CHIP FAQs - CHIP Basics

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CHIP helps communities pay for important local projects like clean water, safe roads, and other infrastructure improvements that enable housing development. The information below explains the purpose of CHIP and how the program helps communities plan for the future.

What is CHIP?

CHIP = Community and Housing Infrastructure Program created in Act 69.

CHIP utilizes tax increment financing (TIF) for infrastructure improvements that support the development of new housing, with the preferential consideration of affordable and moderate-income housing. It is a targeted use of the tool (a.k.a. project-based TIF), allowing municipalities to retain a portion of the property tax revenue resulting from increased values within a defined Housing Development Site (project). These funds may be used to repay the debt incurred for or pay for eligible infrastructure improvements.

CHIP is designed to complement local and state planning priorities and foster coordinated public-private partnerships. Projects must meet statutory criteria and be approved by the Vermont Economic Progress Council (VEPC) before municipal debt is incurred or a municipality is obligated to reimburse eligible infrastructure costs.

Why was CHIP created?

CHIP was created to "encourage the development of new primary residences for households of low and moderate income across both rural and urban areas of all Vermont counties that would not be created but for the infrastructure improvements funded by the Program."

Vermont Act 69 (S. 127, 2025)

How does CHIP work?

CHIP authorizes a Sponsor - a municipality, a developer, or an independent agency that meets State lending standards - to finance the costs of infrastructural

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improvements using future property tax revenues from the parcel or parcels on which a housing development is constructed, subject to Vermont Economic Progress Council (VEPC) approval and the terms of a housing infrastructure agreement that governs the relationship among the municipality, the developer constructing the housing development, and the Sponsor.

Is a municipality required to participate in CHIP?

No. Municipalities are not required to participate in CHIP. Using CHIP and choosing to dedicate tax increment to a housing site are local decisions that communities can make to support their housing goals.

Does a municipality need to hire outside assistance for CHIP?

Some larger municipalities may have staff who can help prepare or review a CHIP plan. However, many municipalities may benefit from hiring outside consultants for certain types of work, such as:

- reviewing financial feasibility and future tax increment estimates;
- completing "But For" analyses for market-rate housing;
- studying fiscal impacts;
- reviewing infrastructure and capital costs;
- analyzing the local housing market;
- ensuring legal and statutory compliance, such as bond counsel review; and
- reviewing project risks and helping negotiate a Housing Infrastructure Agreement.

A municipality may also need help from its municipal attorney to make sure all legal procedures are followed correctly.

For VEPC-approved CHIP sites, these costs may be reimbursed through CHIP.

What if the municipality does not have the resources to hire outside consultants?

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A municipality may apply for grants or loans to help pay consultant costs. It may also ask the developer of the CHIP Housing Development Site to cover the costs needed to:

- prepare or review housing and infrastructure projects;
- negotiate a CHIP Housing Infrastructure Agreement; and
- prepare a strong CHIP application.

If the developer is asked to pay these costs upfront, best practices include:

- explaining this process in the municipality's CHIP policy;
- having a written funding agreement for each CHIP project; and
- requiring the developer to provide a cash deposit so the municipality can pay consultant bills as they come due. The developer should keep a minimum amount of money in the deposit while the CHIP plan and agreement are being reviewed and negotiated.

Municipalities should not rely only on consultants or attorneys hired by the developer. Those professionals work for the developer and may have conflicts of interest.

Can CHIP fund our new wastewater system?

Maybe. CHIP funds infrastructure projects, like wastewater, **when there is a specific housing development**. A developer and housing development plan is required to prove housing benefit. If the housing project is other than affordable housing, you'll also have to demonstrate that the housing project and the infrastructure improvement would not have occurred as proposed 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.

If use of CHIP is justified for the wastewater system, CHIP can only pay an amount up to the tax increment revenue generated by the specific housing project. Most wastewater systems are built using multiple funding sources (a.k.a. a funding stack).

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