

CITY OF CHARLOTTESVILLE

To be a place where everyone thrives.

Housing Advisory Committee



Wednesday, October 16, 2024 Minutes
City Space Conference Room 12pm - 2pm

HAC Members Present:

- Sunshine Mathon, Vice Chair (SM)
- Phil d'Oronzio (PdO)
- Peppy Linden (PL)
- Mike Parisi (MCP)
- Nicole Scro (NS)

HAC Members Absent:

- Joy Johnson, Chair (JJ)
- Heather Griffith (HG)
- Michael Payne (MP)
- Dan Rosensweig (DR)
- John Sales (JS)

Staff Attendees:

- Alex Ikefuna (AI)
- Alan Peura (AP)
- Antoine Williams (AW)

1. Welcome

MP: Calls meeting to order at 12:04pm.

2. Introductions and Attendance

3. Staff Updates

AI: Staff is currently working on the 2025-26 budget cycle. OCS submitted CIP requests 10/4, operating budget is due 11/1.

Council seems in favor of creating a Land Bank. City Manager Sam Sanders (SS) and Deputy City Manager James Freas (JF) will have further discussions with Council to flesh out more details, then give direction to staff for reports, ordinance, resolution. No timeline at present.

PL: Any response from Legal to the work session?

AW: So far just some initial comments re: ordinance language. Also, HOPS grants close this week, CAHF application window opens next week. In November, RFI will be sent out for CIP projects over the next 5 year cycle. If there is a notable project submitted, will let the HAC know.

PdO: Planning Commission recently had a discussion re: CIP, CDBG, CAHF funding, how to coordinate these flows. Sometimes projects arise within CIP/outside of the Affordable Housing Fund, but how does the funding of those affect these other streams?

AW: The HAC could weigh in on specific priorities it wants the CAHF to address.

SM: In HAC reconstitution, there was a bright line drawn between the CAHF Committee and HAC, so the HAC may not want to weigh in here. A HAC subcommittee that excluded housing providers used to recommend how to use CAHF money, but it was later decided that even more separation was prudent and the CAHF Committee itself was created.

PdO: HAC may comment on activities themselves but not the funding decisions.

4. Agenda Items

i. August 21 Regular HAC Meeting Minutes

Approved.

ii. **September 18 Regular HAC Meeting Minutes**

Approved.

iii. **Land Bank Ordinance discussion**

PdO: Recently resigned City Attorney Jacob Stroman was an expert in LBO statute, previously wrote an ordinance for Chesapeake VA. City expected to lean on his expertise.

AW: Strong discussion and process among staff composing the presentation to Council. Conscious effort and intention to avoid mistakes from 2018.

NS: What is HAC's role from here?

AI: Before Council votes, staff will bring any major updates or questions to HAC. Otherwise Council, staff, legal will continue their work on the ordinance

PL: Question of funding and staff resources?

SM: Pre-Carlton Views, \$500,000 was pre-allocated to the Land Bank. That money was moved to support the Carlton Views purchase.

PdO: Council wanted to see the LBO now before they got too far into budget season so they can consider how to re-allocate money to the Land Bank.

AW: When was LB money first allocated?

AI: In the previous budget cycle, Michael Payne strongly advocated for setting aside that money in the CIP. OCS will need to submit a request for funding allocation for this '24-25 cycle if Council indicates their support for the Land Bank.

AW: Legal's analysis will also need to be more complete before funding is decided on.

SM: As SS gets an update on unused ARPA dollars, there may be an opportunity to use those for the LB, if that's an eligible use. That would be prior to the spring timeframe.

iv. **Financial Incentives for Inclusionary Zoning Discussion**

AI: Staff is working on Tax Abatement details for the Inclusionary Zoning (IZ) rules established in the new Zoning Ordinance, focusing first on multifamily development. Meeting with JF tomorrow, have provided some documents to him. Several internal meetings have been happening, including with Chris Engels in Economic Development (ED), the only department in City that has been handling tax abatements. Recently the state legislature has added housing to economic development. JF will review documents and meet with NDS and ED, then Treasurer and Assessor will be included as well as the City Attorney. Will touch base with HAC at some point in the process. Hoping to bring a Tax Abatement plan to City Council as soon as possible.

AW: Our present tax abatement structure is focused on ADU production. For example, if a 12-unit project were to be proposed, the tax abatement only applies to the 2 required ADUs and would not be a large factor. At a larger scale like 200 units, the rules would only require 20 ADUs. But if the developer instead offered 75 units at 60% ami and 75 more at 30% AMI, they could get a \$1.6 million rebate. Tax abatement structure would only be effective for projects that go significantly above the required quantity of ADUs.

SM: An example would be PHA partnering with a for-profit developer to develop affordable housing beyond the required levels. There the tax abatement could be potentially very helpful.

AW: Yes, we are trying to give PHA and other non-profit developers a tool to help them team up with for-profit developers. The tax abatement structure is not designed with for-profit developers' market rate projects in mind. We want to make it easier for community partners to build more affordable housing.

NS: There are a lot of complaints from the for-profit development community about the IZ rules. The project at the Artful Lodger site pivoting from housing to a hotel is directly because of the IZ rules, according to the developer.

AW: We have heard that concern and consternation among the for-profit community. So far, we have only had two for-profit developers approach the city for large projects.

PdO: PC at our last meeting looked at a change of ADUs being built on-site at a project on Stribling Ave. to off-site at Flint Hill because more ADUs could be built more quickly at Flint Hill. Need to look at the interrelationships between fee-in-lieu of ADUs, off-site ADU options, on-site ADU requirements. Will be complex to figure out the best balance.

SM: Boston uses a three-tier system. On-site units are incentivized, off-site units have a stepped down benefit, fee-in-lieu even more so.

AW: Ex: What if a developer proposes ADUs above the requirements, but wants to put them off-site? How would the rules be written for situations like this?

AI: Is that a consideration for the ADU Manual revisions being considered soon?

PdO: Yes, but that's a tight timeline.

SM: Can start discussion now.

AW: The required annual ADU Manual review should happen around February.

SM: Is the City considering tax abatement based on depth of affordability? Any other factors?

AW: Considering the 60% and 30% AMI levels, and the length of affordability is also being discussed. RVA has a 15-year term with an option to renew, could also consider a certain \$ figure to be reached after which the affordability would expire. City could stretch the affordability period of more units and consider adding the renewal option.

SM: In my conversations with Chris Engel, we discussed two ways to monetize tax abatement. In Kindewood, we wrapped it into the 30-year mortgage. Virginia Housing wouldn't participate with a shorter timeline than that. Non-profit developers need to be able to bring in debt via a tax abatement. Any tax abatement is only useful if that dollar amount is large enough to leverage.

AW: Agree, it's a monetizing tool. In VA it's a "synthetic TIF" not a true TIF.

PdO: We know some decisions about how to structure this will be wrong and will need to be corrected. Need to give the City guidance about functioning outside of any strict model. What do we do with projects that don't fit the structure decided on.

AW: And if a new developer approaches the City we need a framework for them, not just for local partners.

NS: Does staff see this only as another tool to help provide deeper affordability? Seems like structure would mostly apply to larger, LIHTC-based projects?

AW: Yes, it should work mostly to incentivize large-scale, affordable projects.

SM: Ex: for a 12-unit development in an R-C neighborhood, does this structure do anything to help add affordable housing at this smaller scale?

AW: Staff conversations did begin at this smaller scale, thinking about 10-20 unit projects—

NS: Hard to make those projects pencil at all, ADUs or no, they could use some help.

AW: —but we ended up looking at projects above the 20-unit range.

SM: A tax abatement structure based just on the ADUs in a project might not be sufficient in this 12-unit example. If a developer wants to go above and beyond and include 4 affordable units, they have limited access to other subsidies at that scale and so may need the City's tax abatement to apply to the entire project, not just the ADUs, to make it feasible. Might need a 50% tax abatement for ten years on the whole project. Would be good to have back and forth with HAC to iron out specific examples like this.

AW: For now, JF instructed staff to draw up an initial, basic structure to build on and adjust in the next phase. But the HAC can start considering specific examples and the balance of different parts of a tax abatement program right now, doesn't have to wait.

SM: Agrees but would like what's been submitted to JF to be shared with the HAC so we can use that as a starting point of our discussion.

PdO: Would be easier to know what to consider if we could see some details of the proposal so far.

AW: The model that Chris Engel uses is still being formalized, details being worked out. JF requested a "vanilla" framework that can then be tinkered with. This is 2025-type work, the first application submitted under a new framework might not be until late 2025.

5. Next Meeting: November 20, 2024

NS: Last meeting we discussed a couple of groups acting on HAC priorities.

AI: Reminded Eden Ratliff about meeting with HAC members about boards & committees compensation and support. Still pending.

PdO: Re: PILOT, need to touch base with Michael Payne again.

6. Public Comment

No public comment.

7. Adjourn

Meeting adjourned 1:06pm.

Affordable Dwelling Unit Monitoring and Procedures Manual

City of Charlottesville, Virginia



**Neighborhood Development
Services**
605 E. Main Street
Charlottesville, VA 22902
(434) 970-3182

Office of Community Solutions
700 E. Jefferson Street
Charlottesville, VA 22902
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Effective Date: February 19, 2024

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PART I – Introduction

The creation of an Affordable Dwelling Unit (ADU) ordinance was a recommendation of the Affordable Housing Plan, completed in 2021, which recommended new zoning tools to support Charlottesville's affordable housing needs through the creation and preservation of affordable housing units, i.e., moderately priced, that the market would not otherwise build.

The specific tools of the Affordable Dwelling Unit ordinance, as incorporated in the Charlottesville Development Code, include:

1. **Affordable Dwelling Unit Requirement:** Requiring residential development that exercises the option to build 10 or more residential units to set-aside new Affordable Dwelling Units built to be priced affordably for households at designated Area Median Income (AMI) levels; and
2. **Affordable Dwelling Unit Bonus:** Offering incentives to residential development that includes affordable housing to set-aside new Affordable Dwelling Units built to be priced affordably for households at designated AMI levels, supported by a density bonus.

The Affordable Dwelling Unit ordinance is included in Section 4.2.2 of the Charlottesville Development Code and is linked [here](#).

This Manual sets forth the guidance, operational procedures, and implementation protocol governing the administration of the Affordable Dwelling Unit ordinance. In the event of any inconsistency between this Manual and the Charlottesville Development Code, the Development Code prevails.

To reflect evolving housing market conditions over time, the ADU ordinance and this Manual will be evaluated and updated by the City of Charlottesville Office of Community Solutions (OCS) annually, at a minimum. The Charlottesville City Council will be provided an update on the program at this time and, as necessary, will consider changes to the manual and ordinance for adoption.

Capitalized terms used in this Manual are defined in the Appendix of this Manual.

PART II – Affordable Dwelling Unit Guidelines

2.1 Affordable Dwelling Unit Requirement

The City recognizes that increasing the number of ADUs and achieving deeper affordability in a housing development reduces the rental income of the project and changes the financing of the project. The development and operating costs for the project remain constant while the project receives less in revenue to cover those costs. To ensure that projects that include ADUs are financially feasible and get built, ordinance requirements are calibrated to market conditions. The feasible level of affordability for the ADU ordinance was determined based on locally-sourced data, including construction costs, land costs, operational costs, development type and size, location within the City, etc.

The applicability and requirements of the ADU ordinance are outlined in the Charlottesville Development Code. When a project demonstrates the affordability goals of the Comprehensive Plan and Affordable Housing Plan and the intent of this Section are met, such as through reinvestment of resources in ongoing affordable housing, the Administrator may accept modifications for bonus units in residential districts to the equivalency of units, term of affordability, concurrency, and other standards set forth in the Charlottesville Development Code. In all other districts, the Zoning Administrator may accept modifications to the equivalency of units and concurrency set forth in the Charlottesville Development Code. Such discretionary decision shall be made in consultation with the Housing Program Manager and will be documented in the form of a zoning determination letter. Modified terms found to be compliant will be maintained in Appendix A.

The set-aside ADUs must be priced using the AMI levels, as defined by the U.S. Department of Housing and Urban Development (HUD), and applied based on the requirements set forth by the City of Charlottesville and detailed in the *Calculating Affordable Rents* section of this Manual.

2.2 Affordable Dwelling Unit Bonus

All projects providing residential units may choose to provide ADUs beyond what is required by the ADU ordinance. These projects are eligible for bonus incentives that further offset the cost burden of constructing and maintaining ADUs.

The requirements that must be met for projects to receive bonuses are outlined in the Charlottesville Development Code.

2.3 In-Lieu Fees

The option to pay in-lieu fees, as referenced in Section 4.2.2 of the Charlottesville Development Code, provides applicants with an alternative to on-site construction of affordable dwelling units. An in-lieu fee is a payment equal to the cost of complying with the ADU ordinance, or the difference in projected revenue due to charging affordable versus market rate rent on ADUs. Applicants may satisfy the ADU ordinance requirements by paying an in-lieu fee to the Charlottesville Affordable Housing Fund (CAHF). An applicant may build a portion of the required ADUs and provide a payment in lieu of the remainder of the required ADUs. The payment must be made before the issuance of a building permit. If a project is phased, then the in lieu payment(s) associated with affordable units required in each phase may be made before the issuance of a building permit for the given phase.

ADU In-Lieu Fees

The in-lieu fee for ADUs is equal to the average total cost per unit of developing a residential unit in the Charlottesville market.

The in-lieu fee per ADU that would otherwise be required is detailed in the Figure 1 below, which outlines the cost of a rental unit and a for-sale unit, respectively, based on number of bedrooms in the unit. If the unit is larger than 3 bedrooms, the fee for a 3 bedroom unit applies. More information on calculating in-lieu fees can be found in Appendix B. Reassessment of in-lieu fees will be included in the update to the ADU ordinance and this Manual, scheduled to occur annually, at a minimum.

Figure 1: ADU In-lieu Fees Cost Per Unit

Number of Bedrooms	Cost Per Rental Unit	Cost Per Ownership Condominium Unit
Studio	\$184,152	\$324,510
1	\$250,797	\$362,120
2	\$368,303	\$413,709
3	\$547,339	\$483,138
Average Total Cost Per Unit In-lieu Fee	\$337,648	\$395,869

Commented [MM1]: Why are we treating rental vs owner units differently? Don't we need to treat them the same?

Commented [MM2]: What about units with >3 bedrooms?

Commented [MM3]: Is this a typo? Why is there such a big jump in rental unit cost?

Fractional Unit In-Lieu Fees

If the calculation of the required number of ADUs to be provided results in a fraction of a unit less than 0.5, the applicant may opt to pay an in-lieu fee rather than construct an additional ADU. In-lieu fees for fractional units will be calculated based on the value gap between net operating incomes of market rate units and ADUs. The value gap costs detailed in Figure 2 below will be multiplied by fraction of a unit to determine the applicable fractional unit in-lieu fee.

Commented [MM4]: What is city using for basis of market rate in setting the fees?

Figure 2: Fractional Unit & Student Housing In-lieu Fees Cost Per Unit

Number of Bedrooms	Cost Per Rental Unit	Cost Per Ownership Condominium Unit
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Studio	\$41,380	\$269,727
1	\$107,472	\$342,937
2	\$186,038	\$284,653
3	\$261,209	\$403,741
Average Total Cost Per Unit In-lieu Fee	\$149,025	\$325,265

Student Housing In-Lieu Fees

The in-lieu fee for student housing is equal to the difference between the value of a market rate unit and that of an affordable unit, also known as the value gap. The in-lieu fee amounts for student housing projects are detailed in Figure 2. The allowance for determining the in-lieu fee for student housing projects is only available for projects that rent by the bedroom and are located within proximity of the University of Virginia. The Zoning Administrator has final authority to determine if a project is within proximity, that is, ½ mile, of the University with measurement being in a direct line from the edge of the main campus areas (central grounds and north grounds) to the edge of the subject parcel. Outlying University-owned parcels are not considered part of the campus for the purposes of this ordinance.

2.4 Standards

Term of Affordability

ADUs developed as a requirement of the Charlottesville Development Code must have a term of affordability of 99 years and be recorded as a deed restriction. ADUs developed as bonus units in residential districts must have a term of affordability of a minimum of 30 years and be recorded as a deed restriction. When a project demonstrates the affordability goals of the Comprehensive Plan and Affordable Housing Plan, the Administrator may accept modifications to the term of affordability set forth in the Charlottesville Development Code for projects located in residential districts. Such discretionary decision shall be made in consultation with the Housing Program Manager and will be documented in the form of a zoning determination letter. Deed restrictions for ADUs must be recorded in the Charlottesville Land Records. Draft deed language must be provided to the City prior to building permit issuance.

Determining the Affordable Rent or For Sale Unit Cost

The City bases its determination of maximum monthly rent for ADUs using [the most recent US HUD guidance](#) as published annually for Charlottesville using an average of 1.5 residents per unit. If any discrepancies arise, the rent limits indicated by HUD will take precedence over other guidance and limits.

Figure 3: Maximum Monthly Rent Considered Affordable

Number of Bedrooms	30% AMI	50% AMI	60% AMI	80% AMI	Fair Market Rent
Studio	\$643	\$1,067	\$1,281	\$1,710	\$1,392
1	\$688	\$1,143	\$1,373	\$1,832	\$1,415
2	\$825	\$1,372	\$1,647	\$2,198	\$1,678
3	\$953	\$1,586	\$1,904	\$2,539	\$2,114
4	\$1,064	\$1,770	\$2,124	\$2,833	\$2,608

[1] Effective June 1, 2024.

[2] Assumes tenants pay no more than 30% of income in housing costs and utilities.

Source: U.S. Department of Housing and Urban Development (HUD)

The OCS will update maximum pricing for ADUs within one month of the release of updated income limits by HUD. The above table can be updated to reflect the new income limits set by HUD without City Council review or adoption.

If the tenant is responsible for the cost of utilities, the monthly utility allowance is deducted from the maximum monthly rent summarized above. Other mandatory fees charged for use of the property, such as for parking or other amenities, must also be deducted from the maximum monthly rent. Utility allowances for ADUs will be based on the Utility Allowance Schedule published by Virginia Housing. If any discrepancies arise between **Figure 4** and the utility allowance schedule published by HUD, the rent limits indicated by Virginia Housing will take precedence.

Current utility allowances through July 1, 2024, are provided below. The OCS will update utility pricing within one month of the release of the updated utility allowance schedule by Virginia Housing. The table below can be updated to reflect the new utility pricing set by Virginia Housing without City Council review or adoption. Property Owners will be required to update utility data pricing within one month of the release of updated information published by Virginia Housing in the same calendar year.

In the case of renters using a Section 8 voucher or other rental assistance program, the project may collect the fully allowed rental reimbursement amount even if the total rent for the unit exceeds the maximum allowable rent, so long as the household using the rental assistance is not paying more than 30% of the household's monthly income.

Figure 4: Utility Allowance Schedule

Utility	Usage	Bedroom Count				
		0-BR	1-BR	2-BR	3-BR	4-BR
Appliance	Range/Microwave	\$2	\$2	\$2	\$2	\$2
	Refrigerator	\$3	\$3	\$3	\$3	\$3
Bottled Gas	Cooking	\$11	\$15	\$20	\$24	\$31
	Home Heating	\$65	\$90	\$117	\$142	\$181
	Water Heating	\$27	\$37	\$48	\$58	\$74
Electricity	Cooking	\$4	\$5	\$6	\$8	\$10
	Cooling (A/C)	\$7	\$9	\$13	\$15	\$19
	Home Heating	\$26	\$36	\$46	\$57	\$72
	Other Electric	\$14	\$20	\$25	\$31	\$39
	Water Heating	\$12	\$17	\$22	\$26	\$34
Natural Gas	Cooking	\$2	\$2	\$3	\$3	\$4
	Home Heating	\$9	\$13	\$16	\$20	\$25
	Water Heating	\$4	\$5	\$6	\$8	\$10
Oil	Home Heating	\$51	\$72	\$92	\$113	\$144
	Water Heating	\$21	\$29	\$38	\$46	\$59
Sewer		\$24	\$33	\$42	\$52	\$66
Trash Collection		\$15	\$15	\$15	\$15	\$15
Water		\$19	\$27	\$34	\$42	\$53

[1] Effective July 1, 2024 to June 30, 2025, Source: Virginia Housing

A for-sale ADU must limit the maximum monthly payment for a household having a gross annual income at the required percent of AMI limit to be no more than 30% of their income at the time of sale. The maximum monthly payment must be inclusive of mortgage principal and interest, private mortgage

Commented [MM5]: How are sellers supposed to model this in their pro formas? What if a buyer has a large down payment and a lower than average mortgage payment? Why not provide a table with maximum prices like with rent?

insurance (if applicable), property taxes, condominium or homeowner's association fees (if applicable), hazard insurance, and 1 parking space (if applicable).

PART III – Permitting and Approvals

3.1 Affordable Dwelling Unit Certification

Projects are required to receive Affordable Dwelling Unit Certification to ensure compliance with the ADU ordinance throughout the development process. The certification process will be integrated with three existing steps in the development review process to streamline review:

- Site Plan Approval
 - Applicant applies for and receives **Affordable Dwelling Unit Certification**, Future updates made to the Affordable Dwelling Unit Certification must be submitted to OCS and do not necessitate an additional Site Plan Approval.
- Building Permit Issuance
 - Applicant reconfirms information included in previously approved **Affordable Dwelling Unit Certification**, including any proposed changes to location of affordable dwelling units.
 - **Draft Deed restriction** for affordability submitted to OCS for approval.
 - **Applicant submits any ADU in-lieu payments**
 - Applicant submits **Marketing Plan** for ADUs included in project
- Certificate of Occupancy Issuance
 - Applicant reconfirms information included in previously approved **Affordable Dwelling Unit Certification**. ADU Certification allows for transfer of ADUs provided that the total number of ADUs to be built plus the number of ADUs already provided are not less than the minimum number of ADUs required and that units meet equivalency of units standards set forth in Section 4.2.2 of the Charlottesville Development Code

The project will be required to comply with the ADU ordinance at each step of the approvals process in order to receive the corresponding approval or permit. Each step of the approvals process is set forth in the remainder of this section.

3.2 Development Application and Site Plan Review

Any project with residential units is required to complete an Affordable Dwelling Unit Certification Application (Application), whether or not the project is subject to an Affordable Dwelling Unit requirement. The Affordable Dwelling Unit Certification Application is to be submitted in conjunction with development plans for Site Plan Review.

In the Application, the applicant must provide information on planned ADUs for the project or planned in-lieu fee payment, based on the ADU ordinance requirements in the Charlottesville Development Code and this Manual. City OCS will review the Application to confirm all requirements are met, including the number of ADUs, level of affordability, and relevant unit characteristics. If the applicant plans to provide an in-lieu fee payment, OCS will confirm that the total in-lieu fee amount meets the requirements of the Charlottesville Development Code and this Manual.

An applicant must have an Affordable Dwelling Unit Certification from OCS prior to receiving Site Plan Approval.

3.3 Building Permit

When an applicant applies for a building permit with the City, they will resubmit the project's Affordable Dwelling Unit Certification Application and note any changes from the Site Plan Approval. If changes are made, applicants will provide details about the change. OCS will confirm that the project plans meet the ADU ordinance requirements prior to a building permit being issued.

Draft deed restrictions must be submitted to OCS for approval.

Applicants who choose to make an in-lieu fee payment instead of providing ADUs on-site, must submit at least 50% of the payment, or an equivalent bond, to the Charlottesville Affordable Housing Fund (CAHF) prior to obtaining a building permit.

An applicant must submit a Marketing Plan to City of Charlottesville OCS at least 3 months, for projects with 5 or more units, or 1 month, for projects with 4 or fewer units, prior to construction completion to gain approval to begin leasing prior to building completion. The Marketing Plan should include the applicant's strategy for connecting prospective tenants to the project's ADUs and processes for screening prospective tenants. The Marketing Plan must state clearly that the applicant will not discriminate on the basis of income source, and that any resident with a Housing Choice Voucher or other type of voucher is welcome to apply. If a project has already been exempted from providing ADUs during the Site Plan Approval stage, the applicant is not required to resubmit an Affordable Dwelling Unit Certification Application unless the project has changed so that it is now required to meet ADU requirements.

3.4 Certificate of Occupancy

Before the final Certificate of Occupancy is issued, OCS must conduct an onsite review to confirm that the ADUs are consistent with the requirements of the ordinance. Applicants who choose to make an in-lieu fee payment instead of providing ADUs on-site, must submit the outstanding payment amount to the Charlottesville Affordable Housing Fund (CAHF) prior to obtaining a certificate of occupancy.

PART IV – Tenant Selection & Protections

The requirements of Part IV do not apply to for-sale ADUs.

4.1 Administration of Tenant Selection

Applicants will be responsible for administering the tenant selection process for ADUs, including the marketing, screening, and recertification of tenants. An applicant may choose to contract marketing, tenant screening, and tenant approval of ADUs to a third-party company. All fees incurred from third-party support will be the responsibility of the applicant. Applicants must identify any planned third-party support within their Marketing Plan submitted as part of Affordable Dwelling Unit Certification during the development approvals process.

Regardless of status, applicants and property owners remain liable for non-compliance and subject to remedial actions.

4.2 Tenant Qualification Criteria

Income Limits

To determine income-eligible households, the City will use the most recent household income limits as published annually by HUD based on household size. Income limit area definitions are typically updated annually by HUD each April. City OCS will update income limits for tenants eligible for ADUs within one month of the release of updated income limit and utility allowances by HUD (typically June).

Income Limits for ADUs will be based on the [income limits published by HUD](#). If any discrepancies arise between **Figure 5** and the income limits published by HUD, the income limits indicated by HUD will take precedence. For household larger than 4 persons, reference the income limits published by HUD. Figures

Commented [MM6]: Should this say income, not rent?

5 and 6 below can be updated to reflect the new Charlottesville area median income limits and Charlottesville housing choice voucher payment standards set by HUD without City Council review or adoption.

Figure 5: City of Charlottesville Area Median Income Limits (2024)

Income Level	Household Size			
	1	2	3	4
30% AMI	\$25,700	\$29,350	\$33,000	\$36,650
50% AMI	\$42,700	\$48,840	\$54,900	\$61,050
60% AMI	\$51,240	\$58,610	\$65,880	\$73,260
80% AMI	\$68,400	\$78,150	\$87,900	\$97,650
100% AMI	\$86,940	\$99,360	\$111,780	\$124,200

Commented [MM7]: This table should go beyond 4 or reference where that information from HUD can be found

Commented [MM8]: These numbers should be double the 50% income level

[1] Effective April 1, 2024, Source: [HUD](#)

For rental projects, one in every 3 ADUs must be reserved for a household receiving a Housing Choice Voucher or other rental assistance program for at least 30 days. Property Owners may not refuse to accept rental subsidies from prospective tenants. Rental subsidies include, but are not limited to, Housing Choice Vouchers, Tenant Protection Vouchers, or locally administered vouchers.

For ADUs occupied by a Housing Choice Voucher Holder, Property Owners may collect the fully allowed rental reimbursement amount even if the total rent for the unit exceeds the maximum allowable rent, so long as the household using the rental assistance is not paying more than 30% of the household's monthly income. Property Owners must provide OCS with a copy of the executed Tenant Eligibility Certification form within 7 days of lease signing.

Commented [MM9]: Use language from 2.4 to align sections

Commented [MM10R9]: "the project may collect the fully allowed rental reimbursement amount even if the total rent for the unit exceeds the maximum allowable rent, so long as the household using the rental assistance is not paying more than 30% of the household's monthly income."

Determining Household Income

Household incomes for ADU applicants must be determined in accordance with the *Internal Revenue Code Section 42, Low-Income Housing Credit* Guide and [24 CFR 5.609](#).

Annual compliance documentation will be based on the applicant's income from the past year.

Assumptions about bonuses, overtime, or other speculative projections of income will be based on what was earned in the previous year, unless clear documentation is presented to confirm a variation.

The Property Owner is permitted to deduct projected losses in income from the previous year when major changes in "Life Circumstances" occur since the applicant's last year of employment. Life circumstance changes include retirement, job loss, or disability or death of a wage earner. Supporting documentation must be submitted to City OCS.

4.3 Tenant Requirements

Upon the execution of the lease between the tenant and Property Owner, tenants must comply with the following terms, in addition to terms highlighted in the agreed-upon lease. Tenants who fail to comply with the provisions may be subjected to termination of the ADU lease and eviction.

- **Occupancy:** All members of the household that applied must move into the ADU within 60 days of the start of the lease and occupy the ADU as their Primary Residence for at least 10 out of 12 months of each calendar year.
- **Subletting:** Renters may not sublet any part of the ADU to anyone who is not a part of the household at any time. ADUs cannot be subleased for long-term or short-term vacation rentals at any time. There is also no renting or subletting of a parking space or any other space (if provided with the unit).
- **Household Changes:** A Property Owner must not allow any changes to a lease for an ADU within the first 12 months of the lease, except in following situations:

Commented [MM11]: Why not allow this? Shouldn't the city encourage unused parking to be reallocated?

- Death of lessee
- Dissolution of marriage or domestic partnership within the household
- **Unit Maintenance:** Renters are responsible for making sure that their ADU is not damaged and maintaining the ADU in compliance with the terms of their lease. Property Owners are responsible for maintaining the ADU in the same manner that they maintain their market-rate units.
- **Annual Recertification:** Each year, renters must provide household income documentation and other applicable household information to the Property Owner. Renters who fail to timely provide the required documentation are in violation of the ADU ordinance and will not have their lease renewed. Additional requirements for recertification are set forth in the *Annual Recertification of Tenant Qualification* section of this Manual.

Each new household must submit a new application for an ADU and meet the current qualification standards. If a household adds or removes anyone within the first 12 months, the new household income must be at or below the limit that was applicable at the time the continuing members of the household initially applied. After the first 12 months, if the household composition changes, the new household income must remain at or below the allowable recertification limits.

4.4 Annual Recertification of Tenant Qualification

Prior to the lease renewal of an ADU, the Property Owner must recertify with the tenant that their household meets the eligibility and household size requirements. The same verification process and documentation will occur as with the initial lease of the ADU. Unless the Property Owner can substantiate to City OCS its claims that the tenant has violated terms of the lease or is refusing to adequately comply with the recertification process, no other households may be considered to lease the ADU unless the current tenant chooses not to renew their lease.

After the first 12 months of occupying an ADU, the gross household income may increase up to a maximum 120% of AMI, adjusted for household size. If upon recertification the household's income exceeds 120% of AMI, the household must choose to either vacate the ADU within 90 calendar days or remain in the unit and pay full market rent. If the tenant remains in the unit, the next vacant unit of the same bedroom count must be certified as an ADU within 90 calendar days.

The Property Owner must collect and compile the necessary recertification documentation. The Property Owner must maintain records of the recertification process and submit documentation to the City of Charlottesville OCS as set forth in the *Annual Monitoring* section of this Manual.

Housing Choice Voucher holders must be recertified by the third-party contractors managing tenant selection for voucher priority units. All rules applying to Voucher holders as part of the HCV program will still apply to Voucher holders occupying ADUs, including any alternate recertification timelines.

4.5 Rent Increases

Property Owners are allowed to increase rents for ADUs no more than once in a 12-month period up to the Maximum Allowable Rent, as identified in **Figure 3**. Property Owners must not increase rent for an ADU more than that allowable by the annual change in the AMI, as identified by HUD and published by the City NDS and OCS. Property Owners must follow all applicable federal, state, and local laws when increasing rent.

4.6 Tenant Protections

The marketing and applicant screening of ADUs must comply with all applicable federal, state, and local laws related to Fair Housing and must not exclude or discriminate against any persons on the basis of religion, race, national origin, sex or gender identity, sexual orientation, health or disability status,

familial status, English proficiency, and lawful sources of income. Additionally, the marketing and applicant screening of ADUs must not exclude or discriminate against any person on the basis of citizenship.

Property Owners are required to use good faith efforts in marketing, tenant selection, recertification, and other administrative processes to engage income-qualified households including Black, Indigenous, and People of Color, as well as other community members, to benefit from affordable housing assistance. This includes, but is not limited to, engagement and outreach members of underserved groups identified by the Charlottesville Affordable Housing Plan.

Part V – Monitoring and Enforcement

5.1 Annual Monitoring

To determine compliance with the ADU ordinance, Property Owners are required to provide information and documentation deemed necessary by OCS annually by July 1st of each calendar year including the Charlottesville Affordable Dwelling Unit Compliance Form.

OCS will oversee the monitoring of compliance and review all documentation submitted for ADUs. At its discretion, OCS and other City departments may require additional documentation related to ADU compliance. The City will not consider requests for subordination, capital improvements, title change, or other requests if a Property Owner is noncompliant with any ADU ordinance provision.

The City reserves the right to inspect ADUs to ensure that the maintenance of ADUs meets acceptable standards of health and safety, and that the ADUs remain comparable with market-rate units in the same project.

5.2 Noncompliance / Violations

Without limitation on any other rights of the City, in the event there is a violation of any conditions contained within the ADU ordinance or this Manual, the City may take any one or combination of the steps identified below to ensure compliance.

Development Approvals

During planning and construction of a project, applicants found to be noncompliant with the terms of the ADU ordinance or this Manual may be subjected to the revocation of the Project's Affordable Dwelling Unit Certification, or withholding of Site Plan Approval, Building Permit, Certificate of Occupancy, or other development approvals required to allow construction or occupation of a project. In any instance of non-compliance, the applicant will have 15 days to comply and provide documentation to the City before penalties are applied. No additional permits, certifications, or approvals will be provided until OCS has determined that the project complies the ADU ordinance or this Manual. In addition to other remedies, the City can enforce these requirements in the Courts of the City of Charlottesville.

Operations

Upon the completion of a new project and issuance of a Certificate of Occupancy, for-rent ADUs must be leased to qualified tenants within 90 calendar days. If a unit becomes vacant at any time, the Property Owner will have 90 calendar days to lease the unit. Failure to lease for-rent ADUs within 90 calendar days will result in OCS referring the property owner to the Housing Choice Voucher office. Property Owners may be found noncompliant with the ADU ordinance or this Manual under the following conditions:

- Renting an ADU to an ineligible tenant, or renting a Housing Choice Voucher priority unit to an ineligible tenant without approval from OCS;
- Charging an incorrect rental amount, including utility allowances;

- Failure to maintain an ADU or Housing Choice Voucher priority unit to acceptable levels of health and safety and comparable with market-rate units in the same project.

Noncompliance will result in the imposition of fines and penalties on the Property Owner as described in Section 6.4 Enforcement in the Charlottesville Development Code.

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APPENDIX A: Definitions

AFFORDABLE DWELLING UNIT – Residential unit which is restricted for occupancy by households that have a combined total annual income for all members that does not exceed a designated Area Median Income (AMI) as defined by HUD. Occupant(s) must pay no more than 30 percent of their income for gross housing costs, inclusive of utilities. This term refers to the broad classification of moderately priced housing and should not be confused with more specific terms that define different income divisions.

AFFORDABLE DWELLING UNIT CERTIFICATION – An Affordable Dwelling Unit Certification (“Certification”) is required for all projects with residential development to ensure they include Affordable Dwelling Units as required by the Charlottesville Development Code. Applications for Certification must be submitted to City OCS as part of their initial development application to the City and no development approvals will be provided or granted without Certification.

APPLICANT – Owner or person managing the development of a Project.

AREA MEDIAN INCOME (AMI) – Median income, by household size, for the City of Charlottesville, as adopted by the U.S. Department of Housing and Urban Development (HUD) and defined in the Charlottesville HUD Metro Fair-Market Rent Area (HMFA).

AVERAGE GROSS FLOOR AREA PER DWELLING UNIT – The gross floor area of the principal building or buildings divided by the total number of housing units in the building(s).

CHARLOTTESVILLE AFFORDABLE HOUSING FUND (CAHF) – A locally-designated and controlled fund to pay for affordable housing development and programs.

COST BURDEN – Under a standard set by HUD, a household is considered cost-burdened when it spends 30% or more of its income on gross housing costs, whether for rental or ownership housing.

DEED RESTRICTION – Legal conditions attached to the ownership of land which dictate requirements imposed on the land; with regard to Affordable Dwelling Unit requirements, these requirements pertain to developing and maintaining Affordable Dwelling Units.

EXEMPTIONS – An agreement allowing a Project to opt out of providing Affordable Dwelling Units due to defined proper characteristics (e.g., Project size, location, or grandfathering status).

HOUSING CHOICE VOUCHER (SECTION 8 VOUCHER) PROGRAM – Federal government housing assistance program which allows for low-income families, the elderly, and the disabled to afford decent and safe rental housing. Participants in the tenant-based voucher program are issued a rental voucher, which can be used in the private market for rental assistance.

IN-LIEU FEE – Fee paid by applicants in place of providing Affordable Dwelling Units on-site as part of a project. Funds generated by the in-lieu fee are put into the Charlottesville Affordable Housing Fund to support affordable housing programs and development throughout the City. The price of in-lieu fees charged to an applicant are based on the number of bedrooms in required units and if the unit is to be rented or sold.

INCOME LIMITS – The maximum amount of income a household can earn to qualify for an Affordable Dwelling Unit.

MARKETING PLAN – Document detailing an applicant’s strategy for attracting and screening prospective tenants to the Project’s Affordable Dwelling Units.

NEIGHBORHOOD DEVELOPMENT SERVICES (NDS) – City department which oversees planning and zoning in Charlottesville, including the Charlottesville Development Code requirements.

OFFICE OF COMMUNITY SOLUTIONS (OCS) – City agency overseeing the design and implementation of housing programs and enforcement of the City’s housing code. Office of Community Solutions oversees the administration and compliance with the Affordable Dwelling Unit ordinance, including reviewing proposed Projects, issuing Affordable Dwelling Unit Certifications, and ensuring operational compliance with the Affordable Dwelling Unit ordinance and Manual, among other tasks.

PROJECT – Multifamily building or development which may be subject to providing ADUs, based on requirements and guidelines established in the Charlottesville Development Code and in this Manual.

PROPERTY OWNER – Person or entity who holds the legal title (ex: deed) for the building or land containing a Project.

RENT LIMIT – The maximum monthly rent that can be charged for an Affordable Dwelling Unit.

SUBSIDIZED HOUSING – Affordable rental and ownership housing developed or operated by non-profit and for-profit applicants using public subsidies.

UTILITY ALLOWANCE – A monthly allowance for utilities and services (excluding telephone services) if tenants are responsible for paying utilities. For properties in which tenants are responsible for paying utilities, the utility allowance will be deducted from the maximum rent to determine the monthly rent limit.

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APPENDIX B: Instructions for Determining Fee In-Lieu (FIL)

In-Lieu Fees Overview

The FIL provides an alternative to on-site construction of affordable dwelling units (ADUs). It is calculated based on the average total cost per unit of developing a residential unit in the Charlottesville market.

General ADU In-Lieu Fees Calculation

The in-lieu fee is equal to the average total cost per unit of developing a residential unit in Charlottesville, as shown in Figure 1 on page 2.

Fractional Unit In-Lieu Fees

If the calculation of required ADUs results in a fraction of a unit less than 0.5, the applicant may pay a proportional in-lieu fee instead of constructing an additional ADU. This fee is calculated based on the value gap between the net operating incomes of market-rate units and ADUs, detailed in Figure 2 on page 3.

Student Housing In-Lieu Fees Calculation

Student Housing FIL is calculated differently because it is based on the value gap between market-rate and affordable units. This calculation is only applicable to projects renting by the bedroom and located within ½ mile of the University of Virginia. The FIL for student housing equals the difference between the value of a market-rate unit and an affordable unit (value gap).

Steps for Determining FIL

1. Gather Data: Identify the type of housing project (student vs. non-student) and determine the number of units and unit types (studio, 1-bedroom, etc.).
2. Calculate the FIL:
 - o For general ADUs, use the values in Figure 1.
 - o For student housing, calculate the value gap as shown in Figure 2.
3. Submit Payments: Ensure that FIL payments are submitted before the issuance of the building permit, with appropriate documentation.

Sample Project Calculation for a 520-Rental Unit Development

1. Gather Data

Number of Units	
Studio	10
1	20
2	20
3	10
Total	520
<i>Compulsory ADU Per Development Code Total</i>	52

2. Calculate the FIL

Using the number of compulsory ADUs per the development code, multiply that cost per unit by the number of units.

- 520-Unit Development Project (not student housing)

Unity Type	Number of Units	Cost Per Rental Unit	Calculated FIL
Studio	9	\$184,152	\$1,657,368
1	17	\$250,797	\$4,263,549
2	17	\$368,303	\$6,261,151
3	9	\$547,339	\$4,926,051
Total	52	-	\$17,108,119

- 520-Unit Student Housing Project

Unity Type	Number of Units	Cost Per Rental Unit	Calculated FIL
Studio	9	\$41,380	\$372,420
1	17	\$107,472	\$1,827,024
2	17	\$186,038	\$3,162,646
3	9	\$261,209	\$2,350,881
Total	52		\$7,712,971