

Affordable Housing Grant Program

I. Introduction

The Affordable Housing grant program aims to support the construction or preservation of affordable housing units in Albemarle County's Development Areas. The grant program is supported by an increase of property tax revenue to Albemarle County generated by an incentivized project, and may be provided to affordable housing projects that achieve one or more of the affordable housing objectives outlined in Housing Albemarle. All grant awards are approved by the Albemarle County Board of Supervisors and directed through the Economic Development Authority. Grant awards are disbursed in annual (or bi-annual) installments only after all real estate property taxes have been paid.

II. Program Goals

- A. Support the creation of affordable housing units through the Affordable Dwelling Unit program.
- B. Support the construction of residential projects in which 100% of the residential units are provided as affordable housing.
- C. Stimulate the inclusion of affordable housing in projects where affordable housing may not otherwise be made available;
- D. Support the preservation of existing units of affordable housing through rehabilitation of those units;
- E. Leverage market activities to advance the goals of the Housing Albemarle; and
- F. Provide transparent and accountable stewardship of public investments.

III. Fiscal Approach

The Affordable Housing Grant program is supported by the net increase in property tax revenue generated by the project receiving grant funding. The total amount of grant funding to be provided will be equal to the actual water and sewer connection fees for up to 20% of the total residential units in a development, provided those units are provided as affordable housing in conformance with the requirements outlined in Housing Albemarle. Annual grant installments will be equal to or less than 100 percent of the increased property tax revenue Albemarle County, while the remaining property tax revenue effectively contributes to the County's general revenue collections. The Board of Supervisors can adjust the amount of the grant by increasing or decreasing the total number of installments awarded.

Disbursements will only be made if Albemarle County taxes for the project area are paid in full, and the project maintains compliance with the County's affordable housing requirements. The maximum term for the grant funding is 10 years.

IV. Program Requirements

Staff consults with grant applicants to determine whether a prospective project qualifies for funding under the Affordable Housing grant program based on the eligibility criteria outlined

below. If staff determines a project does not qualify for the incentive, staff will not recommend to the County Executive Office that the project be considered.

Applicants should contact the Housing Policy Manager, in the Albemarle County Office of Housing to establish whether a proposed project qualifies. Qualifying projects may be eligible for grant funds, but are not entitled to receive funds. The amount of grant funds offered, if any, is at the sole discretion of the Board of Supervisors.

Approval of an application under the Affordable Housing grant program does not grant a project vested rights for development or grant any third-party benefit. The Board of Supervisors reserves the right to set priorities among applications under consideration. The Board may reject an application if it does not provide the information requested, or if circumstances change. The Board may offer other incentives for projects such as infrastructure investment, matching funds, or the like.

All Affordable Housing grants are subject to a written and signed grant agreement.

A. Eligible Projects

To be eligible for an Affordable Housing grant, the proposed project must meet the following general eligibility criteria:

1. Eligible projects must have proposed new construction, an addition to an existing structure, conversion of an existing non-residential structure to residential units, or the substantial rehabilitation of an existing affordable multifamily structure.
2. Eligible projects must have at least 10 residential units.
3. Eligible projects must be located within one of Albemarle County's designated Development Areas.
4. The applicant must own or have site control of the eligible project site.
5. If the proposed project is not a by-right development, an applicant's rezoning application must be approved by the Board of Supervisors.
5. At least 20% of the total residential units in the eligible project must be offered as affordable housing.
6. At least 10% of the affordable units in an eligible project must be built to be adaptable for full ADA accessibility. If the project is receiving funding under another program that requires a percentage of the affordable units be built to ADA standards, then 5% of the affordable units must meet this requirement.
7. Applicant must use quality grade or higher construction materials in the construction of the affordable units¹.

¹ Building materials come in four grades builder, quality, custom, and ultra-custom with builder-grade materials representing the lowest quality (e.g., cabinets made from plywood) and ultra-custom materials offering the greatest durability and options for customization.

B. Rental Project Requirements

In addition to the general eligibility criteria outlined above, proposed projects that include affordable units for rents must meet the following additional criteria:

1. **Financial need** - Applicant's pro forma must demonstrate that the tax incentive is necessary in order to provide affordable (as defined below) rental units in the project.
2. **Affordability requirements** – The applicant must make at least 20% of the total number of units in the project available to households with gross incomes no greater than 60% of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development and adjusted by household size.

The maximum rents for affordable rental units must be determined by multiplying the AMI by the factors in the found in the table below for the appropriate units size for each affordable rental unit provided. The factors include an allowance for tenant provided utilities.

Unit Size	Factor
Efficiency	0.009479
1 bedroom	0.010833
2 bedroom	0.013542
3 bedroom	0.016927
4 bedroom	0.018958
5 bedroom	0.021802
6 bedroom	0.024646

3. **Distribution of Affordable Units** – The affordable rental units must be equally distributed within the development and within buildings. The mix of affordable unit styles, square footage, and number of bedrooms must be equal to or greater than the mix of market rate units. Affordable units may float within an eligible project to ensure the required percentage of each affordable unit type is maintained throughout the compliance period.
4. **Affordability Compliance Period** – Rental units designated as affordable must remain affordable for a period of 30 years.

C. Owner-Occupied Unit Requirements

In addition to the general eligibility criteria outlined above, proposed projects that include affordable units for owner occupancy must also meet the following criteria:

1. **Financial need** - Applicant's pro forma must demonstrate that the tax incentive is necessary in order to provide affordable (as defined below) owner-occupied units in the project.
2. **Affordability requirements** – The applicant must make at least 20% of the total number of units in the project available to households with gross incomes no greater

than 80% of area median income (AMI) as determined by the U.S. Department of Housing and Urban Development and adjusted by household size.

The maximum sales price for affordable owner-occupied units is equal to 65% of the maximum purchase price for 1-Unit Existing Homes under the federal HOME Investment Partnership program.

3. **Distribution of Affordable Units** – The affordable owner-occupied units must be equally distributed within the development. The mix of affordable unit styles, square footage, and number of bedrooms must be equal to or greater than the mix of market rate units.
4. **Affordability Compliance Period** – Owner-occupied units designated as affordable must remain affordable for a period of 40 years.

V. Application Requirements

Complete applications must include the following information, and all supporting documentation as described below:

A. Application Form

The application form must be completed in its entirety, and signed by the applicant. The project information to be provided on the form includes the following:

1. Project name; contact name, title, organization, contact information, and signature;
2. Estimated total amount of grant funding requested;
3. Total number of residential units broken down by size and unit type;
4. Total number of affordable units broken down by size and unit type;
5. Type of project (new construction, conversion, rehabilitation, acquisition for preservation);
6. Unit tenure (owner-occupied or rental) for both market rate and affordable units;
7. Proposed rental or sales prices of the affordable unit.

B. Project Narrative

The project narrative should be no more than three pages, and must include the following information:

1. A description of the existing site and use of the existing property including, if appropriate, a justification for the elimination of existing sound and rehabilitable housing.
2. A description of the proposed project including site location, neighborhood characteristics, access to transportation options, community amenities to be provided or that are located within ¼ mile of the project site.

3. A description of the type of construction materials to be used.
4. A description of the accessibility features to be included, or how units may be adapted to meet future accessibility requirements.
5. If the existing site includes occupied residential dwelling units, a description of any relocation support services to be offered to existing residents.
6. A description of how the proposed project will meet the objectives of Housing Albemarle.
7. Outline of the project schedule.
8. A description of the ownership structure of the proposed project, and declaration of any mutual identity of interest between the applicant, the construction contractor, or property management company.

C. Financial Information

1. Development budget with detailed project costs;
2. Budget sources and uses;
3. FOR RENTAL PROJECTS ONLY – Three different 15-year pro forma operating cash flow scenarios (income and expense analyses)
 - a. Scenario 1: affordable units ***without*** the grant– demonstrate 10-year average cash on cash return.
 - b. Scenario 2: affordable units ***with*** the grant – demonstrate 10-year average cash on cash return.
 - c. Scenario 3: showing the necessary ***increase in unit rents*** (from Scenario 1) to achieve the same cash on cash return as with the grant (Scenario 2).
4. Rent structure, or expected purchase price by unit type. If the rent structure has varying rents within unit types (e.g., multiple rent levels for 1 bedroom units), include a roll up of total count by unit type.
5. Demonstration of how real estate taxes without the exemption were determined.
6. Demonstration of each component of the applicant's equity including invested cash and any deferred fees.
7. Economic feasibility, market analysis, or evidence of cost comparisons when appropriate.

D. Supporting Documentation

1. Conceptual site plan and supporting maps.
2. Initial schematic or architectural drawings of floor plan(s).
3. Documentation of site control and supporting materials including:

- Property tax printout for all parcels showing tax account numbers and legal descriptions; and
- Copy of deed

4. Copy of market study provided to senior lender for the project.

E. Additional Information

Such other information that is reasonably necessary.

VI. Application Approval

A. Review of Program Requirements

The Housing Policy Manager will determine if applications meet the program and application requirements.

If an application is complete and meets program requirements, the Housing Policy will work with the applicant to draft a term sheet for the grant.

B. Economic Development Authority Review

The Economic Development Authority will review projects recommended for approval by the Housing Policy Manager.

C. County Executive Review

The County Executive will review applications and make recommendations for moving applications forward for public hearing.

E. Final Approval

The Board of Supervisors has the final approval of all grant requests. The Board may accept or reject the application, or may approve the application with suggested modifications.

F. Execution of Agreement

Following approval of the application, staff will prepare, or cause to be prepared, an Affordable Housing Grant Program agreement. The agreement must be fully executed by all parties before grant funds can be disbursed.

