County of Albemarle
Department of Community Development

Memorandum

To: Albemarle County Board of Supervisors

Albemarle County Planning Commission

From: Fiscal Impact Advisory Committee

Date: July 15, 2015

Subject: Cash Proffer Policy

The Board of Supervisors requested that the Albemarle County Fiscal Impact Advisory Committee provide advice and recommendations to the Planning Commission and the Board of Supervisors on revisions to the credit provisions and the per unit cash proffer amounts of the Cash Proffer Policy. Specifically the Board requested that the Committee:

1) Analyze possible credits for:
   -Development in targeted areas. Targeted areas are those areas shown as Priority Areas identified in each Master Plan Area.
   -Mixed use developments.
   -Development supportive of growth management strategies of the Comprehensive Plan.

2) Provide recommendations on changes to existing credits in the policy, including the credit that may be provided for by-right units, now available by policy only in limited circumstances (Policy § C(6)(c)).

3) Update the County's maximum per unit cash proffer amount by dwelling unit type.

A. The Committee has held 18 hour and a half long meetings. The Committee spent a majority of time updating the maximum per unit cash proffer amounts with less time devoted to discussions about credits. The Committee points out that since the adoption of the Cash Proffer Policy the Code of Virginia has been amended to significantly reduce those items that can be considered in a Cash Proffer Policy. The original policy considered all permitted items contained in the CIP and CNA. Under the revised provisions of the Code of Virginia only those items which expand capacity may be considered. The CIP and CNA has also been reduced to be essentially a maintenance program with limited capacity expansion. Moreover, the Committee finds that under the current proffer model, as the County's capital budgets grow, so too do the dollar values of the proffer amounts per unit.

   The committee found that the new calculated amounts were:
   - SFD - $4,918 (2014 value was $20,987)
   - SFA/TH - $3,845 (2014 value was $14,271)
   - MF - $5,262 (2014 value was $14,871)

A detailed summary of the work performed by the Committee may be found in Attachment B.

Further the Committee believes strongly that credits should be given to support the goals of the Comprehensive Plan; however, the significantly lower proffer recalculation casts a new light on the original charge. The Committee feels that explicit credit recommendations should be informed by clear intentions of the County with regard to whether local revenue should be used to offset the costs of development or to create a type of development. The Committee respectfully requests input on this matter and requests the ability to reexamine credit areas with a refined target as to the purpose of credits as a policy tool by the County. The Committee will continue to work on the cash proffer policy consistent with the charter of the Committee to "ensure that all fiscal impact analytical tools in use by the County are appropriate to the needs of the County". This memorandum should be considered in conjunction with the attachments to this memorandum.

The Committee offers the following advice and recommendations.

1) Credits should be considered independent of the maximum per unit cash proffer amount. Evaluation of credits should include consideration of the following:
    a. Promoting development consistent with the growth management strategies of the Comprehensive Plan and/or recovering cost impacts of development.
    b. Fiscal impact to the County. (Due to the limitations of the model used to develop the maximum per unit cash proffer amount and the lack of historical data this analysis will be at the best challenging.)

2) Credits for existing by-right units should continue and be included in the policy to the extent the density proposed is consistent with the Comprehensive Plan. The budgetary impact of this credit is limited due to the fact that if developed by-right these units would not be subject to the cash proffer policy. In order to qualify for credits the applicant must demonstrate the number of by-right units that can reasonably be achieved. This may be accomplished by submitting a concept plan showing lot layout and road alignments and accounting for steep slopes, floodplain and other features of the property that may limit or reduce by-right development.

3) The maximum per unit cash proffer amount has been updated and is included in the attached document.
    - SFD - $4,918 (2014 value was $20,987)
    - SFA/TH - $3,845 (2014 value was $14,271)
    - MF - $5,262 (2014 value was $14,871)

   The difference in the values is affected by the change in law which only permits inclusion of items that expand capacity and the reduction in the amounts included in the CIP and CNA.

The committee utilized elements of the existing Cost Revenue Impact Model (CRIM) and the current Cash Proffer Policy to update the maximum per unit cash proffer amount. These tools have limitations that may prevent the County from capturing the total impact of new development. For example, the current policy and model might prevent the County from capturing the total impact and costs of new development. One issue is that the existing cash proffer model, although similar to cash proffer models currently in use in other jurisdictions around the Commonwealth, is not a dynamic scoring model. The model does not accurately capture revenue of new development due to expanded retail sales, commercial development, and employment. The Committee discussed the possibility that lower cash proffer amounts may result in increased revenue to the County as it lowers the cost of a rezoning and therefore results in additional rezoning applications.

B. In addition to the above advice and recommendation the Committee offers the following:

1) Revise the policy name to "Proffer Policy to Address Impact to Public Facilities Resulting from Residential Rezoning." This clarifies that contributions equivalent to the maximum per unit cash proffer amount by dwelling unit type will be accepted. This may include cash, land or actual improvements to public facilities.

2) Further incentivize credits for produced affordable units. Currently cash payment for affordable housing is provided. The actual *production* of affordable units advances the housing strategies of the County. The budgetary impact of this credit is unclear.

3) Amend the current adjustment method to the maximum per unit cash proffer amount by dwelling unit type to a bi-annual adjustment based on the Board's adoption of the updated 5 year CIP and 10 year CNA.

4) Currently the Cash Proffer Policy of Public Facilities is based on the impact of new residential development on schools, transportation, parks, libraries and public safety. Impacts on jails, solid waste facilities and other government facilities are not included in determining the amount of the maximum per unit cash proffer amount by dwelling unit type. The Committee recommends that the Board of Supervisors consider expanding the categories included in determining the maximum per unit cash proffer amount by dwelling unit type.

5) Credits should be offered to incentivize development the County encourages and especially to encourage the *production* of affordable housing. The budgetary impact of these credits is unclear. Because of the Cash Proffer Model's limitations, in addition to the lack of credible historical data that make reliable analysis at best challenging, the Committee advises the Board that the County is unable to identify the fiscal impact of granting new credits.

6) Staff should provide the board with an ongoing accounting of the net fiscal impact of the approval of new units to the budget at each meeting for approval of projects.

7) Anecdotal evidence points to increased interest by the development community in by right residential development. Staff has put forward that proffers discourage the higher density development desired by the Comprehensive Plan. County initiated rezoning to achieve increased density would reduce revenues generated from proffers, but may generate additional revenues from increased property tax. (see Attachment C)

Attachment B – Preliminary Recalculation of Per-Unit Cash Proffer Amounts by Dwelling Unit Type
Attachment C – Cash Proffer Policy Changes (Staff Recommendations)
Attachment D – FY 2015 3rd Quarter Cash Proffer Report