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TO: Senate Committee on Economic Development, Housing and General Affairs
FROM: Jessica Hartleben, Executive Director, VEPC
DATE: May 28, 2025
SUBJECT: S.127

The Senate-passed version of S.127 laid a strong foundation for the Community and Housing Infrastructure Program (CHIP), offering rural municipalities the tools and flexibility they need to grow their grand lists and support desperately needed housing development. Unfortunately, amendments adopted by the House threaten to undermine the program before it even launches. These changes introduce unnecessary complexity, create restrictive conditions, and shift CHIP away from its intended goal: empowering smaller Vermont communities to take on transformative projects.

One of the most significant concerns is the House's reintroduction of the "but-for" test. At a time when Vermont is in a well-documented housing crisis, this requirement is redundant. The need for investment is self-evident. Forcing municipalities to prove that a project would not happen "but for" CHIP incentives adds layers of delay and confusion and sends a contradictory message about the urgency of the housing shortage. The Senate wisely chose to omit this requirement, and we strongly recommend returning to that approach.

Another critical issue is the House's narrowing of eligible infrastructure types. If CHIP is meant to extend the benefits of Tax Increment Financing (TIF) to smaller communities, it should mirror TIF's flexibility. The Senate version aligns infrastructure eligibility with TIF statute, providing consistency and predictability for local governments. By contrast, the House's language limits CHIP's effectiveness and will likely exclude important types of community infrastructure from eligibility.

The increment retention rate is also a major concern. The House's 60% cap is simply too low to make most rural projects financially feasible. Many of these communities are starting from behind, and even the Senate's 80% retention may only just barely help a project move forward. Additionally, the House version adds a tiered system tied to affordability criteria that could further restrict project viability. Municipalities are best positioned to determine their local housing needs, and they need the flexibility to act on them.

The House-passed floor area requirement, mandating that at least 65% of a project be dedicated to housing, risks cutting off creative mixed-use opportunities, including the conversion of schools, municipal buildings, and first-floor commercial spaces. The Senate did not include such a restriction, and neither should the final version of this bill.

We are also concerned about the proposed annual increment cap. This provision would disadvantage rural towns that need more time to prepare a CHIP application and assemble the



necessary capital stack. The criteria for lifting the cap, requiring VEPC to demonstrate no impact on the Education Fund, is essentially impossible to meet. This creates a significant disincentive for participation and sets an unworkable standard for VEPC.

In addition, the sunset provisions for both CHIP and TIF are counterproductive. These programs require long-term planning and coordination. Sunsets create a narrow window for action, which will disproportionately benefit fast-moving, well-resourced communities while discouraging slower but equally important projects. Removing these sunsets would send a strong message that Vermont is committed to sustained, thoughtful, investment in housing and infrastructure.

The House-passed perpetuity requirement, which mandates that housing units be offered as a bona fide domicile “in perpetuity,” is unenforceable and overly burdensome. Over decades, this would be nearly impossible to monitor or manage, and it adds unnecessary complexity to an already challenging development landscape.

Finally, we urge further consideration of the House’s requirement for a lengthy and prescriptive rulemaking process. This process would delay CHIP implementation by one to two years. Our strong preference would be to return to the Senate language that VEPC *may* adopt rules. However, an alternative could be to use emergency interim rules and the existing TIF rule, and legislative intent as an interim framework, to allow the program to launch while rules are developed in parallel. This approach would get housing projects moving faster while maintaining accountability. The combination of prescriptive rulemaking, a short 45-day approval window, and the increment cap creates significant administrative challenges and risks delaying or denying projects that communities urgently need.

In short, the Senate version of CHIP provided the necessary flexibility to meet Vermont’s housing needs. While perhaps well-intentioned, the House version introduces conditions that would limit the success of the program. Restoring the Senate’s approach would ensure that CHIP can fulfill its mission of revitalizing rural communities and supporting housing development across the state.

Please don’t hesitate to reach out with any questions.

Jessica Hartleben
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