CHIP FAQs - Debt

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Many CHIP projects involve borrowing funds to pay for important infrastructure improvements. Understanding how debt works can help municipalities make informed financial decisions and plan for future costs. The information below explains how debt may be used in CHIP projects and what municipalities should consider before taking on financial obligations.

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

What is the timeline for incurring CHIP eligible debt?

Sponsors may incur debt eligible for tax increment financing for a period of up to five years following creation of the housing development site. VEPC may extend this for up to three years.

Is the 5 years for incurring debt based on a calendar year or the municipality's fiscal year?

Calendar year.

For example, if the CHIP starts 04/01/26, the municipality has until 03/30/31 to incur debt.

Can a municipality incur debt for the Housing Infrastructure Project prior to CHIP application approval from VEPC?

No. Debt eligible for tax increment financing cannot be incurred until the Housing Development Site is approved by VEPC.

Is voter approval required before a municipality incurs debt for a Housing Infrastructure Project?

Yes, municipal voters must approve each instance of municipal borrowing in a warned vote.

What information must be provided to the public before the CHIP indebtedness vote?

Information that must be provided to the public includes:

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- The amount and type of debt and related costs to be incurred including, principal, interest, and fees,
- The term of the debt,
- The Housing Infrastructure Project to be financed,
- The Housing Development Project that will occur due to the Housing Infrastructure Project,
- A public notice that if the tax increment received is insufficient to pay debt costs in any year, the municipality remains liable for the debt, and
- If interfund loans within the municipality are used, the information must include the terms and condition of the loan.

When must a municipality incur debt for the Housing Infrastructure Project?

In the event of municipal financing, the first issuance of debt must be incurred within five years of CHIP site creation (April 1 in the year the application was approved by VEPC). VEPC may issue an extension for up to three years (for a total of eight years).

What instruments can be used for municipal CHIP debt?

Allowed instruments include bonds, loans, interfund loans (interest-free), and bond anticipation notes.

Bond anticipation notes or other forms of temporary financing may not be used as a first incurrence of debt.

What guidance can help a municipality assess whether a CHIP-financed infrastructure project is ready for bonding?

The underwriter for the bonds will specify the conditions that must be met to sell bonds for the project, accounting for prevailing market conditions. Vermont municipalities are encouraged to reach out to Ken Linge at the Vermont Bond Bank to identify what specific requirements might apply in their case. His email address is ken@vtbondagency.org.

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