CHIP Tax Increment Estimate Review Guide

Current as of: 9/24/2026

This guide helps municipal officials evaluate whether a developer-provided estimate of future assessed value and resulting tax increment is reasonable enough to use for CHIP planning. It is not an appraisal and is not intended to produce a single "correct" future value. Instead, it provides a practical process for identifying the evidence and assumptions behind the estimate, developing a reasonable planning range, understanding downside risk, and deciding when additional professional review may be warranted.

1. Understand the Review's Purpose

A CHIP financing plan must include estimates of assessed values and resulting tax increments. Actual tax increment, however, depends on assessed values certified after the housing development site is created. Municipal officials should therefore treat the developer estimate as a forecast to be tested, not as a guaranteed future value.

Municipalities are aiming to assess whether the projected assessed value is sufficiently supported and conservative enough that the municipality is comfortable relying on the resulting tax increment when making its proposed commitment.

2. Consider When the Estimate Was Prepared

A project may have several estimates of its future assessed value over time, including preliminary estimates prepared during early project discussions and estimates used in the CHIP application and tax increment financing plan. Review each estimate considering the information available when it was prepared and the purpose it was intended to serve. As the project advances, plans and market conditions may change and better information may become available. The municipality's review should therefore focus on whether the value being relied upon for the current decision remains reasonable based on the best available information, rather than simply confirming an earlier projection. Significant changes between estimates should be understood and documented.

3. The Five-Part Reality Check

The five-part reality check provides a practical way to evaluate whether a developer's projected assessed value and resulting tax increment are reasonable for CHIP planning. It is not intended to produce a formal appraisal. Instead, it helps municipal officials examine the basis for the estimate, compare it with available local evidence, identify assumptions that may be optimistic or uncertain, and understand how lower-than-expected values could affect the municipality's financial plan.

Test 1 - Define exactly what is being valued

Confirm the parcels, unit count, housing types, commercial or mixed-use components, affordable units, parking, amenities, phasing, construction schedule, expected completion date, and whether the estimate reflects full build-out or an interim phase.

Test 2 - Identify the valuation method

Ask how the estimate was produced. Common approaches may draw on comparable sales or assessments, income-producing property assumptions, construction cost information, or a professional appraisal. More than one method may be useful as a cross-check.

Test 3 - Examine the evidence

Ask for the underlying comparables, assumptions, calculations, and source dates. Compare the proposed project with completed properties that are similar in location, age, scale, unit mix, affordability restrictions, and use.

Test 4 - Develop a municipal planning range

Do not force a single precise number when the evidence supports a range. Use the companion worksheet to create a conservative, expected, and higher-value scenario and document why those scenarios are reasonable.

Test 5 - Stress-test the tax increment

Calculate tax increment under the planning scenarios and compare it with projected financing obligations. Focus on the consequences if value, timing, or tax increment falls below the developer forecast.

4. Questions to Ask the Developer

These questions can help the municipality understand how the developer arrived at the projected assessed value and what evidence supports it. The goal is to make the assumptions behind the estimate visible so they can be reviewed and compared with other available information.

- What completed value are you projecting, and for what date or phase of development?
- Who prepared the estimate, and what experience do they have with Vermont property valuation or similar projects?
- What valuation method or methods were used?
- Which comparable properties or developments were used, and why are they comparable?
- If rental housing is involved, what rents, vacancy, operating expenses, and capitalization assumptions support the estimate?
- If for-sale housing is involved, what expected sale prices and absorption assumptions support the estimate?
- How are affordability restrictions, ground leases, tax exemptions, common areas, or other unusual ownership/occupancy features reflected?
- Does the estimate assume full build-out? If so, what is the expected assessment during each phase?
- What assumptions are most likely to change the estimate materially?
- What happens to project financing if actual increment is 10%, 20%, or 30% below forecast?

5. Questions for the Municipal Lister or Assessor

The municipal lister or assessor can provide an important local perspective on the developer's estimate. These questions can help identify relevant comparable properties, appropriate valuation considerations, and reasons the completed development's assessed value could differ from the developer's projection.

- What local properties are the closest assessment comparables?
- What measures are most meaningful for this project: value per unit, value per square foot, income, cost, or another metric?
- Are recent reappraisal, CLA, market, or classification changes likely to make historical assessed values less comparable?
- Are there features of the proposed project that could materially affect taxable value?
- Is the developer estimate generally consistent with the municipality's current valuation practices, even though a final assessment cannot yet be made?
- Would a limited-scope appraisal or other professional opinion be useful before the municipality relies on the forecast?

6. Which Evidence Is Most Helpful?

Some information is more useful than others when reviewing a projected assessed value. Whenever possible, rely most on evidence that is recent, local, and closely matches the proposed development. Other information can still be helpful, but the municipality should consider how well it reflects the project being reviewed.

Evidence	Generally stronger when...	Potential limitations
Recent local assessments	Properties are similar, recently completed, and valued under current municipal practices	May reflect different design, restrictions, timing, or market conditions
Recent sales	Arms-length transactions closely match the proposed product	Sale price is not automatically the same as assessed value
Income approach evidence	Project is income-producing and assumptions are market-supported	Sensitive to rent, vacancy, expenses, and capitalization rate assumptions
Cost evidence	Construction is recent and land/soft-cost treatment is appropriate	Cost does not always equal taxable market value
Professional appraisal/opinion	Scope fits the decision and reviewer understands Vermont/local context	Costs money and remains an opinion based on assumptions

7. Documenting Municipal Conclusions

After reviewing the available evidence, document the municipality's conclusion about the developer's estimate. The record should show not only the numbers considered, but also the evidence and assumptions that support the municipality's conclusion. This can help explain why an estimate was considered reasonable for CHIP planning and identify areas where uncertainty or further review remains.

Document the conclusion, not just the number. Record:

- The developer's projected assessed value
- The municipality's planning range
- A lower assessed value used to test financial risk
- Primary valuation method(s)
- Key evidence reviewed
- Key assumptions and uncertainties
- Whether further review is recommended
- The date of the selectboard or legislative body discussion

As a best practice, keep a record of the initial review, any later reviews completed as the project changes, and the review used for the CHIP application. This creates a record of how the estimates and the municipality's conclusions changed as better information became available.

See the Documents section of this page for a downloadable Review Record. The Review Record is provided as an optional tool municipalities can use to maintain institutional memory. It is not required for submission of a CHIP application.

8. When to Seek Professional Review

Some projects or valuation questions may require expertise beyond what municipal officials can reasonably provide through this review. Consider professional assistance when the value is especially important to the financing plan, the project is complex or unusual, reliable comparable evidence is limited, or significant questions about the developer's estimate remain unresolved.

- The project is unusually large relative to the municipality or proposed public commitment.
- The project has few useful local comparables or includes mixed uses, unusual ownership structures, or affordability restrictions that materially complicate valuation.
- The developer estimate is materially above the range suggested by local evidence.
- The financing is sensitive to a relatively small shortfall in projected increment.
- The lister or assessor is uncomfortable offering a planning-level reasonableness check before construction.
- The municipality is preparing to make a binding debt or contractual commitment and valuation uncertainty remains material.

Using this Resource

This resource is intended to help municipalities make informed, well-documented decisions about whether projected assessed values and tax increments are reasonable for CHIP planning. It is a municipal decision-support tool, not a substitute for an appraisal, legal advice, or other professional judgment when those services are appropriate. Municipalities should use the best information available at the time of review and revisit assumptions as projects develop or circumstances change.

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