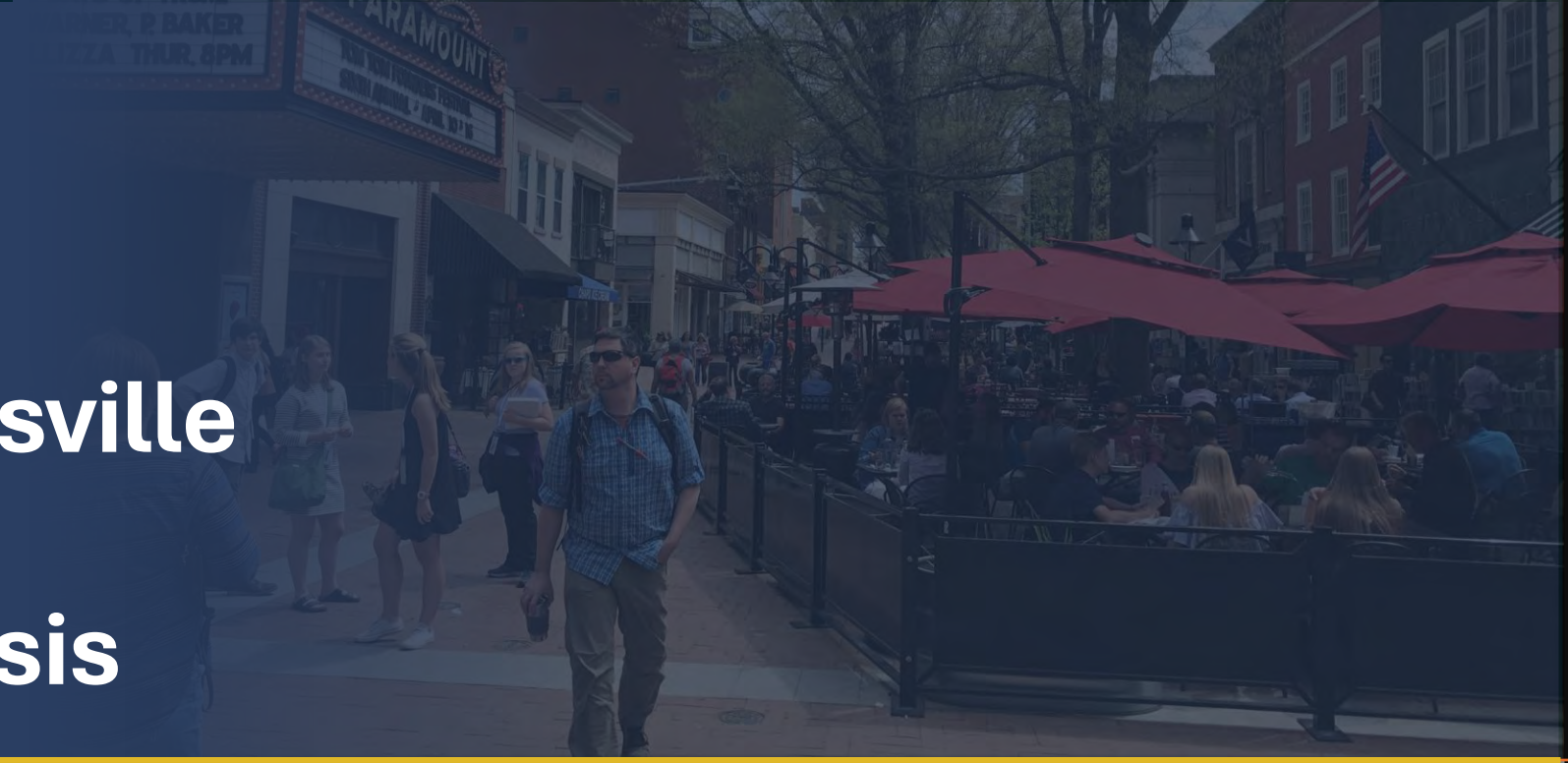
City of Charlottesville Tax Abatement Feasibility Analysis



Planning Commission

January 13, 2026

Outline

- Study Purpose
- Tax Abatement Overview
- Study Methods
- Charlottesville Development Feasibility Assessment Tool
- Development Feasibility Findings
- Key Takeaways

Findings Overview

- Limited development feasibility for “typical” housing projects, regardless of type or location
- This would be true with or without inclusionary zoning…
  but IZ further limits feasibility
- Tax abatements help, but it may be advisable to use a non-traditional approach to address “overpaying”, “can’t pencil”, and “we need more housing” concerns

"TYPICAL" PROJECT FINANCIALS					
Yield on Cost					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	6.2%	6.0%	5.8%	5.6%	5.6%
Mid Rise	5.0%	4.8%	4.5%	4.3%	4.8%
Low Rise	4.4%	4.1%	4.3%	4.1%	4.2%
Garden Apt	4.2%	3.9%	4.1%	4.0%	4.1%
Townhouse	4.5%	4.1%	4.2%	4.1%	3.9%
Single Family	5.1%	4.6%	4.8%	4.6%	4.4%

IRR					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	8%	8%	7%	6%	7%
Mid Rise	4%	3%	2%	0%	4%
Low Rise	1%	-2%	0%	-1%	-1%
Garden Apt	-1%	0%	-2%	-3%	-2%
Townhouse	1%	-2%	0%	-2%	0%
Single Family	4%	2%	3%	2%	1%

Likely Feasible
Possibly Feasible
Likely Not Feasible

Findings Overview

- Limited development feasibility for "typical" housing projects, regardless of type or location
- This would be true with or without inclusionary zoning...
  but IZ further limits feasibility
- Tax abatements help, but it may be advisable to use a non-traditional approach to address "overpaying", "can't pencil", and "we need more housing" concerns

PROJECT FINANCIALS WITHOUT IZ REQUIREMENT

Yield on Cost

Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	6.6%	6.4%	6.2%	5.9%	5.9%
Mid Rise	5.3%	5.1%	4.8%	4.5%	5.0%
Low Rise	4.7%	4.3%	4.4%	4.3%	4.3%
Garden Apt	4.4%	4.1%	4.2%	4.1%	4.2%
Townhouse	4.8%	4.4%	4.5%	4.3%	4.1%
Single Family	5.6%	5.1%	5.2%	5.0%	4.7%

IRR

Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	10%	9%	9%	8%	8%
Mid Rise	6%	5%	3%	2%	5%
Low Rise	2%	0%	1%	0%	0%
Garden Apt	0%	-3%	-1%	-2%	-1%
Townhouse	2%	0%	1%	0%	-2%
Single Family	7%	5%	6%	5%	4%

Likely Feasible
Possibly Feasible
Likely Not Feasible

Study Purpose

Overall Purpose

- Evaluate current housing market feasibility
- Evaluate the current financial impacts of inclusionary zoning
- Evaluate the current financial impacts of a tax abatement
- Provide a mechanism for continued monitoring of these impacts and findings

What This Project Is and Isn't

- This project is...
  - A means to **inform policy decisions** by calculating the financial impact of public policy interventions
  - A method that is **transparent, flexible, and adaptable**
  - A **collaborative** effort that relies upon reliable and ongoing cost/revenue inputs
- This project isn't...
  - A tool to determine policy
  - A way to determine the feasibility of **a specific project**
  - A **black box** model with set-in-stone assumptions

Background and Need

- Affordable Housing Needs Assessment - need for 4,020 AHUs by 2040
- New zoning code adopted in December 2023 includes inclusionary zoning
- Charlottesville City Council commits $10m per year to affordable housing
- Market rate projects with affordable units have been slow to materialize
- City interested in researching tax abatement as a potential option to improve the feasibility of housing construction
- Our scope – **develop a development feasibility model that can inform policy discussions and decisions**

Tax Abatement Overview

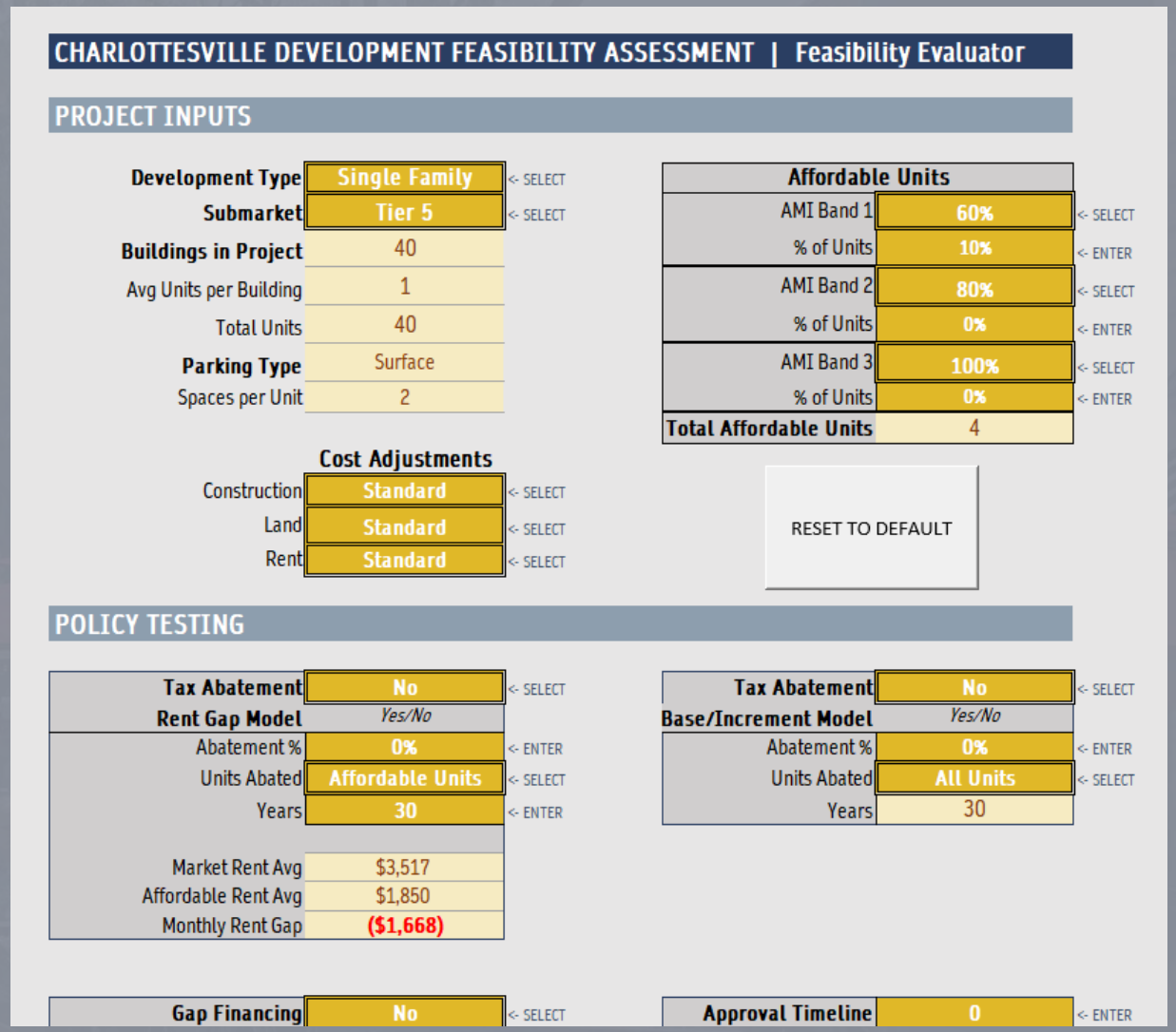
Tax Abatement

- Temporary reduction or exemption from taxes levied by a unit of government, typically to encourage a particular activity
- Purpose could be to improve financial feasibility of ADU production while preserving base tax revenue
- Authorized under §15.2-4905 (Industrial Development and Revenue Bond Act)
- In Virginia it must be executed as a performance-based grant that reimburses a portion of real estate taxes

Study Methods

Method Overview

- Collaboratively determine “typical” costs and revenues
- Build a development feasibility tool that mirrors the private sector analysis process, but infuse that tool with the ability to analyze the impacts of public interventions
- Calculate current “typical” feasibility impacts for tax abatements (and other interventions)



CHARLOTTESVILLE DEVELOPMENT FEASIBILITY ASSESSMENT | Feasibility Evaluator

PROJECT INPUTS

Development Type	Single Family	<- SELECT
Submarket	Tier 5	<- SELECT
Buildings in Project	40	
Avg Units per Building	1	
Total Units	40	
Parking Type	Surface	
Spaces per Unit	2	

Affordable Units		
AMI Band 1	60%	<- SELECT
% of Units	10%	<- ENTER
AMI Band 2	80%	<- SELECT
% of Units	0%	<- ENTER
AMI Band 3	100%	<- SELECT
% of Units	0%	<- ENTER
Total Affordable Units	4	

Cost Adjustments

Construction	Standard	<- SELECT
Land	Standard	<- SELECT
Rent	Standard	<- SELECT

RESET TO DEFAULT

POLICY TESTING

Tax Abatement	No	<- SELECT
Rent Gap Model	*Yes/No*	
Abatement %	0%	<- ENTER
Units Abated	Affordable Units	<- SELECT
Years	30	<- ENTER
Market Rent Avg	$3,517	
Affordable Rent Avg	$1,850	
Monthly Rent Gap	($1,668)	

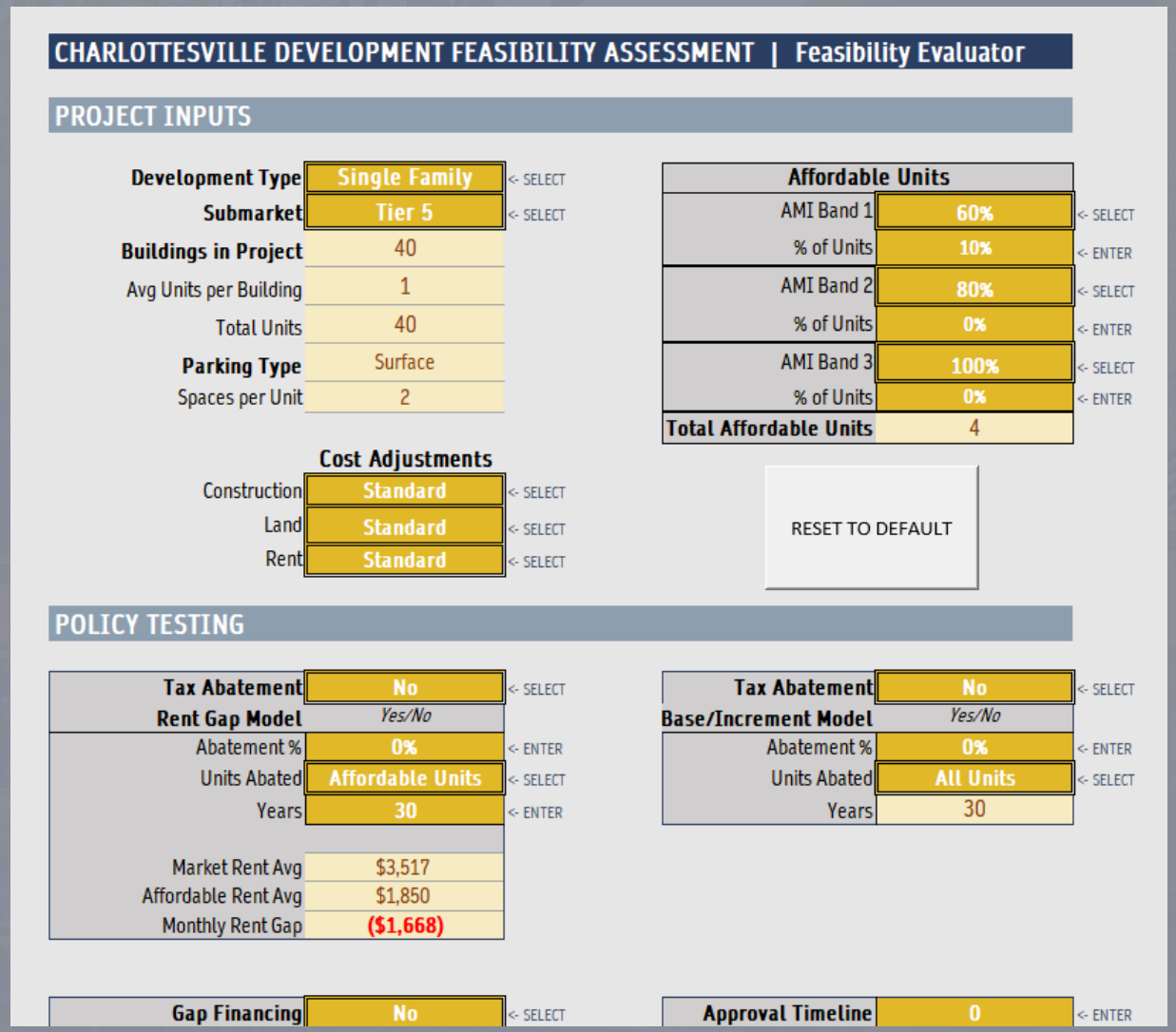
Tax Abatement	No	<- SELECT
Base/Increment Model	*Yes/No*	
Abatement %	0%	<- ENTER
Units Abated	All Units	<- SELECT
Years	30	

Gap Financing	No	<- SELECT

Approval Timeline	0	<- ENTER

Method Overview

- **Why a tool?** Your inputs and findings change alongside changing market conditions
- Such a tool also allows for analysis of a range of policy interventions including:
  - Tax abatement
  - Land provision
  - Gap financing
  - Expedited review/approval



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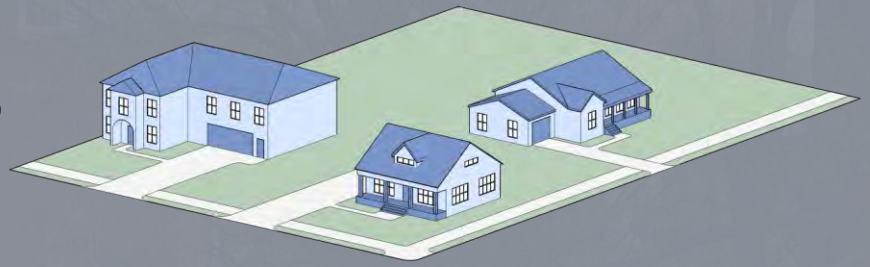
Model Inputs

- Inputs include:
  - **Costs** – Land, hard costs (materials & labor), soft costs (fees, plans), etc.
  - **Revenues** – Market rate and affordable rents
  - **Financial Assumptions** – Interest rates, ROI requirements, etc
- Importantly, many of these inputs can be unique to a single project, and can and do change with regularity
- Our overall goal is to be in the right range on **overall financial viability** more than it is to be exactly right for each input

Hard Costs

- Used existing projects in the City as size & materials examples, plugged into an outside cost estimating software
- Findings were vetted with and adjusted by local developers based on their project experiences



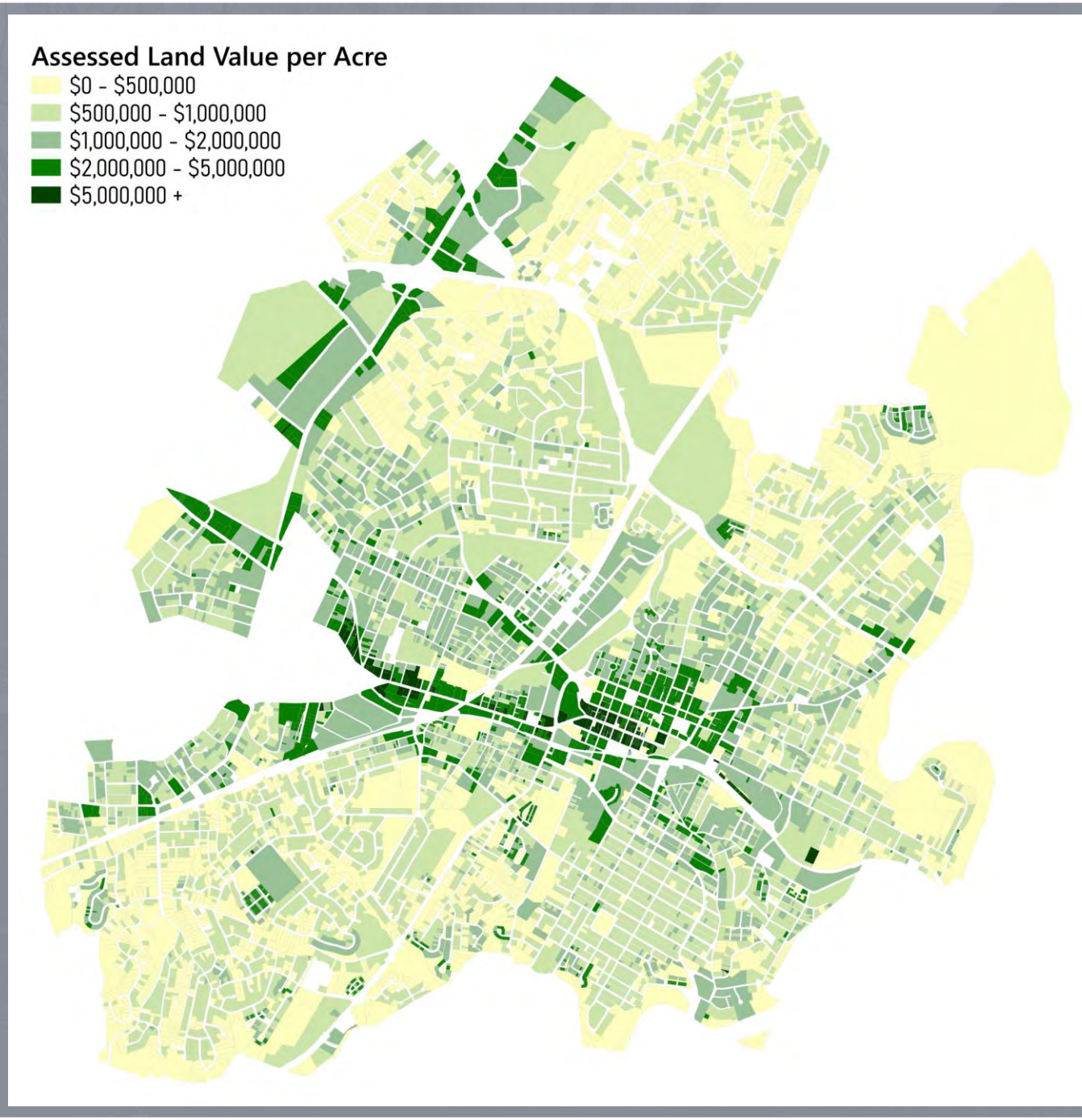
Hard Costs

- Used existing projects in the City as size & materials examples, plugged into an outside cost estimating software
- Initial findings were vetted with and adjusted based on input by local developers based on their project experiences
- Again, these can be changed over time

"TYPICAL" HARD COSTS (LABOR & MATERIALS)	
Housing Type	**Price Per Unit**
High Rise	$243,750
Mid Rise	$300,000
Low Rise	$297,000
Garden Apt	$275,275
Townhouse	$387,600
Single Family	$412,000

Land Costs

- Too few land sales to use existing comps, so started with assessed land values
- Created 5 “tiers” representing land costs across the city (but not specific locations!)
  - Tier 1 – Most expensive areas
  - Tier 5 – Least expensive areas
- Land values by land use type were assigned to our “typical” housing styles



Land Costs

- Findings were vetted and updated by local development community, though with very little consensus. As such, these are most subject to change over time

PER UNIT LAND COSTS					
Housing Type	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
Garden Apt	$ 47,500	$ 36,000	$ 31,000	$ 26,500	$ 18,500
Low Rise	$ 25,000	$ 20,500	$ 17,500	$ 13,000	$ 10,500
Mid Rise	$ 21,500	$ 16,000	$ 12,000	$ 11,333	$ 9,333
High Rise	$ 21,500	$ 16,000	$ 12,000	$ 11,333	$ 9,333
Single Family	$ 81,000	$ 58,167	$ 45,000	$ 36,500	$ 30,500
Townhouse	$ 67,833	$ 48,556	$ 37,611	$ 30,056	$ 26,333

Soft Costs

- Consultant soft costs are generally tied to hard costs and project timeframes, and are merely rough estimates

- Municipal fees can vary by project needs, so rough estimate here too

CONSULTANT FEES	
Type	Amount
Standard	15%
Minimum	12%
MUNICIPAL FEES	
Amount	Notes
4.50%	of hard costs

Revenues & Financial Costs

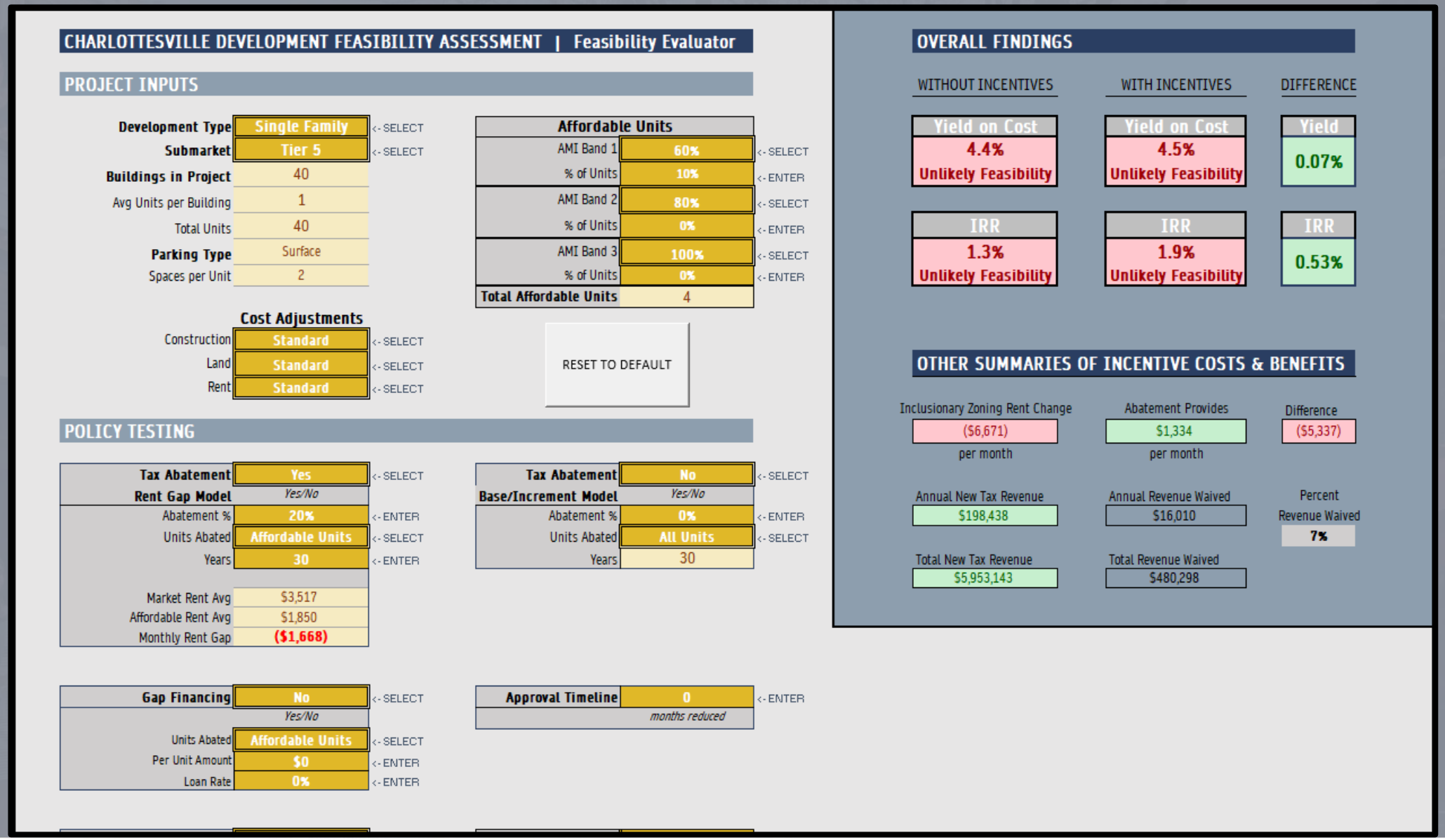
- Pulled asking rents from ~20 complexes (city and urban ring of county)
- Calculated affordable rents based on latest AMI figures
- Other financial assumptions needed to be made as well (such as construction loan rates, capitalization rates, etc.) but all can be modified as needed

Charlottesville Development Feasibility Assessment Tool

Tool Overview

- 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, submarkets, and varying levels of affordability
- The key information is the **difference in financial performance with and without policy interventions**, more than the performance itself

Interface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Cost Adjustments
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<- SELECT
Land
Standard
<- SELECT
Rent
Standard
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RESET TO DEFAULT
POLICY TESTING
Tax Abatement
Yes
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Rent Gap Model
Yes/No
Abatement %
20%
<- ENTER
Units Abated
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Years
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<- ENTER
Units Abated
All Units
<- SELECT
Years
30
Gap Financing
No
<- SELECT
Yes/No
Units Abated
Affordable Units
<- SELECT
Per Unit Amount
$0
<- ENTER
Loan Rate
0%
<- ENTER
Approval Timeline
0
<- ENTER
months reduced
OVERALL FINDINGS
WITHOUT INCENTIVES
WITH INCENTIVES
DIFFERENCE
Yield on Cost
4.4%
Unlikely Feasibility
Yield on Cost
4.5%
Unlikely Feasibility
Yield
0.07%
IRR
1.3%
Unlikely Feasibility
IRR
1.9%
Unlikely Feasibility
IRR
0.53%
OTHER SUMMARIES OF INCENTIVE COSTS & BENEFITS
Inclusionary Zoning Rent Change
($6,671)
per month
Abatement Provides
$1,334
per month
Difference
($5,337)
Annual New Tax Revenue
$198,438
Annual Revenue Waived
$16,010
Percent Revenue Waived
7%
Total New Tax Revenue
$5,953,143
Total Revenue Waived
$480,298

Development Feasibility Overview

Key Questions We Explored

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

Current Market Feasibility

- Assessed the market feasibility under current conditions, which includes the inclusionary zoning requirement
- New construction feasibility is limited, with no product reaching the yield or IRR thresholds for “likely feasible”

"TYPICAL" WITHOUT INCENTIVE PROJECT FINANCIALS					
Yield on Cost					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	6.2%	6.0%	5.8%	5.6%	5.6%
Mid Rise	5.0%	4.8%	4.5%	4.3%	4.8%
Low Rise	4.4%	4.1%	4.3%	4.1%	4.2%
Garden Apt	4.2%	3.9%	4.1%	4.0%	4.1%
Townhouse	4.5%	4.1%	4.2%	4.1%	3.9%
Single Family	5.1%	4.6%	4.8%	4.6%	4.4%

IRR					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	8%	8%	7%	6%	7%
Mid Rise	4%	3%	2%	0%	4%
Low Rise	1%	-2%	0%	-1%	-1%
Garden Apt	-1%	0%	-2%	-3%	-2%
Townhouse	1%	-2%	0%	-2%	0%
Single Family	4%	2%	3%	2%	1%

Inclusionary Zoning Feasibility Impact

- Next, looked at market feasibility without inclusionary zoning
- Yields increase by as much as 0.5% and IRR increases up to 2+%
- However, market conditions are still difficult for nearly all “typicals”, suggesting a real need for improvements in costs or revenues to make projects pencil

"TYPICAL" WITHOUT INCENTIVE PROJECT FINANCIALS					
Yield on Cost					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	6.7%	6.4%	6.2%	5.9%	6.0%
Mid Rise	5.3%	5.2%	4.8%	4.6%	5.1%
Low Rise	4.7%	4.3%	4.4%	4.3%	4.3%
Garden Apt	4.5%	4.1%	4.2%	4.1%	4.2%
Townhouse	4.8%	4.4%	4.5%	4.3%	4.1%
Single Family	5.6%	5.0%	5.2%	4.9%	4.7%

IRR					
Typology	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5
High Rise	10%	9%	9%	8%	8%
Mid Rise	6%	5%	4%	2%	5%
Low Rise	3%	0%	1%	0%	0%
Garden Apt	1%	-2%	-1%	-2%	-1%
Townhouse	3%	1%	2%	0%	-2%
Single Family	6%	5%	6%	5%	4%

Tax Abatement Methods

- We modeled the impacts of two different tax abatement approaches
- **Value-Based Abatement**
  - A percentage of the incremental tax revenue post-development is returned to the owner as a performance grant. Relies on assessed property values
- **Rent-Gap Abatement**
  - Abatement is calculated based on the gap between market rent and affordable rent

Value-Based Tax Abatement Impacts

- Value-based abatement has a positive impact on yields that rises as abatement percentage rises
- But abatement "return" is lower than rent "loss"
- Similar patterns emerge across housing types and locations

Mid-Rise Tier 3 Value-Based Abatement Example (135 unit development, ~$2,500 avg rent)						
Abatement Percentage	**Yield Change**	**IRR Change**	**Monthly "Loss" from Affordable Units**	**Abatement "Return" for Affordable Units**	**Annual Revenue "Waived"**	**New Tax Revenue**
25%	0.02%	0.17%	$13,636	$1,162	$13,944	$527,943
50%	0.05%	0.35%	$13,636	$2,324	$27,888	$513,599
75%	0.07%	0.52%	$13,636	$3,486	$41,382	$500,035
100%	0.09%	0.67%	$13,636	$4,516	$54,189	$487,699

Rent-Gap Tax Abatement Impacts

- A “rent gap” method for calculating the abatement has a greater benefit to yields and IRR
- A development can be “made whole” using this but comes at a greater cost to the City
- The abatement amount is tied to market prices, so as prices change so too does abatement

Mid-Rise Tier 3 Rent-Gap Abatement Example (135 unit development, ~$2,500 avg rent)						
Abatement Percentage	Yield Change	IRR Change	Monthly “Loss” from Affordable Units	Abatement “Return” for Affordable Units	Annual Revenue “Waived”	New Tax Revenue
25%	0.07%	0.51%	$13,636	$3,409	$40,909	$500,797
50%	0.14%	0.99%	$13,636	$6,818	$81,817	$460,070
75%	0.21%	1.45%	$13,636	$10,227	$122,726	$419,162
100%	0.29%	1.90%	$13,636	$13,636	$163,634	$378,253

Tax Abatement Pros & Cons

Value-Based Abatement

- Pros: Tried and true
- Cons: Doesn’t fully close the current market gaps; Can lead City to over-subsidize if abatement only utilized in good market conditions

Rent-Gap Abatement

- Pros: Tied to market conditions; Directly addresses the financial loss from inclusionary zoning ordinance; May reduce the risk of over-subsidizing development
- Cons: Rarely used (Baltimore only found example, and it’s new there), so administration hurdles may exist; may still risk over-subsidizing in strong markets

Other Potential Incentives

- Gap financing, land provision, reduced review/approval timeline, and forgivable loans all improve yields and IRRs
- Tool can be used to further explore alternative incentives (alone or in combination)

OTHER POTENTIAL INCENTIVES (135 unit Mid-Rise Tier 3 development, ~$2,500 avg rent)		
Abatement Type	**Amount**	**IRR Change**
Gap Financing	$1.4m	0.5%
Land Provision	$1.6m	1.4%
Reduced Timeline	6 months	0.9%
Forgivable Loan	$1.5m	1.5%

Findings

Key Findings

- Market conditions are challenging right now
- Inclusionary Zoning adding to that challenge
- Traditional tax abatements help, but are insufficient on their own (right now)
- Rent-gap tax abatement merits consideration as a better balance between public and private priorities
- Other incentives/policies may still be needed
- Leave-behind tool allows for future adaptability and exploration

Contacts

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  - Jeremy@3tpventures.com
- Mike Callahan
  - Mike@3tpventures.com

ADU Manual In Lieu Fee/ Student Housing Study

City Council Presentation

January 20, 2025

Kellie Brown, Director

Neighborhood Development Services Department

Goals and Agenda

- Goals:
  - Get feedback on scope of work to inform study approach and desired outcomes

    Staff will return with updates after research and community engagement

- Agenda
  - Background
  - Initial Observations
  - Study Focus and Scope of Work
  - Community Engagement Approach
  - Potential Options
  - Timeline
  - Discussion

Student Housing Background Information

Student Housing History

- UVA enrollment growth has steadily increased demand for student housing.
- Historically, students lived:
  - On Grounds (limited capacity)
  - In older apartment complexes near UVA
  - In converted single-family homes in neighborhoods adjacent to the university
- As enrollment grew, private developers increasingly stepped in to build purpose-built student housing.
  - Within walking distance to Grounds
  - 4-bedroom units, rental by bedroom

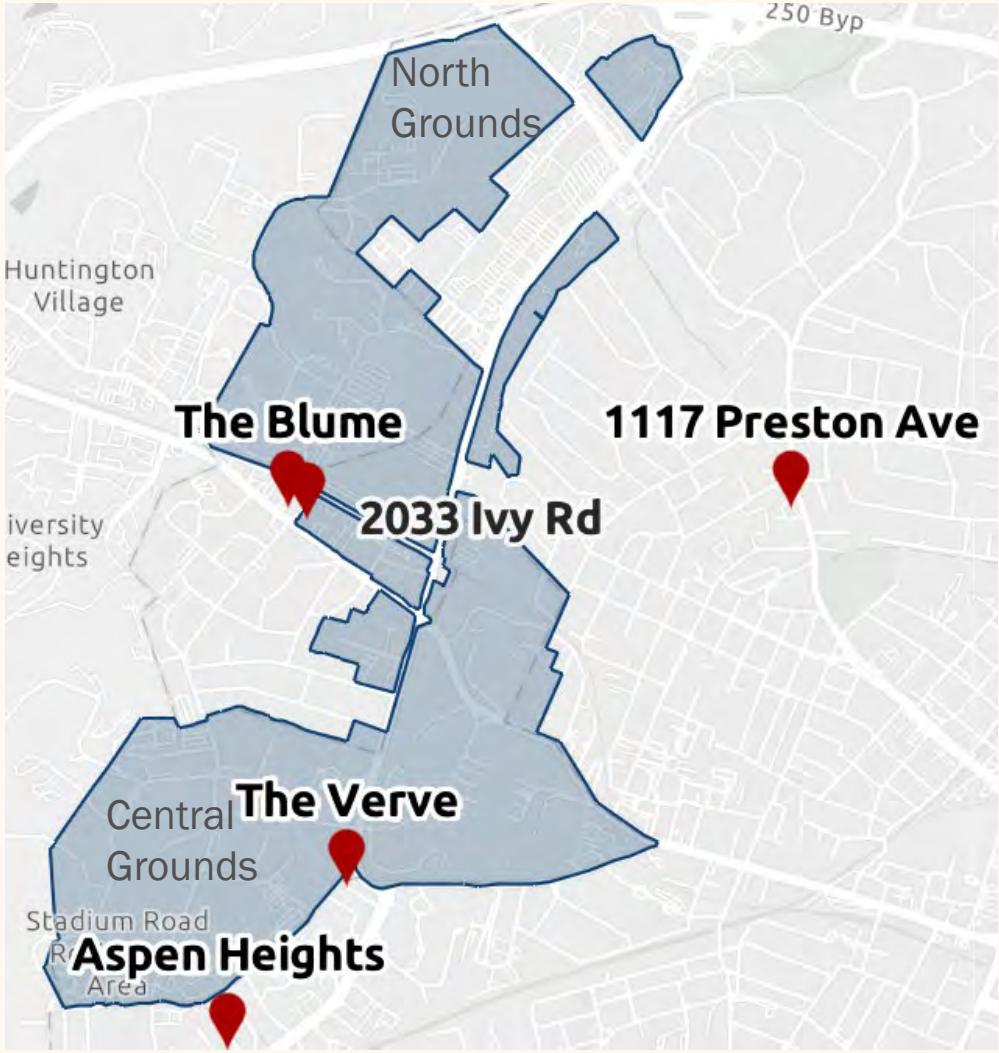
Neighborhood	Key Student Housing Features
The Corner / University Area	Oldest off-Grounds student district; dense housing near UVA
Venable	Early 20th-century homes converted to rentals; adjacent to Grounds
JPA Corridor	Mix of apartments + subdivided homes; close to hospital & Grounds
West Main	Longstanding transition zone; now major student-housing corridor
Fifeville (edges)	Increasing student-housing pressure near West Main
10th and Page	Early 20th-century homes converted to rentals; increasing student housing pressure

Student Housing Supply and Demand

Total Undergraduate and Graduate Enrollment ~ 27,000*

- ~ 7,000 beds on Grounds (4,000 for First-Years)
- 2030 Plan aspires to house all first year and second-year students
- 5 projects currently under construction off Grounds, totaling 3,515 beds
  - Verve (**442 Units / 1,332 beds**)
  - Aspen Heights (**119 Units / 390 beds**)
  - 1117 Preston Avenue (**16 Units / 32 beds**)
  - Ivy (Blume) (**231 Units / 641 beds**)
  - 2033 Ivy Rd (**780 beds**)
  - Darden Graduate Housing (County) (**340 beds**)

*Source: Facts and Figures | The University of Virginia



*Darden Graduate Housing not pictured

Student Housing – National Perspective

- National report note a continued trend toward:
- Private bedrooms and bathrooms
- High-end amenities (fitness centers, study lounges, pools)
- Mixed-use developments near campus
- Preference for **private space and modern amenities**

* Inland-Insights-Robust-Student-Housing.pdf

The Verve, Charlottesville, VA (UVA)

Ivy (Blume),Charlottesville, VA (UVA)

Jolly Roger, Greensboro (ECU)

Development Code Context

Zoning Categories and Overlay Districts

The Current Development Code was Adopted on December 18, 2023 – Designed to facilitate a more form-based zoning ordinance, increasing density in alignment with the 2021 Comprehensive Plan.

Residential Districts:

- R-A, RN-A, R-B, R-C

Mixed Use Districts:

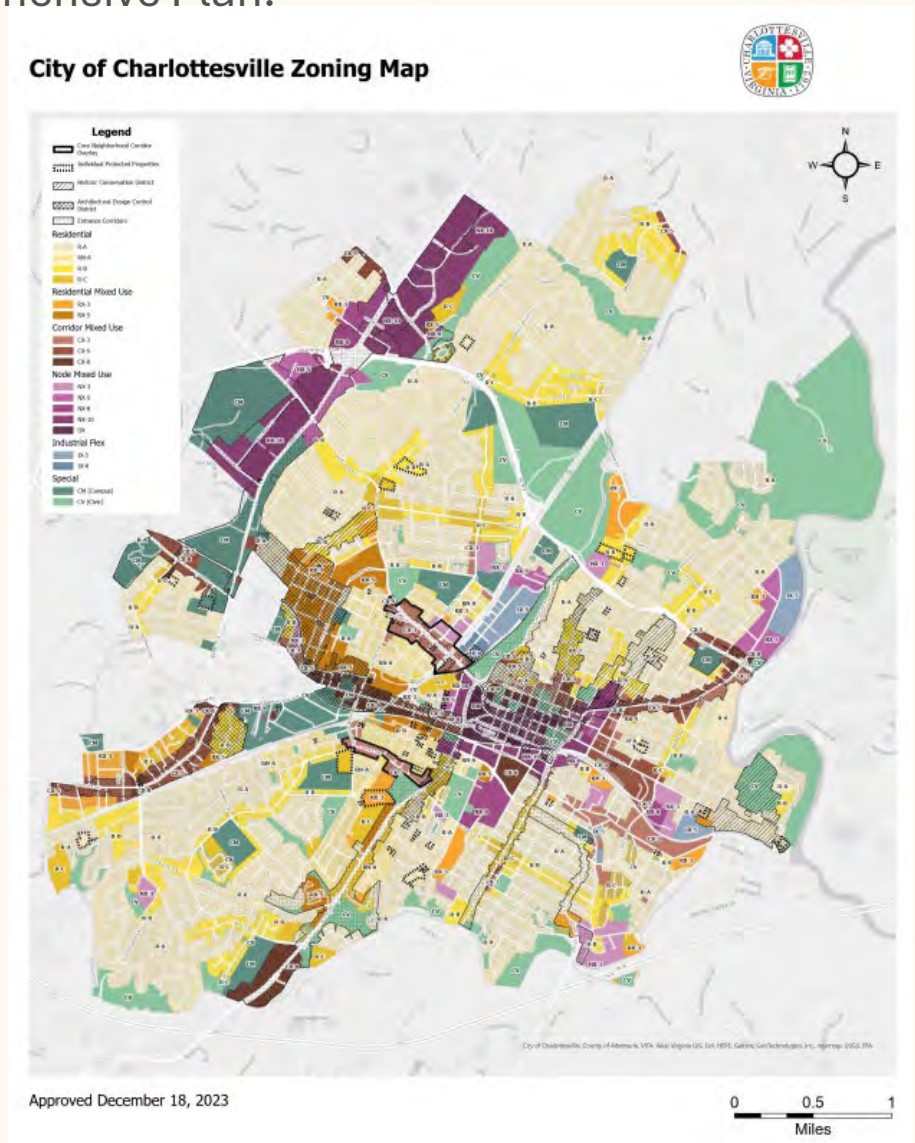
- *Corridor*: NX-3, NX-5, NX-8, NX-10, DX
- *Node*: RX-3, RX-5
- *Residential Mixed Use*: CX-3, CX-5, CX-8

Other Zoning Districts:

- Industrial Flex: IX-5, IX-8
- Special: CM, CV, Alternate Forms

Overlay Districts (* Design review required):

- Core Neighborhood Corridors
- Entrance Corridors *
- Architectural Design Control Districts *
- Historic Conservation Districts *
- Individually Protected Properties *
- Floodways and Floodplains



Affordable Housing and Student Housing Requirements

Residential Development:

- Projects ≥10 units provide 10% at ≤60% AMI or pay in-lieu fee
- Bonus height for units at ≤50% AMI or same fee
  - In-lieu fee = average total cost per unit of developing a residential unit in the Charlottesville market, based on bedroom count up to 3 bedrooms

Student Housing

- Projects that rent by the bedroom within ½ mile of Campus Grounds
- No on-site affordable units are required
- Bonus height may also be realized
- In-lieu fee is required
  - In-lieu fee = difference between the value of a market rate unit and that of an affordable unit (i.e. value gap), based on bedroom count up to 3 bedrooms

Non-Student Housing

Figure 1: Construction Cost Per Unit and Average Total Cost Per Unit In-lieu Fee

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**

Student Housing

Figure 2: Value Gap Cost Per Unit and Average Total Cost Per Unit In-lieu Fee

Number of Bedrooms	Cost Per Rental Unit	Cost Per Ownership Condominium Unit
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**

Rationale for Different Student Housing Requirements

- Student housing projects do not typically include non-student housing
  - Unique requirements for student housing projects (rental by bedroom, parental preferences for student living conditions and amenities)
- Value gap method resulted in a lower in-lieu fee requirement
- Lower fee requirement deemed appropriate given the lack of an on-site affordable unit requirement

Non-Student Housing

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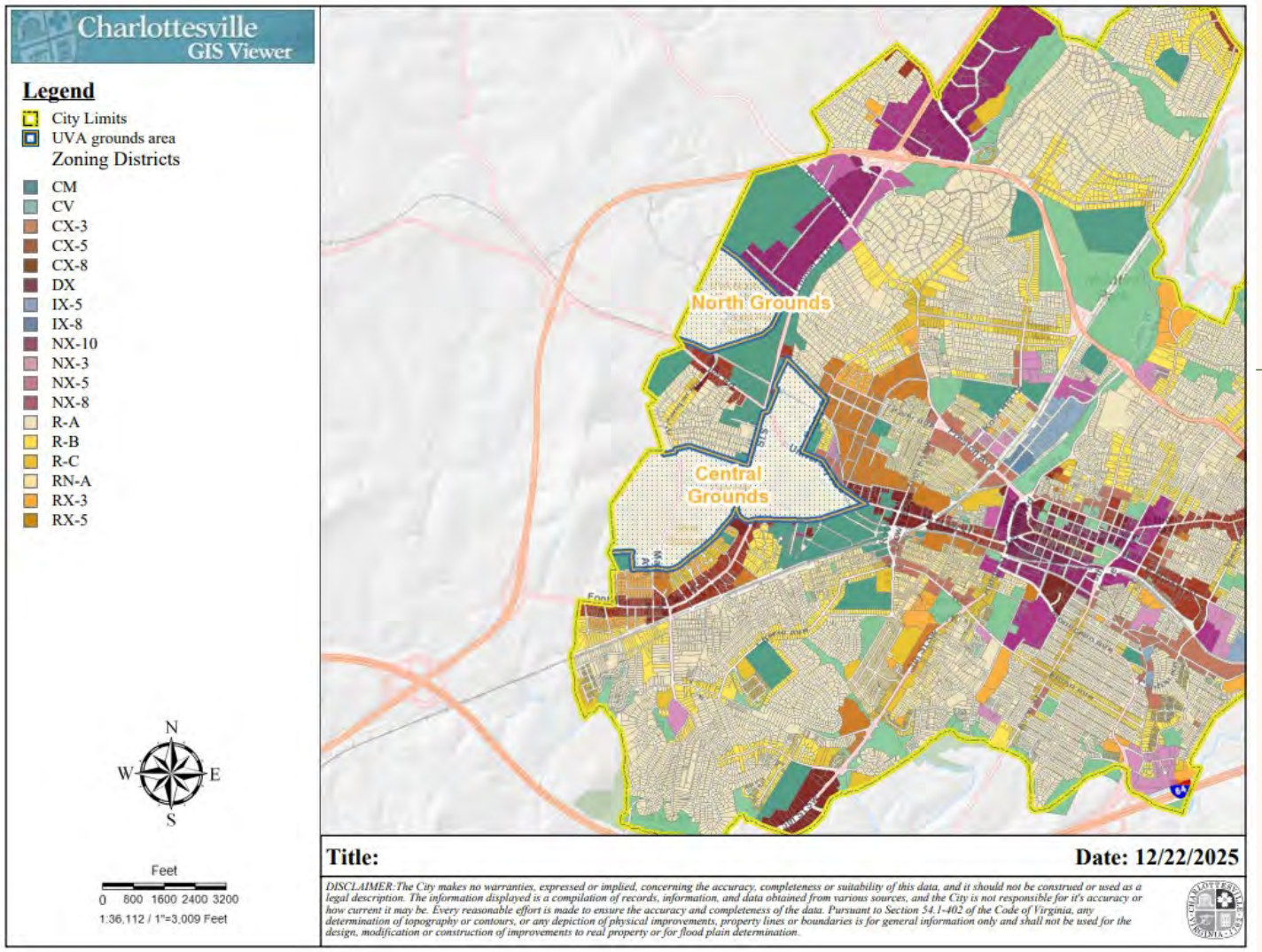
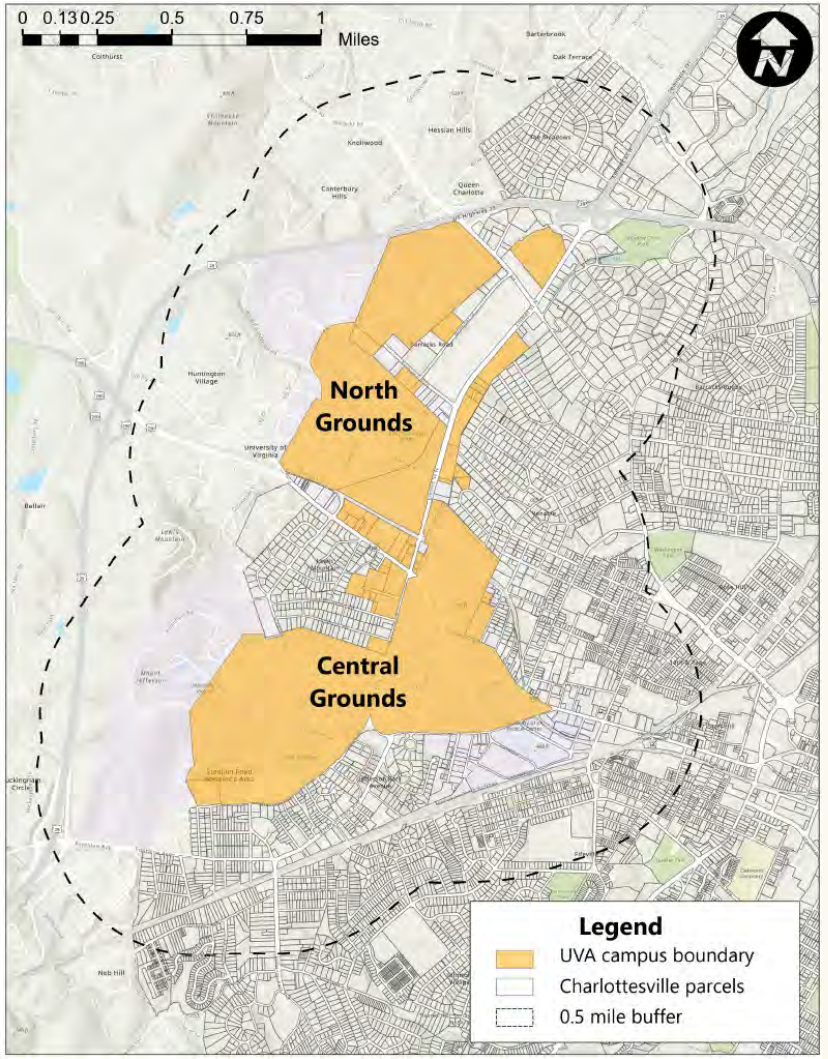
Locations Where Affordable Housing Expectations for Student Housing Apply



UVA Grounds



Area within ½ Mile of Grounds

Initial Observations and Concerns

Residential Development (Non-Student Housing):

- Inconsistent in-lieu fee payment structure for bonus height
- Projects opting to pay the in-lieu fee are being charged for bonus height as if the on-site requirement is **60% AMI**, not 50% AMI

Student Housing

- Lack of requirement for on-site units limits new affordable housing where student housing is most financially feasible reinvestment option
- Student housing have lower per-bedroom cost requirement for in-lieu fee, which further incentives student housing
- No consideration for conversions to non-student housing
- No consideration for four-bedroom units
- Large geography applies this policy to neighborhoods where displacement is a concern

Non-Student Housing

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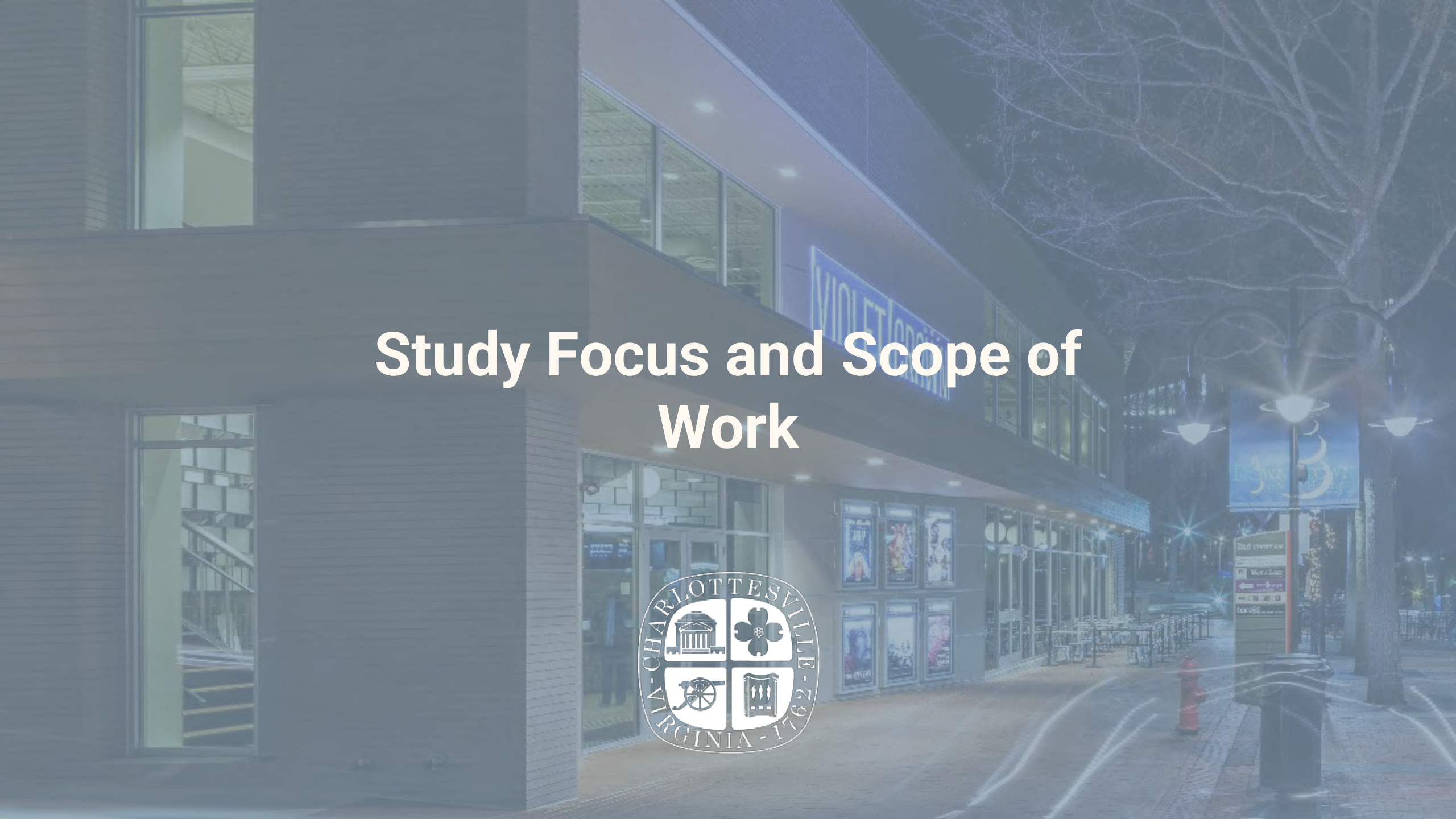
Study Focus and Scope of Work



Development Code Amendments: Background

- **Need for Amendments** – Staff is identifying both minor and significant issues requiring revisions to better support City goals.
- **Three-Tier Approach**:
  - **Tier 1** – Minor grammatical corrections, small adjustments, and state requirements.
  - **Tier 2** – Modifications addressing oversights and clarifications to support the Intent sections of the code.
  - **Tier 3** – Policy changes requiring in-depth analysis and community engagement.
- **Next Steps**:
  - **Tier 1 & 2** – Advancing to Public Hearing with Planning Commission January 13, 2026, then a Public Hearing with City Council later in the winter of 2026.
  - **Tier 3** – Considered in the broader FY26 NDS workplan and beyond.
- **Ongoing Process** – Annual updates for Tier 1 & 2 to ensure adaptability, best practices, and sustainable growth.

Tier 3 Amendments

- **Purpose** – Focuses on policy changes and confirmations requiring in-depth analysis and broader community engagement.
- **Scope** – Significant amendments that impact long-term planning and require careful evaluation of goals and implications.
- **Community Input** – Extensive outreach to gather feedback and ensure alignment with public priorities.
- **Process** – Will be prioritized within the broader future NDS workplans, given the complexity and resources required.
- **Future Considerations** – Helps shape long-term regulatory strategies to maintain an adaptable and effective Development Code.

Tier 3 Study: ADU Manual In Lieu Fee/Student Housing Study

Purpose of the Study

- Annual review and update of the Affordable Dwelling Unit (ADU) Monitoring and Procedures Manual

- Focus on refining expectations for:
  - In-lieu fee payments
  - Bonus height projects
  - Student housing

Scope of Work / Key Study Questions

Research and Analysis

- Do the current in-lieu fee payment structures accurately reflect construction costs (for non-student housing) and the value gap (for student housing)?

- What are the approaches of other Virginia jurisdictions?

- Using the financial model created for the tax abatement study, determine what approach to requirements for in-lieu fee payments provide the best balance of incentivizing production of on-site units without limiting development feasibility?

Goals and Guiding Principles

- What should be the City's goals for in-lieu fee payment policies?

- What should be the City's goals for student housing?

- What should be the relationship between in-lieu fee expectations for student housing and non-student housing?

- Should in-lieu fee payments be greater for bonus height than for non-bonus height?

Community Engagement Approach

Key Stakeholders and Engagement Strategies

Key Stakeholders

- Housing Advisory Commission
- Planning Commission
- Property Owners
- UVA
- Albemarle County
- Thomas Jefferson Planning District Commission
- Advocacy Organizations

Engagement Strategies

- Commission Presentations
- Connect Charlottesville digital outreach and engagement opportunities
- Focus Groups
- Pop Up Visits

Key Questions for Stakeholder Engagement

- What do you believe is the most important outcome this policy should accomplish for our community?
- What impacts or unintended consequences should we work (hardest) to prevent?

Potential Options

One Set of Potential Options to Explore

Residential Development (Non-Student Housing):

- Study the creation of an in-lieu fee payment structure that increases requirement for bonus height to reflect that the on-site requirement for bonus height is **50% AMI**, not 60% AMI

Student Housing

- Consider requiring on-site units for student housing, or allow an in-lieu fee equivalent to requirement for non-student housing
    - Addresses potential conversions to non-student housing
    - Allows for on-site affordable units when financial and market conditions are favorable
- Add in-lieu fee requirement for four-bedroom units
- Consider geographic criteria – consider if needed given potential merit of equivalency with expectations for non-student housing
    - Removes unintended incentive to build student housing

All Housing Projects (10+ units)

- Consider potential for tax abatement strategies to offset costs associated with affordable housing production and facilitate investment, to be further explored

Study Timeline

Timeline

December 2025 – January 2026: Consultant Evaluation of Key Study Questions

- Do the current in-lieu fee payment structures accurately reflect construction costs and the value gap?
- What are the approaches of other Virginia jurisdictions?
- What approach to requirements for in-lieu fee payments best incentivize production of on-site units without limiting development feasibility?

January 2026 – February 2026: Stakeholder Engagement

- What are the most important things for the policy to achieve?
- What impacts do we want to avoid?

March– May 2026: Develop Proposals and Commission and Council Review

- Guiding Principles
- Policy Recommendations*
- Manual and Development Code Amendments

*Development of recommendations will be coordinated with presentation of key findings and recommendations from tax abatement study

Thank You