CHIP FAQs - Housing Infrastructure Agreement

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Housing infrastructure agreements help define the responsibilities of the parties involved in a CHIP-supported project. These agreements may cover topics such as project costs, timelines, public improvements, and long-term obligations. Understanding how these agreements work can help communities and developers plan projects more clearly and avoid misunderstandings later.

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

What are required elements of a Housing Infrastructure Agreement?

A Housing Infrastructure Agreement must:

- Identify the Sponsor for the project.
- Identify the developer and housing development.
- Obligate the tax increments retained for financing and related costs for the infrastructure project.
- Provide that any housing unit within the housing development be offered exclusively as a primary residence until the Final Repayment Date. This condition shall be satisfied by providing a landlord certificate or homestead declaration every two years.
- Provide for performance assurances to reasonably secure the obligations of all parties under the housing infrastructure agreement.
- Include the expected outcomes, including the percentage of floor area dedicated to housing, the number of housing units, the number of affordable housing units, and the expected overall housing development value.
- Detailed description of the infrastructure improvement(s), the types of costs and amount of cost of the improvement that may be financed with CHIP debt, and that the developer must provide documentary evidence to substantiate that the costs are eligible to be financed with CHIP debt and the infrastructure improvement was constructed as agreed upon.
- A provision that expressly defines the obligations of the municipality and Sponsor and/or developer in the event that the tax increment generated by the

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housing development project falls short of the financing of the CHIP debt.

What are performance assurances?

Performance assurances are a systematic process of evaluating performance, quality, and alignment with the Housing Infrastructure Agreement. They are contractual commitments designed to ensure that the project delivers the promised housing and tax increment benefits to the municipality.

Common types of performance assurances for tax increment financed projects include:

- development milestones and timelines.
- minimum development standards, such as floor area ratios or density requirements.
- maintenance and service obligations.
- "but-for" development commitments.
- use of CHIP revenue for eligible project costs.
- job creation and economic impact targets.
- taxpayer or minimum service agreements.

Is the municipality required to participate in a Housing Infrastructure Agreement?

If a municipality wishes to participate in financing infrastructure using CHIP tax increment, it must participate in a Housing Infrastructure Agreement

If a municipality does not wish to participate in financing infrastructure using CHIP tax increment, it is not required to participate in a Housing Infrastructure Agreement.

Who makes the decision on what to include in a Housing Infrastructure Agreement?

The municipality, in consultation with its attorney, the sponsor (if other than the municipality), and the developer decide what information to include in the Housing Infrastructure Agreement beyond the required elements.

Who can sign a "Housing Infrastructure Agreement" on behalf of the municipality?



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A person authorized to sign legal agreements on behalf of the municipality can sign a Housing Infrastructure Agreement. For most municipalities, this will be a Legislative Body member or the Town Manager as the Agreement is a legally binding contract.

Do voters need to approve a Housing Infrastructure Agreement?

No. However, the municipality is required to provide notice of the terms of the housing infrastructure agreement for the municipality's Housing Infrastructure Project to the legal voters of the municipality as described in 24 V.S.A § 1910a(e).

Do voters need to approve a Housing Infrastructure Agreement if the municipality will not be financing debt?

No. In the case of non-municipal debt being used to financing for the eligible improvements, the municipality still must provide notice of the terms of the housing infrastructure agreement, including the types of financing and related costs to be incurred, including principal, interest, and fees; terms of the debt; the Housing Infrastructure Project to be financed; and the housing development projected to occur because of the Housing Infrastructure Project.

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