Managing Risk in a CHIP Public-Private Partnership

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026

Every housing and infrastructure project involves some risk. Costs can change, permits can take longer than expected, financing can shift, and site conditions can create surprises.

For municipalities using the Community and Housing Infrastructure Program (CHIP), managing risk does not mean trying to remove every uncertainty. Instead, it means understanding what could affect the project, deciding which risks need the most attention, and putting steps in place to manage them.

Good risk management helps a municipality make informed decisions, protect public resources, and build a stronger working relationship with its development partner.

What Is the Municipality's Role?

A municipality is not responsible for guaranteeing that a private housing development succeeds. The developer remains responsible for delivering the private project.

The municipality's role is to protect the public interest and make informed decisions throughout the project. This may include:

- Evaluating whether the project supports community goals.
- Reviewing whether the developer and project team have the capacity to carry out the project.
- Understanding the municipality's financial and legal responsibilities.
- Protecting public funds and infrastructure investments.
- Following CHIP and other applicable requirements.
- Establishing clear expectations with the developer.
- Monitoring progress and responding when conditions change.

Municipalities also need to decide how much risk they are willing and able to accept. That decision may be different for every community and every project.

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026

The Municipality's Role in Managing CHIP Project Risk can help municipality's manage risk throughout a CHIP project.

Look at Risks Together, Not One at a Time

Public-private development projects can face many kinds of risk, including:

- financing and interest rates,
- construction costs,
- permits and approvals,
- site and environmental conditions,
- infrastructure,
- schedules,
- market conditions,
- legal issues, and
- community or political concerns.

These risks can affect one another. A permitting delay, for example, may leave less time to solve a financing problem. Rising construction costs may make an already tight financial plan harder to complete. An unexpected site condition may affect both the project schedule and budget.

Do not only ask, “What could go wrong?” Also ask, “What would happen to the rest of the project if it did?”

Some risks can be reduced before the project begins. Others will only become clear as work moves forward. No project is risk-free, and it may not be possible to study every uncertainty before deciding to proceed.

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026

Decide Who Is Best Able to Manage Each Risk

The municipality and developer do not need to divide every risk equally. Instead, they should talk openly about which partner is best able to understand, control, or reduce each risk.

For example:

- A developer may be better positioned to manage private financing, contractors, construction costs, and housing market risks.
- A municipality may be better positioned to manage municipal decision-making, public communication, and certain public infrastructure responsibilities.
- Risks involving permits, site conditions, project timing, or tax increment may require both parties to work together.

There is no single formula that works for every project. The right approach depends on the project, the partners, their financial capacity, and the community's priorities.

Municipalities should also understand their own comfort with risk. A community focused on limiting taxpayer exposure may make different choices than one prepared to take a larger role to achieve an important housing or economic development goal.

Reduce Risk Before Making Major Commitments

Many risks can be reduced through good preparation.

Before moving forward, consider whether the municipality should:

- Review the developer's experience and financial capacity.
- Confirm site control and property rights.
- Review project feasibility and financing assumptions.

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026

- Examine tax increment projections.
- Complete environmental, engineering, and site review.
- Identify permits and approval timelines.
- Build a municipal project team.
- Bring in legal, financial, engineering, or other professional expertise.
- Establish a realistic project schedule.
- Identify which decisions require legislative body approval.

A warning sign does not always mean the municipality should reject a project. It may mean more information, stronger protections, or additional professional review is needed.

Put Responsibilities in Writing

Clear agreements are an important risk-management tool.

Depending on the project and its stage, written agreements may identify:

- Who is responsible for each task.
- Who pays different costs.
- Project milestones and schedules.
- Conditions that must be met before funds are spent or reimbursed.
- Reporting requirements.
- Performance expectations.
- How project changes will be approved.
- Who is responsible if costs increase or revenues fall short.
- What happens if one party does not meet its obligations.

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026

CHIP's Housing Infrastructure Agreement is one important part of this process. Other agreements may also be useful before or during project development.

Keep Managing Risk as the Project Changes

Risk management does not end when an agreement is signed.

Municipalities should continue to monitor the project and revisit risks when:

- costs change,
- financing changes,
- permits are delayed,
- designs are revised,
- site problems are discovered,
- project schedules change,
- expected assessed value changes, or
- the responsibilities of either partner change.

Regular communication between the municipality and developer can help both sides recognize problems early and consider solutions before options become limited.

Use the CHIP Risk Management Tools

Two companion tools can help municipalities put these ideas into practice.

The **CHIP Risk Matrix** identifies common risks that may affect housing and infrastructure projects. It describes why each risk matters, its general level of impact, common ways to reduce it, and whether the municipality, developer, or both partners are usually best positioned to manage it.

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026

The **CHIP Project Risk Register** is a working tool for an individual project. Municipalities can use it to record project-specific risks, rate their likelihood and impact, assign responsibility, identify mitigation steps, track warning signs, and record follow-up actions.

These tools are starting points. Each municipality should adjust them to match its project, community, financial capacity, and level of risk.

Key Takeaway

Managing risk does not mean avoiding every challenge. It means understanding the risks a municipality is taking and making thoughtful choices about them.

Ask good questions early. Look at how risks affect one another. Decide which partner is best able to manage each risk. Put responsibilities in writing. Stay involved as the project changes.

The goal is not a risk-free project. It is a project where the risks are understood, discussed, and managed with care.

Publication Date
09/08/2026

Copyright Vermont League of Cities and Towns
Current as of: 11/10/2026