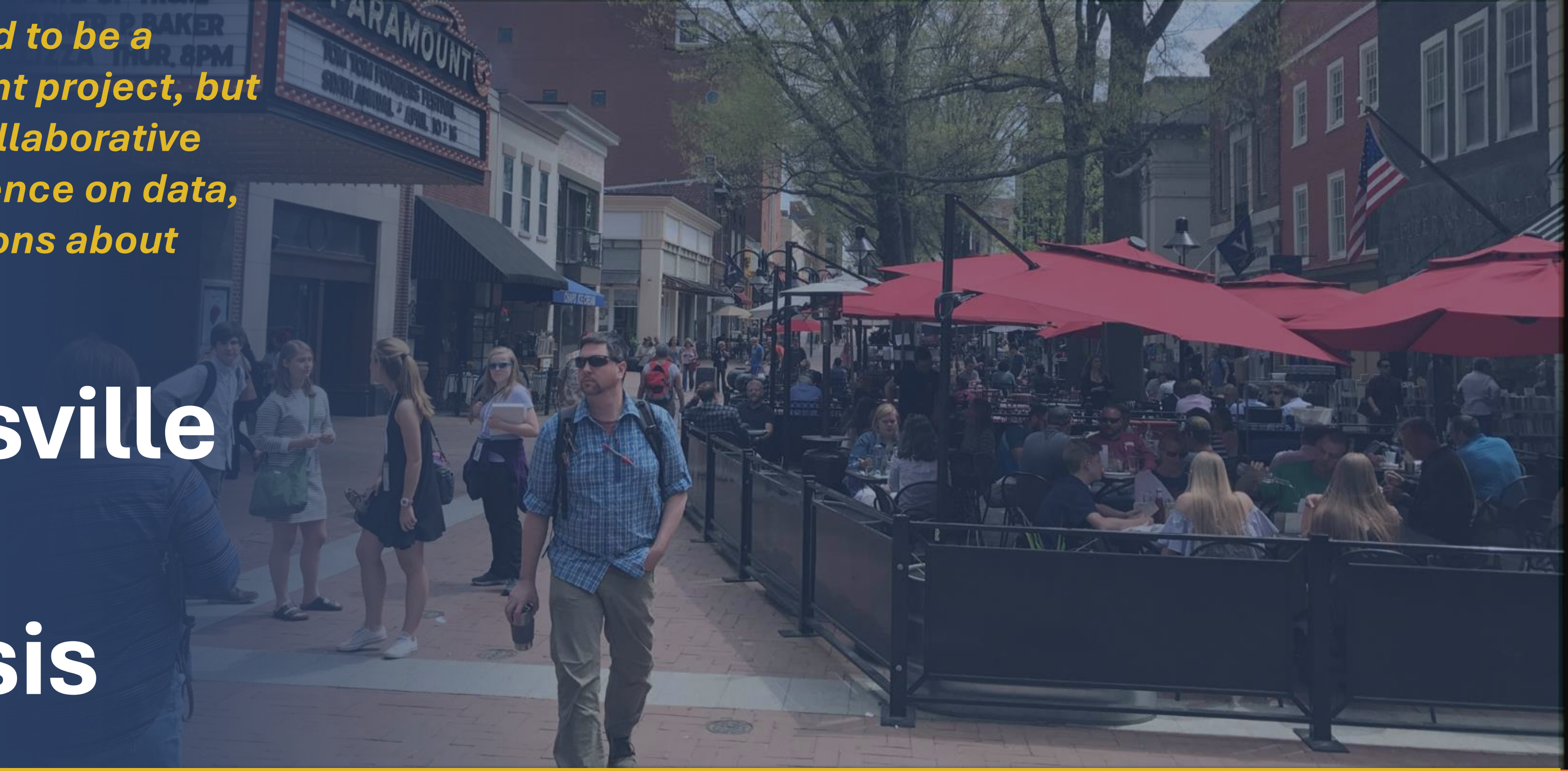
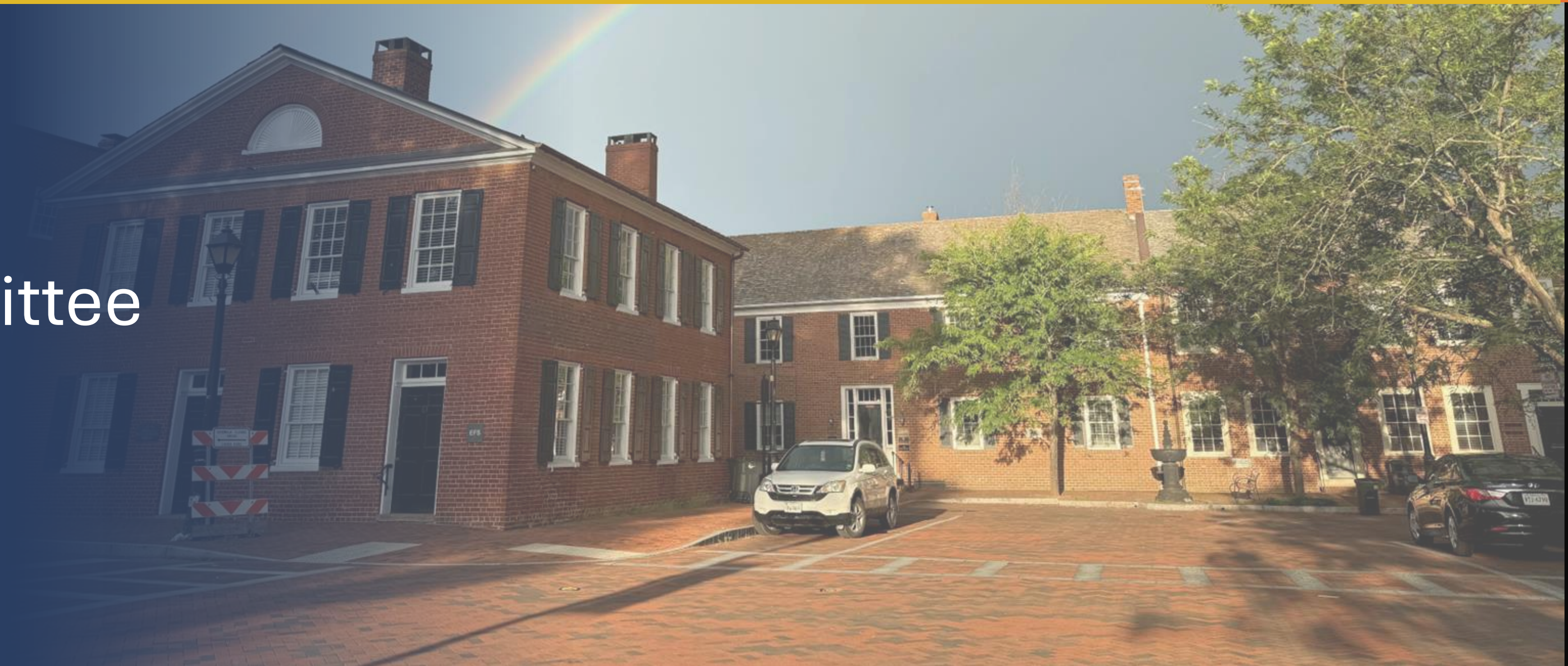
__Please note__: this slide presentation is not intended to be a complete, standalone update on the tax abatement project, but rather these slides were designed to serve as a collaborative discussion guide seeking feedback from the audience on data, model components, and on-the-ground observations about Charlottesville market conditions.



City of Charlottesville Tax Abatement Feasibility Analysis



Progress and Feedback

Housing Advisory Committee

9/17/25

Today’s Goals

- Share project progress
- Get your thoughts on the model & methods
- General goals discussion

Background

- Affordable Housing Needs Assessment finds need for 4,020 AHUs by 2040.
- Affordable Housing Plan and Comp Plan lay the groundwork for a new zoning code with affordability requirements.
- New zoning code adopted in December 2023 requires inclusionary zoning
- Charlottesville City Council commits $10m per year to affordable housing.
- Comp Plan goal to “focus and align subsidy programs with community-defined priorities and make changes to increase the impact of public spending.”
- In this context a tax abatement for affordable housing units is being studied and considered. **Our primary product: tool for evaluating feasibility impacts of an abatement**

Tool Overview

The “Charlottesville Development Feasibility Assessment” tool provides:

- **Yield on cost and IRR for a “typical” project - with and without public incentives**
- **Ability to analyze across building types and “submarkets”**
- **Similar language for discussion & collaboration**

Tool Overview

CHARLOTTESVILLE DEVELOPMENT FEASIBILITY ASSESSMENT | Project Evaluator

PROJECT INPUTS

Development Type	Mid Rise		Affordable Units
Submarket	Tier 2	AMI Band	50%
Buildings in Project	2	% of Units	10%
Avg Units per Building	45	# Affordable Units	9
Number of Units	90		
	User Defined or Default		
		Quick Adjustments	*User Defined*
Parking Type	Above Ground Deck	Construction	Standard
Spaces per Unit	1	Land	Standard

POLICY TESTING

batement - Baltimore Model	No	Tax Abatement - Traditional Model	Yes
	Yes/No		*Yes/No*
Abatement %	10%	Abatement %	50%
Units Abated	All Units	Units Abated	Affordable Units
Years	99	Years	99

OVERALL FINDINGS

NO INCENTIVES	WITH INCENTIVES	DIFFERENCE
Yield on Cost	Yield on Cost	Yield
5.9%	6.0%	0.1%
Possibly Feasible	Possibly Feasible	
IRR	IRR	IRR
15.3%	15.4%	0.1%
Possibly Feasible	Possibly Feasible	

INCENTIVE COSTS & BENEFITS

Rent Lost	Abatement Provides	Difference
($12,375)	$1,532	($10,843)
per month	per month	

What This Tool Is

- A tool to **inform policy decisions** by calculating the financial impact of public interventions.
- A tool that is **transparent, flexible, and adaptable**
- A **collaborative** effort that relies upon reliable cost/revenue inputs.

What It Isn't

- A tool to determine the feasibility of **a specific** project.
- A tool to determine the exact tax abatement needed to make a project "pencil out."
- A tool to **determine** policy.
- A **black box** model with set-in-stone assumptions.

Key Assumptions

Research-based assumptions on:

- **Construction costs**
- **Land costs by tier (submarket)**
- **Soft costs**
- **Rents (Market-rate & affordable)**
- **Development timelines**

Preliminary data collected from reasonable public & private sources (RSMeans, City, real estate websites), but...

We want your insights/improvements on all inputs

Key Questions We Are Exploring

- What is the feasibility of a “typical” project today?
- What does the inclusionary zoning policy do to feasibility?
- What incentives (tax abatement + others) do to feasibility?

Prelim Market Findings

- Using our preliminary inputs, the **current*** market for multi-unit projects looks difficult

- * conditions change all the time

KEY	
Likely Feasible	
Possibly Feasible	
Not Likely Feasible	

"TYPICAL" PROJECT FINANCIALS (WITH IZ)

Yield on Cost

Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	6.4%	5.9%	5.9%	5.4%	4.9%
Mid Rise	6.4%	6.0%	5.6%	5.2%	5.4%
Low Rise	4.7%	4.4%	4.6%	4.2%	3.8%
Garden Apt	4.3%	4.0%	4.2%	3.9%	3.6%
Townhouse	3.8%	3.7%	4.2%	4.0%	3.6%
Single Family	4.0%	4.0%	4.5%	4.7%	4.3%

IRR

Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	14%	13%	14%	14%	12%
Mid Rise	15%	14%	15%	15%	15%
Low Rise	8%	8%	9%	9%	8%
Garden Apt	7%	6%	8%	8%	7%
Townhouse	5%	5%	9%	8%	7%
Single Family	5%	5%	8%	10%	9%

Prelim Market Findings

- But this difficulty does not stem exclusively from inclusionary zoning – even without affordable requirements there are development feasibility constraints – (again, pending updates to cost and revenue inputs)

KEY	
Likely Feasible	
Possibly Feasible	
Not Likely Feasible	

MARKET RATE (NO INCLUSIONARY ZONING)

Yield on Cost					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	6.9%	6.4%	6.3%	5.8%	5.2%
Mid Rise	6.9%	6.4%	5.9%	5.5%	5.6%
Low Rise	4.9%	4.6%	4.8%	4.4%	4.0%
Garden Apt	4.6%	4.2%	4.3%	4.0%	3.6%
Townhouse	4.0%	4.0%	4.5%	4.2%	3.8%
Single Family	4.4%	4.4%	4.9%	5.1%	4.7%

IRR					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	15%	15%	16%	16%	14%
Mid Rise	16%	16%	16%	16%	17%
Low Rise	9%	9%	10%	10%	8%
Garden Apt	8%	7%	9%	8%	7%
Townhouse	6%	6%	10%	10%	8%
Single Family	6%	7%	10%	12%	11%

Inputs

- Construction-only cost estimates from RSMeans

- We allow for per-unit cost savings through density (assuming materials are unchanged)

PER UNIT BUILDING CONSTRUCTION COSTS			
Housing Type	Base Price	Per Unit Discount	PPSF
Garden Apt	$ 256,200	$ (260)	$ 215
Low Rise	$ 254,400	$ (260)	$ 210
Mid Rise	$ 213,000	$ (300)	$ 200
High Rise	$ 225,000	$ (110)	$ 240
Single Family	$ 412,000	$ -	$ 200
Townhouse	$ 387,600	$ -	$ 215

PER SPACE PARKING COSTS	
Parking	Per Space
Above Ground Deck	$ 39,200
Below Ground Deck	$ 56,000
Surface	$ 4,800

Inputs

- Land costs are assessed land values at different percentiles by use, per assessor's office
- We recognize that some numbers don't pencil so aren't currently pursued

PER DOOR LAND COSTS					
Housing Type	**Tier 1**	**Tier 2**	**Tier 3**	**Tier 4**	**Tier 5**
Garden Apt	$ 66,000	$ 56,000	$40,000	$27,000	$20,000
Low Rise	$ 59,000	$ 46,000	$35,000	$24,000	$20,000
Mid Rise	$ 40,000	$ 32,000	$22,000	$13,000	$11,000
High Rise	$ 40,000	$ 32,000	$22,000	$13,000	$11,000
Single Family	$159,000	$132,000	$94,000	$69,000	$58,000
Townhouse	$ 94,000	$ 85,000	$52,000	$38,000	$34,000

Inputs

- Soft costs currently only include estimated consultant fees, and the .7% permit fee

- Model allows for consultant fee changes as timelines change

CONSULTANT FEES	
Type	Amount
Standard	15%
Minimum	10%
MUNICIPAL FEES	
Fee	Application
0.7%	of hard costs

Inputs

- Market rents derived from online rental clearinghouses (Apartments.com, Zillow, etc.)
- Pulled in July/August, so maybe slightly higher than today's rents?
- Affordable rent based on latest AMI

MARKET RENT BY TYPE & BEDROOM

Housing Type	Studio	1 Bed	2 Bed	3 Bed
Garden Apt	$ 1,924	$ 1,957	$ 2,323	$ 2,762
Low Rise	$ 1,810	$ 2,096	$ 2,531	$ 2,843
Mid Rise	$ 1,928	$ 2,270	$ 3,381	$ 4,693
High Rise	$ 2,121	$ 2,497	$ 3,719	$ 4,693
Single Family			$ 3,531	$ 3,923
Townhouse			$ 2,792	$ 3,102

** Red figures are estimates for when no existing rents were found*

Affordable Rents	Studio	1 Bed	2 Bed	3 Bed
60% AMI	$ 1,322	$ 1,510	$ 1,700	$ 1,887

Inputs

- Timelines – here is where we really need your insights

- This is also a place where we can explore fiscal impacts of timeline changes

CONSTRUCTION TIMELINE

Housing Type	Months
Garden Apt	12
Low Rise	16
Mid Rise	18
High Rise	24
Single Family	10
Townhouse	10

PREDEVELOPMENT TIMELINE

Housing Type	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Garden Apt	24	24	24	24	24
Low Rise	24	24	24	24	24
Mid Rise	24	24	24	24	24
High Rise	24	24	24	24	24
Single Family	24	24	24	24	24
Townhouse	24	24	24	24	24

Next Steps

- Update tool based on received comments
- Analyze policy interventions
- Provide City with findings and the tool
- Goes to City Council/Planning Commission late fall

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