



# **ADU Manual In Lieu Fee/ Student Housing Study**

**City Council Presentation**

**January 20, 2025**

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**Neighborhood Development Services Department**

# Goals and Agenda

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- 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
10 <sup>th</sup> and Page	Early 20 <sup>th</sup> -century homes converted to rentals; increasing student housing pressure

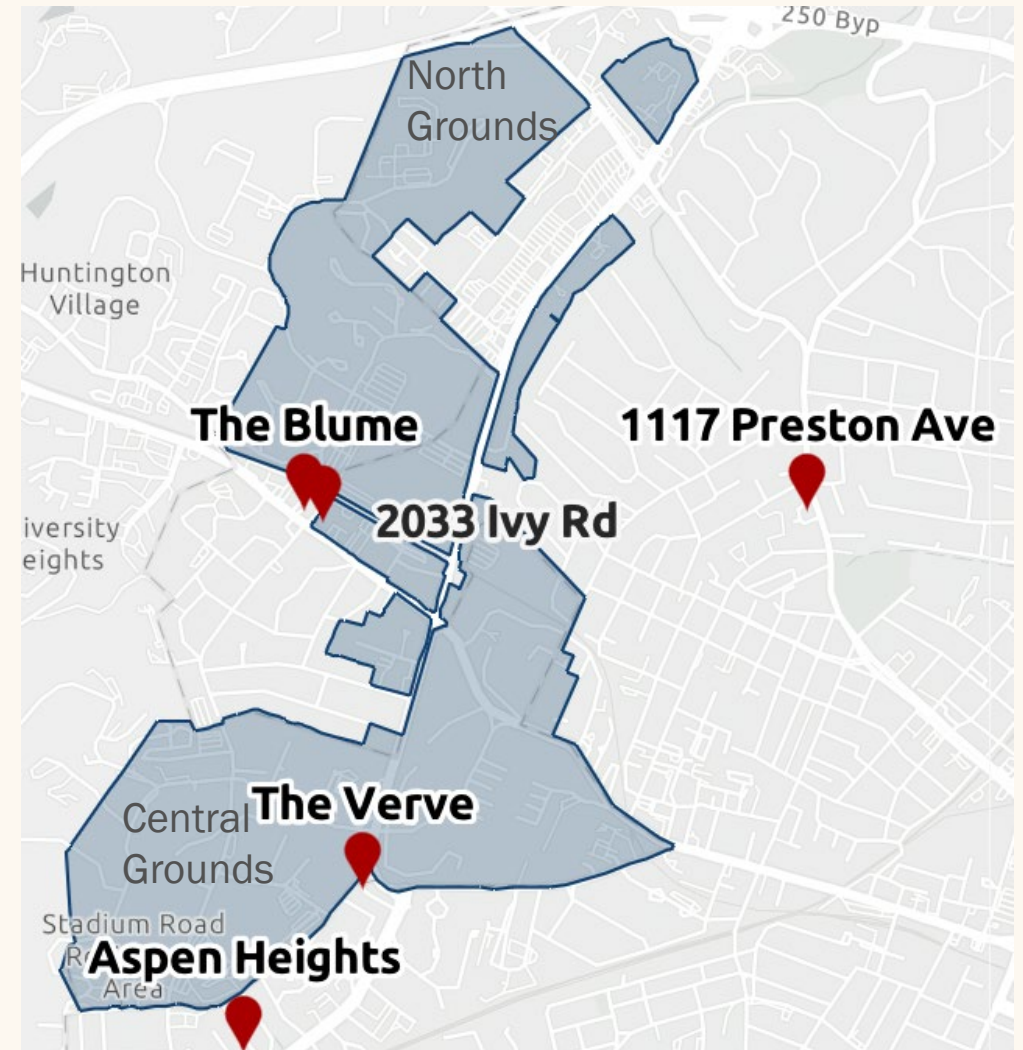


# Student Housing Supply and Demand

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

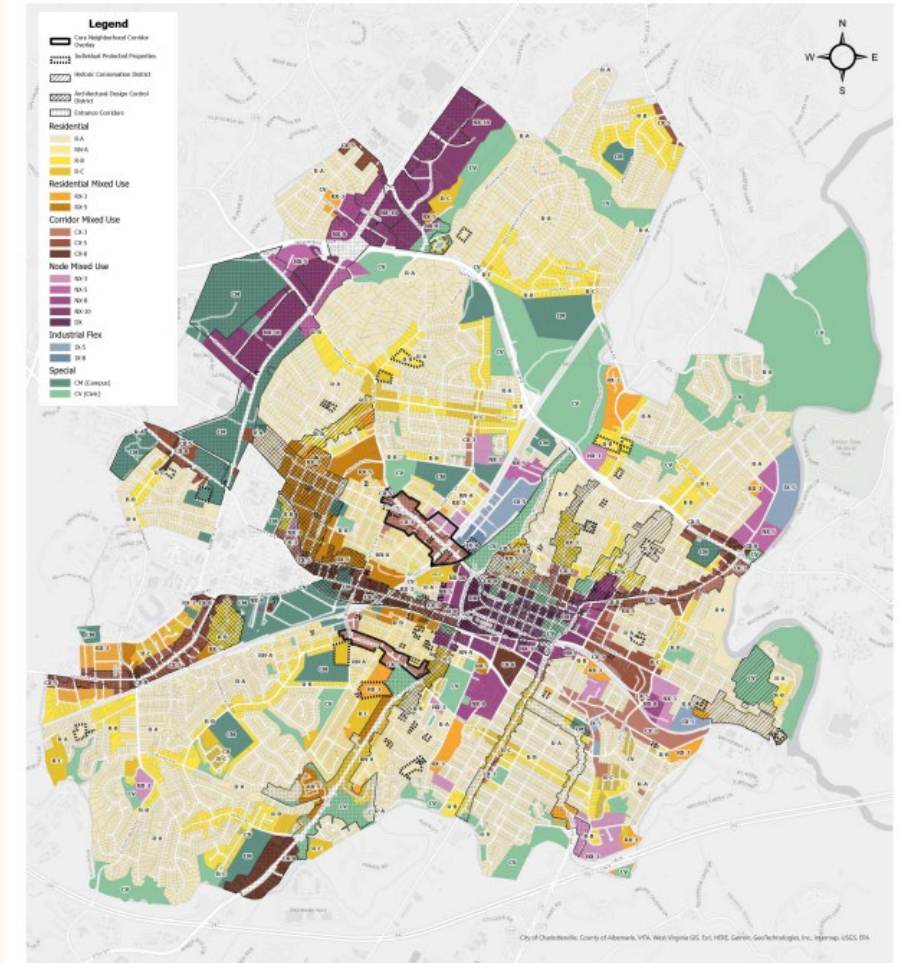
## Other Zoning Districts:

- 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

City of Charlottesville Zoning Map



Approved December 18, 2023

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Miles



# Affordable Housing and Student Housing Requirements

## Residential Development:

- Projects  $\geq 10$  units provide 10% at  $\leq 60\%$  AMI or pay in-lieu fee
- Bonus height for units at  $\leq 50\%$  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  $\frac{1}{2}$  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

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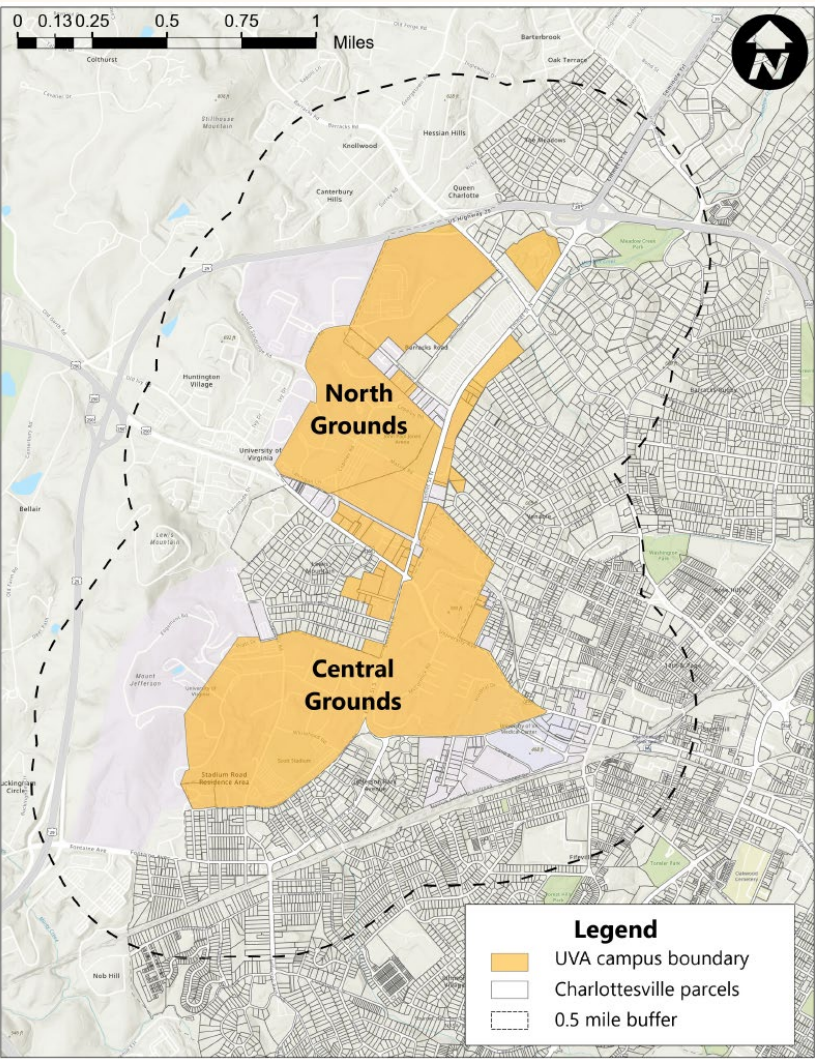
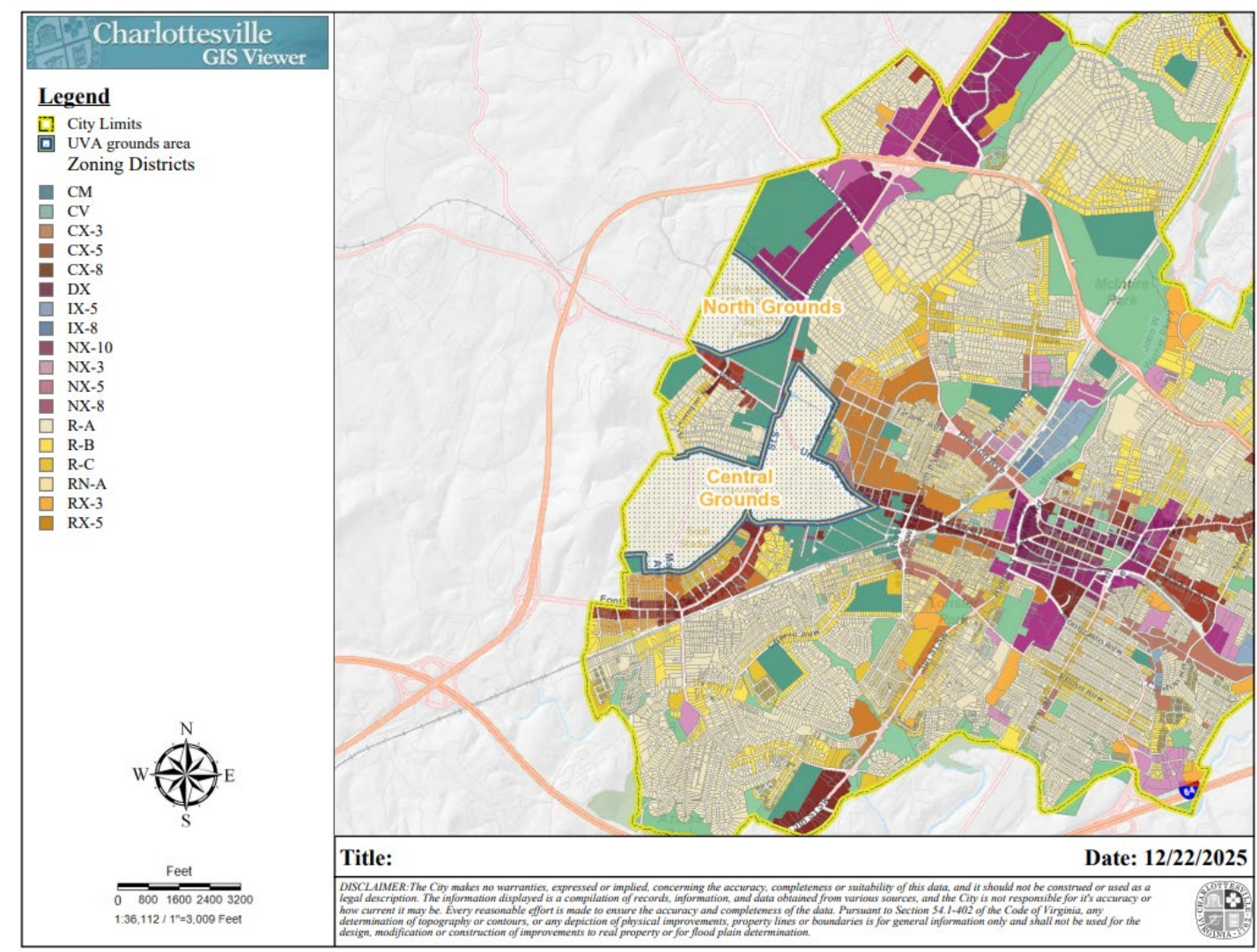
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# Locations Where Affordable Housing Expectations for Student Housing Apply



# 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 incentivizes 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

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- **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

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- **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

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## 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

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## 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

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## 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

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- 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

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## **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

