CHIP FAQs - Eligible Costs

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CHIP funding can only be used for certain project and administrative costs that meet program rules. Knowing which expenses are eligible can help municipalities and developers plan projects, prepare budgets, and avoid delays during the application process. The information below explains the types of costs that may qualify for CHIP support and which expenses may not be covered.

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

What are examples of items that would be considered "improvements"?

Improvements may include, but are not limited to, the following:

- **Utilities**, such as power distribution and transmission lines and conduit, telecommunications lines and conduit, telecommunications towers, digital infrastructure, and power or telecommunications equipment; drinking water, wastewater, and storm water, infrastructure including: water sources; green and gray stormwater practices; distribution/collection and conveyance piping and pump stations; and treatment systems, facilities, and regulatory required pertinent equipment.
- **Thermal energy** networks, waste heat recovery, and community-scale geothermal.
- **Transportation improvements** such as publicly accessible roads, streets, bridges, parking lots, facilities, garages, and structures, multimodal facilities, public transit stop equipment and amenities, street and sidewalk lighting, roundabouts, crosswalks and/or other pedestrian crossing treatments, traffic calming features, sidewalks, streetscapes, way-finding signs and kiosks; traffic signals, medians, turn lanes, and property acquired or used for right of way such as hiking and biking trails, pathways to facilitate multimodal transportation, bicycle and pedestrian lanes, paths, and bridges, street furnishings.

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- **Site preparation** for development or redevelopment including acquisition, demolition, environmental remediation of contaminated property, and mitigation of a flood-prone area.
- **"Soft costs"** such as consulting, design, architects, engineering, accounting, legal, project management, associated application fees, or other professional services directly related to the implementation and construction of eligible site improvements.

If a proposed housing development project would require the municipality to install infrastructure that serves more than the CHIP Housing Development Site, is the full cost of the project CHIP eligible?

No, CHIP does not include a proportionality component. Eligible improvements under CHIP are not required to be prorated to the housing development's use of the infrastructure. However, a de-facto proration will be applied based on the potential increment the site could generate. The maximum that site could contribute to the improvement is the amount of new tax revenue the housing development will generate over the increment retention period. The critical piece is that the applicant must demonstrate the improvement is necessary to enable the CHIP housing development, regardless of how many other homes/businesses the improvement may support.

(Answer provided by VEPC staff)

Are municipal employee and staff costs directly related to the administration and implementation of the CHIP Site considered an "Eligible Related Cost"?

Yes. However, these costs may only be paid with the municipal tax increment.

Is the cost of the CHIP-related independent municipal audit an "Eligible Related Cost"?

Yes.

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Are the costs of providing notification about, and obtaining public approval for, a CHIP Plan, a Finance Plan and CHIP debt, CHIP application, or CHIP amendment "Eligible Related Costs"?

Yes.

Are public and community spaces, such as parks, community centers, and community spaces in buildings, eligible CHIP costs?

No. These spaces are outside the Legislative intent of CHIP.

Can CHIP be used for speculative development, such as identifying potential housing development sites within the community?

No. A developer and housing development plan is required to prove housing benefit.

How does a municipality fund the administrative piece of CHIP?

Municipalities must track and pay these costs when they are incurred and then seek reimbursement through CHIP. However, CHIP will only reimburse municipal costs related to a specific housing site. General CHIP activities, such as learning about the program, setting up the municipal team, creating policies, etc. aren't reimbursable.

Grants, such as the Vermont Municipal Planning Grant program and Vermont's Community Development Block Grant Program, also might be a source of funding for municipal administrative costs.

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