The Municipality's Role in Managing CHIP Project Risk

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Every housing project involves some level of risk. Construction costs can change, financing can shift, schedules can slip, and unexpected challenges can arise. While municipalities cannot eliminate every risk, they can take steps to understand those risks and make informed decisions.

For CHIP projects, a municipality's role is not to guarantee that a housing development will succeed. Instead, its role is to protect the public interest, make thoughtful decisions, and create the conditions for a successful partnership.

The following responsibilities can help municipalities manage risk throughout a CHIP project.

Start with the Right Project

Good risk management begins before a municipality commits to a project.

Ask questions such as:

- Does the project support our community's housing goals?
- Is it consistent with our town plan and local priorities?
- Does it appear to meet CHIP eligibility requirements?
- Will the project provide meaningful public benefits?

Projects that align with community goals are more likely to earn public support and produce lasting benefits.

Choose the Right Partner

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A successful project depends on more than a good idea. It also depends on having a capable development team.

Consider questions such as:

- Does the developer have experience with similar projects?
- Has the developer completed projects successfully in the past?
- Does the project team include the right professionals, such as engineers, architects, and financial experts?
- Does the developer appear financially prepared to move the project forward?

Learning about the development team early can help reduce surprises later.

Understand the Risks

Every project is different, but municipalities should take time to identify the risks that could affect the project or the public investment.

Common risks include:

- Construction cost increases
- Financing challenges
- Project delays
- Changes in the housing market
- Legal or regulatory issues
- Community concerns

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- Lower-than-expected tax increment

Not every risk can be prevented, but understanding potential challenges helps municipalities prepare.

Clearly Define Responsibilities

One of the best ways to manage risk is to make sure everyone understands their responsibilities.

Development agreements and other written documents can help define:

- Who is responsible for each part of the project
- Project schedules and milestones
- Infrastructure commitments
- Reporting requirements
- Payment and reimbursement conditions
- What happens if the project changes or does not move forward as planned

Clear expectations reduce misunderstandings and help keep projects moving.

Protect Public Resources

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Municipal officials have a responsibility to use public funds carefully and follow applicable laws and program requirements.

This includes:

- Making informed decisions
- Following municipal policies and procedures
- Verifying eligible project costs
- Monitoring tax increment performance
- Meeting CHIP reporting and compliance requirements
- Seeking professional assistance when needed

Protecting public resources helps build public confidence and supports long-term project success.

Stay Involved Throughout the Project

Risk management does not end when agreements are signed.

Municipalities should continue to:

- Communicate regularly with the developer
- Monitor project progress
- Review required reports
- Address issues early
- Adjust to changing circumstances when appropriate

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Regular communication helps identify small problems before they become larger ones.

Build Strong Working Relationships

Many project challenges can be reduced through open communication and mutual trust.

Successful municipalities often:

- Keep elected officials informed
- Engage residents early
- Explain project decisions clearly
- Encourage regular communication between municipal staff and the development team
- Work together to solve problems as they arise

Strong relationships help projects move forward even when unexpected challenges occur.

Key Takeaway

Managing risk does not mean avoiding every challenge. It means asking good questions, planning ahead, and making informed decisions throughout the life of a project.

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In a CHIP public-private partnership, the municipality and developer each have important responsibilities. The developer is responsible for delivering the housing project. The municipality is responsible for protecting the public interest, managing public investments, and helping create the conditions for a successful partnership.

Every project is different, but municipalities that prepare early, define responsibilities clearly, and stay engaged throughout the process are better positioned to support housing that benefits their community while reducing risk.

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