space that does not count toward the 60% includes, but is not limited to: commercial space, or space operated by the municipality or another entity for uses not directly serving residential units. For further clarification for the purpose of

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calculating the eligible floor area, refer to the current International Building Code as adopted by the Vermont Department of Fire Safety.

Soft Costs

Soft costs in construction are indirect, non-physical expenses essential for a project's completion, covering services like architectural/engineering fees, permits/inspections, legal, accounting, financing, insurance, and project management, unlike hard costs which pay for tangible materials and labor. The majority of soft costs typically occur prior to the start of the construction phase of a project.

Examples of soft costs may include:

- Permits and licenses
- Legal fees
- Insurance premiums
- Taxes
- Architectural and engineering fees
- Environmental evaluations
- Feasibility studies
- Surveys and assessments
- Construction loan interest
- Loan origination fees
- Project management fees
- Consultancy fees (ex. environmental, historic preservation, etc.)
- Marketing and sales expenses

Sponsor

The person or entity undertaking to finance the Housing Infrastructure Project. This may be the municipality, a developer, or an independent agency that meets State lending standards.

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Tax Increment

The difference in property tax revenue generated by the increase in assessed value over the OTV. A portion of the increment may be retained by the municipality to service debt on eligible infrastructure costs, pay for eligible related costs, reimburse a non-municipal Sponsor or developer for eligible costs of the Housing Infrastructure Project, and/or pay for eligible direct costs associated with the eligible infrastructure project. Municipalities whose infrastructure projects will result in an affordable or moderate-income housing development are eligible to retain up to 85% of the education tax increment. Municipalities whose infrastructure projects will result in any other type of housing development are eligible to retain up to 75% of the education tax increment. All projects must retain at least 85% of the municipal tax increment.

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