

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	March 4, 2025
Action Required:	Approve Resolution
Presenter:	Chris Engel, Director of Economic Development
Staff Contacts:	Chris Engel, Director of Economic Development
Title:	Resolution Approving Performance Agreement to Support 501 Cherry Avenue Redevelopment Efforts

Background

Piedmont Housing Alliance ("PHA") and Woodard Properties are partnering to develop the site at 501 Cherry Avenue into a mixed-use, affordable residential community ("Project"). The site is a consolidation of five (5) parcels (nearly 1.4 acres) that contain the former IGA grocery store, which had long been an anchor for the community. The Project will be composed of two (2) buildings, offering a total of seventy-one (71) affordable rental apartments, a commercial space, and a community-focused facility for a local nonprofit.

To help facilitate Project financing, PHA has requested that the City of Charlottesville, Virginia ("City"), consider an agreement that will share the incremental increase in real estate tax revenue generated by the investment. With a commitment from the City to contribute a portion of the future revenue stream (as a Grant), PHA will leverage this to create funds needed for the Project.

This request does not ask for additional current revenue, it only requests future revenue that comes with an increased tax base. (As a point of clarification, the City has allocated a contribution to this Project as part of its annual Capital Improvement Plan. The proposed Performance Agreement discussed herein is separate and distinct from that contribution).

The City, in conjunction with the Charlottesville Economic Development Authority ("CEDA"), has used the performance agreement concept in the past to incentivize significant capital investment and job creation. In this case, the same process is proposed, but with the creation of affordable housing units as the performance criteria. There is no risk to the City, as the Grant occurs only after the investment has been made and once the additional tax increment materializes. The City does forego a portion of the real estate tax generated by the Project until the Agreement terminates.

At its July 15, 2024, Meeting, City Council passed a Resolution (#R-24-093) in support of this concept. The attached Agreement and Resolution further commit the City to this support.

Discussion

The Performance Agreement only impacts the additional real estate taxes generated above the current base value of the land. Upon completion, the difference between the assessed value and the base value will equal the incremental real estate tax. Once the taxes are paid and performance criteria are verified, the funds equal to fifty percent (50%) of the incremental real estate tax will be transferred via CEDA to an entity controlled by PHA. Per the Agreement, this cycle will repeat annually for thirty (30) years. The term of the Agreement is set to match the term of the primary financing and the percentage of increment allotted is designed to help fill the remaining Project funding gap and balance future City funding needs.

The Project consists of one (1) mixed-use building and one (1) multifamily building, with a total gross building area of 108,427 square feet and 105 parking spaces. The Project aims to create 71 units spanning the spectrum of affordability from thirty percent (30%) AMI to sixty percent (60%) AMI. Should the units cease to be affordable for any reason, the City's obligation to provide the Grant ends. These affordability terms will also be enforced by the state through Virginia Housing due to the Low Income Housing Tax Credit award.

PHA is pursuing a commitment of tax credits, as well as finalizing the remaining necessary Project financing with plans to begin construction in 2025. The Performance Agreement is a key piece of the remaining financing.

From a procedural standpoint, City Council would need to approve a resolution agreeing to commit the amount of the real estate tax increment to the Authority each year following verification of grant requirements. As Council is prohibited from obligating future funds, this resolution is one of "intent" and thereby non-binding. CEDA would create a Performance Agreement with the developer to manage the process and would also approve a similar resolution to grant the amount of the tax increment to the developer annually.

From a policy standpoint, the proposed Performance Agreement does not impact the general fund budget as the grant is generated solely from the increase in real estate revenue received from the project. If the project is stalled or never completed for any reason, the increase in taxes is not realized, and therefore, the city is not obligated to fund the agreement.

Alignment with City Council's Vision and Strategic Plan

This action aligns with the City's Strategic Plan Framework and specifically the Strategic Outcome Area of Housing, which seeks to provide housing choices and mobility options for all.

Community Engagement

Significant community engagement occurred in conjunction with the recently developed Cherry Avenue Small Area Plan. This Project aligns with numerous elements of the Small Area Plan.

Budgetary Impact

This action aligns with the City's Strategic Plan Framework and specifically the Strategic Outcome Area of Housing, which seeks to provide housing choices and mobility options for all.

Recommendation

City Staff recommends approval of the Resolution.

Alternatives

City Council can decline to adopt the attached Resolution supporting the Performance Agreement.

Attachments

1. 501 Cherry Council Resolution & Performance Agreement 03.04.25