



# **ADU Manual In Lieu Fee/ Student Housing Study**

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# Development Code Amendments: Background

- **The Current Development Code was Adopted on December 18, 2023** – Designed to facilitate a more form-based zoning ordinance, increasing density in alignment with the 2021 Comprehensive Plan.
- **Need for Amendments** – Staff identified both minor and significant issues requiring revisions to better support City goals.
- **Three-Tier Approach:**
  - **Tier 1** – Minor grammatical corrections, small adjustments, and state requirements.
  - **Tier 2** – Modifications addressing oversights and clarifications to support the Intent sections of the code.
  - **Tier 3** – Policy changes requiring in-depth analysis and community engagement.
- **Next Steps:**
  - **Tier 1 & 2** – Advancing to Public Hearing with Planning Commission January 13, 2026, then a Public Hearing with City Council later in the winter of 2026.
  - **Tier 3** – Considered in the broader FY26 NDS workplan and beyond.
- **Ongoing Process** – Annual updates for Tier 1 & 2 to ensure adaptability, best practices, and sustainable growth.



## Tier 3 Amendments

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- **Purpose** – Focuses on policy changes and confirmations requiring in-depth analysis and broader community engagement.
- **Scope** – Significant amendments that impact long-term planning and require careful evaluation of goals and implications.
- **Community Input** – Extensive outreach to gather feedback and ensure alignment with public priorities.
- **Process** – Will be prioritized within the broader future NDS workplans, given the complexity and resources required.
- **Future Considerations** – Helps shape long-term regulatory strategies to maintain an adaptable and effective Development Code.



# Tier 3 Study: ADU Manual In Lieu Fee/Student Housing Study

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## Purpose of the Study

- Annual review and update of the Affordable Dwelling Unit (ADU) Monitoring and Procedures Manual
- Focus on refining expectations for:
  - In-lieu fee payments
  - Bonus height projects
  - Student housing

# Zoning Categories and Overlay Districts

## Residential Districts:

- R-A, RN-A, R-B, R-C

## Mixed Use Districts:

- *Corridor:* NX-3, NX-5, NX-8, NX-10, DX
- *Node:* RX-3, RX-5
- *Residential Mixed Use:* CX-3, CX-5, CX-8

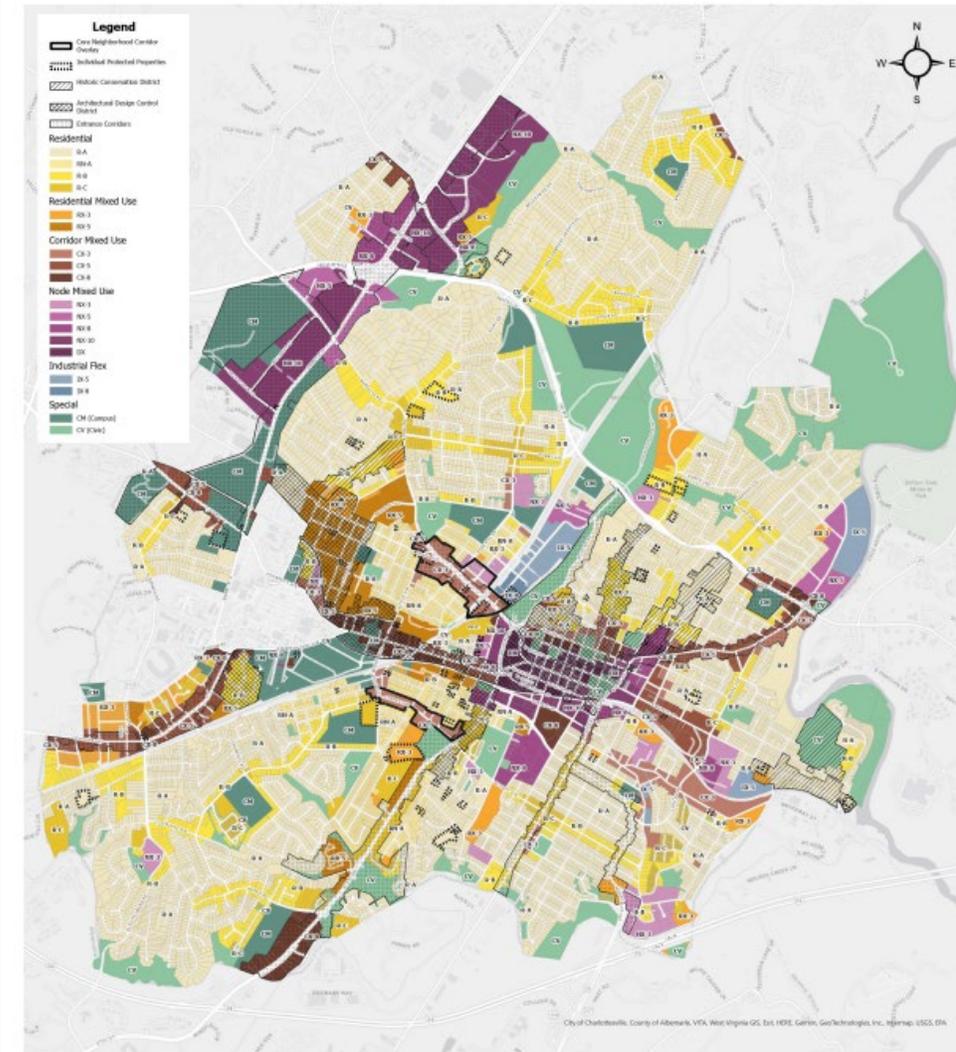
## Other Zoning Districts:

- Industrial Flex: IX-5, IX-8
- Special: CM, CV, Alternate Forms

## Overlay Districts (\* Design review required):

- Core Neighborhood Corridors
- Entrance Corridors \*
- Architectural Design Control Districts \*
- Historic Conservation Districts \*
- Individually Protected Properties \*
- Floodways and Floodplains

City of Charlottesville Zoning Map



Approved December 18, 2023

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Miles



# Affordable Housing Requirements

## Residential Development:

- Projects  $\geq 10$  units provide 10% at  $\leq 60\%$  AMI or pay in-lieu fee
- Bonus height for units at  $\leq 50\%$  AMI or same fee
  - In-lieu fee = average total cost per unit of developing a residential unit in the Charlottesville market, based on bedroom count up to 3 bedrooms

## Student Housing

- Projects that rent by the bedroom within  $\frac{1}{2}$  mile of Campus Grounds
- No on-site affordable units are required
- Bonus height may also be realized
- In-lieu fee is required
  - In-lieu fee = difference between the value of a market rate unit and that of an affordable unit (i.e. value gap), based on bedroom count up to 3 bedrooms

## Non-Student Housing

Figure 1: Construction Cost Per Unit and Average Total Cost Per Unit In-lieu Fee

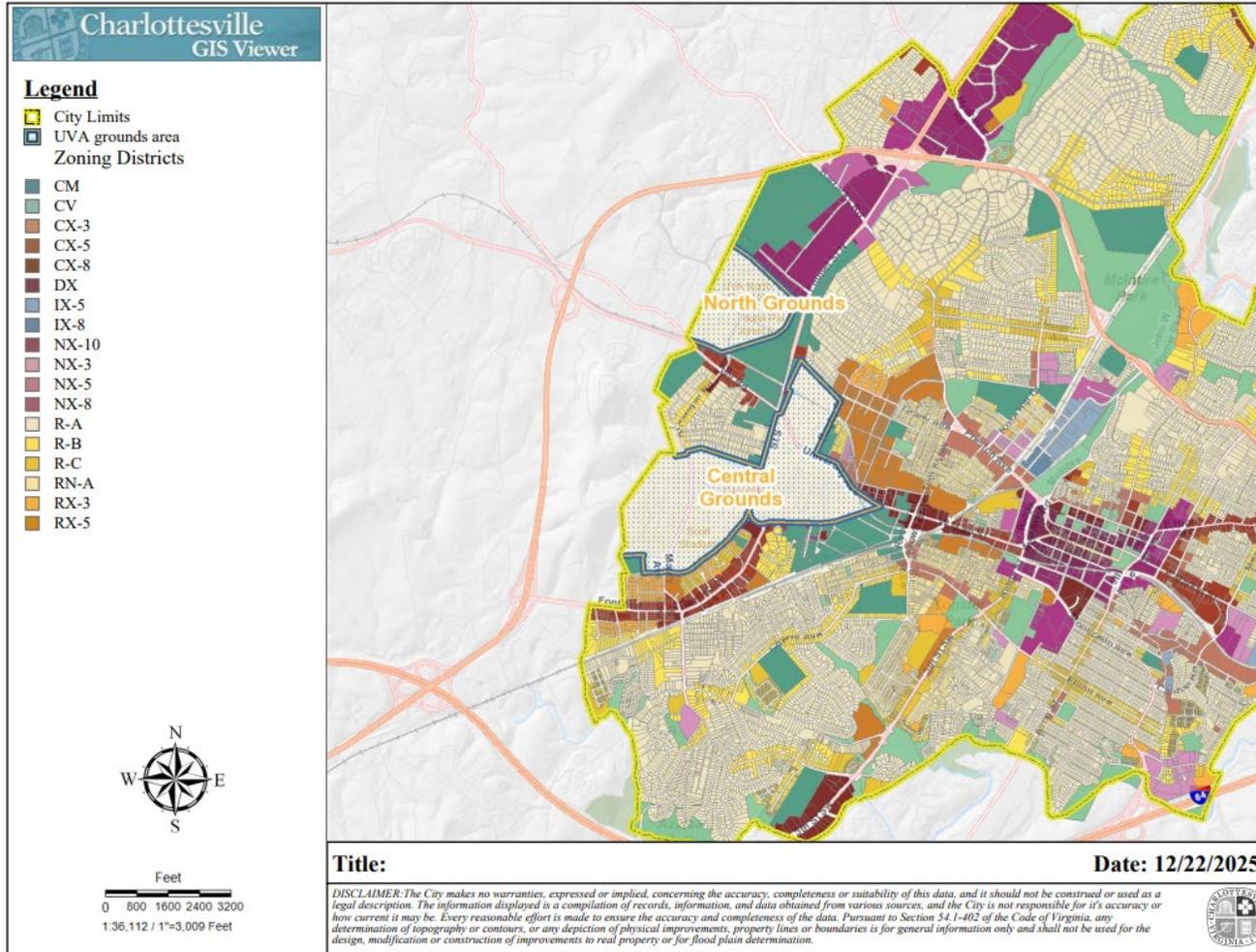
Number of Bedrooms	Cost Per Rental Unit	Cost Per Ownership Condominium Unit
Studio	\$184,152	\$324,510
1	\$250,797	\$362,120
2	\$368,303	\$413,709
3	\$547,339	\$483,138
<b>Average Total Cost Per Unit In-lieu Fee</b>	<b>\$337,648</b>	<b>\$395,869</b>

## Student Housing

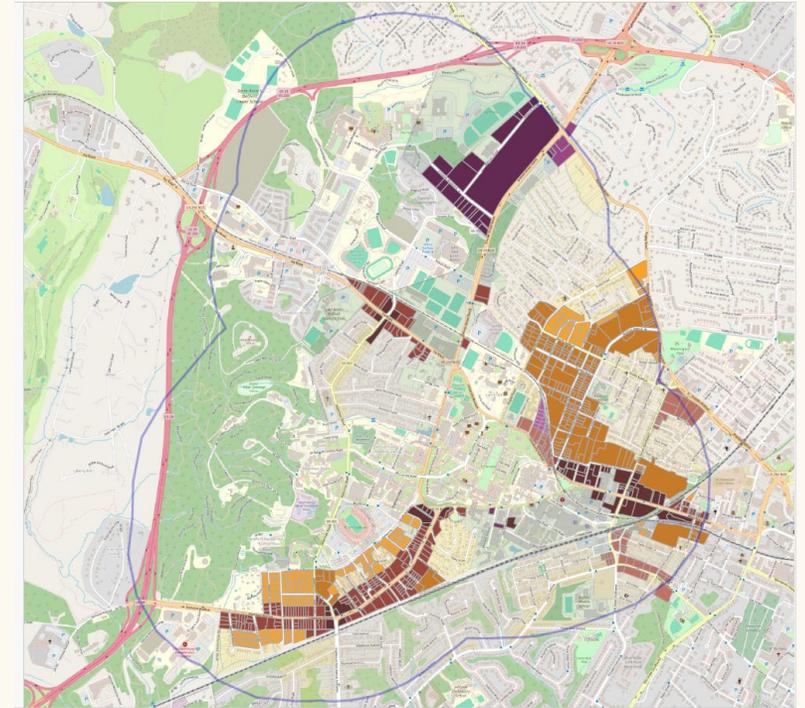
Figure 2: Value Gap Cost Per Unit and Average Total Cost Per Unit In-lieu Fee

Number of Bedrooms	Cost Per Rental Unit	Cost Per Ownership Condominium Unit
Studio	\$41,380	\$269,727
1	\$107,472	\$342,937
2	\$186,038	\$284,653
3	\$261,209	\$403,741
<b>Average Total Cost Per Unit In-lieu Fee</b>	<b>\$149,025</b>	<b>\$325,265</b>

# Locations Where Affordable Housing Expectations for Student Housing Apply



UVA Grounds



Area within 1/2 Mile of Grounds



# Initial Observations and Concerns

## Residential Development (Non-Student Housing):

- Inconsistent in-lieu fee payment structure for bonus height
- Projects opting to pay the in-lieu fee are being charged for bonus height as if the on-site requirement is **60% AMI**, not 50% AMI

## Student Housing

- Lack of requirement for on-site units limits new affordable housing where student housing is most financially feasible reinvestment option
- Student housing have lower per-bedroom cost requirement for in-lieu fee, which further incentivizes student housing
- No consideration for conversions to non-student housing
- No consideration for four-bedroom units
- Large geography applies this policy to neighborhoods where displacement is a concern

## Non-Student Housing

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# Key Study Questions

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## Research and Analysis

- Do the current in-lieu fee payment structures accurately reflect construction costs (for non-student housing) and the value gap (for student housing)?
- What are the approaches of other Virginia jurisdictions?
- What approach to requirements for in-lieu fee payments provide the best balance of incentivizing production of on-site units without limiting development feasibility?

## Goals and Guiding Principles

- What are the City's goals for in-lieu fee payment policies?
- What are the City's goals for student housing?
- Should affordable housing expectations be the same for student housing as for non-student housing?
- Should in-lieu fee payments be greater for bonus height than for non-bonus height?



# Key Questions for Stakeholder Engagement

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- What do you believe is the most important outcome this policy should accomplish for our community?
- What impacts or unintended consequences should we work (hardest) to prevent?



# Timeline

## December 2025 – January 2026: Consultant Evaluation of Key Study Questions

- Do the current in-lieu fee payment structures accurately reflect construction costs and the value gap?
- What are the approaches of other Virginia jurisdictions?
- What approach to requirements for in-lieu fee payments best incentivize production of on-site units without limiting development feasibility?

## January 2026 – February 2026: Stakeholder Engagement

- What are the most important things for the policy to achieve?
- What impacts do we want to avoid?

## March– May 2026: Develop Proposals and Commission and Council Review

- Guiding Principles
- Policy Recommendations
- Manual and Development Code Amendments

# Thank You

