

County of Albemarle



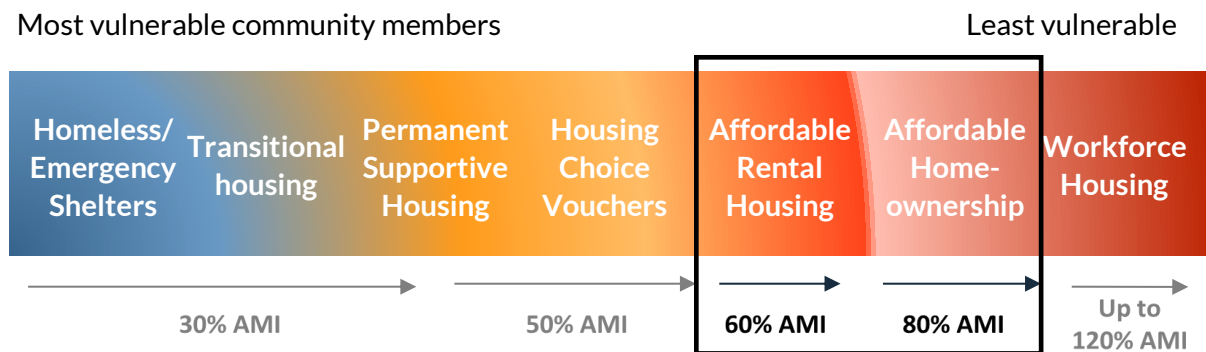
MEMORANDUM

TO: Regional Housing Partnership
FROM: Stacy Pethia, Assistant Director of Housing
DATE: December 4, 2023
RE: Summary of Developer Incentives Discussion

I. Background

In April 2019, the Thomas Jefferson Planning District Commission released the Comprehensive Regional Housing Study and Needs Analysis. The report identified the need for an additional 10,070 affordable housing units in Albemarle County by the year 2040. Based on the information provided in this study, and feedback collected from more than 400 county residents and community stakeholders, county staff drafted Housing Albemarle, a new housing policy for Albemarle County. The policy and programmatic recommendations contained in Housing Albemarle are designed to address the full spectrum of affordable housing needs, with the developer incentives targeting projects providing affordable rental housing or affordable homeownership opportunities (see Figure 1). A description of the Spectrum of Affordable Housing Need is included as Attachment 1.

Figure 1: Spectrum of Affordable Housing



On July 7, 2021, the Board of Supervisors approved *Housing Albemarle*, with delayed implementation of 1) the increased percentage of affordable housing units in residential developments subject to rezonings or special use permits; 2) the increase in compliance periods for affordable housing units; and 3) the new price levels for both affordable for-sale and affordable for-rent units, until a package of developer incentives to support the construction of affordable housing is approved and implemented. The Board also directed staff to research and propose a set of incentives to support developer efforts to construct affordable housing units.

On July 12, 2023, the Central Virginia Regional Housing Partnership (CVRHP) facilitated a work session with CVRHP members and invited guests to discuss developer incentives for affordable housing. Work session participants discussed a variety of incentives, covering financial, programmatic, and policy options to support both affordable rental housing and affordable homeownership opportunities. Following is a summary of the developer incentives work that has been completed to date, beginning with an overview of the County's current practices.

## II. Review of enabling legislation

The Code of Virginia contains several laws that enable the County to promote the provision and preservation of affordable housing, which are summarized below.

### **A. Infrastructure for affordable housing loan or grant program projects:**

The County may, by ordinance establishing an affordable housing loan or grant program, provide for the installation, construction, or reconstruction of streets, utilities, parks, parking facilities, playgrounds, and other site improvements essential to the development, preservation, or rehabilitation planned. *Virginia Code § 15.2-958.*

### **B. Support senior housing:**

The County may make gifts and donations of property, real or personal, or money to any charitable institution or nonprofit or other organization providing housing for persons 60 years of age or older or operating a hospital or nursing home. *Virginia Code § 15.2-953(B).*

### **C. Grants or loans for affordable housing:**

The County may, by ordinance, provide for the use of local funds to make grants or loans to owners of residential rental property occupied, or to be occupied, after rehabilitation or after construction if new, by persons of low and moderate income, for the purpose of rehabilitating or producing the property. Owners assisted in this manner must provide a minimum of 20 percent of the units for low and moderate income persons as defined by the locality for a minimum of 10 years. The County also may make loans or grants of local funds to qualifying individuals for the purpose of rehabilitating owner-occupied residences or assisting in the purchase of an owner-occupied residence in designated conservation or rehabilitation districts. *Virginia Code § 15.2-958.*

**D. Grants, loans, or other housing assistance to County or School employees:**

The County may, by ordinance, provide for the use of local funds to provide grants, loans, and other assistance for County and School Board employees, as well as employees of local constitutional officers, to purchase or rent residences, for use as the employee's principal residence, within the County. *Virginia Code § 15.2-542 (applies only to counties under the County Executive form of government)*. *Virginia Code § 15.2-958.2* grants similar authority to all localities but imposes a \$25,000 limit on each grant or loan.

**E. Waive building permit and other local fees for affordable housing:**

The County may, by ordinance, provide for the waiver of building permit fees and other local fees associated with the construction, renovation, or rehabilitation of housing by a 501(c)(3) organization with a primary purpose of assisting with the provision of affordable housing. *Virginia Code § 15.2-958.4*.

**F. Experiment in housing alternatives:**

The County is authorized to "engage in research, studies, and experimentation in housing alternatives, including the rehabilitation of existing housing stock and the construction of additional housing." This authority applies only to localities such as the County that do not have a redevelopment and housing authority. *Virginia Code § 15.2-959*.

**G. Cooperate in housing projects:**

The County, for the purpose of aiding and cooperating in the planning, undertaking, construction or operation of housing projects located within the County, may: (i) dedicate, sell, convey or lease any of its interest in any property, or grant easements, licenses or any other rights or privileges therein to any a housing authority; (ii) provide parks, playgrounds, recreational, community, educational, water, sewer or drainage facilities, or any other works the County is authorized to provide, adjacent to or in connection with housing projects; (iii) provide streets, roads and sidewalks; and (iv) make exceptions from building regulations and ordinances. *Virginia Code § 36-6 (partial list)*. "Housing projects" mean land clearing or projects that provide housing for persons of low and moderate income, or a combination of the two.

**H. Inspection program for rental units:**

The County may adopt an ordinance to inspect residential rental dwelling units for compliance with the Building Code and to promote safe, decent, and sanitary housing for its citizens. To implement this ordinance, the County can either create a rental inspection district after statutory findings are made or can adopt an ordinance on a case by case basis. *Virginia Code § 36-105.1:1(B)*.

**I. Local housing rehabilitation zones:**

The County may establish by ordinance one or more housing rehabilitation zones for the purpose of providing incentives and regulatory flexibility in the zone. *Virginia Code § 36-55.64*.

**J. Housing revitalization zones:**

The County may apply to the State to establish one or more housing revitalization zones. A qualifying zone must meet at least one of the following criteria; (i) have per capita income below eighty percent of the median per capita income for the planning district or (ii) have a residential vacancy rate that is at least 120 percent of the average vacancy rate for the planning district. Once the zone is established, qualified business firms and qualified owner occupants may apply for grants funded by the Housing Revitalization Zone Fund, administered by the Virginia Housing Development Authority. The County must also grant incentives and regulatory flexibility within the zone. *Virginia Code § 36-157 et seq.*

**K. Expand the scope and use of incentive zoning:**

The County is authorized to provide incentive zoning in its Zoning Ordinance. “Incentive zoning” means “the use of bonuses in the form of increased project density or other benefits to a developer in return for the developer providing certain features, design elements, uses, services, or amenities desired by the locality, including but not limited to, site design incorporating principles of new urbanism and traditional neighborhood development, environmentally sustainable and energy-efficient building design, affordable housing creation and preservation, and historical preservation, as part of the development.” *Virginia Code §15.2-2201, 15.2-2286(A)(10)*. At present, the Zoning Ordinance allows density bonuses for affordable housing, maintaining wooded areas, and other design elements.

**L. Affordable dwelling unit ordinances:**

The County may establish by ordinance an affordable housing dwelling unit program to address housing needs, promote a full range of housing choices, and encourage the construction and continued existence of moderately priced housing by providing for optional increases in density. *Virginia Code § 15.2-2304 (applies only to counties under the county executive or county manager forms of government)*. *Virginia Code § 15.2-2305.1* grants similar authority to all other localities but is more restrictive in how such programs may be designed.

**III. Current practice: bonus density and proffers**

The County currently offers bonuses in residential density to incentivize the construction of affordable housing. This is done through the bonus density for affordable housing program, and by accepting developer proffers for affordable dwelling units associated with rezoning applications.

**A. Bonus density for affordable housing**

Section 2.4.5 of the Zoning Ordinance allows developers to request a 30% increase in density in exchange for providing at least one-half of the additional housing units allowed by the density bonus as affordable housing. Occupancy of the affordable units is restricted to households with incomes at or below 80 percent of the area median income (AMI) for for-sale units, and at or below 60 percent AMI for rental units. Affordability periods vary from a minimum of ten years for rental units to the initial sale of affordable for-sale units. The

affordable housing bonus density applies to the zoning districts outlined in Table 1, and includes manufactured home developments.

Since 2000, three developers have taken advantage of the bonus density for affordable housing, for a total of 123 affordable units: Brookdale Apartments (96 affordable units), Fifth Street Place (23 affordable units), Commonwealth Apartments (3 affordable units), and Lochlyn Hill (1 affordable unit).

**Table 1: Affordable Housing Bonus Factors**

BONUS FACTORS – AFFORDABLE HOUSING		
STANDARD	If at least one-half of the additional housing units allowed by this density bonus are developed as affordable housing units	If at least 30 percent of the number of units achievable under gross density-standard level are developed as low or moderate cost units
DENSITY INCREASE	Up to 30 percent will be granted	
VR*		X
R-1	X	
R-2	X	
R-4	X	
R-6	X	
R-10	X	
R-15	X	

\*VR = Village Residential zoning district

**B. *Proffers for affordable housing***

Since 1980, Albemarle County has accepted proffers for affordable housing as enabled under Section 15.2-2303 of the Code of Virginia. Strategy 6.b of *Chapter 9: Housing* in the County’s 2015 Comprehensive Plan recommends 15% of the total residential dwelling units approved through a rezoning or special use permit be provided as affordable housing for low- and moderate-income households, or those households with incomes no greater than 80% of area

median income. To date, the Board of Supervisors has approved proffers for the construction of approximately 1,439<sup>1</sup> affordable dwelling units, and cash-in-lieu of affordable unit payments totaling \$2,001,628.34. A total of 340 of the proffered affordable units have been constructed. Ninety-nine of these affordable units were made available for sale to households with income at or below 80% of area median income; more half (54%) of these units have been purchased by income qualifying buyers. The remaining 241 units that have completed construction are rental units, all of which have been leased by households with incomes at or below 80% AMI.

#### **IV. Developer incentive activities since July 2021**

Between June and October 2021, staff held four meetings with members of the developer community to discuss the components of an incentives package to support the provision of Affordable Dwelling Units (ADU) and developers' efforts to meet the County's affordable housing goals. Feedback collected during those sessions, as well as research into developer incentive programs implemented in Virginia localities, and cities throughout the nation, informed the following work:

##### **A. Affordable Housing Overlay**

The Board of Supervisors held a work session on February 16, 2022, to review, discuss, and provide feedback on a proposed affordable housing overlay for the County's Development Areas. The proposed overlay offered property owners the ability to develop their properties through a 'by-right', administrative process in exchange for providing affordable housing in accordance with the goals outlined in *Housing Albemarle*, and included four incentives:

- Bonus densities for affordable housing;
- Waivers or reductions in development standards;
- Waivers or reductions in development fees; and
- Waivers or reductions in parking standards.

Staff received valuable feedback from the Board during the work session including concerns related to:

- the significant increase in density proposed under the overlay;
- the amount of money associated with a waiver or reduction of building permit fees will not have enough of an impact on development budgets to offset the costs associated with the provision of affordable units;
- the proposed reduction of development standards would potentially result in a lower quality living environment for residents; and

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<sup>1</sup> Several of the approved developments proffered a range of affordable dwelling units with the final number dependent on the total number of residential units constructed. Staff used the average of these unit ranges to determine the approximate number of affordable units proffered.

- the proposed reduction in minimum parking requirements would have a negative impact on surrounding communities.

A copy of the proposed affordable housing overlay, and the feedback received from developer stakeholders, is included as Attachment 2.

### **B. Affordable Dwelling Unit Ordinance**

On May 4, 2022, the Board held a second work session to discuss affordable housing incentive programs. The focus of this work session was on a possible Affordable Dwelling Unit (ADU) Program ordinance. Affordable Dwelling Unit (ADU) Program ordinances are similar to the County's current approach to securing affordable units through housing proffers. The primary difference between the two approaches is that under an ADU program, the provision of affordable units becomes a mandatory requirement, as opposed to a voluntary offering. ADU programs often include specific incentives in exchange for achieving pre-determined affordable housing thresholds. Common components of ADU programs include requiring a percentage of the total residential units be provided as affordable housing, a standardized cash-in-lieu of payment amount, minimum affordability periods for the affordable units, deed restrictions limiting resale prices, and an option for non-profit housing organizations to purchase a percentage of the affordable units. ADU ordinances may include developer incentives in addition to any density increases requested through rezoning applications. As a result of this work session, the Board directed staff to submit a Resolution of Intent (ROI) to consider amending the Albemarle County Zoning Ordinance to include an ADU Program. The Board subsequently adopted an ROI on June 15, 2022 (Attachment 3).

Based on feedback received during the May 2022 work session, staff drafted an ADU Program ordinance and associated administrative guidelines (Attachment 4). The proposed ordinance and guidelines include the following components:

- A requirement that a minimum of 20% of the total units in a development be provided as affordable units;
- A cash-in-lieu payment amount per unit for projects unable to accommodate affordable housing units onsite;
- Restrictions on the pricing of ADUs for periods of 40 years (for-sale ADUs) and 30 years (rental ADUs);
- Opportunities for nonprofit affordable housing providers to purchase for-sale ADUs not bought by income qualified households;
- Annual reporting requirements; and
- The creation and maintenance of a registration database for income-qualified households eligible for and interested in affordable housing opportunities.

Staff presented the proposed ADU Program ordinance and guidelines to the Board during an April 19, 2023, work session. No action was taken by the Board at that time.

### **C. Affordable Housing Grant Program**

On February 1, 2023, the Board held a work session to review and discuss a proposed Affordable Rental Housing Grant program. The proposed grant program would provide annual rebates of the net increase in real property tax revenue generated by a rental housing project for 10 years in exchange for the developer providing 20% of the rental units as affordable housing to households with incomes at or below 60% of area median income for a 30-year period. Projects that would be eligible for funding under the proposed grant program would meet the following criteria:

- New residential construction, conversions of non-residential structures to residential units, and substantial rehabilitation of existing affordable housing multifamily properties;
- Projects with 10 or more residential units;
- Location within the County's Development Areas;
- Projects that provide at least 20 percent of the total residential units as affordable housing as defined by *Housing Albemarle*; and
- Projects in which at least 10 percent of the affordable units are built to be adaptable for full accessibility.

A copy of the proposed affordable rental housing grant program, and the feedback received from developer stakeholders, is included as Attachment 5.

On April 19, 2023, the Board held a public hearing on the Affordable Rental Housing Grant Program. Following the public hearing, the Board directed staff to draft a revised ordinance that simply enables grants or loans, without references to any specific Affordable Rental Housing Grant program(s). On May 17, 2023, the Board adopted Ordinance No. 23-A.2(1), an Ordinance to Amend the Code of the County of Albemarle, Virginia by Adding Appendix A.2, Grants or Loan for Affordable Housing (Attachment 6).

### **V. CVRHP Developer Incentives Work Session**

At the direction of the Albemarle County Board of Supervisors, the Central Virginia Regional Housing Partnership (CVRHP) organized and hosted a special work session on July 12, 2023, at UVA's North Fork Research Park, focusing on developer incentives to create new affordable housing, per *Housing Albemarle*. Thomas Jefferson Planning District Commission (TJPDC) staff worked with County staff and Board of Supervisors members to establish parameters and goals for the session. The conversation was organized into two one-and-a-half hour sessions, focusing on affordable rental development and affordable homeownership, respectively. The full agenda packet for the work session is included as Attachment 7. A copy of the minutes from the CVRHP work session can be found in Attachment 8, and a video recording of the work session can be accessed [here](#). Following is a summary of the types of incentives compiled for, and considered during, the work session.



## A. Density bonuses

Density bonuses encourage the production of affordable housing by allowing developers to build more units than would ordinarily be allowed on a site by the underlying zoning, in exchange for a commitment to include a certain number of below-market units in the development. This arrangement enables developers to recoup some, or all of the foregone revenue associated with offering some units at prices affordable to low- or moderate-income households. A density bonus program can be structured in a variety of ways including allowing a larger number of units in a building or development site; providing a bonus height allowance or an exemption from building height restrictions; reducing the amount of open space required on a development site; providing flexibility in design standards or site requirements; or reductions in the required number of parking spaces. Density bonus programs are most effective in areas with strong housing markets<sup>2</sup>.

A number of Virginia localities offer density bonuses to support the construction of affordable housing. Arlington County provides developers increases in both site density and building height (up to 6 stories or 60 feet above the permitted height) for projects that include affordable housing. Maximum bonus density is provided for developments that include 100% of the residential units as affordable housing. The affordable units must be reserved for households with incomes at or below 60% AMI, and remain affordable for a minimum of 30 years<sup>3</sup>. The City of Alexandria may allow increases in density of up to 30% of floor area ratio, or up to an additional 25 feet in building height, for a project that includes one or more dwelling units. At least 33% of the additional units gained through the density or height bonus must be provided as affordable housing targeted towards households with incomes up to 60% AMI<sup>4</sup>. Loudoun and Fairfax Counties offer density bonuses through their Affordable Dwelling Unit programs. Both localities offer 10% - 20% increases in density in exchange for 6.25% - 12.5% of the total residential units in a development being offered as affordable housing. Loudoun County<sup>5</sup> requires affordable rental units be targeted to households with incomes at or below 50% AMI for at least 20 years, while Fairfax County requires affordable rental units target household with incomes of 50% to 65% AMI for a minimum of 30 years.<sup>6</sup> Under Fauquier County Board of

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<sup>2</sup> Local Housing Solutions Housing Policy Library: <https://localhousingsolutions.org/housing-policy-library/density-bonuses/>

<sup>3</sup> §15.5.9. Additional building height and density above the zoning district regulations and the General Land Use Plan. Arlington County Zoning Ordinance. [https://www.arlingtonva.us/files/sharedassets/public/v/1/building/documents/codes-and-ordinances/aczo\\_effective\\_07.15.2023.pdf](https://www.arlingtonva.us/files/sharedassets/public/v/1/building/documents/codes-and-ordinances/aczo_effective_07.15.2023.pdf)

<sup>4</sup> §7-700. Allowance for increases in floor area ratio, density and height and reductions in required off-street parking as incentive for provision of low- and moderate-income housing. City of Alexandria Zoning Ordinance. [https://library.municode.com/va/alexandria/codes/zoning?nodeId=ARTVIISUZORE\\_7-703LIINWHMABEAL](https://library.municode.com/va/alexandria/codes/zoning?nodeId=ARTVIISUZORE_7-703LIINWHMABEAL)

<sup>5</sup> Article 7. Administration and Regulation of Affordable Dwelling Unit Developments. Loudoun County Zoning Ordinance. <https://www.loudoun.gov/DocumentCenter/View/99645/Revised-1993-Zoning-Ordinance?bidId=>

<sup>6</sup> §5101. Affordable Dwelling Unit Program. Fairfax County Zoning Ordinance. <https://online.encodeplus.com/regs/fairfaxcounty-va/doc-viewer.aspx?secid=2247&keywords=affordable%2Cdwell%2Cdwell%27s%2Cdwelled%2Cdwelling%27s%2Cdwelling%27s%2Cdwellings%27%2Cdwells%2Cdwells%27%2Cdwelt%2Cdwelling%2Cunit%27s%2Cunits%2Cunits%27%2Cunit#ecid-2247>.

Supervisors’ Policy on Housing Low and Moderate Income Families, developers may construct one affordable dwelling unit for every market rate unit constructed as long the total number of affordable units in a development does not exceed 125% of the total number of units permitted by the underlying zoning designation. The affordable units must be targeted to households with incomes at or below 80% AMI for a five year period. The City of Richmond provides a 20% increase in density in exchange for at least 11% of the total number of units being provided as affordable housing. Table 2 provides a summary of the density bonuses described above.

**Table 2: Density Bonuses by Locality**

Locality	Density Bonus	% Affordable Units	Affordability Period	AMI Level
Arlington County	Up to 6 stories or 60' in height	Up to 100% of total units	30 years	60%
City of Alexandria	30% increase in Floor Area Ration (FAR) or 25' in height	At 33% of bonus units	40 years	60%
Loudoun County	10% - 20%	6.25% - 12.5%	20 years	50%
Fairfax County	10% - 20%	6.25% - 12.5%	30 years	50% - 65%
Fauquier County	1 affordable unit for each market rate unit constructed	Affordable units cannot exceed 125% of total units in development	5 years	80%
City of Richmond	20%	11%	50 years	60%

**B. Tax abatements or exemptions for affordable housing development**

Tax incentives to support the construction or preservation of affordable housing generally take one of two forms: property tax abatements or property tax exemptions. Property tax abatements directly reduce the amount of taxes owed for a specified period. Property tax exemptions reduce a property’s assessed value resulting in a lower tax bill. When designing a property tax incentive program, localities must balance the need for an

incentive period that is long enough to provide a meaningful financial incentive to developers with the near- and long-term impacts the reduction in property tax revenue will have on the local budgets. Other factors to consider when designing tax incentive programs include the types of activities eligible for the incentive, a description of the incentive is calculated, the households to be served by the program, and program compliance and administration measures<sup>7</sup>.

In Virginia, both the City of Richmond, and Chesterfield County have utilized property tax abatements to support affordable housing. Richmond's Affordable Housing Partial Tax Exemption Program offers a partial tax exemption for the rehabilitation of single-family and multifamily dwelling units that are more than 20 years old. To qualify for the exemption, owners multifamily structures must provide at least 30% of the units as affordable housing for households with incomes up to 80% AMI. The exemptions must be reapplied for each year to verify affordable housing criteria are met. Any commercial space located within a multifamily building is not eligible for the tax exemption. Chesterfield County's Jefferson Davis Incentive Policy is designed to encourage investment in blighted areas. To qualify for the incentive, the proposed development must align with the Special Area Plan for the North Jefferson Davis community, and invest at least \$5 million in the area. The term of the tax rebate is 10 years.

### ***C. Expedited Review***

Lengthy and complicated review processes represent an especially difficult challenge for affordable housing development. With a lower return on investment, affordable housing projects suffer disproportionately from the costs associated with regulatory delay. As a result, fewer affordable housing units are built. Expedited review helps to increase the supply of affordable homes by simplifying and accelerating the review process. To qualify for expedited review, development proposals generally must meet certain conditions set by the locality such as inclusion of affordable housing, pre-approval based on self-certification, or payment of an extra fee. Expedited review is often combined with other incentives, such as fee waivers, and expedited permitting, for affordable housing proposals.

Virginia localities that offer expedited review or permitting for affordable housing include the City of Charlottesville and Loudoun County. The City of Charlottesville offers 21-day review periods for developments with an affordable housing component. The expedited review period does not include the time needed for developers to respond to review comments. For residential building permit applications, Loudoun County reviews applications and issues residential building permits within five days of receipt of the application.

### ***D. Tax Increment Financing***

Tax increment Financing (TIF) is a procedure that allows municipalities to "capture" the additional, or incremental, taxes from property as it increases in value. Property owners

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<sup>7</sup> Local Housing Solutions. <https://localhousingsolutions.org/housing-policy-library/tax-abatements-or-exemptions/>

continue to pay taxes as usual, but a portion of the money is diverted to pay for development activities that would not otherwise occur without assistance.

Several Virginia localities utilize TIF to support the construction of affordable housing units. In December 2013, Arlington County established the Columbia Pike Tax Increment Financial Area. Twenty-five (25) percent of tax revenue generated by new development and property appreciation in the TIF area is dedicated to the development and preservation of affordable housing along Columbia Pike. Revenue from the Columbia Pike TIF also funds the County's Transit Oriented Affordable Housing Fund (TOAH). Affordable housing developers who are applying for Low-Income Housing Tax Credits (LIHTC) may request TOAH funds toward infrastructure-related items and county fees to help increase competitiveness for LIHTC. In December 2021, the Arlington County Board of Supervisors provided a \$150 million loan to support the acquisition and preservation of the Barcroft Apartments as affordable housing. Beginning with the FY 2024 adopted budget, all existing and future revenue in the Columbia Pike TIF will be dedicated to this project.

**E. Reduction of Parking Minimums**

Parking requirements aim to ensure that new residents have a dedicated place for their vehicles without creating negative spillover effects on public parking in the surrounding area. However, parking requirements increase the cost of developing housing by increasing the land area required. Often, minimum parking requirements go beyond what is needed to provide adequate parking for residents, which may result in excess land dedicated to parking and a reduction in the land available for housing. Minimum parking requirements often do not account for differences in vehicle ownership rates among different types of residents, such as seniors and low-income households, or proximity to public transit routes. Reductions in the minimum parking requirements, where appropriate, can help decrease the overall cost of construction and increase housing affordability.

**F. Affordable Housing Trust Fund**

Affordable housing trust funds are a flexible source of funding that can be used to support a variety of affordable housing activities designed to support local priorities and needs. They are established by city, county or state governments, and receive ongoing funding from a dedicated revenue source such as a percentage of real estate transfer tax or developer cash-in-lieu fees for affordable housing.

**G. Use of County-Owned Land for Development**

High land costs can make it difficult to create new affordable housing for low- or moderate-income households, particularly in high-value, amenity-rich locations. Local governments can help to overcome this obstacle by identifying public property that can be repurposed for residential use, and making it available at no or reduced cost to developers who commit to creating and maintaining ongoing affordability. Local government can also consider opportunities for adding new affordable housing to publicly-owned existing sites, or incorporating affordable housing into new public projects.

Fairfax County is currently in the design phase of the Penn Daw Fire Station, Emergency and Supportive Housing project. The new 128,086 square foot facility will be located on a 3.49 acre site that the County purchased for \$3 million in 2020. Once complete, the new facility will include a 22,200 square foot fire station, an emergency shelter and supportive housing facility with 50 shelter beds and 20 units of supportive housing, and approximately 60 units of affordable housing targeting households with income at or below 60% of area median income. More information about this project, including materials presented during advisory committee and community meetings can be found on the [project website](#).

#### **H. Municipal Fee Waivers**

Virginia Code § 15.2-958.4 states that a locality may by ordinance provide for the waiver of building permit fees and other local fees to non-profit and for-profit entities pursuing the construction, renovation, or rehabilitation of affordable housing developments. The locality may define what constitutes affordable housing and may set other conditions on the waiver of fees.

In September 2022, the Loudoun County Board of Supervisors adopted Ordinance Number 22-10, which added Chapter 1480: Affordable Housing Land Development Application and Development Permit Fee Waiver Program, to the Codified Ordinances of County of Loudoun Virginia. The purpose of the Program is to enable a § 501(c)(3) organization with a primary purpose of assisting with the provision of Affordable Housing or a private-sector entity that is pursuing an Affordable Housing Development to apply for a Land Development Application Fee Waiver and/or a Development Permit Fee Waiver with the goal of enhancing Construction, Preservation, and/or Rehabilitation/Renovation of Affordable Unit developments located in the County. The program waives fees associated with 26 permit applications, such as fees for the submission of zoning permit applications, site plans, boundary line adjustments, building and occupancy permits, and grading permits. To qualify for the fee waivers, a development must include 100% of the proposed units as affordable housing, and the property owner must record a deed of restrictive covenants ensuring unit affordability. The County will waive up to a total of \$400,000 in fees each year.

#### **I. Alternative Design Standards**

Housing quality is influenced by a range of variables, each of which contributes to the cost of development. For example, construction products, which include everything from flooring to insulation to roofing, are available in a variety of materials and at a wide range of price points. This variability represents real differences in the quality, durability and price of construction products with higher-quality, more durable products coming at higher costs. Project amenities are another driver of building quality and cost. Project amenities, such as fitness rooms, swimming pools, and walking trails increase the quality of life for residents, but reduce the amount of revenue a development may earn leading to higher housing costs. Developers and project sponsors make hundreds of choices during the design and construction processes, each of which contributes in a small or large way to overall costs. In balancing decisions about construction quality and quantity of units, it

should be possible to find a middle ground between meeting minimum standards to maximize production and offering the highest-quality materials and finishes but only serving a handful of households. Local jurisdictions can help by establishing construction standards for affordable housing that find a middle ground between quality and affordability. For example, in mixed-income communities, a locality may permit builders to use lower-end finishes inside affordable units, but require the use of the same construction methods and materials throughout the development.

Loudoun County has created an Affordable Dwelling Unit (ADU) Program Design Book to provide guidance and offer flexibility to builders of affordable housing, and to encourage innovation in affordable housing design. Section 1 of the book establishes minimally acceptable design and construction standards that ensure affordable units are of a building type and of an architectural style that are compatible with market rate units in a development. The design standards outlined in Section 1 include site planning standards, unit sizes, architectural standards, and interior specifications. Section 2 of the guidebook presents general design guidelines that allow flexibility in meeting the County’s affordable housing goals. Flexible design options include the use of variable design elements or materials that will reduce the cost of affordable units but make them difficult to identify from market rate units, such as different materials, colors, or patterns that make affordable units difficult to identify among market rate units. A copy of Loudoun County’s Affordable Dwelling Unit (ADU) Program Design Book is included as Attachment 8.

## VI. Supplemental Materials

The following table outlines additional attachments included to provide additional information about developer incentives, or to provide additional background relevant to this topic:

Attachment	Document Title
9	Tools for Affordable Housing
10	Examples of Tax Incentives
11	Albemarle County Affordable Housing Needs 2018 - 2040
12	Affordable Unit Gap - HUD Data
12a	Map of Albemarle County Census Tracts
13	Materials from April 3, 2019, Work Session on Regional Housing Needs Assessment
14	<i>Housing Albemarle</i>