



Central Virginia Regional Housing Partnership – Albemarle County Developer Incentives Work Session Memo

Executive Summary

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, one of which is the following memo which summarizes the discussion that took place. TJPDC staff solicited input from CVRHP voting members to create an invite list, which included for-profit and non-profit developers from around the region.

The conversation was organized into two one-and-a-half hour sessions, focusing on affordable rental development and affordable homeownership, respectively. Some incentives are applicable to both housing types. A full set of minutes of the work session can be found at the end of this document.

Additionally, at the direction of the Albemarle County Board of Supervisors, a group of participants from the work session will share major takeaways with a joint meeting of the Board of Supervisors and Planning Commission. This meeting is intended to facilitate a discussion about themes and provided input from the work session. Representatives from the CVRHP and participants from the work session will be available for future Planning Commission and Board of Supervisors meetings that consider developer incentives.

The TJPDC and CVRHP hope this memo and associated meetings can be helpful as the County continues to refine its affordable housing strategy. The following memo and its contents should not be interpreted as an endorsement by either the TJPDC or CVRHP.

Participants

The following participants attended the event:

CVRHP Voting Members & Alternates:

Keith Smith – Vice Chair, Central Virginia Regional Housing Partnership

Ned Gallaway – Chair, Central Virginia Regional Housing Partnership

William Park – President, Pinnacle Construction & Development Corp.

Jesse Rutherford – Chair, Nelson County Board of Supervisors

Dan Rosensweig – CEO, Habitat for Humanity of Greater Charlottesville

Michael Eaton – Director of Real Estate Development, Piedmont Housing Alliance

Christopher Brement, President, Bramante Homes

Invited Stakeholders:

Will Gordon – Principal, GW Real Estate Partners

Neil Williamson – President, Free Enterprise Forum

David Mitchell – Founder, Southern Classic Homes

Kelsey Schlein – Land Planner, Shimp Engineering

Megan Nedostup – Senior Land Use Planner, Williams Mullen

Josh Batman – Treasurer, Piedmont Community Land Trust

Fred Missel – Director of Design and Development, UVA Foundation

Laura Vaden - Land Acquisition Manager, Stanley Martin

Zach Zingsheim - Associate Vice President, Stony Point Development Group

Woody Fincham - President, Fincham & Associates, Inc.

Bob Pineo - Managing Principal, Design Develop

Keith Lancaster – Land Planner, Southern Development

TJPDC and Albemarle County Personnel

Christine Jacobs - Executive Director, Thomas Jefferson Planning District Commission

Ruth Emerick - Housing Program Director/COO, Thomas Jefferson Planning District Commission

Gretchen Thomas - Administrative Assistant, Thomas Jefferson Planning District Commission

Laurie Jean Talun - Regional Housing Grants Manager, Thomas Jefferson Planning District Commission

Ian Baxter - Regional Housing Planner, Thomas Jefferson Planning District Commission

Stacy Pethia – Assistant Director of Housing, Albemarle County

Andy Herrick – County Attorney, Albemarle County

Shaqual Reynolds – Housing Project Coordinator, Albemarle County

Emily Kilroy – Assistant to the County Executive, Albemarle County

Affordable Rental Housing Incentives

The following topics were considered during the affordable rental housing incentives session. The following conclusions and takeaways were collated from input from participants. For a more detailed record of the conversation, please refer to the minutes at the end of the document.

Compliance and Subsidies

- The period of a tax abatement for affordable housing development is less than the necessary compliance period for LIHTC or other affordable housing development subsidies and grants. It was suggested that the County align tax incentives with common compliance periods (often 30 years).
- Participants highlighted that the cap on annual taxes that feed the affordable housing developer incentives could create a highly competitive process that would not create a significant number of units annually.
- There was a suggestion to split affordable housing developer incentive subsidies into rental and homeownership pools, as well as non-profit and for-profit pools. One reason would be potential requirements of local match dollars for LIHTC projects.
- Participants agreed that extraneous time dedicated to compliance with incentives would lead to smaller buy-in and use from the developer community, for both non-profit and for-profit developers; a streamlined and simple process will be critical to the package's success.
- A pilot project for both for profit and non-profit development could be initiated to refine the subsidy "dials" for what is necessary to create a development that includes affordable units.

Tap Fees

- Participants identified the rough cost of tap fees for a rental unit as around \$7,000 per unit in a development, and about \$15,000 per unit of single-family housing.
- It was suggested that Albemarle County create a rebate program with the Albemarle County Service Authority (ACSA), who ultimately charges tap fees. This mechanism would either be a fixed amount per unit, that would vary depending on size and affordability.
- Many agreed that since this cost is governed by the County, significant flexibility would be available to help developments pencil out.
- ACSA could charge a single hook-up fee for mobile home/manufactured housing communities. This change could positively impact the affordability of manufactured housing units.

Expedited/Truncated Review

- All agreed the uncertainty surrounding lengthy reviews and permit processing can create significant costs for developers and future tenants/homeowners.
- It was suggested that developments with affordable units be moved to the "top of the stack", though this suggestion was not universally endorsed. Non-profit developer participants identified the volume of compliance items that they must satisfy as one justification for that change. One other strategy to address this is to have a dedicated liaison at the County to "shepherd" through developments that have federal/state funding sources to ensure quicker review and approval.
- HUD's Multifamily Accelerated Processing (MAP) program was highlighted since it fast-tracks multifamily projects' processing times. This could be mirrored, but for affordable development units.

- The site planning process in Chesterfield County was identified as a potential model – the average timeframe from a developer requesting a meeting to site plan approval is 10 days.
- Self-certification for architects or engineers could also reduce the amount of materials County staff need to review. The Virginia Department of Environmental Quality apparently allows self-certification for some of its review processes.

Design Standards/Density

- Development/design standards can create beautiful neighborhoods and developments, but there was agreement that there are arbitrary components that drive up costs but don't necessarily produce a more "attractive" unit. An example is mandating hardy plank siding vs. vinyl siding. Many agreed that design standards can not only make affordable housing happen more slowly, but can also price out households, if more expensive components are required. Thus, different design standards concerning amenities and materials, that do not make major differentiations between affordable and market-rate units, could be implemented.
- Bonus density is a site-dependent incentive. Some sites may have environmental features or parking requirements that don't allow higher density without other significant costs. There was still agreement that it can make a development more affordable if it is appropriate.
- When the comprehensive plan and zoning code densities conflict, give the density bonus at the highest level between the two.
- "Phased-in" development was suggested, wherein a single parcel can be converted from commercial to residential in phases, rather than through a PUD.

Other Subsidies/Grants

- Affordable infill development could be induced through demolition credits, which would go to developers that are using former commercial space. Older unused commercial spaces were identified as potential sites for development.
- A mechanism that would allow the County to work with Virginia Housing to buy down high interest rates on loans was suggested and identified as a creative idea.
- A revolving loan program could be established.
- Private donations and engaging with the philanthropic community of Albemarle County was suggested. The County could have a percentage match on donations. There was no consensus that this would be feasible, since some donors may have reservations about donating directly to the County. Development-specific donations could be possible.

Use of Public Land

- The County could donate land for affordable housing development in development areas. These could be given to organizations, leased, or otherwise used to provide land for affordable housing development across the County.

Area of Development

- Expanding the growth area could create more space for affordable housing development. Some participants indicated that while the County's analysis of the growth area containing developable land, the pattern of development that does not take advantage maximum density means there are "missed opportunities".
- The County could approve special use permits in non-growth areas if the development is affordable.

Affordable Homeownership Incentives

The following topics were considered during the affordable homeownership incentives session. Major points of conversation focused on housing type and design, shared equity models, manufactured housing, and County policy that could induce development of affordable homeownership units. The following conclusions and takeaways were collated from input from participants, and like the rental housing session, a more detailed record of the conversation can be found in the minutes.

Housing Type and Design

- A variety of affordable homeownership opportunities should be promoted by the County, including single family detached homes, single family attached homes, condominiums, and manufactured housing.
- There was interest in pursuing commercial-residential conversion opportunities. Some participants noted that infill development is often less controversial during the public engagement process of a rezoning.
- There was consensus that infrastructure and design standards add significant costs to the development of for-sale homes. Some participants indicated that relaxing design standards or infrastructure requirements could produce more affordable homeownership stock.

Shared Equity

- Models including land trusts, Habitat for Humanity, and other shared equity homeownership were identified as important tools in increasing homeownership opportunities across the County.
- There is a balance that will need to be struck between policies that increase inventory but provide limited equity and policies that create opportunities for fewer units that yield more equity for households.

Manufactured Housing

- Some participants agreed that the County's current policy towards manufactured housing has limited their use. Some participants pointed to the role that manufactured housing can play in providing affordable homeownership opportunities for households.
- Manufactured housing is in a "new era" and can be produced quickly, be structurally sound, and can produce equity for first-time and/or low-income homebuyers. It would be up to the County to determine where and how manufactured housing should be included in the broader affordable housing strategy.

County Policy

- Some participants advocated for the County to Continue to upzone the growth area to allow more market rate housing. Others would like to see further investment in nonprofit partners that have been generating affordable homeownership opportunities.
- Household income should be the barometer of affordability, rather than sales price.
- Promote opportunities for developers to interact with public to better educate them on affordable homeownership.



Central Virginia Regional Housing Albemarle County Developer Incentives Minutes

July 12, 2023 from 1:00pm to 5:00pm

A recording of the meeting can be found online:

<https://www.youtube.com/watch?v=oFljkTm4aOo>

CVRHP Voting Members & Alternates:

Keith Smith – Vice Chair, Central Virginia Regional Housing Partnership

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Laura Vaden, Land Acquisition Manager, Stanley Martin

Zach Zingsheim - Associate Vice President, Stony Point Development Group

Woody Fincham - President, Fincham & Associates, Inc.

Bob Pineo - Managing Principal, Design Develop

Keith Lancaster - Southern Development

OPENING REMARKS

Ned Gallaway welcomed the participants to the meeting at 1:02 and the purpose for the meeting.

Keith Smith reviewed the agenda and covered some “housekeeping” items for the meeting.

Stacy Pethia, Albemarle County, gave an update on the state of Albemarle’s housing, the zoning process, developer incentives, affordable housing guidelines.

RENTAL INCENTIVES

William Park, how does the County handle compliance? RE tax incentive is #1 issue for developers. 60% number hard if no tax credits. Not fair that there is a 10-year tax abatement but have to keep units affordable for 30 years. Thought given to the devalue to the property when given those terms. Forgiveness of TAP fees or hook up of utilities. Bonus density is helpful, but you can’t get it because the site is difficult or parking requirements. Not always the answer.

Neil Williamson said that “rental” and “for sale” should be considered in policy. 60% AMI won’t work in the “for sale” market. Bifurcating the requirement 15% in for sale and at 6% interest rate, difficult). Should be brought up to 20% perhaps. Modular or mobile homes are housing? If you have TAP fee reductions, you could increase the number of affordable units as there is land available in that area.

Jesse Rutherford said manufactured housing is a huge part of the conversation. It is a phenomenal opportunity for home ownership. The County needs to find a way to subsidize that.

William Park said 60% on rental is a problem even on a tax credit deal. What is missing is 80 – 100%. There need to be incentives in that range as well. Needs to be a more empirical approach to it. If a developer cannot finance the project, there is no affordable housing.

William Park explained the financing process at Keith Smith’s request.

David Mitchell said perhaps the best way to get to your goal is to lean on the non-profits in the area for long-term affordability.

Will Gordon said they are working on North Point and a project on Rio Road. Echoed Mr. Park. The impact on the income of the property impacts the returns that the project can generate. Relying on outside funds – pension funds and endowments – and they have certain return requirements to invest in the project. Typically want a higher return in a place like Charlottesville (considered a smaller market). Sometimes the investors skip this market because want a larger market.

William Park said affordability time period needs to match the abatement time period.

Michael Eaton said there maybe needs to be a bifurcation of the approaches for traditional for-profit development and other for non-profit tax-credit low-income housing.

Zach Zingsheim said sees the RE tax abatement as the best incentive between private and public.

Will Gordon said you tier up in price when you tier up in density. Three story is the cheapest. Kick it up to more stories than that and you need to include structured parking. The cost to do high rise requires higher rents because of the construction costs.

Laura Vaden said that there are other sites thar e more infill site – old malls, old strip malls – but able to get TAP and demolishing credits as well. It is important to remember that the appearance of the home has to be included in so many places, but that changes the cost. Hardy plank is a big requirement recently. Vinyl siding can still be a quality home, but it is not allowed in some places.

Dan Rosensweig said that outer shell helps with eliminating stigmatization. He said the 1% cap on annual real estate taxes/subsidies – there is an enormous need and that cap will not cover the need. He said that would only fund one unit a year at that rate and there is so much more need than that.

Stacy Pethia answered questions on how the cap was decided and explained how the increments in revenue are dispersed.

David Mitchell said he did not see the point of a cap. If you meet the performance criteria for the grant, then you should provide it to the developer.

There was a discussion about the fees. It is an upfront cost that affects the returns. It is one variable in the development of the property. It is not something you control. It is impactful with a multi-family unit.

Neil Williamson said Alb Co Service Authority. Taxpayers pay into the system and then Alb Co pays ACSA. No political bend to ACSA. Careful about the TAP fees because the cost IS what the ACSA incurs when there is hook up of a unit or units.

Josh Batman said on the for-profit side, the numerous fees inhibit developers from wanting to create units in the area. Thinks it would be helpful to look at TAP fees incentives.

Dan Rosensweig said uncertainty in delay for those who are waiting to move in can be extreme. Also holding property without tenants costs the developer in debt.

Neil Williamson said all projects should move forward quickly and red tap should be minimized – for profit and non-profit.

David Mitchell said try not to manage every single regulation. Less detail and minutiae of the site planning and zoning. No such thing as a perfect plan. End up with more cost and delays. Need to ask, “why making change and does this expedite the project?”

Dan Rosensweig said the drivers and the deliverables for non-profits dwarf anything a for profit developer has to face. Have someone in the county to help shepherd developers through the process on those projects that have outside funding from federal or state. The ability to use money given by grants has become increasingly difficult.

Keith Lancaster said it would be great to have consistency in the reviewal process.

Kelsey Schlein said it is frustrating to deal with all the departments and organizations involved in a project. Scheduling meetings is difficult. Chesterfield has a great process that when you request a meeting it is done in 10 days and all questions/comments are addressed. Site plans could be addressed by the County.

Kelsey Schlein said the incentives have been geared to larger projects. There is a lot of infill development. Smaller developments will be challenging cost-wise with all the regulations.

Laura Valen said there is a rep of County staff within 2 weeks. Helps to keep the process moving forward.

Megan Nedostup said some of the staff that need to look at things could be reduced. The staff reduction moving to different projects instead of development review.

Jesse Rutherford said you need to look at long-term maintenance for the rental units. After 10 years, things start to break-down and need to be repaired or replaced.

Neil Williams said that Albemarle could work with Virginia Housing to buy down the interest rate.

Colette Sheehy asked if anyone has used the philanthropic community of Albemarle County. Could the County match the donations with a fraction of the donations?

Josh Batman said there could even be a notation on where the donor would like to see their money go to.

Dan Rosensweig said donors are already giving to AHIP and Habitat. There are some who do not want to give to public funds.

David Mitchell said he would give money to a private organization with the government by doing a match of some sort instead of giving to the government directly.

Neil Williamson said County has land for affordable housing. The Chamber went to Greenville reclaimed flood plain for park. The corner of that land zoned for affordable housing. If the County has surplus land, could they use it for housing? Work with Land Trust or Habitat?

Fred Missel said the permitting process could be more streamlined. Supplement staff. Give special attention to affordable housing? There has been a focus on econ development, how to raise the same level of intention for affordable housing? How does staff look at the projects – good to hear their perspectives. Perhaps there should be a roundtable in the future for that information. There is a very low number of public providing feedback in the process. How to address that?

Get help from staff to walk projects through. Would it be beneficial to pay a larger fee to make that happen? Developers are reluctant to pay a higher fee because they don't believe it will happen. Perhaps pay at the end.

Josh Batman stated some statistics on the cost of regulations. He said streamlining the regulation process will reduce the cost of the housing.

Will Gordon asked if increasing the 5% growth area could help land banks?

Kelsey Schlein said the development standards have created beautiful communities, but they can be very expensive. There needs to be a holistic approach to development.

Neil Williamson said there is a study that says there is plenty of room provided you build at a higher density. He said they need to expand the development area, but the CO doesn't seem to want to, but the only way to do it is to expand it. More than 95% of the County is in the rural area. To ignore that in the AH discussion is a mistake. The comp plan and the zoning plan is opposed to manufactured housing. He wonders why. That will drive the conversation on affordability in the future.

Jesse Rutherford said manufactured homes have come a long way in the last 20 years. It is a way to home ownership immediately and to gain equity. Workforce is an issue. In two days, 17 single family homes were on land. Low-end modular side should be part of this conversation. Alb Co has done a terrible job at including it. When looking for density and homes that could be ADA compliant, those homes are the way to go.

Bob Pineo policy and investment could be scaled to get the results they want. The county needs to review its objectives and needs to create performance measures to see if they are meeting those objectives.

AFFORDABLE HOME OWNERSHIP

David Mitchell said he didn't think home ownership will ever work without subsidies from grants – Habitat or lots to Land Trust.

Josh Batman said at the market rate, it is impossible to build. If you were to take some rural areas and put manufactured homes, that would solve some of the problem.

Neil Williamson asked what do we mean by "home"? Detached, townhome, condo? Townhomes and condos help give you a step up into leveraging your way up to the next level. Where to build them. Key element in how the county can help. Less opposition for financing in the for-sale vs the rental market. Shared equity is a way around that.

David Mitchell said if the county had chunk of land to develop, keep it close to the vest to artificially drive up the cost.

Christopher Brement said if there is a need for an additional 10K units, how does the County answer that problem? It is important to learn what the County's goals are. He wonders how much of the constituency wants affordable housing in rural areas. Is there a way to get the public to respond?

David Mitchell said 2/3 of their employees can't afford to live in the area. There is an expense to that beyond just the cost of the house.

Laura Vaden said cost of land plus cost of construction puts everything out of reach. Infill projects have helped with bringing down the price. There is less public outcry with the infill projects because they are not near neighborhoods or other residential areas.

Neil Williamson said it would be good to incentive phased in development in commercial areas.

Woody Finchum said there is a stigmatization problem with manufactured homes that we need to get over. Freddy Mac certified instructors on how to work with people for those homes. There is a lot of NIMBYism. Perhaps turn commercial into mixed-use? Do consumers WANT the hardyplank? Nothing wrong with a vinyl siding home.

Megan Nedostup said it's important to pay close attention to what the City is doing. Comp plan and zoning match there.

Bob Pineo asked for whom are the developers building these places? Did you ask? There are people who may be advocating for the types of home going in now. Everyone talks about it as a community objective, but where are they at the table? (not sure this makes sense...)

Ned Gallaway said no way to do it without grants. Push for manufacturing homes.

David Mitchell said townhomes are going to need vinyl siding and no wrap around porches and dormers and... they need to be more basic.

Keith Lancaster said take the land cost out of it, adding the water meter tap, you are looking at \$100K. The modular system is great, but there is still the land cost.

David Mitchell said that's only if everything is contiguous. If you must cross a stream or anything "extra", then it drives the cost up.

Neil Williamson said many of the costs are not negotiable. The County has said that they won't put in AH without sidewalks and trees, but then you drive up the costs. Timberwood is a great neighborhood without the "standards".

Woody Fincham said relaxing the standards in infrastructure will be key to lowering the costs. It does not affect the adjoining neighborhood/community..

Keith Smith said 1600 sf in Alb \$329K for townhome in Alb Co in the last month. How to get \$100 – 115K in subsidy? Land Trust cannot exceed \$225K sale price. Need \$100K just to get to a townhouse sale. What incentives are there to get to \$100-125K difference?

Neil Williamson asked what HAS been working? Nonprofits working with developers.

David Mitchell said scale up the nonprofits.

Josh Batman said allowing more market rate development.

David Mitchell said problem with affordable housing being bought up (older homes) and people tearing them down and creating new homes on that land – making them unaffordable. (Crozet's older ranch-style homes as example)

Neil Williamson would like to see more shared-equity.

Josh Batman said that is what the Land Trust is all about.

Ned Gallaway said What incentives get from 15 – 20% and from 80 – 60 AMI?" An educational component is critical for the public to bring them over NIMBYism. There should be more public outreach.

Zach Zingsheim said the more the supply issue is dealt with, the easier it will be to handle the affordability issue. Re: Incentives, RE tax is a big incentive in their pro forma for Stony Pointe. A developer cannot get a project off the ground if it is not financed. That is critical in the process.

Woody Fincham said special tax rate for approved projects.

Keith Smith suggested using the language of "owner occupied" vs "Home." Public-private partnerships may need to be implemented to help with affordable housing.

Will Gordon suggested taking a portion of every single-family home sale and use it to buy land banks?

Neil Williamson said that would require state legislation and that will not happen due to regulations.

Christine Jacobs mentioned the CVRHP will do a feasibility study on a regional land bank soon per the 5-year strategic plan.

Public Comment from IMPACT – Affordable Housing is a serious problem. 500 evictions because can't afford rent. They have created a Housing Trust Fund. Use to build AH. Relax the standards – i.e., Hollymead.

ADJOURNMENT

Keith Smith adjourned the meeting at 5:02 p.m.

In Person: North Fork Research, Park 994 Research Park Boulevard, Charlottesville, VA 22911

Virtually: <https://us02web.zoom.us/j/86929473264?pwd=allrTUUrU2FTQUVQb2JLUFpuYnM4Zz09>

Meeting ID: 869 2947 3264

Password: 200729

Dial by phone: +1 301 715 8592 US (Germantown)

Central Virginia Regional Housing Partnership Members:

Alice Raucher (Alternate)	Greg Powe	Peter Holman
Bree Murray-Key	Jesse Rutherford	Rachel Jones
Anthony Haro	Keith Smith	Rebecca Schmidt
Christopher Bremant	Kenny Allison	Ron Williams
Colette Sheehy	Lloyd Snook (Alternate)	Shannon Meade
Dan Rosensweig	Margaret Clair	Sunshine Mathon
Diantha McKeel	Michael Payne	Taylor Frome
Emily Dreyfus (Alternate)	Mozell Booker	William Park
	Ned Gallaway	

1.	Call to Order / Welcome / Introductions	Moderator	1:00 - 1:05
2.	Remarks from Albemarle County Staff	Stacy Pethia	1:05 - 1:15
3.	Session Parameters and Outline	Moderator	1:15 - 1:20
4.	Session 1 - Affordable Rental Development	Moderator	1:20 - 2:45
	a. Density Bonuses		
	b. Tax Rebates for Affordable Housing Construction		
	c. Expedited Review		
	d. Tax-Increment Financing		
	e. Reduction of Parking Minimums		
5.	Break	Moderator	2:45 - 3:30
6.	Session 2 - Affordable Homeownership and Rental Development	Moderator	3:30 - 5:00
	a. Affordable Housing Trust Fund		
	b. Use of County-Owned Land		
	c. Municipal Fee Waiving		
	d. Alternative Design Standards		
7.	Adjournment	Moderator	5:00

CVRHP Albemarle County Developer Incentives Work Session

Purpose: The Central Virginia Regional Housing Partnership (CVRHP), at the direction of the Albemarle County Board of Supervisors, will host an in-person work session with CVRHP voting members and invited guests to provide input concerning the County's developer incentive package to promote the development of affordable housing as directed by Housing Albemarle.

Participants: CVRHP members and invited for-profit and nonprofit participants including, but not limited to, real estate entitlement professionals, financing professionals, engineering and planning professionals, housing production/construction professionals, and rental operations professionals.

Structure:

- Pre-meeting:
 - Staff constructs a survey and sends it out to each invited participant and board member soliciting top developer incentives for consideration.
 - Staff compiles survey results and conducts further research including case studies and definitions. An agenda and synthesized packet will be produced.
- Meeting structure:
 - Public meeting
 - Welcome, Call to Order, Introductions - CVRHP Board Chair/Vice-Chair
 - Introduction to process by Albemarle Staff – providing context about prior work, research, and current state of developer incentive package.
 - Two 1.5-hour moderated discussion blocks with networking break in between.
- Post-meeting
 - Staff will compile discussion into a memo for Albemarle Board of Supervisors and Planning Commission. The memo should not be considered a set of recommendations, but a synthesized write-up of a stakeholder group discussion.

Supporting Materials:

The following information has been compiled by TJPDC staff to provide context for the work session and its participants. None of the following information should be viewed as an endorsement, but rather material that can spur discussion and clarify concepts. As much as possible, the information provided has been tailored to Virginia and Albemarle County. Staff drew heavily from [Local Housing Solutions](#), an organization developed by New York University's [Furman Center](#) and [Abt Associates](#), and [HousingForward Virginia](#), Virginia's premier resource for affordable housing information.

- 1) Summary of Work to Date on Developer Incentives for Affordable Housing - Albemarle County
- 2) Density Bonuses Information
 - a. Brief from Local Housing Solutions
 - b. Brief from HousingForward Virginia
- 3) Tax Rebate for Affordable Housing Development Information
 - a. Brief from Local Housing Solutions
- 4) Expedited Review Information
 - a. Brief from National Association of Homebuilders
- 5) Tax-Increment Financing Information
 - a. Brief from Local Housing Solutions
 - b. Arlington County Example – Columbia Pike
- 6) Reduction of Parking Minimums Information
 - a. Brief from Local Housing Solutions
- 7) Affordable Housing Trust Fund Information
 - a. Brief from Local Housing Solutions
 - b. Example from Fairfax County
- 8) Use of County-Owned Land for Development Information
 - a. Brief from Local Housing Solutions
 - b. Example from Fairfax County
- 9) Municipal Fee Waiving Information
 - a. Brief from Local Housing Solutions
 - b. Information from Loudoun County
- 10) Alternative Design Standards Information
 - a. Affordable Dwelling Unit Design Standards – Loudoun County

County of Albemarle



MEMORANDUM

TO: Regional Housing Partnership

FROM: Stacy Pethia, Assistant Director of Housing

DATE: July 5, 2023

RE: *Summary of Work to Date on Developer Incentives for Affordable Housing*

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.

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. Following is a summary of the work that has been completed to date, beginning with an overview of the County's current practices.

II. 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. 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).

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 1,439¹ 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.

III. Activity 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 included offered property owners the ability to develop their

¹ 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.

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

A copy of the proposed affordable housing overlay is included as Attachment A.

B. 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. Project that would be eligible for funding under the proposed grant program include:

- 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 housing overlay is included as Attachment B.

AFFORDABLE HOUSING OVERLAY

Proposal:

Creation of an Affordable Housing Overlay.

Purpose and Intent

The Affordable Housing Overlay will provide the developer incentives described in this document to promote a full range of housing choices, and encourage the construction and continued existence of housing for low-and moderate-income households.

The incentives will apply to projects that propose to provide 20% of residential units as affordable housing based on the following criteria:

Affordable rental dwelling units

- Affordable rental dwelling units shall be made available for rent by households with gross household incomes at or below 60% of Area Median Income (AMI), as established annually by the US Department of Housing and Urban Development.
- Maximum rents for affordable rental dwelling housing shall be determined by multiplying the current AMI by the following factors according to the number of bedrooms in the affordable rental units.

AFFORDABLE RENT FACTORS	
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

Affordable for-sale dwelling units

- Affordable for-sale dwelling units shall be made available for purchase by households with gross household incomes at or below 80% AMI, as established annually by the US Department of Housing and Urban Development.
- Maximum sales prices for affordable for-sale dwelling units shall be no greater than 65% of the federal HOME Investment Partnership program's 1-Unit Purchase Price for Existing Housing for Albemarle County.

Areas of Applicability

The Affordable Housing Overlay will apply to the County's designated Development Areas only.

Incentives:

The following incentives will apply to the Affordable Housing Overlay:

Density Bonus:

Amount of density bonus shall be equal to 45% of the maximum allowable gross residential density allowed under the zoning ordinance and the land use element of the Comprehensive Plan. If there is a discrepancy between the density allowed under the zoning ordinance and the density allowed under the Comprehensive Plan, the Comprehensive Plan density shall be used.

The number of affordable units to be provided will be determined by multiplying the maximum allowable gross residential density for the project site by .20. The density bonus will be applied after the number of affordable units to be provided has been determined.

Fee waivers/reductions:

In addition to the bonus in project density, projects providing affordable housing will be eligible for a waiver or reduction of local development fees. Fees will be waived or reduced based on the following schedules:

- Fee reductions for projects providing up to 20% affordable housing at 60% AMI (rental housing) and 80% AMI (for-sale housing)

AMI Served	% Fee Reimbursed
60% AMI (rental housing)	50%
80% AMI (for-sale housing)	25%

- Fee waivers or reductions for projects providing greater than 20% affordable housing at 60% AMI (rental housing) and 80% AMI (for-sale housing), OR that provide units at lower affordability levels:

AMI Served	% Fee reduced or reimbursed
All Residential Projects	
Greater than 20% affordable units	100%
Rental Housing	
50% AMI and below (rental)	100%
51% AMI – 59% AMI (rental)	75%
For-Sale Housing	
60% AMI (for sale)	100%

70% AMI (for sale)	50%
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Any developer fees that are waived or reduced will be issued as a reimbursement to the developer once the County has received documentation that the affordable units have been rented or purchased by income qualifying households.

Waiver/Reduction of development standards

Developers may be eligible for a reduction or waiver of development standards. The developer must demonstrate the development standards for which they are seeking a waiver or reduction either:

1. Physically preclude construction of the project at the density permitted by the bonus; OR
2. Impact the financial feasibility of the project.

The request to waive or reduce development standards can be denied if the County determines in writing that the waiver/reduction will have a specific, adverse impact on the health, safety, or physical environment of residents. The County may recommend modifications to the request to satisfy local concerns.

In cases where the land use designation restricts dwelling unit types, the developer may request, and the County may approve, the construction of single-family, duplex, semi-detached, attached, and multi-family dwellings. In cases where the land use designation identifies residential development as a secondary use, the developer may request, and the County may approve, the construction of residential dwellings without a special use permit application. In both cases, the requests can be denied if the County determines in writing that the waiver/reduction will have a specific, adverse impact on the health, safety, or physical environment of residents. The County may recommend modifications to the request to satisfy local concerns.

Waiver/Reduction of parking requirements

Developers may be eligible for a reduction or waiver of parking requirements. To be eligible for this waiver or reduction developers must demonstrate the County's parking requirements either:

1. Physically preclude construction of the project at the density permitted by the bonus; OR
2. Impact the financial feasibility of the project.

The request to waive or reduce parking requirements can be denied if the County determines in writing the waiver/reduction will have a specific, adverse impact on the health, safety, or physical environment of residents. The County may recommend modifications to the request to satisfy local concerns.

Affordable Rental Housing Grant Program

I. Introduction

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

III. Fiscal Approach

The Affordable Rental 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 each year will be equal to a percentage of the property's real property tax increment based on the following schedule, provided those units are provided as affordable housing in conformance with the requirements outlined in *Housing Albemarle*:

- Years 1 – 5: 100% of the tax increment paid;
- Years 6 – 10: 60% of the tax increment paid;
- Years 11 – 15: 20% of the tax increment paid.

The total aggregate amount of grant funds awarded each year will be equal to 1% of the total amount of real property taxes collected annually. The Board of Supervisors can adjust the amount of the grant 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 15 years from the date a Certificate of Occupancy is issued.

IV. Program Requirements

Staff consults with grant applicants to determine whether a prospective project qualifies for funding under the Affordable Rental 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 Albemarle County Office of Housing via email at ADU@albemarle.org 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 Rental 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 Rental Housing grants are subject to a written and signed grant agreement.

A. Eligible Projects

To be eligible for an Affordable Rental 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 11 residential rental 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 rental units in the eligible project must be offered as affordable housing as defined under *Housing Albemarle*.
6. At least 10% of the affordable rental 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.

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. The applicant must record a covenant running with the land in favor of the County, which provides that for 30 years from the date of issuance of the first Certificate of Occupancy for the ADUs that:
 - No ADU may be rented for an amount that exceeds the limits set by the Office of Housing;

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.

- The project is subject to the provisions of the ADU Program as set forth in the Albemarle County Zoning Ordinance;
- The covenant is senior to all instruments securing permanent financing; AND
- The covenant is binding upon all assignees, mortgagees, purchasers and other successors interest.

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. 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. 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 return².
 - 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, 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.

² Cash-on-cash return, or the cash yield, measures the cash income earned on the cash invested in a property.

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 Manager will work with the applicant to draft a term sheet for the grant.

B. County Executive Review

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

C. 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.

D. Execution of Agreement

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

On this page[Overview](#)[Approach](#)[Eligibility](#)[Other considerations](#)[Examples](#)[Related resources](#)

Density bonuses

This brief is appropriate for:

Housing Market Condition: Strong Markets

Administering Agency: Department of Housing and/or Community Development,
Department of Planning

Overview

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 code, 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 policy to provide a density bonus to qualifying developments is essentially a type of voluntary or incentive-based inclusionary zoning policy, though many communities simply refer to the

policy as a “density bonus.” Density bonuses are also common cost offsets in mandatory inclusionary zoning policies. Depending on how the policy is structured, the additional density may be used to build “up” or “out”—that is, to add more floors to a multifamily building or additional structures to a planned development. Density bonuses are most likely to yield affordable housing in neighborhoods with a robust level of market-rate construction or redevelopment activity, where residential development types include moderate- or high-density development, and where the bonus is carefully calibrated to make it financially advantageous to developers. Density bonuses are less likely to result in development in soft housing markets or markets where construction costs exceed market rents.

Cities, towns, and counties interested in allowing bonus density at eligible developments will need to consider the way that the policy is structured, as well as how effective it is likely to be in the context of local neighborhoods and development sites. Additionally, local jurisdictions should check their respective state laws, as some, such as California [↗](#) and Oregon [↗](#), have statewide density bonus mandates, and others, such as Wisconsin [↗](#), have state-wide bans on all rent regulation or inclusionary zoning. In this section, we describe some of the ways that density bonuses can be designed to provide effective incentives for affordable housing in different types of communities.

Approach

There are several ways to structure a density bonus, and cities, towns and counties will need to determine which is most compatible with existing development regulations. For example, many jurisdictions calculate the increase as a multiple of the floor area ratio (FAR)—that is, the ratio of the total usable floor area of buildings on a site to the total area of the lot. Other options include:

- Permitting a larger number of units in a building or development site
- Providing a bonus height allowance or exemption from height restrictions that allows for construction of additional stories
- Reducing the amount of open space required on a development site
- Providing flexibility in design standards and site requirements
- Reducing the required number of parking spaces

Local jurisdictions will also need to decide how much extra density will be allowed at qualifying developments. This allowance may vary based on the proposed level of affordability and share of units to be set aside as affordable (typically, projects that provide deeper affordability and/or a larger share of affordable units receive greater density bonuses), the location of the development (e.g., whether it is near public transit or located in an area targeted for redevelopment), and other variables of local importance. For example, **Austin, TX** [↗](#) has a two-tiered density bonus program where one tier provides for a greater density bonus for projects within a quarter-mile of a transit corridor.

Larger jurisdictions, where the density bonus incentives may apply to a variety of projects and sub-markets, may use a menu or “sliding scale” approach that offers options, by formula, of different incentives depending on the share of affordable units and level of affordability provided. An example of a sliding-scale approach includes **Miami, FL**.

Alternatively, density bonuses may be calculated on a case-by-case basis. This approach allows for a more nuanced assessment of site-specific conditions that may or may not be compatible with increased density and also may provide communities with greater control over local land use decisions. On the other hand, case-by-case judgments can be burdensome to administer and do not provide as much transparency and predictability in the development process, which can lead to a reduction in the amount of

housing production below the level that might otherwise be induced. Whatever approach is used, the procedure for calculating bonus density can be complicated and communities should strive to make their regulations as clear as possible. (See related resources below for examples from other communities.)

In weighing these considerations, local officials will need to ascertain whether the proposed density bonus provides a sufficiently large financial incentive to generate affordable units. This amount can vary significantly depending on development patterns and local housing market conditions (e.g., rent levels, construction costs, etc.), but can translate to a bonus density of 15 to 25 (or even higher) percent more housing units than would previously have been permitted. Consultation with for-profit and non-profit residential developers and housing market analysts early in the policy design process will likely be useful in guiding these decisions. A model example of Community Planning and Economic Development Managers seeking feedback on a proposed density bonus structure is laid out in a memorandum distributed regarding proposed changes to the zoning code in **Minneapolis, MN** [↗](#).

Additionally, jurisdictions should conduct feasibility studies to evaluate density bonus programs in similarly situated markets. For example, **Denver, CO** conducted a background report in March 2020 [↗](#) when evaluating zoning incentives, including density bonuses, that summarizes the current affordable housing landscape in Denver as well as inclusionary zoning programs from other markets. In general, it's more important to set the bonus at the level needed to incent development in the market than to try to replicate the bonus levels used in other jurisdictions that may have different market conditions.

Eligibility

Density bonus guidelines should specify the criteria for eligibility, including the income level(s) that must be served to qualify for this incentive, the share of units in the development that must meet these affordability requirements, and how long the units must remain available at affordable prices. Density bonuses are commonly offered as a cost offset for mandatory inclusionary zoning programs and the requirements for those programs will determine the answers to many of these questions. When offered as a standalone incentive, however, communities will need to determine the affordability thresholds that are most likely to address local housing needs. Some communities establish a single threshold (e.g., at least ten percent of units must be affordable to very low-income households for a period of at least 30 years). Others provide options based on level of affordability, such as requiring a set-aside of ten percent of units for very low-income households or 20 percent of units for low-income households in order to qualify for a density bonus.

Atlanta, GA passed an Inclusionary Zoning ordinance that offers developers a choice of incentives if they construct affordable units subject to a minimum period of affordability lasting 20 years. The choice of incentives include a 15 percent density bonus based on FAR, transferable development rights, no residential minimum parking requirement, a 25 percent reduction in non-residential parking requirement, an expedited permit, tax abatements, or a change in project status. More details on the requirements and incentives can be found [here](#). As of January 2021 [↗](#), there were 362 units built and every developer chose to participate by setting aside affordable units rather than through payment of the in-lieu fee.

Program guidelines should specify whether the incentive is available throughout the jurisdiction or only in designated areas that are well-equipped to handle increased density and/or where the community wishes to stimulate new development. Local officials will also need to determine whether to apply a density bonus program to both rental housing and for-sale housing or to just one tenure type, and whether to limit it to developers of multifamily properties and/or single-family developments. Some communities also limit bonuses to developments above a certain size threshold, such as projects with 5 units or more.

Other coverage decisions relate to the nature of the development activity. Density bonuses may be provided for new construction only, or may be available in other scenarios, such as the rehabilitation or redevelopment of older buildings or the conversion of rental apartments to condos. Alternatively, density bonuses can be provided in non-residential projects. For example, **Seattle, WA** [↗](#) allows a density bonus for projects with affordable units and/or childcare facilities.

Density bonus can also be a way to incentivize investment in environmentally-conscious developments. Both **Arlington County, VA** and **Portland, OR** have implemented green building density bonus programs. Arlington County allows for a sliding scale of additional FAR if developments achieve varying LEED certification levels. Portland has an Ecoroof Floor Area Ratio density bonus that gives a bonus of 3 square feet for every square foot of green roof.

Other considerations

Practical application

Local jurisdictions should be cognizant of factors that may limit developers' ability to make full use of density bonuses and, as a result, reduce the value of density bonuses as an incentive to create affordable housing. For example, land use regulations such as minimum lot size requirements or setback requirements may make it difficult or impossible to take full advantage of a density bonus. Waivers or relaxation of these requirements can help to improve their usability. Other factors may include infrastructure capacity and proximity to natural features that impact development potential. Where these factors pose serious limitations, it may be appropriate to consider other types of incentives.

Consumer preferences

When designing a density bonus policy, local officials will want to give careful consideration to existing development patterns, and the areas and development types for which higher-density development will be compatible with existing neighborhoods and consumer preferences. Developers who have knowledge of the local market will be unlikely to make use of a density bonus that results in housing that is not attractive to market-rate renters or buyers.

“In-lieu” fees

Many density bonus programs offer developers the option to pay a fee in lieu of adhering to the affordability restrictions. While this may seem like a loophole to the program, fees will often go towards housing trust funds, or equivalents, that can be leveraged to finance affordable units – sometimes at a rate of more than what would have been financed by a density program. Additionally, it gives developers a choice of how to comply with the density

bonus program requirements, which may spur greater participation. For more guidance on this topic, see the brief *Inclusionary Zoning* (<https://localhousingsolutions.org/housing-policy-library/inclusionary-zoning/>).

On the flip side, **Anaheim, CA** does not have the option for developers to pay a fee in lieu of setting aside affordable housing. However, the city offers an “Equivalent Financial Incentive” in lieu of granting a density bonus or other zoning incentive. The value is equal to the cost savings of land per dwelling unit that result from the density bonus or additional incentives.

Examples

With approval of the County Board, **Arlington County, VA** allows developers to build at higher densities than would otherwise be allowed for projects that provide housing for low- or moderate-income households. Allowances include increases in building height (up to six stories or 60 feet above the height ordinarily permitted) and in residential density. Density bonuses are determined on the basis of the share of low- or moderate-income units to be provided, the location and size of those units, the amenities to be provided for low- and moderate-income residents, and other factors. Affordable units must remain available for at least 30 years or as approved by the Board. Subsection H.7 provides more details. [↗](#)

Arlington County, VA also provides special density bonuses for specific revitalization areas. In the Clarendon Revitalization District, for example, properties can receive bonus density up to 1.5 FAR if 10 percent of the bonus density is reserved for affordable housing. (Eligibility is limited to properties in which the bonus density is more than 4,000 square feet in gross floor area.) In the Nauck Village Center, developers can receive an increase in

density up to 2.0 FAR in exchange for providing at least 10 percent of residential units as Committed Affordable Units. More details are available at Arlington's Housing website [↗](#).

The City of **Austin, TX** has ten density bonus programs, which serve as voluntary incentives in light of the state's prohibition on mandatory inclusionary zoning. In 2014, Austin established the Downtown Density Bonus Program, which promotes affordable housing and community benefits agreements. At least 50% of the bonus must be achieved by providing on-site affordable housing or by paying a development bonus fee into the Affordable Housing Trust Fund. The Trust Fund is also financed by a share of the city's property taxes. Developments in Austin must adhere to Austin's Urban Design Guidelines [↗](#), as well as its Great Streets Program [↗](#) and a minimum rating on Austin Energy's Green Building Program [↗](#). A complete list of community benefits can be found here [↗](#).

Austin also enacted a new density bonus program in May 2019, called "Affordability Unlocked" which provides a two-tiered system that allows developers to choose between the two tiers of affordability which provide for different density bonuses in return. The first tier has requirements for affordability, supportive housing, and elderly housing, and the base zoning height is increased by 1.25 times or up to 6 dwelling units per lot in single-family zones. Other requirements are waived including design and site requirements. The second tier must be located within a quarter-mile of a transit corridor in addition to affordability requirements, and developments are allowed up to 1.5 times the base height with up to 8 dwelling units per lot in single-family zones. More information can be found here. [↗](#)

In 2018, the **San Diego, CA** City Council approved changes to their density bonus program to stimulate mixed-use development of market-rate and deed-restricted homes. The program offers 10 percent bonus for

developments that do not go beyond the maximum permitted building footprint and allows for 100 percent density bonus for micro-unit production for developments that do not go beyond the permitted building footprint. This program is in addition to the California statewide density bonus law [enacted in 1976](#). California's Density Bonus Law allows residential developers to build 35 percent more homes than allowed by a base zoning if developers set aside up to 11 percent of the base zoning as affordable to very low-income households. In 2016, the Affordable Homes Bonus Program (AHBP) expanded this by allowing up to a 50 percent bonus if a developer agreed to dedicate up to 15% of the base zoning as affordable to very low-income households.

The program also offered an ability for projects created within the last five years to qualify for the density bonus if they met additional requirements. More details on other inclusionary zoning initiatives at San Diego can be found on the San Diego Housing Commission website. [The change to the density bonus was part of larger mayoral plan called the Housing SD plan](#). An overview of the full Housing SD Plan can be found here [here](#).

A study published in April 2022 by Circulate San Diego shows that the city's density program is working. In 2020, 44% of eligible home projects used the city's building density bonus program. Since 2016, the program was used on projects that created over 6,000 homes. From 2016 to 2020, it was used to create 463 deed-restricted affordable homes in mixed-income projects, financed primarily without relying on public subsidy. Further, there was a high percentage of projects financed close to a transit stop and within high-opportunity census tracts. The full Circulate San Diego can be found here [here](#).

In 2019, the **City of Lawrence, KS** approved a proposal [that allows two houses to be built on one lot as long as both homes are affordable](#). A nonprofit organization, Tenants to Homeowners [became the first home to](#)

utilize the new bonus.

Related resources

Policy design and implementation

- Model Affordable Housing Density Bonus Ordinance, American Planning Association (2009) – Lays out key provisions for mandatory and voluntary density bonus policies; Smart Codes: Model Land-Development Regulations is available for purchase [↗](#).
- Inclusionary Housing [↗](#): “Density Bonus” overview, toolkit, and Q&A

Case studies and local programs

- Affordable Housing Zoning Bonus Administrative Regulations and Procedures [↗](#), City of Chicago – Describes provisions of Chicago’s density bonus program including definitions, methods for calculating the bonus, administrative procedures in various scenarios, and affordability requirements.
- Procedures for Implementation of State Density Bonus Law [↗](#), City of Berkeley (2014) – Describes how Berkeley’s density bonus policy is implemented—notably, procedures for determining the base project and calculating the density bonus—and how it interacts with the state density bonus law.
- In reviewing its own options for Affordable Housing and Inclusionary Zoning, Denver conducted a background report [↗](#) in March 2020 that included an analysis of other similarly-situated cities.

Housing Forward Virginia

Density Bonuses

A **density bonus** allows a developer to add more housing units to a development, which can offset the cost of keeping the affordable units below market rate. Density bonuses are usually given only when a developer meets a certain percentage of affordable units in their development.

To revisit our previous example, let's say an inclusionary zoning ordinance sets the density bonus threshold at 17%, the maximum allowed under Virginia code § 15.2-2305. That would mean that if our developer committed to making 17 of the original 100 units affordable, they could build 30 more market-rate units than the 100 originally planned. That would mean 113 market-rate units, which would increase revenue for the developer, offsetting the additional below-market units.

So what has changed?

Given the mixed results achieved by local ADU ordinances under both existing laws, legislation was introduced during the 2020 General Assembly Session to create an additional inclusionary zoning enabling statute ([§15.2-2305.1](#)). This removed the ambiguity and uncertainty of § 15.2-2305 related to density bonus calculations and affordable unit set-asides and removed (or made voluntary) the various cumbersome "required ordinance provisions" contained in § 15.2-2305.

This new statute, which localities are not required to implement, replaces the 17% set-aside requirement *maximum* and associated density bonus with a *minimum* threshold that localities (outside the Big Six of § 15.2-2304) must include in their inclusionary zoning ordinances.

To qualify for any density bonus at all, a project must set aside at least 10% of units for low income (<80% AMI) households, or at least 5% for very low income (<50% AMI) households. The code also includes a table of set-asides and their associated density bonuses:

Low income units (%)	Density bonus (%)
10%	20%
11%	21.5%
12%	23%
13%	24.5%
14%	26%

The pattern continues on up to 35% set-asides. Mathematically minded readers will notice that for low income set-asides, every additional percentage point above 10% gets you 1.5% more density. For very low income set-asides, every percentage point above 5% gets you 2.5% more density. This gives more weight to very low income units. A project with 35% of units set aside for low-income households would get a 57.5% density bonus, whereas a project with the same amount of very low-income units would get a whopping 95% bonus.

In addition to the density bonus provisions, Virginia Code § 15.2-2305.1 provides applicants with the authority to request the waiver or reduction of local development standards. This provision was intended to provide developers an additional “tool” to incorporate below market-rate units into their developments.

This new law still has some of the more prescriptive aspects of the previous section, but makes these optional instead of required in local inclusionary zoning ordinances. These include the term of affordability and the exclusion of projects that are allowed by-right.

The included definitions of “low income” and “very low income,” the elimination of the 17% maximum, and the greater weight of very low income units could make inclusionary zoning ordinances across Virginia much more common and effective.

Since these changes took shape right as the COVID-19 pandemic shifted policymakers’ priorities overnight, it’s unclear whether any localities have adopted—or are currently drafting—new inclusionary zoning ordinances using § 15.2-2305.1.

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Tax abatements or exemptions

This brief is appropriate for:

Housing Market Condition: Soft Markets, Strong Markets

Administering Agency: Department of Housing and/or Community Development, Finance/Tax Department

Overview

Some cities, towns, and counties offer property tax incentives to developers, building owners, and owner occupants who create or preserve affordable housing. These benefits can be structured in a variety of ways depending on local goals, but generally take one of two forms: abatements or exemptions.

Property tax abatements directly reduce the amount of taxes owed for a specified period, and can be offered as an incentive to encourage the construction or rehabilitation of buildings that include a share of or all affordable units. Property tax exemptions reduce the property's

assessed value or rate of taxation, thereby resulting in a lower tax bill.

Exemptions are commonly offered to encourage rental property owners to make upgrades that improve the condition of lower-cost units. The increased value resulting from the upgrades is excluded from property tax calculations for a defined period. Some cities, towns, and counties offer tax abatements or exemptions to owners who participate in project-based rental assistance and other housing subsidy programs. Some cities, towns, and counties also offer tax exemptions or other forms of [property tax relief \(/housing-policy-library/property-tax-relief-for-income-qualified-homeowners/\)](/housing-policy-library/property-tax-relief-for-income-qualified-homeowners/) to income-qualified homeowners, senior residents, persons with disabilities, and/or veterans.

This section describes some of the considerations to be weighed when creating a tax abatement or exemption program.

Approach

A tax incentive can be a powerful tool, and cities, towns, and counties should think carefully about how to design a tax abatement or exemption program that addresses local housing needs without compromising the jurisdiction's ability to fund other priorities. As noted above, while abatements and exemptions both reduce property tax liability, they do so in different ways and can be designed to achieve different goals.

Tax abatements reduce the total amount of tax owed. Some local jurisdictions offer tax abatements to encourage rehabilitation of existing affordable housing developments. In this scenario, the owner's total tax liability may be reduced by all or a portion of the difference between the pre- and post-renovation tax bills. Tax abatements can also be used as an incentive to stimulate new development; owners simply receive a discount on their tax bill.

Tax exemptions adjust the value of the property, which is then used to calculate the total amount of tax owed. For example, cities, towns, and counties wishing to stimulate rehabilitation of aging affordable housing developments—or in specific neighborhoods—can exempt the value of the improvements for a defined period of time when calculating property tax liability. To encourage mixed-income developments, local jurisdictions can provide a full or partial tax exemption on the portion of the property that will be used for affordable housing.

For either approach, the size of the benefit and the duration for which it will be available both warrant careful consideration. The abatement or exemption may last for a single year, or it may be available for several years or even decades depending on the type of activity the city hopes to encourage. The incentive period should be long enough to provide a meaningful financial incentive to developers; however, the length of the tax reduction also directly impacts the amount of tax revenue collected by the city or county to cover other needs. The likely impact to property tax receipts in the near term and over time should be assessed.

Cities, towns, and counties interested in providing tax incentives for affordable housing can review recent data on the housing needs in their jurisdiction to determine where needs are greatest, and work closely with the tax office to model the likely impact of different approaches. Findings can then guide the development of a tax abatement or exemption policy.

Coverage

Tax abatements and exemptions are flexible tools that can be designed to foster certain types of activities. Depending on local goals, cities, towns, and counties can provide incentives for new development, preservation of existing affordable housing, renovations to upgrade a building's condition, participation in affordable housing assistance programs, or retention of

homeownership. Cities, towns, and counties will need to specify which type(s) of activities or owners are covered by their tax abatement or exemption programs.

Guidelines should also specify how the tax benefit is calculated at mixed-income developments. When some units are affordable and others are rented at market rates, tax exemptions or abatements may apply to all units in the development or only to those that meet affordability criteria.

Eligibility

Cities, towns, and counties should establish clear guidance for the terms under which properties are eligible for tax abatements or exemptions. These should include the income level(s) that must be served to qualify for this incentive, as well as any minimum threshold(s) for the share of units in the development that must meet affordability requirements. Guidelines should also specify any requirements related to how long the units must remain affordable.

Some cities, towns, and counties require property owners or managers to submit documentation verifying that residents of the affordable units meet income and other eligibility requirements—either at occupancy for new construction, or for the duration of the abatement or exemption.

In some cases, tax incentives will be offered as a cost offset for a local inclusionary zoning program and the requirements for that program will determine eligibility. When offered as a standalone incentive, however, cities, towns, and counties will need to determine the affordability thresholds most likely to address local housing needs.

Eligibility for tax incentives can also be limited to specific parts of town—whether the goal is to stimulate creation of new affordable units in amenity-rich areas, to upgrade the quality of affordable housing in soft housing market neighborhoods, or to preserve the existing affordable housing stock in gentrifying neighborhoods. Alternatively, if the goal is simply to expand the supply of affordable housing, there may be no geographic limitations on the availability of a tax abatement or exemption.

Other considerations

Program monitoring

Property tax revenue is used to address a wide range of city, town, and county needs, and reductions in tax revenue could have impacts on other important activities. Cities, towns, and counties, particularly those with soft housing markets, should consider close monitoring of the amount of foregone tax revenue to ensure there are no unintended negative effects on other programs or local activities.

Program administration

The complexity of administering a tax abatement or exemption program can be challenging for small and mid-sized cities with smaller finance departments and fewer resources for advanced electronic record keeping. Program design can help accommodate these challenges. Simplified eligibility criteria can cut down on documentation required for review, as well as make the program less onerous for owners and developers. A defined application window (once every 3-5 years for example) can ensure that recipients are “batched” such that benefits begin and end during the same tax year, thereby simplifying administration.

Examples

Washington, DC provides a property tax abatement [↗](#) equivalent to 75 percent of the difference between the property tax owed before and after development. To be eligible, at least five percent of the units in the development must be reserved for low-income households, and an additional 10 percent of units must be reserved for households earning up to 60 percent of the area median income. The tax abatement is good for ten years, while the affordability requirements apply for at least 20 years, with a \$10,000 penalty per year for each unit that does not meet income set-aside requirements during the final 10 years. See [here](#) for more details.

Provincetown, MA allows multifamily property owners to claim a tax exemption for any portion of the property used for affordable housing purposes [↗](#). The exemption is calculated by multiplying the amount of tax ordinarily due by the percentage of floor area set aside for affordable housing purposes. The exemption is granted on a year-to-year basis for units serving households up to 80 percent of the area median income, and the Board of Assessor reviews tenants' income information to confirm eligibility. Because the exemption is granted on a year-to-year basis, there is no long-term affordability requirement.

Portland, OR's Multiple-Unit Limited Tax Exemption Program [↗](#), authorized by Portland's city code [↗](#) and state statute [↗](#) requires under the interim rule that at least 20 percent of rental units be affordable to households earning 60 percent of the area median family income (MFI)—or 80 percent of MFI in higher-cost areas—for the ten-year term of the exemption.

The Class S incentive [↗](#) in **Cook County, IL** provides a property tax exemption for multifamily rental housing that is subject to a project-based Section 8 contract. The exemption is available for a five-year period (the required duration of the contract), with an option to renew with continued

participation in the Section 8 program under a Mark Up To Market Option or contract renewal. At least 20 percent of the units in the property must be Section 8 units, and these units are assessed at a lower rate than ordinarily applies to multifamily properties.

Cincinnati, OH's Residential Community Reinvestment Area Tax Abatement Program [↗](#) allows residential property owners to pay taxes on the pre-improvement value of their property for 10-15 years, available for any increased valuation that results from improvements to the property due to new construction or renovation. The program is tied to the Community Reinvestment Act ("CRA") and community reinvestment areas; its goals include stimulating community revitalization by attracting homeowners and retaining current residents by reducing development costs. The ordinance [↗](#) outlines the incentive table for all projects that commenced prior to December 31, 2021. A revised Ordinance was passed that applies for projects January 1, 2022 and later. The differences between the two ordinances are summarized in this document [↗](#).

Under the MultiFamily Property Tax Exemption (MFTE) Program authorized under the WA state statute [↗](#), **Tacoma, WA** encourages the development of multifamily units located in designated areas by exempting projects from property taxes for a term of either 8, 12, or 20 years, based on the level of affordability provided. The public DART map tool [↗](#) identifies which areas qualify for the exemption.

Related resources

- Property Tax Exemptions Promote Affordable Rental and Homeownership Housing in Seattle [↗](#), Regulatory Barriers Clearinghouse archives— Brief write-up describes the details of a property tax exemption in Seattle, WA, including affordability

requirements, terms of the exemption, and activities targeted by the incentive.

Creating a Separate Process for Expedited Review

In addition to streamlining the standard review process, some locations create a process whereby proposals may also qualify for a separate, expedited review outside of the standard review process.

Expedited review is distinct from the streamlining/consolidation strategy grouping, in that the expedited review strategies in this section represent separate review processes that can be utilized when certain conditions are met, but they are not intended to replace or change the standard review process. The conditions that must be met for expedited review typically fall into three categories: expedited review for affordable housing projects, pre-approval based on self-certification, and expedited review for applicants who are willing to pay extra.

Expedited review for desirable housing proposals

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. A result, fewer affordable housing units are built. In response to this challenge, towns and cities have adopted expedited review, often combined with other incentives such as fee waivers, for affordable housing proposals. Other housing features may also qualify a project for expedited review, such as green building or a target location.

Examples of places using the strategy

- **Austin, Tex.** allows builders of SMARTTM (safe, mixed-income, accessible, reasonably priced, and transit-oriented) housing to undergo an expedited review process, in addition to offering waivers for over 30 different fees in four city departments. Up to 1,500 units may receive full or partial fee waivers each year.
- **San Diego, Calif.** has implemented an ‘Affordable/Infill Housing and Sustainable Buildings’ program, which provides expedited permit processing for all eligible affordable/infill housing and sustainable building projects.
- **Santa Fe, NM** adopted fee waivers for housing built under the inclusionary zoning ordinance, the Santa Fe Homes Program.
- **Pinellas County, Fla.** adopted an expedited permit review process for affordable housing projects, in addition to offering a number of other incentives such as fee waivers and density bonuses. The expedited review process essentially moves affordable housing projects to the top of the queue for review.

The Community Development Department certifies proposals as affordable housing developments, provides vouchers for impact and review fee waivers, and monitors the certified developments to ensure compliance with regulations.

- *Montgomery County, Md.* has a ‘Green Tape’ expedited review process for affordable housing development.
- *Charlottesville, Va.* has an expedited permitting for affordable housing and also offers fee reductions for affordable housing developments.

Highlight location: Austin, Tex.

In Austin, the S.M.A.R.T.™ Housing Policy was adopted by the city council in 2000 to encourage the development of housing that is safe, mixed-income, accessible, reasonably priced, and transit-oriented. The policy lays out clear standards for each of these categories, which must be met for S.M.A.R.T.™ Housing certification. In addition, all S.M.A.R.T.™ housing developments must meet the minimum standards of the Austin Energy Green Building Program (GBP). Affordable housing proposals that meet these criteria are eligible for expedited review, fee waivers, and advocacy.

Ultimately, 4,900 S.M.A.R.T.™ housing units were constructed between the policy’s adoption in 2000 and 2005, with nearly 80 percent of these units being affordable to families at or below 80 percent of the Median Family Income (MFI). A 2004 survey showed that in the previous three years, the ratio of units affordable to families at or below 60 percent MFI increased by more than 25 percent.

The Austin Housing Finance Corporation takes the lead in administering the program. In addition, the Neighborhood Housing and Community Development Department acts to coordinate between other city departments to ensure the successful completion of S.M.A.R.T.™ housing developments.

Sources of information

- Austin, Tex.: S.M.A.R.T Housing™ Policy Resource Guide:
http://austintexas.gov/sites/default/files/files/Housing/Application_Center/SMART_Housing/smart_guide_0708.pdf
- Austin, Tex.: S.M.A.R.T. Housing™ ICMA Best Practices 2005
https://www.lakecountycl.gov/pdfs/2025/SMART_Housing.pdf
- San Diego, Calif: Expedite Program Information Bulletin
<http://www.sandiego.gov/development-services/pdf/industry/infobulletin/ib538.pdf>
- Santa Fe, NM: Affordable Housing
http://www.santafenm.gov/affordable_housing
Pinellas County, Fla.: Affordable Housing Incentives Information Pamphlet
<https://www.pinellascounty.org/community/affordablehousingguide.pdf>
- Montgomery County, Md.: Department of Planning FAQ webpage
<http://permittingservices.montgomerycountymd.gov/DPS/customerservice/GreenTape.aspx>
- Charlottesville, Va.: Charlottesville City Council Join Work Session

http://www.albemarle.org/upload/images/Forms_Center/Departments/Board_of_Supervisors/Forms/Agenda/2014Files/0701/Agenda.pdf

Expedited review based on pre-approval

In some locations, architects and engineers who attend courses on city laws and codes are able to ‘self certify’ that their plans meet local codes and standards. The plans are either pre-approved or go through an expedited review process. In order to ensure quality and compliance, planning departments typically audit a certain percentage of self-certified plans.

Examples of places using the strategy

- **New York City** has a ‘Professional Certification Program’ where registered architects and professional engineers self certify that their plans are in compliance, reducing the time builders wait for permits through automatic plan approval. No additional training is required for self-certification. The city audits 20 percent of self-certified plans upon permit issuance.
- **Surprise, Ariz.** has a self-certification program that eliminates the need for plan review. For eligible projects, permits can be issued within five business days.
- **Chicago’s** self-certification program eliminates plan review and requires that the certified architect take full responsibility for code compliance.
- In **Phoenix, Ariz.**, an architect or engineer must meet a set of professional qualifications for self-certification. If an architect or engineer meets those qualifications, he/she is then required to attend several training sessions from the Phoenix Planning and Development Department. Once the self-certification process is completed, the program also eliminates plan review. The Phoenix Planning and Development Department has a dedicated webpage with clear sections on professional requirements, training handouts, project eligibility requirements, procedures and forms, self-certification training class registration, as well as contact information for a program liaison.

Projects that qualify for self-certification can be issued permits within one to five calendar days.

Sources of information

- New York City: Professional Certification
<http://www.nyc.gov/html/dob/html/development/procert.shtml>
- Surprise, Ariz.: Self-Certification Program for Building Permits
<http://surpriseaz.gov/index.aspx?NID=3137>
- Chicago: Self-Certification Program
http://www.cityofchicago.org/city/en/depts/bldgs/supp_info/an_overview_of_theself-certificationprogram.html

- Phoenix, Ariz.: Self-Certification Program
<https://www.phoenix.gov/pdd/self-certification-program>

Expedited review for an extra fee

Sometimes it is economically efficient for builders to pay extra for an expedited review process to avoid the costs associated with holding land while waiting to receive a permit. Some towns and counties have addressed this scenario with expedited review processes for those willing to pay extra. These processes utilize private sector consultants and off-hours permit agency staff capacity to ensure timely plan review.

Examples of places using the strategy

- In *Tualatin, Ore.*, building permit applicants may elect an expedited plan review that uses city staff working outside of regular work hours at an hourly rate of \$120. The applicant, architect, engineer, and contractor must all agree to be available during non-regular work hours and supply contact information for use during the plan review process. Expedited plan review is rotated among the building staff, and projects are assigned randomly to staff members.
- Expedited reviews in *Pierce County, Wash.* are similar, although a combination of Planning and Land Services staff (at \$100 per hour), third-party consultants (at \$124 per hour), and extra hires may be used for the expedited review. Expedited review charges are added to the application fee.
- *Fairfax, Va.* offers an Expedited Building Plan Review Program in which a permit applicant hires a private sector design professional from the county's Certified Peer Reviewer List to 'peer review' construction plans for code compliance. Reviewed applications are then given priority status in the building plan review process. The county reports that obtaining a permit under the Expedited Building Plan Review Program takes about half the time that it would under the standard review process.
- *Kirkland, Wash.* may contract for permit review services for expedited processing when requested by the applicant.

Highlight location: Kirkland, Wash.

In Kirkland, Wash., upon request, the director of the department of planning and community development may approve expedited processing of an application. To prevent delays in other permit applications, the director may contract for permit review services. Any additional costs incurred by the city due to expedited processing (e.g., the contracted permit review services) are paid for by the permit applicant. A city ordinance was required to allow the director of the department of planning and community development to begin contracting for permit review services in this way.

Sources of information

- Tualatin, Ore.: Expedited Plan Review Application
<http://www.tualatinoregon.gov/building/expedited-plan-review-application>
- Pierce County, Wash.: Department of Planning and Land Services Expedited Review Agreement <http://www.co.pierce.wa.us/DocumentCenter/View/4300>
- Fairfax, Va.: Expedited Building Plan Review Program
<http://www.fairfaxcounty.gov/dpwes/epr/how.htm>
- Kirkland, Wash.: Expedited Review Ordinance
<http://www.codepublishing.com/wa/kirkland/html/Kirkland05/Kirkland0574.html#5.74.090>
- King County, Wash.: Department of Permitting and Environmental Review
<http://www.kingcounty.gov/property/permits/info/applying/consultants.aspx>

This document is a portion of NAHB's report
Development Process Efficiency: Cutting Through the Red Tape.

[Click here to view the full report.](#)

National Association of Home Builders



Development Process Efficiency: Cutting Through the Red Tape



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Tax increment financing

This brief is appropriate for:

Housing Market Condition: Soft Markets, Strong Markets

Administering Agency: City/County Council, Department of Planning, Finance/Tax Department

Overview

Tax increment financing (TIF) originated as a vehicle for issuing bonds to fund the redevelopment of blighted areas which are designated as TIF districts.

A jurisdiction starts by creating a TIF district with well-defined boundaries, and then issues bonds to pay for public infrastructure improvements and other amenities to stimulate private development within the district. The bonds are backed by the anticipated TIF revenue, and repaid with incremental tax receipts as private development activity increases. Alternatively, some jurisdictions use their own funds to pay for improvements, and then capture some or all of the increase in property tax receipts over the duration of the TIF district as reimbursement.

A number of cities, towns and counties now include development or preservation of affordable housing as part of the public infrastructure to be supported by a TIF district and require that a share of TIF revenue be used for these purposes. In addition, while not yet a well-established use of TIF, Texas has established a TIF-like structure that can be used in gentrifying areas, with the intention of capturing incremental tax revenue to build or preserve increasingly scarce affordable housing units. This strategy may be well-suited to neighborhoods around proposed transit stations and other gentrifying areas when the public investment is likely to lead to property value increases.

Tax increment financing is most likely to be a useful tool in cities that can identify specific neighborhoods that meet state and local standards (e.g., for blight or other threshold requirements) and are likely to experience rising property values that could be tapped to create or preserve affordable housing. This section describes some of the key decisions for local jurisdictions considering use of tax increment financing to support affordable housing.

Approach

TIF districts are an important source of funding for affordable housing in some cities, towns and counties. However, they can be controversial because some or all of the increased tax revenue in the district is diverted to a special TIF fund and is not available for the same activities that other property tax revenue is used for, such as public schools, police and public safety, and recreational facilities. The assignment of school tax revenue to a TIF can be a particularly challenging flashpoint, as opponents may argue the funds are needed to meet the needs for teachers and school infrastructure to accommodate a growing population.

One way to address these concerns is to focus a TIF on a district where increases in tax revenue would be unlikely without the increased public investment resulting from the TIF. In such cases, the TIF district is generating new revenue, not diverting revenue that would have occurred even in its absence. An alternative approach may be to limit the use of TIF revenue to specified activities, and require that any excess revenue be returned to the school district (or other tax district), this issue will be especially important to resolve in smaller localities where school districts may be managed at the county level. Cities can also negotiate for the TIF district to include only the incremental tax revenue from specific revenue sources and not others. This helps ensure that other needs can be met, including and especially any new needs related to the TIF itself (for example, new schools associated with an influx of children resulting from the TIF activity).

There are several ways to use TIF to support affordable housing. In many cases, cities authorize a wide range of uses for TIF revenue and do not require a minimum percentage of the revenue to be used for affordable housing. While the revenue from these TIF districts are sometimes used for affordable housing, this approach is less reliable in generating funding for affordable housing than TIFs that specify, when they initially create the TIF district, that a minimum percentage of TIF revenue must be used for affordable housing-related activities. Under this approach, as investment in economic development or infrastructure improvements leads to growth in the tax base, a portion of the incremental proceeds is put into a special fund and used to ensure the continued availability of affordable housing. In softening or distressed markets, where the TIF may be used to stimulate development in priority geography in coordination with other revitalization programs, it may make sense to require TIF proceeds not only preserve or develop

new affordable housing but be potentially use to improve the stabilize housing quality and affordable in adjacent neighborhoods. It is important to establish this allocation early in the process – ideally when the TIF district is authorized – to ensure the appropriate amount of funds will be reserved for the designated affordable housing purpose.

Cities, towns, and counties can also tie affordability requirements to the number of housing units developed in a TIF district, for example, requiring at least 15 or 20 percent of the units be affordable to people at a certain income level. This approach is consistent with the approach in many cities that requires residential developers who benefit from certain public benefits, such as a zoning change or variance or public financing, to set aside a share of units for lower-income households. Going a step farther, some states allow the creation of affordable housing TIF districts established solely to support the creation and financing of new affordable housing. For example, the Affordable Housing Tax Increment Financing (AHTIF) Program in Maine can be used to cover the capital and operating costs of affordable housing and public infrastructure improvements inside the AHTIF district, as well as supportive services for residents of the affordable housing and recreational and childcare facilities.^[1]

One challenge with using a traditional TIF structure in a high-cost city is that state authorizing legislation typically requires the area in which the district is located to be “blighted.” This helps increase the chances that the TIF revenue is coming from increases in property taxes that would have been unlikely without the investment. However, the concept of capturing incremental tax revenue could hold appeal in high-cost cities as well, if focused on areas that are gentrifying or in danger of gentrifying. In these situations, property values are set to rise on their own, without a public investment funded by TIF revenue, and affordability is likely to decline. If a TIF or TIF-like district could be created, some or all of the increased property taxes associated with the influx of higher-income households could be used to provide affordable housing, helping to preserve and expand affordable housing in that neighborhood.

If the jurisdiction lacks the legal authority to create a TIF district in a non-blighted area, it may be possible to create a TIF-like vehicle to capture some or all of the incremental property tax increases in gentrifying neighborhoods. Texas’s Homestead Preservation District (HPD) program is a primary example of this approach. Texas has authorized certain municipalities to create HPD districts, within which the city can provide bond financing, density bonuses, and other incentives to preserve and create new affordable housing, including creation of a TIF-like district dedicated solely to development and preservation of affordable housing. Eligibility for designation as an HPD is limited to areas that have an overall poverty rate that is at least twice the poverty rate of the municipality; creation of the district is intended to protect existing

residents from displacement as property values rise.^[2] When applied in gentrifying areas, this approach allows a significant amount of revenue to be rapidly generated and used to address a concentrated problem.

Coverage

Typically, the state legislation that authorizes creation of TIF districts also specifies coverage guidelines. For example, states may require that TIFs meet a minimum or maximum size threshold, or contain certain development types (e.g., commercial, industrial, etc.). States may also limit the percentage of land area within a municipality that can be designated as a TIF district. In some cases, TIF district boundaries are permitted to be non-contiguous, allowing parcels to be covered by the same TIF if they meet specified criteria. The maximum duration of the TIF — generally between 20 and 30 years — is also generally established at the state level.^[3]

Eligibility

Whether TIF districts are designed to promote investment in affordable housing or for another purpose, they are generally subject to two fundamental eligibility requirements. First, as mentioned above, the designation of TIF districts is traditionally limited to “blighted” areas. Blighted areas are corridors, neighborhoods, or blocks that meet specific criteria for disinvestment and decline, such as an excessive number of code violations, inadequate utilities, extensive vacancies and/or dilapidated or deteriorated buildings and infrastructure.

Second, proposed TIF districts need to pass the “but for” test, meaning that economic growth would not take place “but for” the public investment associated with the establishment of the TIF district. Where these conditions are not met, TIFs may be viewed as diverting tax revenue that would otherwise be used for other important public investments, such as schools or transportation infrastructure.

Once these criteria have been established, typically at the state level, cities, towns, and counties need to determine the duration of the TIF district (e.g., 15 or 20 years), the share of TIF revenues to be set aside for affordable housing during this period, and the specific activities that will be supported. Depending on state regulations and local priorities, TIF revenue can be used for a wide range of purposes – from homeownership or rental assistance to gap financing for new construction, acquisition and rehabilitation, and/or preservation of affordable housing. Cities, towns, and counties may consider allowing many types of assistance, recognizing that housing needs will shift over time as the area experiences growth and increases in property values. By definition, TIF supports development in areas where property values are expected to increase, so affordability restrictions should be established for the longest feasible time period.

Cities, towns, and counties will also need to specify where TIF proceeds can be spent on affordable housing activities. Some cities, towns, and counties require TIF proceeds to be spent within the TIF district in which they are generated, while others allow their use in any TIF district within the jurisdiction. Other cities, towns, and counties don't place any restrictions on the location of eligible projects, and may even deposit TIF proceeds in a housing trust fund to be allocated according to trust fund guidelines.

Examples

Through the Multi-Family TIF Purchase-Rehab Program [↗](#), the **City of Chicago** allocates TIF revenues to support the redevelopment of vacant and foreclosed apartment buildings within specified TIF districts as affordable housing. Private developers are eligible to receive grant funding of up to 50 percent of the total project cost, and eligibility is limited to the purchase and rehabilitation of buildings with six or more units where "substantial rehabilitation" is required. (To reach the six-unit threshold, developers may group together smaller buildings in a two-block radius.) The redeveloped units must remain affordable to households earning up to 50 percent of the area median income for a period of at least 15 years. The city partners with Community Investment Corp, a private lender, to manage the program.

The **State of Minnesota** authorizes cities and counties to create housing TIF districts [↗](#) in which incremental tax revenue may only be used to finance housing projects for low- and moderate-income individuals. Eligible activities include acquisition, construction, or rehabilitation of affordable housing, as well as professional costs and public improvements directly related to the affordable housing developments. Incremental tax revenue can be collected for 25 years after the receipt of the first increment, although collection may be postponed for the first four years to avoid using the duration limit when only a small amount of tax increment is likely to be generated.

Other states have also leaned on TIFs explicitly to fund affordable housing. In **Massachusetts**, for example, the state's Urban Center Housing Tax Increment Financing [↗](#) (UCH-TIF) program allows cities and towns to use TIF financing to build affordable housing in commercial centers that meet certain criteria. The areas must be used primarily for commerce and must have a lower population density during non-business hours. At least 25 percent of the new housing built using TIF financing must be affordable for 40 years or the useful life of the housing, whichever is longer. In **Utah**, municipalities that have adopted TIF districts on or after May 1, 2000 and generate at least \$100,000 in new revenue through the district must allocate at least 20 percent of the funds [↗](#) for affordable housing development, construction, or retention.

Meanwhile, in **Texas**, cities can create Tax Increment Reinvestment Zones (TIRZ) that do not need to meet minimum criteria for blight. Eliminating the blight requirement opens up new possibilities for the application of tax increment financing, including in gentrifying areas where the incremental tax revenue can be used to help preserve affordable housing. Texas' approach differs from other states in other ways as well. Each taxing unit within a TIRZ may negotiate the portion of the tax increment that will be dedicated to public improvements – an approach that allows more flexibility but may also make the TIRZ more complex to administer and possibly limit its revenue potential. In addition, private property owners can petition for the creation of a TIRZ when they own at least 50 percent of the appraised property value within the proposed TIRZ. To support affordable housing in large cities, privately-initiated TIRZ zones are required to allocate at least one-third of the area to housing, and one-third of tax revenues to low-income housing. Learn more about TIF laws in Texas. [↗](#)

And, in states that don't feature such requirements, cities have pursued similar policies. Since 2015, **Portland, Oregon** has dedicated 45 percent of the revenues spurred by TIF districts to affordable housing [↗](#). Between 2006 and 2019, the program generated almost 250 million dollars for affordable housing, according to a report by City Observatory. [↗](#) Portland's largest TIF district includes the Pearl District, near downtown. Over the last decade, TIF funds have generated \$83 million and helped produce 2,200 units of affordable housing in that jurisdiction alone.

Related resources

Further reading

- Tax-Increment Financing: The Need for Increased Transparency and Accountability in Local Economic Development Subsidies [↗](#), U.S. PIRG Education Fund (Fall 2011) – While not specific to the application of TIF in support of affordable housing, this report lays out some of the major critiques of tax increment financing and offers suggestions for how to promote better stewardship of public funds.
- Tax Increment Financing: Tweaking TIF for the 21st Century [↗](#), Urban Land Institute (June 2014) – This article provides a practical overview of how to structure a TIF program, including examples from Chicago, Atlanta, and California.
- The TIF over TIF: A Review of the Literature Examining the Effectiveness of the Tax Increment Financing [↗](#) (September 2014) – This paper reviews the empirical research on TIF, provides some descriptive national analysis of TIF adoption, and offers policy recommendations informed by the findings and literature.
- Tax Increment Financing: A Primer [↗](#), Citizens Budget Commission (December 2017) – This report provides an overview of TIF and a five-point checklist drawn from lessons learned from past projects across the U.S. to help identify potential TIF projects.

- Improving Tax Increment Financing (TIF) for Economic Development [↗](#), Lincoln Land Institute (2018) – This document carefully reviews the different ways in which tax increment financing has been used around the U.S. and makes recommendations for improving the process.

Local and state-specific resources

- “Affordable Housing Tax Increment Financing [↗](#).” Maine State Housing Authority. Maine’s Housing Authority created the Affordable Housing Tax Increment Financing (AHTIF) program in 2004 as a means for localities to fund affordable housing and related infrastructure costs to handle influxes of new residents. Through the program, municipalities can designate up to two percent of their land as an AHTIF district and then use the new property tax revenue generated in the jurisdiction to finance new housing. While as much as 100 percent of that revenue can be used to support affordable housing, AHTIF mandates that rental units must remain affordable for a duration of 30 years. Homeownership units must stay affordable for 10 years.
- “Tax Increment Financing: Affordable Housing Set Aside 2019 Report [↗](#),” Portland Housing Bureau. – This report presents a historical summary of all TIF Spending and affordable units developed using the city-mandated TIF funding set aside for housing.
- Texas Local Government Code, Title 12, Subtitle A, Chapter 373A. Homestead Preservation Districts and Reinvestment Zones [↗](#). – Since November 2017, the program’s expansion in Austin has stalled due to a provision in the existing legislation that limits the size of the city in which Homestead Preservation Districts can be created. Since the legislation passed in 2005, Austin has grown and passed that threshold, and efforts to amend the legislation and raise the cap have been unsuccessful. For more on HPDs, see the state’s web page on the initiative [↗](#).
- Chadwick, Nathaniel C. Tax Increment Financing: A Tool for Growth in Grapevine, TX [↗](#). Political Science Undergraduate Honors Thesis, University of Arkansas, Fayetteville. – This paper uses Grapevine as a case study to better understand the structure of TIF districts and highlight pros and cons of the strategy.
- Guthridge, Bria, and Heather K. Way. Tax Increment Financing: An Advocate’s Toolbox [↗](#). The University of Texas at Austin: Entrepreneurship and Development Clinic. – This slide presentation lays out how TIFs work in specific cities in Texas, including Dallas, and also focuses on potential areas of advocacy in shaping TIFs.

Our Mission: To provide a supplemental financial mechanism to fund affordable housing initiatives needed to mitigate the impact of redevelopment along Columbia Pike.

In December 2013, the Arlington County Board established a tax increment financing area to help finance affordable housing initiatives in support of the Columbia Pike Neighborhoods Area Plan.

In 2009, the Land Use and Housing Study process began to study the multi-family housing areas along Columbia Pike with the goal of producing the next major plan for Columbia Pike. The process was completed in July 2012 and resulted in the adoption of the Columbia Pike Neighborhoods Area Plan (the Plan). This 30-year plan establishes the future vision for the primarily multi-family residential areas located between the commercial nodes along the Columbia Pike corridor. The Plan established a goal of preserving all existing 6,200 market rate affordable units (MARKS). Columbia Pike Tax Increment Financing Area (TIF) revenues are utilized to fund affordable housing initiatives needed to mitigate the impact of redevelopment along Columbia Pike, particularly related to the preservation of affordable housing. TIF revenues are used to fund the Transit Oriented Affordable Housing Fund (TOAH Fund). The TOAH Fund is a tool designed to help affordable housing developers utilizing the Low-Income Housing Tax Credit program pay for certain County fees and infrastructure costs of these projects.

TIF is a mechanism used to support development and redevelopment by capturing the projected increase in property tax revenues in the area and investing those funds in improvements or mitigation efforts associated with the project. Unlike a special district, it is not an additional or new tax; rather, it redirects and segregates a portion of the increased property tax revenues that would normally flow to the General Fund to be used for a specified purpose. The amount of the tax increment revenue is determined by setting a baseline assessed value of all property in the area on January 1, 2014, and in each subsequent year, tracking the incremental increase in assessed values relative to the base year and segregating the incremental real estate tax revenue generated in a separate fund. The Board approved allocating 25 percent of the incremental real estate tax revenues to the Columbia Pike TIF area. This percentage can be revisited as part of the annual budget process. The TIF area includes the Columbia Pike Neighborhoods Special Revitalization District and the Columbia Pike Special Revitalization District as noted on the General Land Use Plan.

In the adopted FY 2018 budget, the County Board adjusted the TIF's baseline to the CY 2018 assessed value of \$3,066,510,900. In FY 2022, revenues are based on a 1.8 percent decline in real estate tax assessments in the TIF area.

FUND SUMMARY

SIGNIFICANT BUDGET CHANGES

The FY 2022 adopted expenditure budget for the Columbia Pike Tax Increment Financing Area is \$627,960. FY 2022 revenue projections reflect a 1.8 percent decline in real estate tax assessments in the TIF area.

- ↓ Revenue projection decreases in the tax district due to decreases in real estate assessments from CY 2020 to CY 2021.

PROGRAM FINANCIAL SUMMARY

	FY 2020 Actual	FY 2021 Adopted	FY 2022 Adopted	% Change '21 to '22
Personnel	-	-	-	-
Non-Personnel	\$34,478	\$1,014,000	\$627,960	-38%
Total Expenditures	34,478	1,014,000	627,960	-38%
Total Revenues	639,299	968,520	\$627,960	-35%
Change in Fund Balance	\$604,821	(\$45,480)	-	-
Permanent FTEs	-	-	-	
Temporary FTEs	-	-	-	
Total Authorized FTEs	-	-	-	

FUND SUMMARY

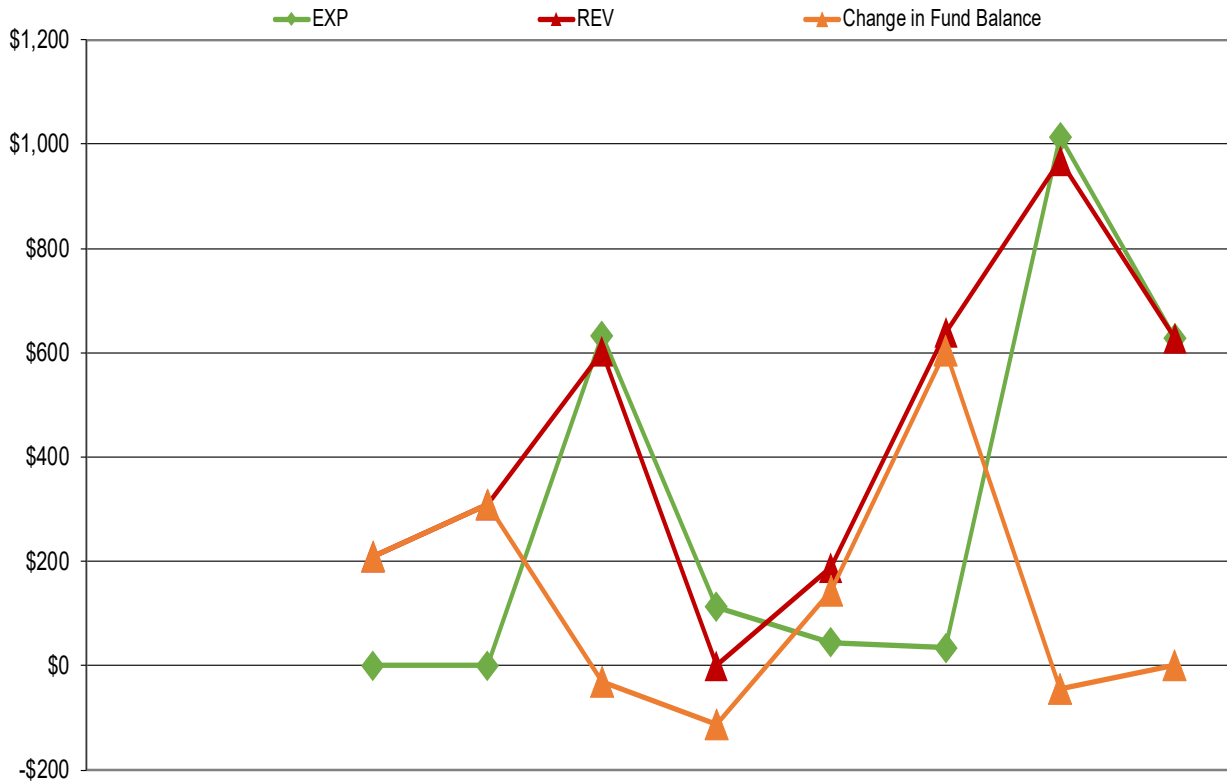
COLUMBIA PIKE TAX INCREMENT FINANCING AREA FUND STATEMENT

	FY 2020 ACTUAL	FY 2021 ADOPTED	FY 2021 RE-ESTIMATE	FY 2022 ADOPTED
ADJUSTED BALANCE, JULY 1	\$518,025	\$1,191,355	\$1,122,846	\$938,250
REVENUE				
Tax Increment Area	639,299	968,520	835,510	627,960
TOTAL REVENUE	639,299	968,520	835,510	627,960
TOTAL REVENUE & BALANCE	1,157,324	2,159,875	1,958,356	1,566,210
EXPENDITURES				
TOAH Fund - Current Year	34,478	1,014,000	1,020,106	627,960
TOTAL EXPENDITURES	34,478	1,014,000	1,020,106	627,960
BALANCE, JUNE 30	\$1,122,846	\$1,145,875	\$938,250	\$938,250

The FY 2021 re-estimate column reflects an allocation approved by the County Board in February 2020 of \$984,000 in TOAH funds towards the Arlington View Terrace East development. These funds are anticipated to be disbursed in the spring of 2021. In addition, staff anticipates to disburse a total of \$36,106 in TOAH funds for the Arlington Mill Digital Equity Program in FY 2021. A FY 2022 Notice of Funding Availability (NOFA) for County loan funds for affordable housing developments was released in May 2021, which could potentially impact FY 2022 TOAH disbursements.

COLUMBIA PIKE TAX INCREMENT FINANCING AREA TEN-YEAR HISTORY

EXPENDITURE AND REVENUE TRENDS



	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Adopted Budget	FY 2022 Adopted Budget
EXP			-	-	\$633	\$112	\$45	\$34	\$1,014	\$628
REV			\$209	\$309	\$602	-	\$189	\$639	\$969	\$628
Change in Fund Balance			\$209	\$309	-\$31	-\$112	\$144	\$605	-\$45	-

COLUMBIA PIKE TAX INCREMENT FINANCING AREA
TEN-YEAR HISTORY

Fiscal Year	Description	FTEs
FY 2015	<ul style="list-style-type: none"> In December 2013, the Arlington County Board established a tax increment financing area to help finance affordable housing initiatives in support of the Columbia Pike Neighborhoods Area Plan. The baseline assessment for the TIF area is \$2.7 billion. A two percent increase in assessments between CY 2014 and CY 2015 will yield approximately \$119,950 in partial year revenues in the spring of FY 2015. This estimate is based on capturing the full 25 percent of the tax increment for FY 2015. 	
FY 2016	<ul style="list-style-type: none"> Revenue projections in the tax district increased due to a full year of tax collections and increases in real estate assessments. 	
FY 2017	<ul style="list-style-type: none"> Revenue projections in the tax district increased due to increases in real estate assessments. 	
FY 2018	<ul style="list-style-type: none"> The County Board adjusted the TIF's baseline assessed value to CY 2018 and adjusted the funding allocation to the district in FY 2018. By resetting the calculated tax base for the district, no new FY 2018 funding will be directed to the district. However, existing fund balances will remain in the fund and future real estate tax revenue over the CY 2018 base year will be allocated to the Columbia Pike TIF based on the incremental real estate tax revenue percentage adopted by the County Board. 	
FY 2019	<ul style="list-style-type: none"> Revenue projections in the tax district increased due to increases in real estate assessments. 	
FY 2020	<ul style="list-style-type: none"> Revenue projections in the tax district increased due to increases in real estate assessments and the County Board adopted tax rate increase. 	
FY 2021	<ul style="list-style-type: none"> Revenue projections in the tax district increased due to increases in real estate assessments. 	
FY 2022	<ul style="list-style-type: none"> Revenue projections in the tax district decreased due to decreases in real estate assessments. 	

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Reduced parking requirements

This brief is appropriate for:

Housing Market Condition: Soft Markets, Strong Markets

Administering Agency: Department of Planning, Zoning Commission

Overview

Most cities establish in their zoning code a minimum number of off-street parking spaces that must be created for each home in a residential development. The number of spaces required can be based on the number of bedrooms (e.g., 0.5 spaces per bedroom) or established on a per unit basis, and may vary by location or project.

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, unless the development incurs the added expense of structured parking. Particularly in the development of multifamily housing in urban areas, structured or

underground parking can cost anywhere from \$25,000 to \$65,000 per space, a significant cost factor for each unit of housing. In many cases, minimum parking requirements also go beyond what is strictly needed to ensure that residents have adequate parking, which may encourage higher rates of car ownership and driving, and increase congestion and pollution. In addition, there are circumstances where a one-size-fits-all parking requirement results in excess land dedicated to parking that might otherwise be used for housing.

Cities, towns and counties seeking to expand the supply of housing may wish to revisit their zoning code to determine whether current minimum parking requirements can be reduced in some or all parts of town or for certain development types. By reducing off-street parking, communities can lower development costs, potentially free up land for additional units, and reduce the cost of housing for residents. Alternatively, some cities establish parking *maximums*, rather than minimums, to discourage the creation of excess parking spaces.

In this section we review a number of the factors that should be addressed in developing and implementing reduced parking requirements.

Approach

Cities can structure parking requirements in a variety of ways. Some jurisdictions set requirements based on the dwelling unit type – for example, a single-family home may be required to have at least one off-street parking space, a duplex may be required to provide two spaces, and so on. For multifamily buildings, the number of required parking spaces is commonly linked to the total number of bedrooms (e.g., in a jurisdiction that requires 1.5 spaces per bedroom, a 20-unit building would need to provide 30 parking spaces). These minimums may be applied uniformly across the city or may vary based on the location of the housing, with lower parking

requirements more common in areas close to transit stations or major bus lines. (See Alexandria, VA example below.) Neighborhoods designated for higher-density and/or mixed-use development with access to public transit may have relatively low per-unit parking requirements compared to areas with low-density single-family homes, on the assumption that residents who are able to access many destinations by public transit or on foot are less likely to own a car.

In addition to requirements related to building size and location, some communities establish parking standards based on the planned occupants of a building. These adjustments account for lower vehicle ownership rates among certain types of households, such as seniors and low-income households. Senior apartments, assisted-care units, and congregate care facilities are all likely to have lower parking demand than non-age-restricted developments of the same size. A zoning policy that doesn't account for these differences would require an equal number of parking spaces per bedroom, and likely result in an oversupply of parking. New York City has eliminated off-street parking requirements for subsidized housing and senior housing located within a "transit zone" that covers parts of the city within one-half mile of the subway. Other considerations may include the amount of secured bicycle parking provided by the building and the availability of car-sharing vehicles.

Local jurisdictions can reduce the number of spaces required per unit (e.g., from 1.5 to 1.0 spaces per bedroom for multifamily dwellings) on a community-wide basis, in particular zoning districts or locations (e.g., within a quarter-mile of transit stations), for particular types of housing (e.g., age-restricted senior apartments), or based on some combination of these characteristics. Some cities eliminate parking space minimums altogether —most commonly in the downtown or central business district, but also near transit stations and college campuses.

Some communities not only have eliminated minimum parking requirements but have adopted parking maximums instead. Rather than stipulating a minimum number of spaces that must be provided, this approach places an upper limit on the number of parking spaces that may accompany a residential development. Replacing parking minimums with parking caps can help developers avoid having to over-supply parking just to comply with regulatory requirements (or avoid the process of securing a zoning variance that allows them to provide fewer spaces than required). Such caps can also help to discourage driving and encourage the use of public transit and walking.

When making revisions to parking requirements, communities should consider seeking feedback early in the process from a broad range of stakeholders, including transportation planners and engineers, representatives of the local transit authority, and for-profit and non-profit housing developers and managers. Additional analysis to determine actual vehicle ownership rates by income level, age of household head, and household size, as well as proximity to and availability of public transit and actual parking utilization rates may be helpful to inform policy development and ensure requirements reflect local circumstances. Whatever criteria are used to establish standards, zoning and planning staff should ensure that they are clearly defined in sufficient detail in order to avoid confusion or disagreements in interpretation.

Other considerations

Targeted reductions in parking requirements to promote affordability

Some communities also [reduce parking requirements \(/housing-policy-library/reduced-parking-requirements-for-qualifying-developments/\)](#) for individual developments, as an incentive to set aside a share of units for low-

and moderate-income households.

Examples

Alexandria, VA has a complex set of off-street parking requirements that are tailored to the development type and part of town. Single-family detached homes and duplexes, rowhouses, and townhouses must have 2 parking spaces per unit. Multifamily buildings that are located within walking distance of a Metro public transit station are required to provide 0.8 spaces per bedroom, but this requirement is reduced by five percent in the following cases:

- The building is within one-quarter mile of four or more active bus routes
- The building has a walkability index score of 80 percent or above (buildings with a score of 90 to 100 are eligible for a 10 percent reduction in parking requirements)
- Twenty percent or more of the units in the building are studio apartments

Outside of Metro-accessible areas, multifamily buildings must provide one parking space per bedroom. However, reductions are possible in cases where the building is near a bus rapid transit stop or four or more active bus routes, in an area with a high walkability index score, or has a large proportion of studio apartments. In calculating the number of spaces required for multifamily buildings, Alexandria allows any development to disregard additional bedrooms after the first two. Multifamily buildings that include affordable housing are also eligible for additional flexibility in parking requirements. Read more about Alexandria's parking and loading regulations. [↗](#)

Buffalo, NY approved the Unified Development Ordinance [↗](#) in 2017, moving to a form-based code focused on contextual and sustainable development. The new code eliminated a burdensome obligation to provide unnecessary and expensive off-street parking for adaptive reuse and infill projects. Moving toward a market-based approach is intended to better align housing development with actual parking needs and reduce the total cost of development. Read a reflection [↗](#) from 2021 on the success of these changes.

Related resources

Policy design and implementation

- Consumer Expenditure Survey tables [↗](#) – Tables compiled by the U.S. Department of Labor Bureau of Labor Statistics provide vehicle ownership data by household income level, housing tenure, location, age, and other factors.
- Parking Management: Comprehensive Implementation Guide [↗](#), Victoria Transport Policy Institute (July 2022) – While not limited to residential parking requirements, this guide provides detailed information on policies and programs that can be used to improve the efficiency of existing parking management systems. The report includes a list of potential parking requirement adjustment factors and typical adjustments (Table 12).

Parking requirements and housing affordability

- The Trouble with Minimum Parking Requirements [↗](#), The University of California Transportation Center (1999) – Describes cost impacts of minimum parking requirements and presents alternative solutions for regulating parking supply.
- Searching for the Right Spot: Minimum Parking Requirements and Housing Affordability in New York City [↗](#), NYU Furman Center (2012) –

Examines how parking regulations affect developers' decisions about what to build, explores the effect that the parking requirements may have on housing affordability, and highlights some options for reform.

General resources

- Rethinking Residential Parking: Myths & Facts [↗](#), Non-Profit Housing Association of Northern California – Debunks popular misconceptions about parking, such as “Affordable housing in particular needs more parking” and “People will own the same amount of cars regardless of transit services, neighborhood characteristics and amount of parking spaces.” Includes case studies from cities in California.

Local analysis

- This article [↗](#) (2020) from the Land Use Policy journal evaluates the effects of a 2012 change on parking requirements in **Seattle, WA**. The researchers investigate the amount of parking provided in response to the new rule by neighborhood and building characteristics.
- The Metro Vancouver Apartment Parking Study [↗](#), Metro Vancouver (September, 2012) – This technical report examines local data, emerging trends, and lessons from other cities to present findings and recommendations for multifamily apartment parking requirements in **Vancouver, BC** that will likely be applicable in other communities.

On this page[Overview](#)[Approach](#)[Funding](#)[Eligibility](#)[Other considerations](#)[Examples](#)[Related resources](#)

Housing trust funds

This brief is appropriate for:

Housing Market Condition: Soft Markets, Strong Markets

Administering Agency: Department of Housing and/or Community Development

Overview

Housing trust funds are a flexible source of funding that can be used to support a variety of affordable housing activities. Because they are created and administered at the city, county, or state level, housing trust funds are not subject to the restrictions of federal subsidy programs and therefore can be designed specifically to address local priorities and needs.

The entity administering the fund determines eligible activities, which vary widely from community to community, from emergency rent assistance for families facing the threat of eviction or homelessness to gap financing for new construction of affordable housing to repairs and weatherization for older homeowners. Ideally, funding for the trust fund comes from a dedicated revenue source established with the support and approval of key stakeholders. While the actual amount of funding

received each year may fluctuate, securing a dedicated revenue source allows some predictability and eliminates the need to go through the budget allocation process each year.

Local jurisdictions interested in creating an affordable housing trust fund will need to make a series of decisions about where the revenue comes from, how the trust fund is administered, and eligible uses. In this section we walk through the primary considerations.

Approach

Cities, towns, and counties that are interested in creating a housing trust fund will need to determine whether the fund will be administered by an existing public office or nonprofit organization, or whether a new entity will be established to perform this function. Typically, trust funds are administered by existing public offices that have experience working with housing development partners, administering grants, and managing a competitive application process, such as the local department of housing or community development. In some cases, however, it may be expedient to identify a partner organization or to create a separate entity charged solely with managing trust fund operations.

The entity responsible for managing the housing trust fund will need to make a variety of administrative decisions about the fund's operation. Many of these decisions relate to housing trust fund awards, including:

- **How will awards be structured—as grants, low-interest or forgivable loans, credit guarantees, or in some other form?** This decision will be guided in large part by the activities to be funded.
- **How will the application process be structured?** Some cities, towns, and counties allow applications to be submitted on a rolling basis, while others issue an annual or semi-annual request for proposals, often in coordination with other funding programs. Alternatively, some jurisdictions automatically allocate housing trust fund proceeds to designated housing and services providers to fund existing programs.

- **How will applications be evaluated?** Will priority be given to any types of projects, or projects with certain characteristics?

Local cities, towns, and counties will also need to establish other rules and guidelines regarding administration of the housing trust fund, including establishing the agency or department responsible for day-to-day management of the fund and expectations for reporting on housing trust fund activities. Many cities, towns, and counties also establish an advisory body composed of stakeholders from diverse backgrounds to help guide trust fund administration and provide program oversight. Smaller localities should consider the potential of partnerships with other localities, regional authorities, or the state to assist in the management of the administration of the housing trust fund.

Funding

There are many possible sources of revenue for a local housing trust fund. These sources often have some connection to the policy goal(s) of the trust fund—for example; many cities, towns, and counties deposit the revenue from [linkage fees \(/housing-policy-library/linkage-fees-affordable-housing-impact-fees/\)](/housing-policy-library/linkage-fees-affordable-housing-impact-fees/) associated with new commercial development in the trust fund. The related section on [dedicated revenue sources \(/housing-policy-library/dedicated-revenue-sources/\)](/housing-policy-library/dedicated-revenue-sources/) has more information on potential sources of funding for a housing trust fund.

Decisions about which source(s) are most appropriate for a given community will depend on a number of factors. One key consideration is the revenue potential of a given source, and whether it is likely to generate sufficient funds to provide meaningful support for affordable housing activities. The *reliability* of that funding source from year to year is a closely related consideration. The trust fund infrastructure allows funds to be carried over from year to year, making it possible to provide an even level of support for affordable housing activities even as funding levels fluctuate over time. However, trust funds that are funded with government appropriations and similar sources receive only a one-time funding boost with little assurance of ongoing support. For this reason, some advocates limit the definition of housing trust funds to those funds that are linked to a dedicated revenue source that

assures the availability of resources on a regular basis.^[1] Localities with softening housing markets or experiencing economic contraction should ensure that funding will be sufficient for affordable housing needs and protected from appropriation for other uses.

Cities, towns, and counties will also need to assess the practical and political feasibility of creating a new fee or re-directing an existing revenue stream for affordable housing purposes. These changes may require state approval or approval of a ballot measure in a public election. On a practical level, it is important to consider how funds are currently being used, and whether their use for affordable housing will create a funding gap for other key activities. Politically, support or approval from key stakeholders will be needed to designate a funding source for an affordable housing trust fund—whether working with elected officials to allocate a portion of document recording fees to the trust fund, for example, or asking community members to approve a bond issue.

Eligibility

One of the key decisions in designing a trust fund is identifying the activities that the trust fund will support. Cities, towns, and counties may choose to limit eligibility for trust fund expenditures to one high-priority activity, or allow a variety of possible uses. When deciding on eligible uses of trust fund expenditures, local jurisdictions should consider whether there are any high-priority housing needs that are difficult to fund with other sources, such as the creation of rental units for moderate-income households earning between 80 and 100 percent of area median income who aren't eligible for federal housing programs. Trust fund revenue can also be used to fill gaps in other funding streams— for example, to provide deep rent subsidies that make Low Income Housing Tax Credit units affordable to extremely low-income households.

Estimates of the amount of revenue likely to be raised in a given year should also inform this decision. For example, in cities, towns, and counties that expect to generate a very modest funding stream, it may be better to focus on small grants to

support home safety modifications for senior homeowners, while cities, towns, and counties that anticipate a robust amount of revenue could choose to create a more costly program such as a local tenant-based rental assistance program.

Depending on local priorities and subject to state regulations, essentially any housing-related activity can be funded with a housing trust fund. Examples of the types of activities that can be funded with housing trust fund proceeds include:

- [Capital subsidies for affordable housing developments \(/housing-policy-library/capital-subsidies-for-building-affordable-housing-developments/\)](#)
- [Below-market financing of affordable housing development \(/housing-policy-library/below-market-financing-of-affordable-housing-development/\)](#)
- [Operating subsidies for affordable housing developments \(/housing-policy-library/operating-subsidies-for-affordable-housing-developments/\)](#)
- [Acquisition and operation of moderate-cost rental units \(/housing-policy-library/acquisition-and-operation-of-moderate-cost-rental-units/\)](#)
- [Targeted efforts to create and preserve dedicated affordable housing in resource-rich areas \(/housing-policy-library/targeted-efforts-to-create-and-preserve-dedicated-affordable-housing-in-resource-rich-areas/\)](#)
- [Targeted efforts to expand the supply of rental housing and lower-cost housing types in resource-rich areas \(/housing-policy-library/targeted-efforts-to-expand-the-supply-of-rental-housing-and-lower-cost-housing-types-in-resource-rich-areas/\)](#)
- [Community land trusts \(/housing-policy-library/community-land-trusts/\)](#)
- [Deed-restricted homeownership \(/housing-policy-library/deed-restricted-homeownership/\)](#)
- [Limited equity cooperatives \(/housing-policy-library/limited-equity-cooperatives/\)](#)
- [Use of publicly owned land for affordable housing \(/housing-policy-library/use-of-publicly-owned-property-for-affordable-housing/\)](#)
- [Land banks \(/housing-policy-library/land-banks/\)](#)
- [Property acquisition fund \(/housing-policy-library/property-acquisition-funds/\)](#)
- [State- or local-funded tenant-based rental assistance \(/housing-policy-library/state-or-local-funded-tenant-based-rental-assistance/\)](#)

- [Security deposit and/or first and last month's rent assistance \(/housing-policy-library/security-deposit-and-or-first-and-last-months-rent-assistance/\)](/housing-policy-library/security-deposit-and-or-first-and-last-months-rent-assistance/)
- [Downpayment and closing cost assistance \(/housing-policy-library/downpayment-and-closing-cost-assistance/\)](/housing-policy-library/downpayment-and-closing-cost-assistance/)
- [Shared appreciation mortgages \(/housing-policy-library/shared-appreciation-mortgages/\)](/housing-policy-library/shared-appreciation-mortgages/)
- [Subsidized mortgages \(/housing-policy-library/subsidized-home-mortgages/\)](/housing-policy-library/subsidized-home-mortgages/)
- [Energy-efficient retrofits \(/housing-policy-library/energy-efficiency-retrofits/\)](/housing-policy-library/energy-efficiency-retrofits/)
- [Foreclosure prevention programs \(/housing-policy-library/foreclosure-prevention-programs/\)](/housing-policy-library/foreclosure-prevention-programs/)
- [Assistance for home safety modifications \(/housing-policy-library/assistance-for-home-safety-modifications/\)](/housing-policy-library/assistance-for-home-safety-modifications/)
- [Homeowner rehabilitation assistance programs \(/housing-policy-library/homeowner-rehabilitation-assistance-programs/\)](/housing-policy-library/homeowner-rehabilitation-assistance-programs/)
- [Weatherization assistance \(/housing-policy-library/weatherization-assistance/\)](/housing-policy-library/weatherization-assistance/)

All requirements regarding eligible applicants, income targeting, the required affordability period, and other limits on the use of housing trust fund awards should be clearly established in the program guidelines.

Other considerations

State requirements

Some states restrict the powers of cities, towns, and counties, allowing only those local activities that are specifically authorized by the state government. These states are sometimes called Dillon's Rule states, in reference to the Iowa Supreme Court justice who made a series of court decisions that affirmed a narrow interpretation of local authority in the Tenth Amendment to the U.S. Constitution.^[2]

In Dillon's Rule states, state enabling legislation may be required to establish a housing trust fund or to use certain sources of funding.

Examples

The **Somerville, MA Affordable Housing Trust** focuses on preserving and creating affordable rental and homeownership units, as well as providing direct assistance to renters and homeowners. Funds may be used for a variety of activities that support these goals, including site development for new construction; rehabilitation subsidies and arson prevention for existing developments; and assistance with security deposits or down payments and closing costs for renters and homebuyers. Trust documents also allow for funds to be used to research other appropriate activities or to provide seed money for new programs or organizations. Funding for the Trust comes from a variety of sources, including [linkage fees \(/housing-policy-library/linkage-fees-affordable-housing-impact-fees/\)](#) and in lieu payments from the city's inclusionary zoning programs, as well as allocations from the city and from the federal Emergency Shelter Grant program. At least 20 percent of funds must be used to serve households with incomes below 50 percent of AMI, although the Trust "encourages deeper affordability" and the use of funds to serve people experiencing homelessness. Another 20 percent is reserved for households at 51 to 80 percent of AMI, and 10 percent must go towards those with incomes between 81 and 100 percent of AMI. The Trust is governed by a nine-member Board of Trustees that includes the Mayor, President of the Board of Aldermen, and Executive Director of the Somerville Housing Authority (or their designees), as well as six members appointed by the Mayor or approved by the Board of Aldermen including representatives from the housing or real estate and banking or finance sectors and at least one Somerville resident who is eligible for state or federal public housing programs. The Somerville Affordable Housing Trust Strategic Vision Plan & Guidelines provides more details. [↗](#)

To support its housing trust fund, **Austin, TX** dedicates property tax revenue from projects built on land that was previously owned by the city. When the city's Affordable Housing Trust Fund was first created in FY 1999-2000, the City Council voted to direct 40 percent of property tax revenue generated by developments on former city-owned property to the fund; in 2016, they increased that share to 100 percent. The city's Neighborhood Housing and Community Development Department administers the fund, which also receives support from the city's [tax](#)

[increment financing \(/housing-policy-library/tax-increment-financing/\)](/housing-policy-library/tax-increment-financing/) program, property sales, and other local sources. Funds support rehabilitation and creation of new affordable housing, including in higher-income neighborhoods and Homestead Preservation Districts that have been targeted for reinvestment, among other activities. The Housing Trust Fund Project lists more details about Austin's Housing Trust Fund. [↗](#)

Related resources

General

- The Center for Community Change Housing Trust Fund Project [↗](#) – The most exhaustive source of information on housing trust funds; includes detailed information about components of housing trust funds and campaigns to establish housing trust funds, as well as case studies and up-to-date examples.
- Opening Doors to Homes for All: The 2016 Housing Trust Fund Survey Report [↗](#), Housing Trust Fund Project (2016) – This report of the Housing Trust Fund Project provides a comprehensive overview of housing trust funds at the state, city, and county levels, including revenue sources, administration, and program requirements.
- Establishing a Local Housing Trust Fund: A Guide for California Officials [↗](#), Institute for Local Government (2007) – Although prepared for local jurisdictions in California, this report provides guidance that will be of interest to all cities, towns, and counties interested in creating a housing trust fund, with special focus on program design, administration, and coordination.
- Municipal Affordable Housing Trusts [↗](#), Massachusetts Housing Partnership (2013) – While prepared for local jurisdictions in Massachusetts, this guidebook may be a useful reference point for all cities, towns, and counties, with sections on defining the vision of the trust and strategies for gaining support and approval.

State enabling legislation

- State Legislation to Promote Local Housing Trust Funds [↗](#), Housing Trust Fund Project (2013) – Provides information on the various forms of state legislation that have helped to advance local housing trust funds.

1. See the Center for Community Change Housing Trust Fund Project write-up at <https://housingtrustfundproject.org/htf-elements/revenue-sources/> ↗
2. For more detail, see the National League of Cities fact sheet Cities 101 – Delegation of Power ↗.



BEST PRACTICES in AFFORDABLE HOUSING



HOUSING TRUST FUNDS

WHO

Fairfax County Housing Trust Fund

WHAT

Provides more than \$18 million to produce over 1,000 units of affordable housing. For every HTF dollar \$7 is leveraged from outside sources to create and preserve affordable housing.

WHERE

Fairfax, Virginia



HOW

Fairfax County's Housing Trust Fund, was created in 1990 to reflect the expenditures and revenues of funds earmarked to encourage and support the acquisition, preservation, development and redevelopment of affordable housing by the Fairfax County Redevelopment and Housing Authority (FCRHA), non-profit sponsors and private developers. The fund is intended to promote endeavors that will furnish housing to low and moderate-income individuals in Fairfax County by providing low-cost debt and equity capital in the form of loans, grants and equity contributions. In 2005, Fairfax County adopted a budget that dedicated one penny of the real estate tax to preserving existing affordable housing; the equivalent of approximately \$20M per year. The 'One Penny Fund' preserved approximately 2,500 units of affordable housing and raised approximately \$80M until it was discontinued in 2009 due to the recession. The current HTF is composed of smaller county contributions, developer contributions and federal funding. The HTF has also been a powerful catalyst. On average, for every \$1 of Housing Trust Fund money, \$7 is leveraged from outside sources to create and preserve affordable housing.

Housing Trust Fund

Other Sources



**FOR EVERY
\$1 OF HOUSING TRUST
FUND MONEY,
\$7 IS LEVERAGED FROM
OUTSIDE SOURCES
TO CREATE AND PRESERVE
AFFORDABLE HOUSING.**

LEARN MORE: <http://thevirginiahousingcoalition.org/2014/03/19/a-look-at-virginias-local-housing-trust-funds/>

On this page[Overview](#)[Approach](#)[Coverage](#)[Eligibility](#)[Other considerations](#)[Examples](#)[Related resources](#)

Use of publicly owned property for affordable housing

This brief is appropriate for:

Housing Market Condition: Soft Markets, Strong Markets

Administering Agency: Department of Housing and/or Community Development, Department of Planning

Overview

By making publicly-owned land and buildings available for the development of affordable housing, cities, towns and counties can help to ensure an adequate supply of lower-cost homes in areas with high land costs and limited development opportunities.

Even in strong markets with little or no undeveloped land capable of supporting residential development, the local government may own properties that include buildings that are vacant, underutilized, or no longer useful for their original purpose. These properties (or development rights on these properties) could be made available at no (or a reduced) cost to developers that commit to specific

affordability requirements or redeveloped in a way that combines a governmental use (e.g., a school or a community center) with affordable housing.

This policy tool can be used effectively in all communities and is particularly important in communities where vacant land appropriate for residential use is scarce.

Approach

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 jurisdictions can help to overcome this obstacle by identifying public property that can be repurposed for residential use, and making it available to developers who commit to creating and maintaining ongoing affordability. Development opportunities may be found on surplus or underutilized publicly-owned land, through the redevelopment of vacant municipal buildings, on the same lot, or even within public buildings that are still actively used for other purposes. The property may be offered at fair market value, at a discount, or even at no cost.

To set the stage for the use of publicly-owned property to create additional affordable homes, some communities adopt a policy that requires public agencies to first make surplus or underutilized public land or buildings available to developers who commit to creating affordable or mixed-income housing. Once a designated period (e.g., 60 or 90 days) has passed with no buyers who have purchased the property for affordable housing, the property can be opened up for sale or lease for other purposes. In some cases, states have already taken this step – in California, for example, the Surplus Land Act requires public entities to give first priority to organizations that will create residential developments where at least 25 percent of the units are affordable to low-income households. Where this is the case, cities may be able to adopt stronger affordability requirements in accordance with local goals.

Rather than adopting a policy, local jurisdictions can also build consideration for affordable housing into the disposition process for surplus land and buildings. Under this approach, local jurisdictions consider each site on a case-by-case basis when determining whether to prioritize it affordable housing or for another purpose. These decisions should be based on clear criteria for what makes a site a good candidate for affordable housing – for example, proximity to high-performing schools, jobs, public transit, and other services and amenities – as well as characteristics that might make development for this purpose especially undesirable or difficult. Housing staff may determine that contaminated sites, those with steep grades, those located within or near a wetland, and parcels located in areas of concentrated poverty are poor candidates for affordable housing and prioritize their use for other purposes.

Beyond identifying and prioritizing surplus properties to create affordable housing, cities should consider other opportunities for new residential development on publicly-owned land. This approach may include looking at existing sites that will continue to be used for their current purpose but could be developed more intensively—such as low-density buildings where additional floors could be added or surface parking lots adjacent to public buildings that could be redeveloped as housing that includes structured parking for both the residents and the adjacent public building —as well as new public projects where affordable housing units could be incorporated. For example, some cities have successfully developed affordable housing on top of fire stations or public libraries. Others co-locate affordable housing and healthcare facilities; a strategy that may be particularly helpful for units targeting high-needs populations.

Once available sites have been identified, the department of housing typically issues a request for proposals (RFP). The RFP should clearly state approximate or anticipated density and unit count, affordability expectations including the income level(s) to be served and the required duration of the affordability period,

preferences for serving special populations (e.g., seniors, families, formerly homeless individuals, etc.), and any other terms under which the property, or development rights, are offered.

In some cases, cities give affordable housing developers priority access at a fair market price, without any additional incentives or discounts. This approach helps non-profit and mission-driven developers avoid competition with for-profit developers who are able to bid up the price, but in many high cost cities that may not be enough to make affordable housing economically viable, particularly if the housing is targeted for very low-income families. To overcome this challenge, many cities offer surplus or underutilized property at a discounted price or with access to low-cost financing when used for affordable housing, allowing the swift development of high-quality affordable housing units with less initial financial burden.

Where a site has been determined to be inappropriate for residential use, or where the city places a priority on receiving fair market value for a parcel of land (or is required to do so by local or state law), there are still opportunities to support affordable housing. City policy can stipulate that a share of the proceeds from the sale of any publicly-owned land that will be re-developed for non-residential purposes be used to support affordable housing activities.

Coverage

Ideally, all public agencies with a real estate portfolio will participate in efforts to identify opportunities for residential development through the identification of surplus or vacant land and buildings, or properties still in use that could be used more intensively. In some communities, the school district is the largest public landholder; in others, the transit agency may hold a large amount of property as staging ground while a new station or transit line is built. As community needs change or projects are completed, these agencies should be active participants in identifying land and buildings that are no longer needed or where affordable housing could be added.

As a starting point, cities can create and maintain a surplus land inventory with key attributes of available parcels, making it easier to quickly identify sites that might be good candidates for affordable housing. Periodic audits of each city department can help to uncover parcels that can be added to the inventory, which may be available to the public or reserved for internal use only. Local jurisdictions are encouraged to go beyond assessments of surplus land to look creatively at additional locations that could be repurposed for residential development—such as surface parking lots and low-density community centers in an area where densities have increased. Communities can also facilitate identification of available sites by convening regular interagency meetings. These meetings may be led by the department of housing, community development, or another agency.

Eligibility

Cities that create a program encouraging the use of publicly owned land for affordable housing development will need to determine if eligibility is limited to non-profit organizations or open to all developers who agree to commit to affordability requirements. Cities may also require project sponsors to demonstrate a track record of successful development and management of affordable or mixed-income housing. In addition to eligibility requirements for the developer, the policy will need to specify requirements for eligible developments – with respect to housing type, the affordability level served, and the duration of affordability required. Eligibility may also be contingent on a commitment to deliver the proposed project within a specified time period (e.g., 5 years). See related briefs: *Balancing increases in affordable housing in resource-rich areas with investments in low-income neighborhoods* (<https://www.localhousingsolutions.org/refine/balancing-increases-in-affordable-housing-in-resource-rich-areas-with-investments-in-low-income-neighborhoods/>); *Determine the duration of required affordability for dedicated affordable housing* (<https://www.localhousingsolutions.org/refine/determining-the-duration-of-required-affordability-for-dedicated-affordable-housing/>); *Setting*

income eligibility levels for local housing programs

(<https://www.localhousingsolutions.org/refine/setting-income-eligibility-levels-for-local-housing-programs/>).

Other considerations

Streamlined approvals

In some communities, developers of affordable housing on former publicly-owned land are automatically eligible for an [expedited permitting process](/housing-policy-library/expedited-permitting-for-qualifying-projects/) (</housing-policy-library/expedited-permitting-for-qualifying-projects/>). Access to a streamlined process helps to further reduce development costs and shorten the timeline within which homes can be delivered.

Effects on revenue

In some localities, the revenue proceeds from the sale of public property may be included in budget projections or allocated toward other projects. To effectively develop an affordable housing strategy using publicly-owned land, it is important to collaborate with other agencies and stakeholders to understand the short and long term impacts of a sales process which may reduce or eliminate sources of anticipated revenue.

Examples

Montgomery County, MD has since the 1980s actively supported the development of mixed-income housing on county-owned land. Legislation passed in 2013 (Bill 37-12) [↗](#) requires the County to evaluate the feasibility of including a “significant amount” of affordable housing in proposed capital improvement projects, including an assessment of the site’s proximity to public transit and other community services. Projects covered by the legislation as targets for co-location of affordable housing include public facilities such as libraries, recreation centers, and transit stations. In 2016, for example, a new mixed-use, mixed-income development with affordable senior housing opened adjacent to a new County library.

Ordinance 12394 [↗](#), passed by **King County, WA** in 1996, requires any surplus parcels determined to be appropriate for residential development be sold or leased for development of affordable housing. The County's Facilities Management division maintains a property inventory of all County-owned sites, including the department that has jurisdiction over the land, the estimated value, and potential uses. Departments are required to provide status reports on all sites on an annual basis; properties that are designated as "surplus" are then subject to further inquiries to determine whether they should be transferred to another department or can be considered for affordable housing. Factors considered when determining viability for affordable housing development include the site's natural features, the underlying zoning designation, and existing linkages to utilities.

Washington, DC's Disposition of District Land for Affordable Housing Amendment Act [↗](#) requires developers of multifamily housing built on surplus city-owned land to reserve at least 20 to 30 percent of units for low-income households. The specific share of affordable units required is determined on a case-by-case basis, based on the development's proximity to public transit service. (Parcels that are within one-half mile of a Metrorail station or one-quarter mile of a streetcar line or high-traffic bus route are subject to the 30 percent requirement; outside of these areas, 20 percent of units must meet eligibility requirements.) The Act applies to rental housing and homeownership units, with rental units targeted on low-income and very low-income households (with incomes between 30 and 50 percent of area median income (AMI) and equal to or less to 30 percent of AMI, respectively) and homeownership units targeted on moderate-income households (with incomes between 50 and 80 percent of AMI) and low-income households.

Related resources

Implementation

- Public Benefit from Publicly Owned Parcels: Effective Practices in Affordable Housing Development, Enterprise Community Partners (June 2017) [↗](#) – This

report offers best practices principles for use of publicly owned land at different types of sites, including small sites, suburban areas, infill development, and large or master-planned sites.

- Public Land & Affordable Housing in the Washington DC Region: Best Practices and Recommendations [↗](#), Urban Land Institute and National Housing Conference (February 2015) – This report uses case studies of three recent affordable housing developments in Washington, DC as a lens to identify eight key promising practices for developing publicly owned land for affordable housing. The report also describes several local programs that prioritize the use of publicly-owned land for affordable housing.

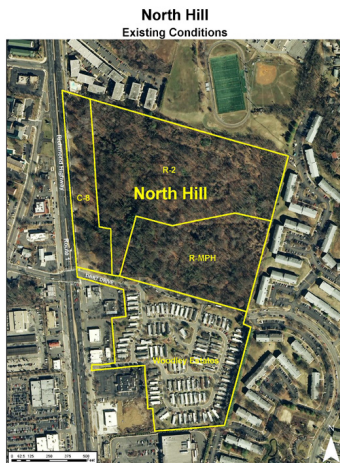
Local examples

- Downtown Land Disposition Strategy (<https://localhousingsolutions.org/wp-content/uploads/2021/05/DowntownLandDispositionHRandAFinalReport.pdf>), HR&A Advisors (July 2017) – Prepared for the City of Raleigh, North Carolina, this report describes the results of a stakeholder engagement process focused on the use of public land and then details consideration for the use of specific sites. While affordable housing is only one of the uses contemplated, this report provides insights into the public engagement process and characteristics to consider when determining whether a site is appropriate for residential use.
- Leveraging Public Land for Affordable Housing in Northern Virginia: A Primer [↗](#), Northern Virginia Affordable Housing Alliance (2014) – While focused on how jurisdictions in Northern Virginia can use surplus public land to create more affordable housing, this report has guidance on key issues that are likely to be useful to all communities. The report includes examples of developments in the region.
- Prioritizing Public Lands for Affordable Housing and Other Public Benefits [↗](#), Family Housing Fund, September 2018 – This report provides model ordinances and best practices for providing affordable housing on public land. The report outlines the current state and local ordinances regulating surplus land and provides a model on how to write an ordinance.

- How Using Public Land Can Help Address Housing Shortages [↗](#), In 2018, the Washington state legislature enacted a bill that allows cities to bypass fair-market value regulations by enabling municipalities to sell or lease land for a low cost. In response, Seattle City Council passed a resolution requiring city agencies to prioritize affordable housing when disposing of public land. The City of Seattle also partners with public agencies to develop affordable housing through land transfers. In 2019 the city acquired smaller-scale parcels from Seattle City Light for homeownership opportunities.



TRANSFORMING NORTH HILL 7b.



The **North Hill property** consists of approximately 35 unimproved acres off of Richmond Highway in the Mount Vernon District of Fairfax County. Through the Public Private Education Facilities and Infrastructure Act of 2002 (PPEA), the Fairfax County Redevelopment and Housing Authority (FCRHA) is able to pursue a public-private partnership that will transform North Hill into a mixed income affordable and market rate housing community comprised of multifamily rental apartments and for-sale townhouses.

CHPPENN I, LLC, the developer selected through a competitive selection process for the North Hill project, currently proposes among other things, to construct up to 27- multi-family rental units in five separate, high quality, urban designed buildings with structured parking. Of the 279 units, 10 percent will be for households with an annual income at or below 30 percent of the Area Median Income (AMI), 20 percent of the units will be for households with an annual income at or below 50 percent of the AMI, and the remaining units will be for households with an annual income at or below 60 percent of the AMI. (Washington AMI for a family of four is \$126,000.) In addition, 60 of the multi-family units will be dedicated to affordable senior housing.

Multi-Family Rental Unit Breakdown

Area Median Income (AMI)	Percentage of Units	Number of Units
At or below 30%	10%	28
At or below 50%	20%	56
At or below 60%	70%	195



North Hill Background:

North Hill is part of a larger 48 acre piece of land that the FCRHA acquired in 1981 using federal Community Development Block Grant (CDBG) funds. In 1991, approximately 15 of the 48 acres were redeveloped into the present day manufactured home community of Woodley Hills Estates, which currently consists of 115 mobile home pad sites. The remaining approximately 35 acres of the North Hill site remain undeveloped.

In 2012, an opportunity presented itself when the FCRHA received an unsolicited proposal from a developer under the PPEA which proposed transforming North Hill into a mixed income, affordable and market rate housing community. As required under PPEA, the FCRHA issued a "Request for Competing Proposals" from other developers. Several proposals were received, including an updated submission from the developer which submitted the original unsolicited proposal. After a rigorous review, the CHPPENN I, LLC proposal was determined by a county-appointed committee as the best proposal. **For more information, visit: www.fairfaxcounty.gov/housing/community-development/north-hill**

About CHPPENN I, LLC: CHPPENN is a partnership between Virginia based Community Housing Partners (CHP) and Pennrose, a high quality developer based in Philadelphia, PA. Since 1975, CHP has expanded its service area to encompass seven states; built a multifamily housing inventory of almost 6,000 units; weatherized approximately 25,000 homes; developed more than 250 single-family houses; and assisted over 310,000 individuals with their housing, financial, and social needs. Pennrose has developed and managed more than 180 communities and 14,000-plus units.

On this page[Overview](#)[Approach](#)[Coverage](#)[Eligibility](#)[Other considerations](#)

Reduced or waived fees for qualifying projects

This brief is appropriate for:

Housing Market Condition: Strong Markets

Administering Agency: Department of Housing and/or Community Development, Permitting/Inspections Department

Overview

Some communities assess development impact fees and permit processing fees during the construction process. Revenue raised from these fees helps to cover the cost of expanding infrastructure and other public services to cover residents of new developments, as well as administrative expenses and other budgetary needs.

Approach

There are a variety of ways that cities, towns, and counties can make fee waivers and reductions available to developers of qualifying projects. Typically, developers need to submit an application for the fee waiver or reduction of the planning or housing and community development department, along with documentation proving their intention to comply with eligibility requirements. Once the application has been approved for a qualifying project, the benefit is provided.

In some cities, such as Portland, OR, a specified set of fees may be waived by city staff, while waivers of larger fees must be approved by the City Council. Instead of providing as-of-right waivers, it is also possible for local jurisdictions to consider waivers on a case-by-case basis. However, this approach may be administratively burdensome for the jurisdiction, and makes the development process and associated costs less transparent and predictable for developers, who need a clear picture of development costs to develop an accurate project budget.

Rather than reducing or waiving fees, some local jurisdictions allow payment on a deferred basis. The short-term construction loans available at the start of the development process carry relatively high interest rates compared with longer-term permanent financing. Deferred fee payments allow developers to make payments after securing long-term, lower-cost financing, while the community still collects the

expected revenue and avoids budget shortfalls in other areas. Regulations will need to specify when payment of deferred fees is required (e.g., when permanent financing is secured, when a certificate of occupancy is issued, etc.), as well as any penalties associated with failure to deliver the affordable units within the promised timeframe.

See the related discussion on reducing impact fees and exactions for all new residential development (<https://localhousingsolutions.org/housing-policy-library/reductions-in-impact-fees-and-exactions/>) for more resources.

Coverage

Developers are liable for a variety of fees throughout the construction process—from permitting fees and inspection fees to fees associated with approval of the site plan or architectural review. Many jurisdictions also assess impact fees on new residential developments, which are designed to cover the cost of infrastructure improvements needed to serve the new residents. Impact fees are subject to strict legal tests (referred to as “nexus”) that link assessment amounts to the actual cost of providing services—from the expansion of roadways to water and sewer infrastructure to fire stations, parks, and schools. Local jurisdictions will need to decide whether to reduce or waive *all* impact and permit processing fees, or a subset of fees. When determining which fees are covered, communities should weigh the relative cost impact as well as the way(s) in which the revenue raised from a particular fee is used.

Guidelines should also specify how the policy applies for mixed-income developments. When some units are affordable and others are rented or sold at market rates, waivers or reductions may apply to all units in the development, or only to those that meet affordability criteria. Communities can also reduce or waive fees associated with renovations to existing affordable housing, freeing up funds for property owners to undertake repairs or make improvements.

Finally, in an effort to control revenue losses, some cities, towns and counties limit the number of waivers that may be granted in a given year. This cap can be expressed as a maximum number of units that can be granted a waiver or as a percentage of all units developed.

Eligibility

Cities, towns and counties should establish clear criteria for eligibility for fee reductions or waivers. Program guidelines should specify the income level(s) that must be served to qualify for this incentive, as well as any minimum threshold(s) for the share of units in the development that must meet affordability requirements. Guidelines should also specify whether there are any requirements for how long the units must remain affordable.

In some cases, fee waivers or reductions will be offered as a cost offset for a local inclusionary zoning (IZ) program. The requirements for that IZ program will determine the answers to eligibility questions. When offered as a standalone incentive, however, communities will need to determine the affordability thresholds that are most likely to address local housing needs.

Cities, towns and counties will also need to specify whether fee waivers or reductions are available in all geographic areas within the jurisdiction or only in specified zones. For example, communities seeking to foster affordable housing development in areas with high-performing schools might limit eligibility to high-performing school districts' catchment areas.

Jurisdictions may also establish eligibility requirements and limitations that pertain to developers. For example, some communities limit eligibility for fee waivers and reductions to non-profit developers while others make the incentive available to all projects that meet affordability criteria, regardless of who develops them. Other cities, such as **Flagstaff, AZ**, only make fee reductions and waivers available to owners who are in good standing with the City. Owners with outstanding code or tax violations, or outstanding debts due, may not benefit from the program.

Other considerations

Verification

Cities, towns and counties may require property owners or managers to submit documentation verifying that residents of the affordable units meet income and other eligibility requirements. This verification may be required for the initial residents only, or for all subsequent households while income restrictions apply.

Program monitoring

Revenue from impact fees and other fees assessed during the permitting process is used to address community needs—including infrastructure expansion, administrative functions associated with the fee, or other projects that are planned or underway. Waivers or reductions in fee revenue could undermine the ability to cover these costs if other revenue sources are not readily available. Cities, towns and counties that wish to offer fee waivers or reductions should consider careful monitoring of the program, especially in the early years of operation, to ensure there are no unintended negative effects on other programs or the city's ability to meet growing demands on public services.

Examples

The SMART housing program in **Austin, TX** provides a variety of incentives for private developers who create and preserve housing for low- and moderate households and for persons with disabilities. Projects that set aside units as affordable to homeowners and renters earning no more than 80 percent of the median family income (120 percent for owner-occupied units located in certain areas) are eligible for full or partial waivers of 29 separate fees. Fee reductions range from 25 percent for developments where 10 percent of units meet affordability requirements to 100 percent for developments where 40 percent of units meet affordability requirements. Learn more about the SMART housing program. [↗](#)

Folsom, CA allows developers of qualified residential projects to apply to pay impact fees on a deferred basis (up to 15 months from the date of issuance of a building permit). Eligible projects are those in which at least 10 percent of units are affordable to very low-income households or at least 30 percent of units are affordable to low-income households. In addition, payment of specified processing fees may be

waived, subject to a cap of \$200,000/year or \$1 million over 5 years. Affordable units must remain affordable for periods of at least 55 years for rental units and 45 years for owner-occupied units. Learn more about Folsom's deferral and waiver rules. [↗](#)

Sample Ordinances

- **Sacramento, CA** [↗](#) – On October 30, 2018, the City of Sacramento passed a resolution reducing certain development impact fee residential rates for new affordable dwelling units. To qualify, the applicant for a rental housing development or for-sale housing development must restrict the units as affordable for a minimum period of 30 years. The applicant for a rental housing development may be required to enter into a recorded regulatory agreement with the City, or comparable government agency, if the project otherwise requires one. Rate reductions are applied proportionately to the total development costs, and vary depending on the neighborhood that the project is located in and/or whether water or sewer development is involved.
- **Lake County, FL** [↗](#) – Lake County began offering impact fees as early as 1985 with projects that focus on road development, and later adopted fee reductions for projects that benefit school, fire services, library and parks. As of November 2019, their ordinance also includes residential impact fees for low- and very-low income units, transportation categories, and fee reductions in certain districts. The rental housing impact fee waiver ranges from 50-75 percent and is conditioned upon signing a recapture agreement with Lake County to prevent the sale or transfer of the property within the first five years. More information about additional requirements and exemptions depending on the type of project can be found here [↗](#).
- **Vancouver, WA** [↗](#) – Excerpt from the City of Vancouver, WA municipal code describes the city's policy on impact fee reductions and waivers for approved affordable housing developments, including the conditions under which those reductions or waivers are provided
- **Fresno, CA** [↗](#) – A 2007 resolution to the council of the City of Fresno, CA to provide fee waivers, credits or reductions for affordable housing development. Describes the rationale for reducing development impact and administrative fees for affordable housing, and the circumstances in which developments are eligible for those reductions.

Related resources

Impact fees and housing affordability

- Impact Fees and Housing Affordability [↗](#) – This article explores the connections between impact fees and housing affordability, including a survey of the empirical literature on how impact fees influence the price and supply of land and housing.
- A study by the Lincoln Institute of Land Policy [↗](#) finds that almost 40% of jurisdictions offer fee waivers, making it the fourth most common incentive offered after density bonuses, fast-track processing, subsidies, and design flexibility.

See the related discussion on Reductions in impact fees and exactions (<https://localhousingsolutions.org/housing-policy-library/reductions-in-impact-fees-and-exactions/>) for more resources and Inclusionary Zoning (<https://localhousingsolutions.org/housing-policy-library/inclusionary-zoning/#:~:text=Overview-,Inclusionary%20zoning,rate%20rental%20or%20homeowner%20developments.>).



Loudoun County

VIRGINIA

WHERE TRADITION MEETS INNOVATION

8b.

Ordinance to Establish a New Chapter of the Codified Ordinances of Loudoun County – Affordable Housing Land Development Application and Development Permit Fee Waiver Program

Board of Supervisors Public Hearing
September 14, 2022

Background

- Objective 1 of the Unmet Housing Needs Strategic Plan Strategy 4.1, Key Action J includes:
 - the evaluation of potential offsetting of land development application and permitting fees
- On September 8, 2021 , the Board directed staff to accelerate the development and implementation of the Fee Waiver Ordinance and return to the FGOEDC with recommendations
- On July 19, 2022, the Board approved the proposed approach to the Fee Waiver program and authorized the advertisement for public hearing

Background(continued)

- 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
- The Board has approved fee waivers for affordable housing in the past

Project and applicant eligibility

- 100% affordable developments
- Income – 60% AMI for rental and 100% AMI for purchase
- Affordability period – 30 years
- All types of development and any development size
- For-profit and non-profit entities
- Methodology for calculating rents or purchase price

Proposed fees to waive

Includes:

- Zoning Permit
- Construction Plans and Profiles (CPAP)
- Facility Standards Manual Waiver Request (WAIV)
- Site Plan (STPL)
- Floodplain Alterations and Floodplain Studies
- Boundary Line Adjustment (BLAD)
- Dedication of Right-of-Way (DEDI)
- Easements (ESMT)
- Record Subdivision (SBRD)
- Subdivision Waiver (SBWV)

Amount of fee waiver

- Fees for recent affordable housing developments ranged from \$150K - \$223K
- Staff recommendation: Limit to \$100K per development

Approval Process

- Delegating the authority to approve fee waiver requests to the Director of B&D;
- Waive fees up front
- Require an affidavit and the recordation of a deed of restrictive covenants

Budget process

In FY 2024, authorize the Director of B&D to review and approve fee waiver requests up to the amount of \$100,000 per affordable housing development and up to \$400,000 in total fiscal year fee waiver requests.

Staff recommendations

- Forward Ordinance to Establish a New Chapter of the Codified Ordinances of Loudoun County – Affordable Housing Land Development Application and Development Permit Fee Waiver Program to the October 6, 2022, Board of Supervisors Business Meeting for action.
- The Program would become effective in FY2024 so it can be incorporated in the budget process.

Affordable Dwelling Unit (ADU) Program Design Book

The Design Book is provided to give guidance and offer flexibility to builders.

Section 1 outlines acceptable design standards and Section 2 provides flexibility in design that can be submitted to the Zoning Administrator for review.

Applicability & Purpose

The intent of this Design Book is to provide clarity and flexibility in the design and construction of ADUs and to encourage innovative designs that achieve the County's affordable housing goals, while satisfying the requirements of the Zoning Ordinance. Chapter 1450.03 of the Loudoun County Codified Ordinances authorizes the Affordable Dwelling Unit Advisory Board (ADUAB) to *"approve general specifications for prototypical single-family detached, single-family attached and multifamily affordable dwelling units"*. It states further that *"design and construction specifications shall be revised and approved when necessary by the ADUAB and to be structured so that affordable dwelling units offered for sale shall be affordable"* to the targeted households administered to in this program. Section 7-104(C) of the Revised 1993 Loudoun County Zoning Ordinance (Zoning Ordinance) requires that ADUs *"be of a building type and of an architectural style compatible with residential units permitted within the zoning district in which they are located and interspersed among market rate units in the proposed development."* Conformance with this requirement is the responsibility of the Zoning Administrator.

This Design Book has been developed to provide a clear and consistent framework for the design, construction and approval of ADUs and ADU projects in the County. The framework reflects two pathways to approval based on the following objectives:

1. Establish clear design standards and specifications under which ADUs and ADU projects shall be approvable.
2. Establish an approval process that allows greater flexibility for ADUs and ADU projects that meet the intent of the Ordinance through creative and innovative design.

Accordingly, this Design Book is divided into two sections:

- **Section 1, ADU Design Standards and Specifications**, contains minimally acceptable design and construction standards that shall be used to ensure that the ADUs are of a building type and of an architectural style that are compatible with permitted residential units and interspersed among market rate units, as required by Section 7-104 (c) of the Zoning Ordinance. The specifications also establish minimum square footages and interior standards.
 - **Section 2, Guidelines for Alternative Compatibility**, recognizes that many ADU developments will face unique circumstances and that building and construction techniques and designs evolve over time. As such, Section 2 provides general design guidelines that allow flexibility in accomplishing the objectives of Article 7, subject to approval by the Zoning Administrator, with input from ADUAB as requested. The design guidelines in Section 2 are to be referenced in circumstances where builders and developers of ADU units cannot reasonably comply with the Section 1 specifications or where builders
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and developers choose to present unique, innovative, and attractive alternatives. These design guidelines, while general enough to allow for unique design elements and changing housing types, are intended to promote the design of ADUs that are consistent with surrounding market-rate housing units while ensuring affordable and quality design.

The Affordable Dwelling Unit Design Book will be reviewed by the ADUAB on an as-needed basis in coordination with the Department of Planning and Zoning, Zoning Administration Division and the Loudoun County Department of Family Services, and approved by the Board of Supervisors.

SECTION 1 – ADU DESIGN STANDARDS AND SPECIFICATIONS

Unit Type Definitions

For the purposes of design standards and specifications, the definitions in the Loudoun County Zoning Ordinance will determine the dwelling unit types. The design standards for single family attached dwellings stated herein are also applicable to “stacked multi-family dwellings”.

A. Site Planning Standards

Section 7-104(C) of the Loudoun County Zoning Ordinance requires that ADUs be “*interspersed among market rate units within the proposed development*”. ADUs should be an integral part of the overall design of the development. The intent of this is to ensure that affordable units are not grouped together and/or segregated from the market rate units by physical, natural, or environmental features. The following techniques are considered appropriate methods to achieve interspersed in ADU developments:

1. ADUs shall be located in the multiple product types provided, exclusive of single family detached units.
2. ADUs in single-family attached developments should not abut one another except where two ADUs are designed to appear as one large single family attached market rate unit in the same row of townhouses and approved in accordance with Section 2 of the Design Book.
3. ADUs provided in single-family attached buildings shall comprise no more than one unit per building or 38 percent of the total number of units in that building whichever is greater. ADUs may be located directly across a street/travel way from each other or may back directly to each other across rear yards/common area as long as requirements B1, B2, B3 and C1 below are met.
4. ADUs provided in multi-family buildings shall comprise no more than 38 percent of the total number of units on any given floor of the building. Units in any vertical configuration are acceptable.

All units that do not meet the above specifications shall be evaluated under the criteria in Section 2.

B. Size Standards – Single Family Attached and Detached Units

ADUs meeting **any one of the criteria** under each of the width, depth, and height categories below, respectively, are acceptable.

1. WIDTH GUIDELINES

- a. Single-family attached ADUs that are identical in width to market rate units are acceptable.
- b. Single-family attached ADUs of any width are acceptable as long as a project includes identically sized market rate units equaling at least 25% of the number of ADUs in the same section.
- c. Single-family attached ADUs with a minimum width of 70% of the average width of adjacent single family attached market-rate units (defined as the units immediately on either side of the ADU) are acceptable.
- d. Single-family detached ADUs with a minimum width of 75% of the average width of adjacent single family detached market-rate units (defined as the units immediately on either side of the ADU) are acceptable.

2. DEPTH GUIDELINES

- a. Single-family attached ADUs with depths along the entire rear facade equal to market rate units are acceptable.
- b. Single-family attached ADUs with depths along the entire rear façade varying by up to 15% are acceptable if other units in a stick of townhomes are staggered.
- c. Single-family detached ADUs with a minimum depth of 75% of the average width of adjacent single family detached market-rate units (defined as the units immediately on either side of the ADU) are acceptable.

3. HEIGHT GUIDELINES

- a. Single-family attached ADUs with heights identical to market rate units are acceptable.
- b. Single-family attached ADUs with heights that are at least 90% the heights of market rate units are acceptable when heights of market rate units in the same stick of townhomes are staggered vertically.

- c. Single-family detached ADUs with the same number of stories as market rate units are acceptable.

C. Exterior Architectural Standards

1. ADUs with front façade construction materials that are identical to those used in adjacent market rate units are acceptable Or ADUs that have front facade construction materials that are identical to any market rate facades are acceptable when at least 25% of market rate units have the same façade materials.
2. ADUs with varying roof pitches and orientation, gables, dormers, decorative elements, window arrangements, trims, materials, varying setbacks, etc. are acceptable when market rates units use the same design elements or where there is no readily identifiable pattern associated with ADUs.
3. ADUs with rear facades that are compatible wherein it is consistent yet to a higher standard with rear facades of market rate units are acceptable. ADUs must have a deck if they are standard on market rate units. Exterior doors must be provided on the same level(s) as provided in market rate units. Rear façade construction materials must be compatible with market rate rear façade construction materials.
4. Garages must be provided in all ADUs that are adjacent to market-rate units that have a garage.

D. Recommended Minimum Standards and Interior Specifications

1. Bedrooms - The minimum bedroom size for all ADUs is 80 square feet. In units with 2 or more bedrooms, one bedroom shall be a minimum of 110 square feet (typically the master bedroom). All bedroom sizes are exclusive of closets, which shall be provided with each bedroom. Doors in the bedroom shall be located to allow for a minimum of a full size bed in one bedroom and twin size beds in any other bedrooms. Doors must be able to be fully opened without obstruction.
2. Bathrooms - A bathroom is to be no further than one level above or below each bedroom. Units with 4 or more bedrooms shall provide a minimum of 2 full bathrooms. A bathtub shall be provided in at least one bathroom in each unit. If the unit has only one bathroom, a handicap-accessible bath is acceptable.
3. Energy efficiency and conservation features that are standard in market rate units are acceptable.
4. All ADU kitchens shall have a minimum 21" wide sink (actual bowl size) and the following appliances;

- a. Frost free refrigerator of the minimum size shown below;
 - i. 0 to 1 bedroom units – 12 cubic feet (cf)
 - ii. 2 bedroom units – 14 cf.
 - iii. 3 bedroom units – 15 cf.
 - iv. 4 or more bedroom units – 18 cf.
 - b. 30" wide range minimum w/ exhaust hood (hood to have exhaust termination similar to market rate units (i.e. to interior or exterior)).
 - c. Dishwasher
 - d. Garbage disposal
- 5. Washer/dryer shall be provided when they are standard in market rate units. Plumbing rough-ins for washer/dryers are required when provided in market rate units.
 - 6. All carpeting should meet minimum Federal Housing Administration (FHA) specifications
 - 7. Mechanical systems shall be sized and a duct rough-in provided to accommodate a finished basement where applicable.
 - 8. When hose bibs are standard on market rate units, they shall also be provided on ADUs in a similar location.
 - 9. All closets are to have a door. Closets are to have a minimum depth of two feet.
 - 10. All ADUs shall include a central HVAC system. Gas is to be provided as the primary heat source in ADUs where it is provided in the market rate units. Gas may also be used as the back-up fuel with dual fuel heat pumps. Electrical resistance is not permitted as the primary heat source. HVAC systems are to meet the current minimum efficiency recommendations of the US Department of Energy.

11. Water Heater Capacities:

a. Unit Size (# of bedrooms)	Minimum Capacity (gas or electric) in gallons
0 – 1	30
2	30
3	40
4	50
5 or more	60

b. Equivalent tankless water heaters are acceptable.

12. A Builder Landscaping Package shall be provided for all ADUs and shall be equivalent to the market rate units.

SECTION 2 – GUIDELINES FOR ALTERNATIVE COMPATIBILITY

(Not Meeting Section 1)

This section of the Design Book applies to projects that do not meet the design standards and specifications outlined in section 1 and that require Zoning Administrator review and approval. Section 7-104(C) of the Loudoun County Zoning Ordinance requires that ADUs be *“of a building type and of an architectural style compatible with the residential units permitted within the zoning district in which they are located”*. Opportunities for new and innovative techniques may be considered. The scale, massing, architectural design, and construction of ADUs all contribute to ensuring that these units will be compatible with the market rate units in the same development. Building materials, façade treatments, and dimensions should also be compatible with the market rate units so that ADUs cannot be easily identified within a development. Exceptions to the design specifications in section 1 may be approved by the Zoning Administrator on a case-by-case basis with input from ADUAB as requested. In these cases, elevation drawings, interior specifications and/or other appropriate information relevant to the proposed deviation from standards should be provided for review by the Zoning Administrator. The Zoning Administrator may request additional information as necessary to demonstrate conformance with this section.

A request for a zoning determination may be submitted to the Zoning Administrator. The Zoning Administrator may forward the zoning determination request to ADUAB for comment and recommendation prior to issuing the zoning determination. The Zoning Determination request may be presented for review at an appropriate ADUAB committee prior to ADUAB review and recommendation.

A. Site Planning Guidelines

In general, ADUs should be spread across an entire site to the extent practicable to avoid concentrations of ADUs in a single portion of a site.

1. Units should be distributed across residential landbays and within each landbay to the extent practicable
2. Units should be located such that typical development phasing would not result in a rapid influx of units.

3. Units can be adjacent to one another when they meet the compatibility guidelines in Subsection B below.

B. Unit Size and Architectural Guidelines

In general, ADUs should be sized and designed such that all exterior elevations are compatible with the market rate units within a development and be inconspicuous from adjacent market rate units. ADUs that have a starkly different elevation from adjacent market rate units are generally not acceptable unless other design elements allow the ADU to inconspicuously blend with the entire building façade. This blending is most successfully accomplished when a building façade has enough variability or consistency to avoid any sort of pattern or unique treatments for ADUs. For example, when every unit within a stick of townhomes uses different materials or colors, patterns become difficult to identify.

Treatments that may contribute to such blending include, but are not limited to:

- Staggering of units
- Building offsets
- Varying building materials
- Varying of colors
- Varying roof lines
- Incorporation of dormers
- Varying trims
- Varying window locations and sizes

ADUs can be adjacent to one another when they contain design elements that are compatible with the adjacent units. However, large concentrations of ADUs in a single area should be avoided. Below are acceptable examples of locating two ADUs adjacent to one another to mimic the size and scale of an adjacent market rate unit.



ADU	APPROXIMATE PERCENTAGE TO SINGLE MARKET RATE
ADU	

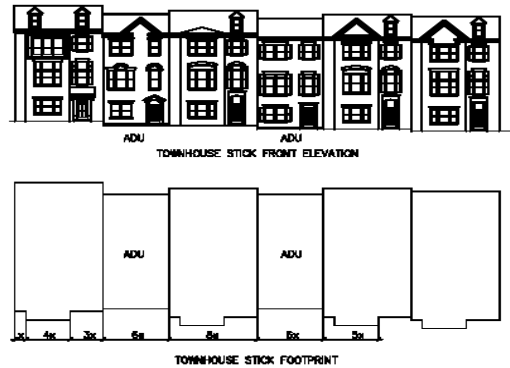
TOWNHOUSES SIDE BY SIDE



Other Acceptable Photos:



Despite being narrower, ADU units blend with adjacent units due to varying brick color, roof lines, and staggering of units.



Building offsets can be incorporated to help the ADUs to blend into the front façade.

EXAMPLE OF OFFSETS BLENDING UNIT WIDTHS



Smaller ADU units are mixed with two story units, a varying roof line, and wider units. Building materials and colors also vary to contribute to an inconspicuous blending of ADUs with market rate units.



Staggering, varied building materials, and architectural elements such as dormers and bay windows contribute to creating no readily identifiable pattern of market rate and ADU units.



ADUs using the same building materials and colors as adjacent market rate units are generally indistinguishable.



ADUs that are blended into a façade with variations in color and building materials are indistinguishable.



ADUs incorporating the same building materials blend with adjacent market rate units.