A special meeting of the Board of Supervisors of Albemarle County, Virginia, was held on December 4, 2023, at 1:30 p.m. at the UVA North Fork Research Park, Room A, 994 Research Park, Charlottesville, VA 22911. The meeting was called by the Chair, Ms. Price, to allow a quorum of Board members to attend and participate in a joint meeting of the Board of Supervisors, the Planning Commission, and the Thomas Jefferson Planning District Commission Regional Housing Partnership on Developer Incentives.

BOARD OF SUPERVISORS MEMBERS PRESENT: Mr. Jim H. Andrews, Mr. Ned Gallaway, Ms. Beatrice (Bea) J.S. LaPisto-Kirtley, Ms. Ann H. Mallek, Ms. Diantha H. McKeel, and Ms. Donna P. Price.

BOARD OF SUPERVISORS MEMBERS ABSENT: None.

PLANNING COMMISSION MEMBERS PRESENT: Mr. Julian Bivins, Mr. Luis Carrazana, Mr. Corey Clayborne, Ms. Karen Firehock, Mr. Frederick Missel, Mr. Nathan Moore, and Mr. Lonnie Murray.

PLANNING COMMISSION MEMBERS ABSENT: None.

REGIONAL HOUSING PARTNERSHIP MEMBERS PRESENT: Mr. Woody Fincham, Mr. Keith Lancaster, Ms. Valerie Long, Mr. Sunshine Mathon, Ms. Julia Monteith, Mr. William Park, Mr. Dan Rosensweig, Ms. Kelsey Schlein, Mr. Neil Williamson, and Mr. Zachary Zingsheim.

COUNTY OFFICERS PRESENT: County Executive, Jeffrey B. Richardson; County Attorney, Steve Rosenberg; Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. Call to Order. The Board of Supervisors meeting was called to order at 1:30 p.m. by the Chair, Ms. Donna Price.

Ms. Price announced the Board members present and said that a quorum was present.

Mr. Clayborne called the Planning Commission meeting to order at 1:31 p.m.

Mr. Clayborne announced the commissioners in attendance and said a quorum was present.

Ms. Price said that the Regional Housing Partnership (RHP) was not required to establish a quorum, so they did not need to be called to order.

Ms. Price said Albemarle County Police Officers Dana Reeves and Andy Muncy were present at the meeting to provide their services.

Ms. Price said that due to the limited time and the large number of meeting attendees, comments needed to be pointed, direct, and understood, and she had made the choice that they would not go around the room and introduce everyone. She said that they would take a break at around 2:45, then she turned it over to Mr. Gallaway to kick off the meeting.

Agenda Item No. 2. **Discussion:** Developer Incentives.

The Executive Summary forwarded to the Board, Planning Commission, and Regional Housing Partnership is as follows:

County of Albemarle

MEMORANDUM

TO: Regional Housing Partnership

FROM: Stacy Pethia, Assistant Director of Housing

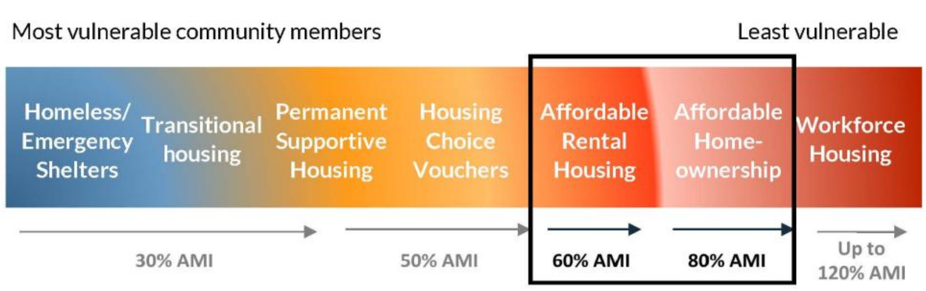
DATE: December 4, 2023

RE: *Summary of Developer Incentives Discussion*

I. Background

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

Figure 1: Spectrum of Affordable Housing



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

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

II. Review of enabling legislation

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

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

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

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

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

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

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

D. *<u>Grants, loans, or other housing assistance to County or School employees:</u>*

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

E. *<u>Waive building permit and other local fees for affordable housing:</u>*

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

F. *<u>Experiment in housing alternatives:</u>*

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

G. *<u>Cooperate in housing projects:</u>*

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

H. *<u>Inspection program for rental units:</u>*

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

I. *<u>Local housing rehabilitation zones:</u>*

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

J. *Housing revitalization zones:*

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

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

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

L. *Affordable dwelling unit ordinances:*

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

III. Current practice: bonus density and proffers

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

A. *Bonus density for affordable housing*

Section 2.4.5 of the Zoning Ordinance allows developers to request a 30% increase in density in exchange for providing at least one-half of the additional housing units allowed by the density bonus as affordable housing. Occupancy of the affordable units is restricted to households with incomes at or below 80 percent of the area median income (AMI) for for-sale units, and at or below 60 percent AMI for rental units. Affordability periods vary from a minimum of ten years for rental units to the initial sale of affordable for-sale units. The affordable housing bonus density applies to the zoning districts outlined in Table 1, and includes manufactured home developments.

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

Table 1: Affordable Housing Bonus Factors

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

**VR = Village Residential zoning district*

B. *Proffers for affordable housing*

Since 1980, Albemarle County has accepted proffers for affordable housing as enabled under Section 15.2-2303 of the Code of Virginia. Strategy 6.b of *Chapter 9: Housing* in the County's 2015 Comprehensive Plan recommends 15% of the total residential dwelling units approved through a rezoning or special use permit be provided as affordable housing for low- and moderate-income households, or those households with incomes no greater than 80% of area median income. To date, the Board of Supervisors has approved proffers for the construction of approximately 1,439[1] affordable dwelling units, and cash-in-lieu of affordable unit payments totaling $2,001,628.34. A total of 340 of the proffered affordable units have been constructed. Ninety-nine of these affordable units were made available for sale to households with income at or below 80% of area median income; more half (54%) of these units have been purchased by income qualifying buyers. The remaining 241 units that have completed construction are rental units, all of which have been leased by households with incomes at or below 80% AMI.

IV. Developer incentive activities since July 2021

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

A. *Affordable Housing Overlay*

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

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

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

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

[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.

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

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

B. *Affordable Dwelling Unit Ordinance*

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

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

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

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

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

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

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

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

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

V. CVRHP Developer Incentives Work Session

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

A. *Density bonuses*

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

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

[2] Local Housing Solutions Housing Policy Library: https://localhousingsolutions.org/housing-policy-library/density-bonuses/

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

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

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

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

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

Table 2: Density Bonuses by Locality

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

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

Tax incentives to support the construction or preservation of affordable housing generally take one of two forms: property tax abatements or property tax exemptions. Property tax abatements directly reduce the amount of taxes owned for a specified period. Property tax exemptions reduce a property's assessed value resulting in a lower tax bill. When designing a property tax incentive program, localities must balance the need for an incentive period that is long enough to provide a meaningful financial incentive to developers with the near- and long-term impacts the reduction in property tax revenue will have on the local budgets. Other factors to consider when designing tax incentive programs include the types of activities eligible for the incentive, a description of the incentive is calculated, the households to be served by the program, and program compliance and administration measures[7].

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

C. *Expedited Review*

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

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

D. *Tax Increment Financing*

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

[7] Local Housing Solutions. https://localhousingsolutions.org/housing-policy-library/tax-abatements-or-exemptions/

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

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

E. *Reduction of Parking Minimums*

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

F. *Affordable Housing Trust Fund*

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

G. Use of County-Owned Land for Development

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

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

H. ***Municipal Fee Waivers***

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

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

I. ***Alternative Design Standards***

Housing quality is influenced by a range of variables, each of which contributes to the cost of development. For example, construction products, which include everything from flooring to insulation to roofing, are available in a variety of materials and at a wide range of price points. This variability represents real differences in the quality, durability and price of construction products with higher-quality, more durable products coming at higher costs. Project amenities are another driver of building quality and cost. Project amenities, such as fitness rooms, swimming pools, and walking trails increase the quality of life for residents, but reduce the amount of revenue a development may earn leading to higher housing costs. Developers and project sponsors make hundreds of choices during the design and construction processes, each of which contributes in a small or large way to overall costs. In balancing decisions about construction quality and quantity of units, it should be possible to find a middle ground between meeting minimum standards to maximize production and offering the highest-quality materials and finishes but only serving a handful of households. Local jurisdictions can help by establishing construction standards for affordable housing that find a middle ground between quality and affordability. For example, in mixed-income communities, a locality may permit builders to use lower-end finishes inside affordable units, but require the use of the same construction methods and materials throughout the development.

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

VI. Supplemental Materials

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

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

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Mr. Gallaway said that it had been nearly two and a half years since their housing policy was approved, and it was decided that implementing developer incentives would be the necessary prerequisite before fully enforcing the requirements of this policy. He said that their objective was to conclude with a comprehensive plan outlining the measures they would implement to try.

Mr. Gallaway said that today was not more conversation, more ideas, or any of that. He said that today was focused on action steps, particularly regarding Albemarle County's approach to developer incentives. He said that there would be time for adjustments as they were not taking any official actions today. He said that the goal was to conclude the session with a clear game plan outlining their next steps.

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Agenda Item No. 3. **Discussion:** Incentive Scenarios.

Ms. Stacy Pethia, Assistant Director of Housing, said that she would go through a very quick presentation. She said that this information had been shared in numerous meetings in the past; however, she thought it was important to review today. She said that the presentation would go over a brief description of affordable housing and the housing needs in the County. She said that the data originated from the 2018 Central Virginia Regional Housing Needs and Assessment Study conducted by RHP (Regional Housing Partnership) and TJPDC (Thomas Jefferson Planning District Commission). She said they would briefly examine the definitions of affordable housing and discuss some incentive scenarios. She said that the scenarios focused on funding for affordable housing.

Ms. Pethia said that according to the U.S. Department of Housing and Urban Development (HUD), affordable housing was defined as housing where occupants paid no more than 30% of their gross income for housing costs, which included base rent and utility expenses combined. She said that the percentage should not exceed 30% of their total income. She said that for homeowners, it included monthly mortgage payments, insurance, property taxes, and utilities.

Ms. Pethia said that according to the Housing Needs Study, by 2040, Albemarle County required approximately 10,070 affordable housing units. She said that some of these were new constructions, while others involved finding ways to make existing housing more affordable for current residents or future occupants in those units. She said that the graph demonstrated a high demand for rental housing, but not as much on the affordable housing ownership side.

Ms. Pethia said that Housing Albemarle primarily focused on households with incomes at 80% of the area median income (AMI). She said that Housing Albemarle had expanded its definition of affordable housing to include rental units that were affordable for households earning 60% or less of the AMI and affordable homeownership opportunities for those with incomes at 80% or below the AMI. She said that the rental housing definition was altered by Housing Albemarle because it addressed a significant portion of the County's housing needs.

Ms. Pethia said that currently, they relied on the proffer system to receive affordable housing units, which included developers proffering 15% of their total units as affordable housing, with affordable rents at 80% of the AMI. She said that affordable sales prices were defined as 65% of Virginia's Housing or VHDA standards. She said that the affordability periods were 10 years for rental housing and the first sale for homeownership.

Ms. Pethia said that Housing Albemarle had changed those definitions, now seeking 20% of total units as affordable housing with affordable rents at 60% of AMI. She said that the affordable sales price was tied to the federal home program and their sales price limits for single-unit housing. She said that the affordability periods were now extended to 30 years for rental housing and 40 years for for-sale units.

Ms. Pethia said that with an AMI of $123,300 per household, a two-bedroom rent at 80% AMI amounted to approximately $2,446 per month, excluding utilities. She said that to afford this, a household of four would require an income of about $98,000. She said that the sales price for affordable units tied to Virginia Housing's sale price limit was $243,750, which had remained unchanged for several years and had not changed this year. She said that this price was considered affordable for a household earning approximately 71% of the AMI.

Ms. Pethia said that Housing Albemarle had proposed new rent limits of $1,669 for a two-bedroom apartment, including a utility allowance. She said that this was affordable for households at around 55% AMI for a four-person household, and the sales price would decrease to $234,650, which was affordable at approximately 70% AMI. She said that they were reaching a broader range of households in the County.

Ms. Pethia said that there had been considerable discussion regarding various incentives; however, the focus would be on funding and providing grants or loans for affordable housing. She said that localities in Virginia possessed the authority to implement such programs based on Section 15.2-958 of the Virginia Code. She said that the legislation allowed localities to provide grants or loans for the construction or preservation of affordable rental housing. She said that they could offer grants or loans directly to individual homeowners for housing rehabilitation purposes.

Ms. Pethia said that owners of assisted properties, who received assistance through any type of loan or grant program, must provide a minimum of 20% of their units as affordable housing, as defined by the locality. She said that these affordable units must be affordable for a minimum period of 10 years. She said that in May, the Board of Supervisors adopted Ordinance 23-A.2(1), which created a program enabling the provision of grants or loans for affordable housing initiatives. She said that the Board of Supervisors had previously requested staff to develop brief scenarios outlining what an incentive program could entail, specifically addressing the amount of money the County should consider providing to developers.

Ms. Pethia said that several scenarios were presented, with the base scenario being a 100% market-rate unit project that would not require any subsidy from them but would include 279 units. She said that if 15% of the units were affordable at an 80% AMI, it would result in 37 affordable units. She said that the rent for these units, currently set at $2,446 per month, was higher than any market-rate unit, so most likely, the County would not need to provide any incentives.

Ms. Pethia said that Housing Albemarle recommended 20% of units should be affordable at an 80% AMI, which would provide 56 units of affordable housing. She said that this could potentially require an annual subsidy of approximately $828,000. She said that if they considered funding the gap between 15% affordable housing and increasing it by an additional 5%, up to 20% AMI, subsidizing that 20% would require approximately $283,000 annually in subsidy.

Ms. Pethia said that they considered a scenario where they examined a mix of 15% of the units at 60% AMI and 5% of the units at 80% AMI. She said that this potential scenario resulted in an annual subsidy of approximately $537,000. She said that to summarize the scenarios: the first idea was to potentially subsidize all 20% of the affordable units in the project; to subsidize the 5% gap between the current 15% affordable provided and the 20% AMI that Housing Albemarle had taken it up to; and subsidize 20% of affordable units at a mix of AMI levels, and the mix of those could go on from there.

Ms. Price said that she found the chart in the email for invitees ranking of developer incentives to be quite useful while reviewing everything that morning. She said that it helped her identify a few potential areas that could aid in housing development. She said that one such area was assistance in redevelopment, specifically covering deconstruction costs and related expenses. She asked if they thought this would be a helpful area of focus.

Mr. Neil Williamson, Free Enterprise Forum, said that before they delved too deeply into the survey results, it was important to consider how the survey was conducted and the questions posed. He said that several individuals selected "subsidy or other subsidies," while others wrote in "tax increment financing," which some might argue falls under the category of subsidies or other subsidies. He said that he suggested combining these two options, which would likely elevate the potential for subsidy as a solution compared to its current standing. He said that the question that needed to be addressed directly was how much the County was willing to spend to get affordable housing in the County.

Ms. Price asked in which specific areas subsidies would be helpful.

Mr. Williamson said that a tax abatement program for dense residential uses was likely the most effective tool available.

Ms. Firehock said that she believed that expedited review held potential due to the significant cost burden on the development community. She suggested that they could consider implementing a form-based code system where affordable housing meeting specific design parameters would allow for expedited review, which meant that the Planning Commission would not have to take as much time with that application.

Ms. Firehock said that this approach combined an older concept of form-based code that they had explored in the County with the goal of accelerating the review process. She noted that the public objection to affordable housing had slowed down developments or caused them to be withdrawn.

Mr. Dan Rosenzweig, Habitat for Humanity in Greater Charlottesville, said that he had a question regarding the survey. He said that the survey contained two distinct sets of questions: one for rentals and another for homeownership, followed by responses and ranking points. He said that not all questions were asked in both categories.

Mr. Rosenzweig said that certain aspects, such as subsidies, were asked on the rental side but not on the homeownership side. He said that it would have been insightful to compare results if similar questions had been posed. He said that if conclusions were drawn from the rankings based on different question sets, the data's validity may be compromised. He said that he was unsure whether they should re-ask the questions or accept the findings with some reservations due to the disparities in questions.

Ms. Valerie Long, Williams Mullen, said that as part of her survey response, she had surveyed all their for-profit developers regarding the question and compiled their responses. She said that her single response to the survey represented a large number; however, she shared that without exception, every client they worked with stated that tax abatement was what was needed.

Ms. Long said that an expedited review would be great if it worked, but implementing it effectively and making it truly work, even in other jurisdictions where there was expedited review, proved to be challenging. She said that tax abatement was the number one choice. She suggested incentivizing this option and considering subsidizing the gap between 15% and 20%, or between 60% and 80%, to make that.

Ms. Price said that while reviewing this, she had a thought about implementing a sliding scale of various incentives. She said that upon reading the developer comments, it appeared that density bonuses were site-specific and may work in one area but not another. She asked if they could establish a system to chart different types of incentives based on the specific application being submitted.

Mr. Sunshine Mathon, Piedmont Housing Alliance, said that fundamentally, the core takeaway from rental housing, in particular, would also apply to homeownership if the questions were similar. He said that affordable rental housing for individuals at 60% AMI and below could not be achieved without some level of subsidy. He said that this was true in the County, Charlottesville, and throughout the Commonwealth. He said that the debate over tax abatement versus upfront grant or other subsidy methods ultimately boiled down to the most pain-free or strategic mechanism from the County's perspective.

Mr. Mathon said he supported tax abatements, grants, and any other means that would help achieve their goal. He said that fundamentally, he would emphasize that tax abatement was a less financially efficient method of introducing subsidies. He said that it was efficient from the County's perspective because it was pain-free; it did not involve granting large amounts in a single year.

Mr. Mathon said that they utilized tax abatements to leverage debt, and debt had an interest rate. He said that they ended up paying the interest rate that leveraged a certain amount of equity, but it also leveraged interest payments. He said that from a long-term perspective, tax abatement was less efficient for the County.

Mr. Keith Lancaster, Southern Development, said that the discussion earlier focused on a group of ideas and a sliding scale. He said that he thought it would take multiple solutions because there was not a one-size-fits-all type of issue. He said that they had rental, for-sale, and fee simple transactions, and that a single solution would not fit the situation perfectly. He said that an expedited review process would be beneficial; but they should consider how this fit into staff timing and whether it affected other projects' progress. He said that implementing such processes should aim to achieve their goal more quickly, efficiently, and affordably for all projects.

Ms. Price said that one of the things that struck her was the fact that questions were raised about the difference between the affordability of the period and the period of financial incentives. She said there seemed to be a disconnect between these two aspects. She asked if any of them were able to provide more information on this matter.

Mr. William Park, Pinnacle Construction, said they should match. He said that this morning, while reflecting on this topic, he wrote down a few notes. He said that first, when considering this issue, they should begin with the end in mind. He said that one concern he had was the potential complexity of compliance requirements, and what bureaucracy would need to be established for compliance purposes, as well as what the penalties would be for noncompliance.

Mr. Park said that when examining affordability, one was affecting market value and long-term marketability. He said that many of them in the room worked on both the affordable side and the market-rate side, so they had experience with it. He said that in such cases, developers involved in affordable housing may have compliance staff on hand to address these issues effectively. He said that those that were strictly market rate that now had to implement the affordability components would have to figure out how to be compliant. He said that he hoped everyone thought through this carefully and would not rush to create something too difficult. He said that in the long term, if they made it too difficult, the incentives would not work.

Mr. Park said that the single biggest component or incentive they found over the years was the tax abatement. He said that they had used it with the County and a number of other counties, and it made a significant difference. He said that one of the things to bear in mind was the underwriting aspect of it: if they could not finance it, they could not build it. He said that as affordability decreased, certain factors came into play when working with debt service coverage and loan-to-value and loan-to-cost that they had to work with. He said that the interest rate also affected the incentive, depending on whether it was 3% two years ago or 7.5%. He said that moving forward, he recommended keeping the process simple and descriptive to avoid complications and ensure the desired incentives were achieved.

Mr. Rosenzweig said that one aspect of Ms. Price's question pertained to the terms of affordability, and it was important to distinguish between the terms of affordability on the rental side and the homeownership side and how they were achieved. He said that the Board of Supervisors must be clear with staff regarding their stance on the term of affordability in various types of homeownership, such as subsidized homeownership that invested in people-based or unit-based approaches.

Mr. Rosenzweig said that on one end of the spectrum, unit-based affordability for homeownership included land trusts, which remained affordable in perpetuity because the home could only be resold at a specific price to an income-eligible purchaser. He said that this ensured long-term affordability and preserved the County's interest as the number of units remained constant, but that kind of investment did not invest in the person so that the people did not stay poor forever.

Mr. Rosenzweig said that there were various programs operating on different points on this spectrum. He said that his perspective was that they must have all of them. He said that they could not have a bias toward equitizing families or a bias toward equitizing units. He said that they had to do both. He said that if you helped a family achieve wealth through homeownership, that was one unit that did not need to be created in the community.

Mr. Rosenzweig said that on the other hand, it was essential that 80 years from now, there would be another affordable housing unit that recycled. He said that he thought County staff was seeking direction on this matter and that he would appreciate receiving guidance as well. He said that he would advocate for not neglecting equity for families because that was ultimately how housing made people not poor anymore, and he thought that was one of the things they wanted to do.

Ms. Firehock said that she wanted to address the success rate of placing people in these units. She said that if they could develop effective subsidy ideas or better incentives, and more units came forward, it was important to acknowledge that the success rate of their affordable housing program may not be as high as expected. She said that in the materials provided, only a quarter to a third of the intended affordable units were actually allocated to people in need. She said that the remaining units either became market rate or were not constructed at all.

Ms. Firehock said she wanted to emphasize the importance of further improving their program to ensure better outcomes for those they aimed to assist. She said that they had to do a lot more on the County side by working with affordable housing providers to ensure that they did not miss the opportunity to maximize the number of families they could house, rather than having some of those units go back to market.

Mr. Clayborne said that he would like to hear from the development community as partners about their perception on incentives based around building reuse and intentional green building, not just by happenstance. He said that they had been using metrics to ensure that they met their goals and targets. He asked how this view resonated within the development community.

Ms. Long said that she believed that if the programs and components of a project were genuinely incentivized, most developers would be willing to undertake such tasks. She said that it was a challenge to accomplish them. She said that if there was a genuine incentive, they would likely achieve the desired outcome.

Mr. Williamson said he had been working with the Board and staff on the concept of the County easing restrictions regarding zoning for commercial and office spaces. He said that they had a significant amount of underutilized commercial and office space, and this issue was frequently brought up during discussions about housing proposals. He said that they were working to get the Board to consider allowing residential uses in commercial and office zones to free up properties and make them more tax effective. He said that he hoped that this proposal would receive consideration at some point in the future. He said that to address the lack of housing, they must focus on identifying areas where the County was hindering development and work toward removing those obstacles.

Mr. Missel said that one aspect he appreciated was the fact that, in general, things seemed to be moving toward what could be achieved rather than just being aspirational. He said that when considering this topic, he had identified three primary areas: process, funding, and infrastructure.

Mr. Missel said that regarding funding, while it was a great start, they must remember that this was a marathon, not a sprint, and asked how this initiative would be funded. He said that as the market changed and other developmental factors changed, adjustments would have to be made to these figures.

Mr. Missel said that the second aspect, which was the redevelopment concept, under the heading of sustainability, he suggested adding redevelopment and keeping residents in their homes. He said that this involved repairing existing properties in disrepair. He said that the most sustainable home is the one that did not need to be built.

Mr. Missel said that they should consider the possibility of the County purchasing land. He said that they should also consider whether they should think holistically about an inventory of housing and ensure that development was accompanied by adequate infrastructure.

Mr. Murray said that he agreed about the effectiveness of programs like Habitat for Humanity and land trusts. He said that in the County, the population was quite transient, but affordability remained necessary, even with changing residents. He said that he was unsure how to encourage more land trusts but acknowledged its importance.

Mr. Murray said that he disagreed with the notion of allowing housing in commercial and industrial areas because it represented a different kind of interference. He said it was important to have affordable spaces for new businesses, and interfering in that market could prevent commercial property prices from decreasing.

Mr. Park said that they needed more land for development. He said that the supply and demand issue was evident. He said that even if it involved market-rate housing, this would benefit everyone. He said that the County needed more housing, period. He said that they should consider focusing on supporting the tax credit program. He said that the funds were available, and while competitive, the County could assist through land donation, grant provision, or similar means.

Mr. Park said that when individuals had income averaging, they could combine someone at 70% with another at 50%, resulting in an overall average of 60%. He said that this allowed for a wider range of people to access these apartments, which was beneficial. He said that discussions should be held on how to support the tax credit program. He said that projects that achieved a 100% occupancy rate at a 60% affordability level made a significant impact in the local area.

Mr. Mathon said that the duration of any tax abatement must correspond with the duration of the affordability period. He said that they relied on these as income sources for the debt provider. He said that Virginia Housing underwrote them as an income source; and, if, unexpectedly, the income source plummeted halfway through the mortgage term, they were unable to underwrite it.

Mr. Zach Zingsheim, Stony Point Development Group, said that as for-profit developers, they viewed the world in terms of highest and best use. He said that when examining a parcel of land or an existing asset, they considered whether it conformed to its highest and best use today based on various factors such as market conditions, economic fundamentals, and population. He said that he would discuss office conversions as an example, which was a topic of discussion in densely populated cities like Washington, D.C.

Mr. Zingsheim said that there was a significant housing shortage in the capital, leading to conversations about converting these vacant buildings into residential spaces. He said that it was not as simple as it seemed from an outsider's perspective. He said that developers faced challenges such as the cost of conversion and adapting floor plans designed for commercial use to accommodate residential units. He said that this also involved addressing utility issues and other concerns. He said that despite these difficulties, he believed that converting these buildings would be attractive.

Mr. Zingsheim said that from their perspective, increasing the housing stock by adding more supply was believed to help provide renters with more options, leading to pricing parity and power back to the renter. He said that it was challenging on the conversion side. He said that they would consider any incentive that aligned incentives to help them achieve this goal. He said that they examined office conversion places.

Mr. Zingsheim said that in some cases, even if the land were free, it still would not make sense due to the high capital intensity required for financing. He said that they advocated for obtaining housing through a tax abatement perspective as the most effective method to achieve the necessary financing to produce and initiate these projects. He said that to address the financing aspect, he acknowledged that real estate was capital-intensive. He said that not many individuals were fortunate or privileged enough to finance projects using only equity and cash.

Mr. Zingsheim said that the discussions they had today directly impacted the financial operations, performance, and underwriting ability of these projects from the perspective of lenders and mortgage providers. He said that he urged them to also consider analyses that demonstrated the shift from 15% to 20% in terms of capital and affordability, as well as its impact on the 60% AMI and the subsequent rent implications.

Mr. Zingsheim said that for a typical market-rate deal involving a few hundred units, it had a significant impact on the project value, amounting to several million dollars. He said that this directly affected the project's financial viability and its ability to secure financing. He said that today’s interest rates, particularly in the single-family home market, impacted the commercial real estate development sector as well.

Mr. Zingsheim said that loans were generally aligned with these increasing interest rates. He said that he had never encountered such a challenging development environment in terms of getting a project off the ground. He said that the cost increases and interest rate side spoke to a lot of the factors affecting affordability. He said that considering the underwritten component, these programs will have a significant impact on the financial results, operations, and net bottom line of the asset once it is delivered. He said that if a product cannot be financed, it will not be built, which in turn did not help increase supply.

Mr. Murray said that he would like to slightly modify his previous comments. He said that one significant opportunity they had in their developed areas was the vast parking lots that were mostly empty. He said that these spaces contributed to pollution and served no useful purpose whatsoever. He said he fully supported allowing housing in these areas and even incentivizing it because it addressed two issues simultaneously.

Mr. Murray said that during his time on the Stormwater Conservation District, he noticed a considerable need for septic repairs or replacements among many people who came before them. He said that these were dire situations. He said that there were many who would have been evicted from their homes if they had not intervened and provided funding, through AHIP (Albemarle Housing Improvement Program), to address the septic issues. He said that a comment was made earlier that the most affordable home was the home you were living in, and that he strongly supported programs that provided funding for those kinds of things.

Mr. Clayborne said that for whatever was implemented, he recommended an intensive educational program for the community. He said that density could be a scary word. He asked if there was any benefit or advantage in phasing this. He said that this might not be logistically feasible.

Mr. Bivins said that he wanted to explore community-based solutions. He said that unless there was a significant change in the drivers of their economy, they would always face this issue of affordable housing. He said they should consider the County's willingness to support more land or to become partners with the land they owned in order to reduce costs. He said that was the role the County could play in addressing issues quickly, as opposed to allowing market forces to dictate incentives for developers.

Mr. Bivins said that he was grappling with whether or not the County should focus on providing a safe and high-quality living environment through resources like parks and schools, or if it should be more involved in building equity for individual households. He said that while he was much more comfortable with them investing in land similar to schools or parks, he struggled with the idea of the County actively participating in building equity for individuals because it was unclear how those individuals would be chosen in a fair and diverse way. He said that he did believe there was a way for the County to become investors in long-term land assets like schools and parks that provided safe and good housing for the community, as he did not foresee any significant changes in their economic drivers occurring within the next 40 to 50 years.

Ms. Price asked about the effectiveness of the tap fee program.

Mr. Williamson said that he found the concept of tap fees helpful, even though the amount assessed with them was not particularly impactful. He said that he wanted to clarify that when referring to tap fee assistance, it did not involve ACSA (Albemarle County Service Authority) providing the tap fee, it was the County funding the tap fee.

Ms. Kelsey Schlein, Shimp Engineering, said that tap fees were indeed a tool, especially concerning the abatement of tap fees for manufactured housing. She said that in her experience, it was important to understand how tap fees were charged for mobile homes. She said that in the County, they were treated as a multifamily unit, which resulted in paying a per-unit connection fee that could be extremely expensive and cost-prohibitive for manufactured housing in many cases.

Mr. Rosenzweig said that tap fees were extremely helpful for a couple of reasons. He said that first, they were reliable; when they delivered a project, they received the fees. He said that this reliability allowed them to be used as a local match, helping to leverage large sources of funding from state and federal entities. He said that unlike the housing fund, which was essentially just another form of County funding, tap fees provided a predictable source of income. He said that it helped in securing financing for affordable special needs housing, shop funding, etcetera. He said it was hugely important.

Ms. Price said that she was hearing defined, predictable, and early as some of the greatest things for developers' ability to provide the affordable housing

Mr. Park said that anything they did not have to pay obviously helped them, as it eliminated debt service requirements. He said that one area where it could be particularly beneficial was during a tax credit application process. He said that this was demonstrating local financial investment in the project, which could significantly improve its chances of receiving low-income housing tax credits.

Mr. Gallaway asked when going through the process of rezoning, where did the investment commitment come from for developments. He asked if it was after the rezoning or before the rezoning occurred.

Mr. Mathon said that he would speak from the LIHTC (low-income housing tax credit) developer side of the equation, which fundamentally meant that they could not proceed with any sources until they had zoning in place. He said that rezoning was the threshold that allowed them to attract capital, apply for LIHTC, and so on. He said that when they undertook a rezoning project, they typically did not take that step unless they had some level of comfort that they would be successful. He said that having some predictability remained helpful from the perspective of the developer, but they could not proceed and obtain any sources until they had the rezoning in place.

Mr. Gallaway said that if they were to consider an example where the County managed an incentive, say a tax abatement, and the developer was at the current 15% with 80% AMI, and had secured investment commitment. He asked how the situation would change if the County then offered an additional incentive to take it further.

Mr. Park said that it was like any underwriting: it was arithmetic, and they plugged the numbers in to see if it worked and if the return would be the same. He said that it depended on the parameters at the time, which could be fluid. He said that they had to back into that from an underwriting standpoint. He said that it was a great question and the hard part they dealt with every day. He said that the more they could make this descriptive, and if they had some flexibility to bring things to the Board to show that they could increase affordability if the County could do certain things. He said that this could be handled during the rezoning.

Mr. Mathon said that from the nonprofit perspective, it had always been their goal to reduce costs as much as possible. He said that when initiating a project, they made some initial assumptions, partly aspirational and partly realistic. He said that as funding sources were confirmed throughout the process, either they reconfirmed their initial estimations or, if they received more funds than anticipated, they could drive down affordability even further. He said that fundamentally, from a nonprofit perspective, the deeper they could drive the affordability, the more competitive they were for other funding sources, such as federal and state grants.

Ms. Long said that it was almost identical for her clients. She said that their clients usually inquired as they were working through the rezoning process or even before that when they were considering a rezoning about what the County requirements for affordable housing were. She said that to be prepared for each scenario, developers should ideally have their team signed up before the rezoning process began.

Ms. Long said that in most cases, this was not possible, and a non-binding letter of intent served as a commitment until the rezoning was finalized. She said that even after rezoning, investors often requested detailed memos on how affordable housing would be implemented, along with explanations of the site plan process and ARB procedures. She said that this increased focus on specifics and risk management highlighted the importance of understanding the nuances of affordable housing, as they could significantly impact project outcomes.

Mr. Zingsheim said that in their industry, risk and return were correlated. He said that an appetite for risk should correspond with the required level of return, particularly in that environment. He said that generally, investors would not commit until concurrent with the rezoning approval. He said that by emphasizing predictability, they could ensure that all details were known, which provided the investment community with a greater sense of comfort to support projects and see them through successfully.

Mr. Park said that their corporate investors would not invest until they had obtained a building permit. He said that the expedited process was necessary. He said that if they proceeded with the rezoning and knew the subsidy from the County, it should be understood that this would be an expedited process because they needed to obtain the building permit as soon as possible to ensure that the investor did not lose interest. He said that this issue highlighted the importance of timeliness.

Mr. Carrazana said they were leaving a significant amount of affordable housing untouched. He said that while examining these incentives was an essential step in addressing the problem, it appeared that they were leaving much on the table. He asked Ms. Pethia to shed some light on this issue and invited the panel's insights into why they were not filling the inventory.

Mr. Williamson said that the development community had fulfilled its obligations under the agreement. He said that the County was responsible for presenting qualified applicants. He said that it was said that 21 applicants must be considered to find one who qualified. He said that the criteria were strict, as individuals must earn enough but not too much. He said that the County should consider a performance agreement, with the percentage of affordable housing increasing only after a certain percentage had been placed. He said that currently, affordable units were going to market due to lack of interest from buyers.

Mr. Rosenzweig said that it was a clear policy flaw everyone intended to rectify.

Ms. Long said that she agreed but also believed it was not fair to the developer to require them to keep a unit affordable indefinitely or for an unreasonable amount of time. She said that if the unit remained vacant and no qualifying family or individual moved in, it would be unfair to force developers to keep that property empty indefinitely. She said that there must be a limit on this requirement. She said that she thought there were more affordable rental units being filled by qualifying families and individuals than people might assume based on current rent levels.

Ms. Price said that it appeared to her that the purchase was the more complex to fill.

Mr. Mathon said that the loss of units was almost entirely on the homeownership side rather than the rental side. He said that one of their efforts had been to pilot a program last year where the Piedmont Community Land Trust and Piedmont Housing Alliance collaborated with a private developer who had a proffer for a certain number of affordable homes. He said that they had an agreement with that they would be the entity responsible for finding the individuals to become homebuyers.

Mr. Mathon said that if there had been a time when they needed more time, the community land trust would have essentially provided them with the necessary capital to purchase the property and prevent it from being lost. He said that this gave them the additional 30 to 60 days required to find an income-qualifying buyer. He said that they wanted to continue serving as a tool to bridge the gap between supply and demand. He said that they needed more capital to achieve this goal.

Mr. Rosenzweig said that last year, they turned away 400 people who would have qualified to purchase a home with the subsidies provided by their private philanthropy. He said that it was unfair to place the entire burden on the developer.

Mr. Carrazana said that he had noticed a significant disconnect between the need and availability of affordable homes. He said that this discrepancy was evident when observing the loss of such homes that came to market but were not being filled. He said that this had to be part of their conversation and equation. He asked how they could solve this problem.

Mr. Carrazana said that they had to consider how they could maintain their current stock of housing. He said that they possessed a stock of affordable housing that was being lost, and it would not become easier or better with some of the zoning changes implemented by the City. He said that they had to be aware that the quality of housing was going up, but the quantity was going down and look for ways to repair and rehabilitate homes that already existed.

Ms. Mallek said that it was important in her mind to consider separating the approach for nonprofit organizations from that of for-profit agencies because they seemed to possess different needs, requirements, avenues to success, and so on. She said she was interested in learning more about the menu of percentages, which involved calculating an average and then having some above and below and allowing for the population of individuals whose income may change to slide up into a different income category while still remaining in their current place.

Ms. Mallek said that the County must address its issue with the handoff, ensuring that the units they constructed were indeed occupied by qualified people. She said that this had been a persistent problem for many years, and she was glad they were making significant progress. She suggested that they address one category at a time, perhaps begin by examining the nonprofit sector and determining how it can be effective before moving on to the for-profit side as an example. She said that this approach ensured that they did not search for the perfect solution for everyone all at once, which may result in minimal progress.

Ms. Mallek said that protecting the NOAH (Naturally Occurring Affordable Housing) was important because many affordable houses were hidden away in both urban areas and rural areas throughout the County where people were hanging on by their fingernails in their older homes who needed help. She said that numerous agencies assisted these homeowners, funded by the County.

Mr. Missel said that when considering any process, such as applying for subsidies or grants and loans, it was important to ensure that the process was streamlined and not arduous. He said he would address a second issue: the matter of zoning, comprehensive plans, site plans, and building permits. He said that it was essential to consider a common theme of affordable housing that ran through each of these processes, connecting them seamlessly.

Mr. Missel said that one suggestion related to obtaining permits was utilizing third-party reviewers, which had proven beneficial. He said that the County had acknowledged this approach due to the resource constraints they faced regarding the number of permits and reviewers available. He said that employing third-party assistance had been highly effective. He said that the County should consider ways to provide that resource.

Mr. Moore said he wanted to echo what others had said about how people find affordable homes when they are available. He said that the issue of filling spots was a concern if they lost the ones that were on the table. He said that he wanted to know what mechanism they could put in place for this purpose. He said he agreed about market partnerships for affordability and considering other options not currently on the table. He said that by examining the summary of scenarios and various tools in their toolkit, they could incentivize the development of affordable housing.

Mr. Moore said that the County could require that at least 20% of any development with 10 units or more be priced at 60% AMI. He asked if the proposed solution was actually economically feasible for developers and what factors made it more feasible. He said that it seemed like they were merely trying to figure out how to slice the pie. He reiterated the developer’s comment that any fee they did not have to pay was better, and that the expedited process was preferable because it reduced carrying costs and increased efficiency. He asked from the developers’ perspective which alternative would make it more affordable more of the time.

Mr. Moore said that the question on the market side of this for him was how many more affordable units would they get from the developers collectively in each scenario by 2040 when they needed 10,000 more units. He said that he did not know the answer to that, and that it lay in the developers’ books.

Mr. Moore said that addressing County-owned land could involve discussing how to build beautiful residential and mixed-use communities with parks and third spaces, as well as amenities. He said that these communities would include permanently owned and affordable housing directly invested in by the County. He said that this idea could be added to the list for future conversations.

Ms. McKeel said that she would find it helpful if Ms. Pethia were able to respond to some of the questions that had been raised before they went on break shortly.

Ms. Firehock said it was important for the public's edification to point out that the County had made significant investments in rehabilitating housing. She said she wanted to highlight a project in her district, Alberene, that successfully rehabbed several houses that were in poor condition and would have eventually become uninhabitable. She said that she strongly advocated for investing in nonprofit providers if they wanted to close the gap. She said that she was not suggesting that the business community and developers should now become experts in placing people in housing. She said that she wanted to see the County invest in organizations that were skilled at this task, such as land trusts. She said that the County once had a staff member who was particularly good at matchmaking but unfortunately, they lost that position. She said that they were not doing an adequate job at that. She said that they needed to move away from Euclidean zoning. She said that they must be able to address transportation issues, which were significant. She said that they should encourage live-work infill that was mixed use in the urban ring.

Ms. Pethia said that the first predominant topic was about compliance. She said that their compliance measures would be similar to what they already did with the public-private partnership for Brookdale. She said that they would send over the rent roll once or twice a year to ensure that the units were still being rented or purchased at affordable prices.

Ms. Pethia said that regarding the annual review of utility allowances, this was already factored into the rents in Housing Albemarle. She said that they handled it on a general basis rather than case-by-case. She said that the maximum amount charged for each unit already included the utility allowance, so developers did not need to address this separately.

Ms. Pethia said that another concern was filling the units with income-qualified individuals. She said that staff was considering implementing an actual waiting list for that. She said that people from the County would be able to register for the waiting list, and staff would conduct income verification to ensure their eligibility. She said that once units became available, staff would send out notifications to individuals on the list, allowing them to apply for those units. She said that staff needed to determine the best way to create the waiting list and collect information online. She said that they must decide the most effective method of advertising both rental and affordable for-sale units. She said that one option being considered was implementing a lottery system, so they were looking at the way other cities across the country were dealing with that.

Recess. The Board and Planning Commission recessed their meeting at 2:49 p.m. and reconvened at 3:00 p.m.

Ms. Price introduced two new County staff: Ms. Ann Wall, Deputy County Executive, and Mr. Barry Albrech, Director of the Office of Economic Development.

Agenda Item No. 4. **Discussion:** Incentive Scenarios (continued).

Mr. Mathon said that he wanted to emphasize that when the survey was distributed and they examined the various incentive typologies, a certain aspect perplexed him: it seemed like an either/or situation. He said that fundamentally, they needed all of these approaches. He said that no jurisdiction or city had fully resolved or addressed this issue in the manner it deserved. He said that although he agreed that allocating resources was important and necessitated prioritization, he believed that ultimately, all of these strategies would be necessary.

Mr. Mathon said that there was a distinction between the for-profit and nonprofit sectors. He said that it involved adjusting the settings of all these tools to their maximum extent on either side. He said that furthermore, it required layering and stacking these tools to achieve affordability depth and some sense of scale. He said that a recent discussion about the AMI and its increases caught his attention. He said that he decided to investigate this data due to his alarm upon seeing their region's most recent AMI increase.

Mr. Mathon said that over the past six years, he examined both the data and its construction. He said that in summary, in 2017, the AMI for their region was $76,600. He said that this year, it was $123,300. He said it represented a 61% increase over six years. He said that the last two years alone, there had been a 39% increase. He said that upon further investigation into the reasons behind this growth, he identified three primary factors.

Mr. Mathon said that firstly, there was an inflationary factor to consider. He said that when HUD calculated these figures, they did not solely rely on ACPS (Albemarle County Public Schools) or census data. He said that due to recent high inflation, they apply an inflationary adjustment. He said that this contributed to a portion of the increase, but it was not the main cause. He said that people were moving into the region as the area was experiencing growth. He said that the number of individuals relocating to the region was not sufficient on its own to account for such a significant and rapid change in the figure.

Mr. Mathon said that there were wage increases across the country, including in their region. He said that it was clear that they were not witnessing a 61% wage increase in the lower and middle income bands. He said that this factor alone did not fully explain the situation. He said that while it was part of the explanation, other factors contributed to the phenomenon. He said that one such factor was displacement: as higher-income individuals moved into the area, those with lower incomes were forced to leave due to rising costs of living. He said that these two effects occurred simultaneously, along with some wage increase, resulting in what they observed.

Mr. Bivins said that their discussion primarily revolved around market-driven development. He said that recently, builders in their country faced difficulties due to the unavailability of raw materials and labor, coupled with reduced consumer demand resulting from increased interest rates. He said that consequently, they were witnessing inventory issues, particularly in the County. He said that from a County standpoint, the question he would like them to consider is whether this solution for addressing affordability within their community could be solely market-driven.

Mr. Bivins said that the market was subject to various business cycles, but accessibility was not necessarily; it did not respond in the same way. He said that they had systemic accessibility issues there that were outside of the business cycle. He said that they had those which were a segment of the population, a function of the business cycle. He suggested to the Supervisors that some of what was going on there could not be solved by the good graces of developers. He said that it would never be solved by them.

Mr. Bivins said that the question that needed to be addressed was whether an $828,000 subsidy for 58 units was the most effective method for the County to allocate its funds. He asked if this was the optimal way to allocate resources in order to resolve this issue. He suggested that they could delve deeper into this topic at a later time. He said that, given their community's resistance to raising taxes, when they implemented tax deferrals, they were essentially shifting the burden onto the community. He said that as someone who supported free-market principles, he wanted to consider whether this was the most appropriate way to utilize taxpayer dollars in a community that was not fully appreciative of the necessity of increasing taxes.

Mr. Woody Fincham, Fincham & Associates/Charlottesville Area Association of Realtors Board, said that part of his profession as a real estate appraiser involved measuring supply and demand. He said that they spent a lot of time discussing processes and potential improvements here and there but that this was further down the road. He said it came down to elements of production, and they had insufficient land. He said he understood that the County required resources and time to develop, and he had been informed recently that it took 10 years to see significant progress. He said that if they did not begin considering opening up more land or increasing availability from a policy standpoint, they could not address the issues.

Ms. Schlein said that when discussing affordable housing, she emphasized the need to tie it back to the action steps assigned at the beginning of the meeting. She said that to address this issue effectively, they should recognize that affordability in rural and urban areas required different approaches due to their distinct challenges and access to resources. She said that the County had already initiated the process by updating its Comprehensive Plan and considering a zoning rewrite. She said that it was something to evaluate how housing played a role in the County as a whole, including affordable housing.

Mr. Lancaster said that the primary concern was how to increase their current 5% to 7 or 8%, while also addressing density issues. He said that by expanding their market and offering affordable options, they could improve affordability across the board.

Ms. Schlein said that she would like to make one more comment regarding the update of the Comprehensive Plan and the consideration of potential public lands or new parklands for affordable housing within the context of the Comprehensive Plan update.

Ms. Price asked if one thing could be approved, what would it be in terms of incentives.

Mr. Mathon said that it would be predictable subsidy sources.

Mr. Rosenzweig said that it would be expedited review.

Ms. Long said that based on the feedback from their clients, it would be a tax abatement program.

Ms. Schlein said tax abatement.

Mr. Park said tax abatement.

Mr. Lancaster said predictability across the review process and expedited review.

Mr. Zingsheim said it would be tax abatement commensurate with the term of the affordable program.

Mr. Williamson said he agreed.

Mr. Fincham said that they needed more land.

Ms. Julia Monteith, University of Virginia/Piedmont Community Land Trust Board, said that she believed from her experience on the Planning Commission and general feedback, that there was a need for action, which she understood was why they were gathered there today. She said that she sensed that there was also a need for greater certainty in the marketplace. She said that one way to achieve this could be by defining the County's approach more explicitly.

Ms. Price asked the Planning Commissioners what their one recommendation would be.

Mr. Carrazana said that clarity on how they provided the resources to enable the community to find these homes had not been achieved, and there was still a need to address how they find them and how they facilitated their placement.

Ms. Firehock said that she agreed with the statement. She said that given their limited time and resources, she believed it would be more effective to focus on strengthening the nonprofit provider's capacity to place individuals in housing, as well as enhancing the County's efforts. She said she did not believe there was much value in providing 20% affordable units while allowing most of those units to remain vacant, and that she would rather remain at 15% while doing a good job at getting people into those houses and apartments.

Mr. Bivins said he wanted to focus on increasing the rental inventory and accessibility.

Mr. Missel said predictable subsidies.

Mr. Clayborne said that they should fill what they had, connect the dots, and not let any units go to waste.

Mr. Moore said he agreed with filling the existing units and implementing an expedited review.

Mr. Murray said that they should provide more support to the nonprofits that they knew were effective in the community.

Ms. Price asked for the thoughts of the Supervisors.

Ms. Mallek said that she continued to support the first element being focusing on the nonprofits.

Mr. Gallaway said that he had given the matter some thought and was convinced that implementing a tax abatement was the most effective approach to make a significant impact on the AMI movement from 80% down. He said his questions primarily revolved around the process rather than the subsidy itself, and he had heard other inquiries such as, "What are we willing to do?" He said that this was ultimately a budgetary question that must be addressed annually, making it part of the ongoing budget conversation. He said that they needed to determine their available resources and decide how best to utilize them. He said they were elected to accomplish this task, so the matter got incorporated into the broader discussion.

Mr. Gallaway said he believed the response pertained specifically to rental units. He said that in July, for land and homeownership, it was mentioned that the cost of the land and materials required to construct a unit had already surpassed the sale price threshold for an affordable property. He said that removing one of these two costs was the only viable solution, so the land conversation was there. He said they had much to learn from their economic development team and how they did economic development projects so they could follow what they did to pull off affordable housing projects.

Mr. Gallaway said that they had recently made a significant purchase in the County for economic development, becoming a major landowner. He said that he had publicly expressed this opinion multiple times. He said that their acquisition aimed to generate economic benefits for the community, which they considered valuable. He said that they should acquire land to impact a huge issue that they have all said is a huge issue. He said that while it may not yield the same economic returns as a typical economic development project, it would provide a public good that they all said that they needed to achieve.

Mr. Gallaway said that he was now on record stating his belief that they must begin acquiring land as a County, rather than merely identifying existing properties. He said that whether or not they should manage, operate, and act as the developer themselves was a more complex issue to be discussed further. He said that if they could implement this for economic development purposes, they could do so for affordable housing as well. He said that this approach helped them address the homeownership issue from a different perspective.

Mr. Gallaway said that it was not an incentive discussion; rather, it was a policy decision about how they would acquire land and when they would do so. He said that this was primarily a CIP (Capital Improvement Plan) conversation. He said that he was unsure of any other way to tackle County-level homeownership without taking such a step. He said that he fully supported tax abatement in terms of rental properties. He said that everyone must recognize that if they attempted to exclude any incentive, they were limiting themselves by placing themselves in a box due to the numerous creative solutions and case-by-case changes. He said that it was all out there, but the County had to give them some prescriptive thing to count on.

Mr. Gallaway said that he was specifically looking at for-profit and not-for-profit organizations in order to accomplish the necessary tasks for initiating a project. He said that once the project began to progress, their focus should be on maintaining the cost within an acceptable range so that people could afford housing. He said that he wanted everyone to understand from his perspective that it was not to identify one, two, or three. He said that it was all out there as far as he was concerned, but that he believed that tax abatement was the most significant factor that did not require upfront cash from the County. He said that it might also free up some initial funds to address other cost areas that had been a concern.

Ms. LaPisto-Kirtley said that the tax abatement was a significant factor for her. She said that acquiring land by the County to provide more affordable housing was an effective approach. She said that expedited review and predictability should be considered separately for-profit and nonprofit organizations, as a one-size-fits-all approach may not work in this case. She said she believed it would be beneficial to separate these aspects for better efficiency.

Ms. LaPisto-Kirtley said that developers could assist by providing input on how to streamline the process and make it more expedited. She said that this collaboration between developers and staff could lead to a more efficient system overall. She said that they might not know everything as a County. She said that they might not be aware of certain nuances that could make processes smoother and faster for developers. She said that these nuances may change from year to year, as the markets changed. She said that they should adopt a more flexible approach, considering suggestions from developers that might improve the process over time. She said that they had been unable to find suitable candidates for available affordable housing units. She asked if they had considered enlisting the help of realtors in directing potential clients toward these affordable housing units.

Ms. McKeel said that her top priorities would be examining rental inventory, as she believed it was critical, and expedited review. She said that as someone who had advocated for using excess school and County properties for decades, she agreed with expanding their property ownership to accommodate the need for affordable housing.

Mr. Andrews said that he entered the discussion with a focus on incentives for affordable housing. He said he did not want his comments to be perceived as addressing how to obtain affordable housing but rather how to incentivize its development by both for-profit and nonprofit developers. He said that there was a lot more that had already been brought up, but he did not want to go there. He said he appreciated that some individuals emphasized the importance of predictability because he thought that was something the County should be able to figure out. He said that he believed that tax abatement had the potential to be the most effective approach, and he also thought that the involvement of nonprofits was very important.

Ms. Price said that recognizing that every subsidized unit and every affordable unit was subsidized, it would be market rate otherwise. She said that when it was subsidized, the focus shifted to the source of the subsidy. She said that purely from the County perspective, considering taxpayer and community money, they are essentially asking other community members to contribute toward subsidizing housing for some community members. She said that this context resonated with her as the accumulation of wealth by select individuals in the County at the expense of the broader community was a challenge for her as it related to purchasing for-sale units.

Ms. Price said that she was more inclined to support efforts aimed at enhancing the rental market, which was distinct but potentially related to the issue of wealth acquisition. She said that they had an obligation to ensure that they provided the greatest number of community members with essential services and quality of life amenities, such as parks. She said that the County should purchase land in a manner that maintained its ownership, allowing it to be used for the greater benefit of more community members.

Ms. Price said that rentals often had a higher turnover rate, enabling them to subsidize housing for a greater number of people through taxpayer money rather than focusing on accumulating wealth for select individuals. She said that land acquisition and tax abatement were two strategies that could help achieve this goal. She said that by implementing these measures, they could facilitate the development of affordable rental properties more quickly, reliably, and effectively.

Mr. Gallaway said that in the past, they had projects come forward during rezoning processes that had achieved the 20% affordable housing mark, while others had only managed to reach 15%. He said that this raised questions about why some projects were able to meet their aspirational goal of 20% affordable housing at 80% AMI, while others struggled to achieve even 15%. He said that it was because they had been able to find cost savings somewhere else.

Mr. Gallaway said that to give some sort of predictability for everybody involved, if they had to say move the requirement to 20%, perhaps leave the AMI where it was at and target incentives to make the AMI go deeper, how would developers respond. He said the needle was 20% at 80% AMI. He said what he heard when the Board passed Housing Albemarle was if the County changed the 80% to 60%, that the County would not get any projects coming forward for that. He said he did not hear that on the unit switch, and given all the conversation, he would like some feedback on the 15% to 20% without having an incentive to do it at 80% AMI.

Ms. Schlein confirmed that Mr. Gallaway was talking solely in the context of rezonings.

Mr. Gallaway said that was correct.

Ms. Long said that what clients expressed as challenging when discussing projects that they were interested in undertaking that was almost as big of a hurdle as going from 80% to 60% was increasing from 15% to 20%. She said that they frequently received inquiries about their policy and explained that they could offer 15% at an 80. She said that clients reconsidered when it was 20%. She said that with some tax abatement over a one-year period, they may proceed. She said that clients must ensure the project was financeable and viable.

Mr. Park said that every project was different. He said that one box fitting everything had become more challenging, especially considering the changes in the last couple of years. He said that when rates went from 3% to 7%, it made a significant impact. He said that he was not sure he could pinpoint any single factor except for the fact that each project must be assessed on a case-by-case basis.

Ms. Mallek asked the developers whether Alternative 2 would make a difference, and whether that would mess up the math.

Ms. Long said that from her perspective that would help. That is what would make the difference to go from having 15% of the units to 20% of the units be affordable is the tax abatement to support the gap.

Ms. Firehock said it was essential to consider a broader perspective regarding funding the subsidies. She said that her business recently hired 10 new employees, and three employees could not afford to live in the County. She said that if businesses were to consider locating here, they will assess whether their employees can afford to live in the community. She said that to attract and retain businesses, they must provide affordable housing options for residents. She said that failing to do so may result in economic development efforts moving elsewhere due to high living costs.

Ms. Firehock said it was not just a matter of taxpayer dollars; it also affected those who created jobs and contributed to the local economy. She said that they could not afford to bring or to expand their company here. She said that it was not merely shifting the tax burden onto the private sector; it also hindered their economic development potential. She said that it was a wise investment and supported the County utilizing some of its abilities to potentially purchase land and make it available for affordable housing.

Ms. Firehock said that she had benefited from down payment assistance. She said that this assistance from Piedmont Housing Alliance (PHA) allowed her to acquire her home, build equity, and eventually graduate out. She said she did not return to PHA, because she did not need to. She said that there was a strong benefit in helping people move up the ladder, not just in rentals.

Mr. Mathon said that on November 10, Virginia Housing published a comprehensive report that could also benefit the Economic Development Authority. He said that housing was an essential component of Virginia's economic development strategy if they were to maintain their prosperity as a Commonwealth and support individual communities in fostering business creation. He said that the report was highly valuable and of exceptional quality.

Ms. McKeel asked about the developer's opinion on Alternative 3.

Ms. Long said that the issue was essentially the same. She said that it involved finding or providing support for the gap between points A and B using some form of subsidy, such as a tax abatement or another method.

Ms. McKeel confirmed that what she was hearing was that Alternatives 2 and 3 for the developers were the same issue.

Ms. Long said that she thought that the math would be different in terms of what it required.

Ms. McKeel asked whether it was the same in terms of preference.

Mr. Gallaway noted that it was all about the cost for the developers, and Alternative 2 and 3 was more a question for the County and whether they wanted to subsidize $10,000 per unit or $5,000 per unit. He said that was more policy, and whether the County wanted to go deeper.

Mr. Park said that he was just going to state the obvious. He said that the more they subsidized a program, the more resources it will consume from the County.

Ms. Schlein said that it was more of a subsidy on the County's end. She said that to get below the 60% AMI threshold, it had to be subsidized. She said that currently, many developers can provide housing at the 15% and 80% AMI levels without subsidies. She said that the question seemed to be how a shift beyond these levels could occur from the private sector and the answer they had heard overwhelmingly was no, especially given current acquisition costs and deal-making challenges.

Mr. Mathon said that in the rental sector, as well as on the homeownership side, there were three key factors that impacted cost: the depth of affordability, the number of units being discussed in terms of percentage, and the duration of affordability. He said that each of these factors had financial implications for the pro forma, whether it was a nonprofit or for-profit organization. He said that being aware of these factors and prioritizing them from a County perspective was essential.

Mr. Mathon said that he would push back from a human policy perspective. He said that based on the numbers he shared earlier about the increasing area median income–$123,000 this year–80% of the area's income fell within the mid-90s range in terms of household income, compared to 60%, which was closer to around $70,000 a year. He said the question from the County's policy perspective was where they wanted to see affordable housing over the long term.

Mr. Mathon said that they wanted to see it as deeply affordable as possible because there was a strong likelihood that the trend in AMI increases may continue. He said that if they tied the County numbers to a high and rising number, and it was at 80%, the likelihood was that they would not necessarily be addressing the need that they knew existed on the lower end of the income spectrum.

Mr. Park said that if they assumed that 60% was the maximum attainable score, it was unlikely that many individuals would actually achieve this mark. He said that when they qualified for an assessment, there was a higher probability that they would be around 55% AMI. He said that they should bear in mind that when they encountered a 60% AMI, it represented the maximum, and that very few would be at that maximum.

Mr. Bivins said that they often asked during Planning Commission hearings where the affordable units would be located and what distinguished it from the market-rate units. He said that some people struggled with that response more than others, and there was often a moment of pause. He said that if they were to adopt a bifurcated approach, he was concerned that it would make the situation even more difficult for developers. He said that this could result in communities with greater variation between affordable units and those with deeper affordability, and the market-rate units. He said that he didn’t know if the County would want to subsidize that type of disparity.

Mr. Missel said that he recommended that the County should consider thinking outside the box, not only regarding land acquisition but also by examining what other localities have done in terms of leasing land for long-term use. He said that to simplify this process from a developer's perspective, it would be beneficial to consider both sides of the ledger - the financial input and the expenses – and determine how to maximize the impact on the expense side.

Ms. Long said that in real estate development, time was money and it had never been more so than now in her experience. She said that she found that every month that went by without a project being approved for rezoning put it at greater risk. She said that investors often looked at other projects. She said they had a project earlier this year that was unanimously approved and received praise but came close to not happening because investors were frustrated with the delay. She said that affordable housing questions still persisted from them.

Ms. Long said that for rezonings, clients often asked whether their project would get approved, the time it would take for the application to be approved, and what it would cost. She said that her estimation for the rezoning process was 12 to 18 months, followed by a minimum of another year for the site plan approval. She said that this often led to a moment of pause. She said that the affordable housing policy also caused concerns. She said that issues in the County were complex, which stemmed from the high level of concern for limited land available for development. She said that people were dedicated to ensuring proper planning, which resulted in beautiful communities; however, this approach was costly and time-consuming. She said that the additional time required only exacerbated the difficulty.

Mr. Rosenzweig said that all tools must be available for use. He said that there was an extra toolkit component: staff empowerment and supervisor endorsement. He said that during his time on the City Planning Commission, he witnessed one instance where this was effective. He said that in the City, for several years, if there was a great building and its owners required assistance in obtaining an individually protected property designation, they would receive the full backing of the City.

Mr. Rosenzweig said that this was not the case in the County. He said that while they had skilled professionals, they were overburdened and lacked sufficient support. He said that in the past, they had lacked an affordable housing guru, and the idea of having a dedicated expert to provide solutions with the support of local Supervisors; they needed to have that clear mandate, on top of the tools they created, and ensure that their staff had adequate resources to make it happen.

Mr. Murray said that the Rural Areas versus Growth Areas was very different in terms of affordable housing. He said that most of their affordable housing was actually in the Rural Area. He said that as someone who grew up there, he had chosen to live in the Rural Area because it was more affordable than places like Old Trail. He said that this was a separate conversation that needed to occur.

Mr. Murray said that he was glad the County had discussed incorporating a rural area chapter into their new Comprehensive Plan and that he thought this was important. He said that the way their new structured subdivision and Rural Areas was arcane. He said that development encouraged 21-acre lots, which ultimately resulted in farm estates that were not affordable for anyone except those who could already afford such properties.

Mr. Murray said that they must examine these issues and consider the preservation of historic communities in Rural Areas. He said that these communities had been there for generations, and their members were being displaced. He said that to maintain these communities and keep housing affordable in Rural Areas would be an important conversation for the rural areas chapter.

Mr. Missel asked if there was a timeline or next steps planned.

Ms. Price said that she believed they did have a roadmap, and the roadmap was to take everything that had come in today and have it compiled and have staff come back to them with a proposal which they had to believe would achieve the mission of affordable housing.

Mr. Gallaway said that the Board was now considering actual numbers for different decisions. He said he had heard tax abatement to match longevity, which they had not discussed before today. He said that land use, getting people into the units, and all those topics were separate conversations from incentives. He said that they had a clear idea that they did not want to take anything off of the menu. He said they had received clarity on what should be included on the menu, and it was time to determine the logistics for taking action.

Mr. Gallaway said that this would allow them to definitively state the developer incentives conversation, while not being final to the point of being overly restrictive, would give some predictability as to what was on the table and what they were open to. He said that the Board would need to address the issue of revisiting the Housing Albemarle in relation to this conversation, considering what came in without an incentive versus what did when it received an incentive. He said that was a policy discussion that the Board would need to address at the same time as they put this conversation to rest.

Ms. LaPisto-Kirtley asked if having a housing expert on staff would be helpful.

Ms. Long said that if there was someone whose primary focus was assisting their project in moving through the review process more quickly, then yes.

Ms. LaPisto-Kirtley asked if it would be beneficial if, instead of subsidies, the County purchased the land, then the developers would not have the cost of the land, would that allow them to develop those units.

Mr. Mathon said that it would work in some situations, but not in others.

Mr. Bivins said that it might be beneficial for them to engage in a conversation or gain insight into what external developers considered when they contemplated coming to the County, rather than solely focusing on those who were in this meeting. He said he thought it would be advantageous for them to hear what some outside developers had to say about their perspective on undertaking projects in the County.

Agenda Item No. 5. Final Remarks.

Mr. Gallaway said that he wanted to make a few comments regarding the process and what they should do from here. He said that his hope or suggestion was that, as they had discussed the RHP, they could move forward with the progress made since April. He said that the logistics of what they had heard today should immediately be presented to the Planning Commission for a thorough logistical review. He said that afterward, it should come before the Board for a final decision. He said that they should not add another six months of process deliberations. He said he suggested proceeding with a single review at the Planning Commission, followed by a decision by the Board, and then they could explore the incentive program to see how it works.

Mr. Gallaway said that expedited review should encompass a complete process review, not just for affordable housing pieces. He said that this was due to the staffing issues they were aware of and currently addressing. He said that they must address this issue for all fronts. He said that as the chair of the RHP, he hoped that everyone not on the partnership was aware of the Central Virginia Porch Light initiative, which aimed to help place people in units. He said that Mr. Mahon had stated that it was not necessarily an issue with rentals, more so with homeownership. He said that since the question had come up, he would like to know the answer to that question. He said that he did not think that was an incentive either, but it had been mentioned several times and they should probably get to the heart of that. He said that there were tools other organizations had implemented to accomplish that very thing. He said that was probably worth more deliberation, but outside of the incentive conversation.

Ms. Price asked the County Executive if staff required any more information.

Mr. Jeff Richardson, County Executive, said that from the staff perspective, he saw three main areas of focus. He said that the first was subsidies, including specific tax abatements and addressing the gap. He said that the second was land availability, specifically regarding what they owned as an organization or what land was available in the market. He said that they could continue to work on this aspect. He said that the third area was process, predictability, time, with a focus on speeding up the process.

Mr. Richardson said that this was particularly challenging in the current environment of workforce stabilization, where they had faced significant difficulties over the past year, with approximately 80 to 90 positions remaining vacant across the organization throughout the last 12 months. He said that they were like many local government organizations as they continuously grappled and worked to fill critical positions in order to keep the work flowing.

Mr. Richardson said that the private sector in the room was well aware of this issue, as they had struggled with it as well. He said that they would seek Board guidance on process and expedited review. He said that this was a separate conversation that they would have and subsequently return to the Board to discuss.

Agenda Item No. 6. Adjourn to December 6, 2023, 1:00 p.m. Room 241.

At 3:57 p.m., Mr. Clayborne adjourned the meeting of the Planning Commission.

At 3:57 p.m., the Board adjourned their meeting to December 6, 2023, at 1:00 p.m., Room 241, Second Floor of the Albemarle County Office Building, 401 McIntire Road, Charlottesville, VA 22902. Ms. Price said that would be a joint meeting with the School Board. She said they would then reconvene at 6:00 p.m. in Lane Auditorium. She said that information on how to participate in the meeting will be posted on the Albemarle County website Board of Supervisors home page and on the Albemarle County calendar.

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Chair

Approved by Board
Date 05/07/2025 Initials CKB