

Policy Briefing Summary

City Council



Regarding:	Discussion on Student Housing
Staff Contact(s):	Kellie Brown, Director of NDS
Presenter:	Kellie Brown, Director of NDS
Date of Proposed Action:	January 20, 2026

Issue

The Affordable Dwelling Unit Monitoring and Procedures Manual (“ADU Manual”) must be updated on an annual basis. The intent of these annual updates is to ensure that the Affordable Dwelling Unit Requirement and Affordable Dwelling Unit Bonus provisions in the City’s Development Code continue to support the affordable housing goals of the Comprehensive Plan. The manual has not yet been reviewed nor updated since it was adopted in 2024.

The focus of this update process will be to evaluate and potentially refine expectations for in-lieu fee payments if affordable units are not provided on site as part of a development project, for both student housing projects, non-student housing projects, and projects requesting bonus height. The evaluation will also look at the criteria (building features and geography) for which student housing project affordable housing expectations apply.

Staff has developed background information and scope of work for this study including a community engagement process and timeline, and is looking for feedback from City Council on the scope of work to inform the approach.

Background / Rule

The specific tools to realize affordable housing units are found in the Charlottesville Development Code, and are as follows:

1. Affordable Dwelling Unit Requirement: Requiring residential developments, within certain Zoning districts, that exercise 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, or to contribute a calculated in-lieu fee to the City’s Affordable Housing fund; and
2. Affordable Dwelling Unit Bonus: Offering incentives to residential developments that includes affordable housing to set-aside new Affordable Dwelling Units built to be priced affordably for households at designated AMI levels, or to contribute a calculated in-lieu fee to the City’s Affordable Housing fund, as supported by a density bonus.

Details of these provisions are included in Section 4.2.2 of the Charlottesville Development Code and is linked [here](#).

The ADU Manual sets forth the guidance, operational procedures, and implementation protocol governing the administration of these provisions. In the event of any inconsistency between this Manual and the Charlottesville Development Code, the Development Code prevails.

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 construction costs of complying with the ADU ordinance. Applicants may satisfy the ADU ordinance requirements by paying an in-lieu fee to the Charlottesville Affordable

Housing Fund (CAHF).

Projects that rent by the bedroom within ½ mile of Campus Grounds (i.e. "Student Housing") are not required to provide on-site units, although bonus height may be realized. An in-lieu fee payment is required, equal to the 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.

Analysis

The scope of work for the study focuses on addressing the following key questions, through research and analysis and stakeholder and community engagement.

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?

Financial Impact

There is no financial impact at this time. Future recommendations for adjustments to in-lieu fee expectations could impact City revenues.

Recommendation

Staff recommends that Council provide feedback to staff on the scope of work for this study.

Recommended Motion (if Applicable)

n/a

Attachments

1. Council Work Session Presentation - ADU Manual and Student Housing Study -012025