

Community and Housing Infrastructure Program (CHIP)

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Background

A statewide tax increment financing tool designed to help Vermont communities unlock housing opportunities by investing in critical infrastructure.

\$2 billion can be invested between now and 2035, one of the largest investments in infrastructure in Vermont history.

The target launch date is January 2026.

Additional Information

- accd.vermont.gov/economic-development/vepc/chip
- ACCD.CHIP@vermont.gov

Progress

- A VEPC subcommittee met weekly from July 2 to October 15, 2025 to create CHIP [program guidelines](#).
- On October 22, 2025, VEPC formally adopted the guidelines.
- New VEPC staff member, Farida Ibrahim, joined the team in November. She will serve as the lead for the CHIP program.
- In response to a statutory requirement, a [report on Considerations for Amending the Definition of “Housing Development Site”](#) was submitted on December 15, 2025.
- A [webinar series](#) on CHIP/TIF will take place on January 8, 13, and 15, 2026. Recordings will be made publicly available.
- The application portal is on track to launch later this month.
- An online pre-application CHIP Interest Form will be available soon for municipalities to complete.

Eligible Projects

Infrastructure improvements that:

1)

Serve a public good...

And

...directly support the development of an eligible housing development.

2)

Must result in new or rehabilitated housing developments where at least 60% of the floor area of the projected housing development is dedicated to primary housing residences.

Or

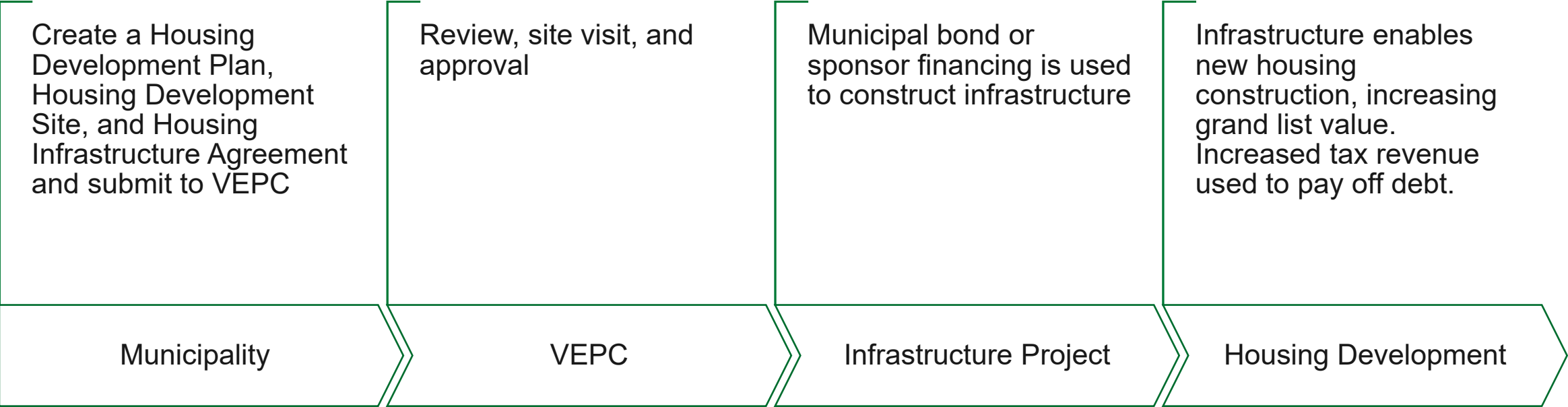
The projected housing development meaningfully addresses the purpose of the program.

Note:

- If the projected housing development does not meet the criteria for an affordable housing development, the project must meet the but-for test.
- While increment debt is being paid off, all housing units must be for primary occupancy.
- Applications will be accepted on a rolling basis until December 31, 2035.

Process

CHIP was established under 24 V.S.A. Chapter 53, Subchapter 7 to “encourage the development of new primary residences for households of low and moderate income across both rural and urban areas of all Vermont counties that would not be created but for the infrastructure improvements funded by the Program.”



Increment

| Housing Type | State Tax Retained | Municipal Tax Retained | Units Required | Area Median Income (AMI) Limit | "But For" Test |
|---|--------------------|------------------------|--|--------------------------------|----------------|
| Affordable: Rental (Total annual cost \leq 30% of gross income) | Up to 85% | 85% to 100% | At least 15% of units must be affordable | \leq 80% AMI | Not required |
| Affordable: Owner-Occupied (Total annual cost \leq 30% of gross income) | Up to 85% | 85% to 100% | At least 15% of units must be affordable | \leq 120% AMI | Not required |
| Moderate-Income | Up to 85% | 85% to 100% | At least 25% of units must be affordable | \leq 150% AMI | Required |
| Market Rate | Up to 75% | 85% to 100% | N/A – No requirement | No cap | Required |

Municipal Responsibilities

- Submit CHIP interest form
- Provide notice of the housing development plan and the housing infrastructure agreement to the legal voters of the municipality
- Submit CHIP application and supporting documentation
- Host a site visit once VEPC staff confirms the application materials are complete
 - VEPC will make a final determination on the municipality's CHIP application within 90 days following the VEPC site visit
- Verify that developer and sponsor activities comply with what is outlined in the infrastructure agreement
- Ensure the infrastructure improvement was constructed as agreed upon by the sponsor and/or developer
- Confirm the total cost of the infrastructure project
- Validate the amount of education and municipal tax retained
- Fulfill annual reporting requirements and financial audits

Allowable Improvements

May include, but are not limited to:

- **Infrastructure improvements**
 - 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**
 - 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.
- **Site preparation**
 - Acquisition, demolition, environmental remediation of contaminated property, and mitigation of a flood-prone area.
- **Soft costs**
 - 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.

Related Costs

May include, but are not limited to:

- Cost of plans, studies, or reports
- Costs of providing public notification about, and obtaining public approval
- Costs such as consulting, design, architects, engineering, accounting, legal, project management, or other professional services incurred during preparation or implementation
- Application fees charged by VEPC for third-party analysis
- The CHIP-related costs of the independent annual municipal audit
- Municipal employee and staff costs directly related to the administration and implementation of the CHIP Site (these may only be paid with the municipal tax increment)

Infrastructure Agreement

This is a legally binding agreement among the municipality, sponsor (if other than the municipality), and developer that includes terms related to infrastructure financing, affordability, unit production, timelines, and performance assurances.

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

Questions?

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