

Policy Briefing Summary

City Council



Regarding:	Resolution Authorizing a Performance Agreement Supporting Friendship Court Phase Three (3) Redevelopment Efforts
Staff Contact(s):	Chris Engel, Director of Economic Development, Madelyn Metzler, Housing Compliance Coordinator
Presenter:	Chris Engel, Director of Economic Development
Date of Proposed Action:	November 2, 2026

Issue

City Council is asked to commit to a Performance Agreement ("PA") to share a portion of the incremental real estate tax increase generated by the proposed improvements to Phase Three (3) of the Friendship Court Redevelopment. This commitment would support seventy-nine (79) newly constructed affordable housing units by Piedmont Housing Alliance ("PHA").

Background / Rule

PHA is continuing to redevelop the 11.75-acre Friendship Court property in four (4) phases over the next five (5) years (the "Project"). This \$100 million+ Project includes the creation of approximately 400 affordable units with multiple tiers of affordability. Additionally, the Project will include commercial and community space, as well as associated infrastructure and parking. To help facilitate Project financing, PHA has again requested that the City consider an agreement that will share the incremental increase in real estate tax revenue generated by the investment. With a commitment from the City to contribute the future revenue stream (as a Grant), PHA will leverage this to create a portion of the funds needed to fund Phase Three (3) of the Project.

This request does not ask for additional current revenue, it only requests future revenue that comes with an increased tax base. (As a point of clarification, the City has allocated a contribution to this Project as part of its annual Capital Improvement Plan. The proposed Performance Agreement ("PA") discussed herein is separate and distinct from that contribution.)

The City, in conjunction with the Charlottesville Economic Development Authority, has used the PA concept in the past to incentivize significant capital investment and job creation. In this case, the same process is proposed, but with the creation and retention of affordable housing units as the performance criteria. There is no risk to the City, as the Grant occurs only after the investment has been made and once the additional tax increment materializes. The City does forego a portion of the real estate tax generated by the Project until the PA terminates.

Similar PAs were approved in 2020 and 2024 in support of Phase One (1) and Phase 2 (Two) at Friendship Court (now Kindlewood), and both remain in effect today.

Analysis

The PA serves as a long-term, predictable funding source to help PHA complete the Project's capital stack and meet affordability requirements. By sharing seventy percent (70%) of the incremental tax revenue generated by the Project, the City can help support affordability, without an immediate City Budget allocation, and without reducing current tax revenue.

PHA has funding commitments and is in the process of finalizing the remaining necessary financing

with plans to begin construction on Phase Three (3) in 2027. The PA is a key piece of the remaining financing.

This PA applies only to Phase Three (3) of the Project.

Financial Impact

There is no immediate City Budgetary impact. The PA forgoes seventy percent (70%) of the incremental real estate tax generated by the improvements on the parcels included in this Phase. The PA's term is thirty (30) years.

Recommendation

City Staff recommends City Council adopt the attached Resolution authorizing execution of the attached PA for Phase Three (3) of the Project.

Recommended Motion (if Applicable)

"I make a Motion to adopt the attached Resolution supporting Friendship Court Phase Three (3) and authorize the City Manager to acknowledge the Performance Agreement described herein."

Attachments

1. City Council Resolution In Support of Friendship Court Phase 3 09.29.26
2. Friendship Court Phase 3 Performance Agreement Final - 9.29.26