



# **1-Year Annual Action Plan & Associated Funding Recommendations for HUD- Funded Programs 2026-27 Program Year**

**A Presentation to the Charlottesville Planning Commission  
Tuesday, April 14, 2026**

Office of Budget & Grants Management  
City of Charlottesville

<https://www.charlottesville.gov/678/CDBG-HOME-Programs>

Anthony Warn, Grants Analyst  
[warna@charlottesville.gov](mailto:warna@charlottesville.gov)

**2026-27 OVERVIEW OF CDBG & HOME REQUESTS FOR FUNDING**  
 For consideration by the PY26 City of Charlottesville CDBG/HOME Taskforce

# Summary of Funding Requests Received

**PY26 HUD Allocations (Anticipated\*)**

CDBG est	\$ 445,452.00
HOME est.	\$ 85,876.13

\* Estimated based on HUD allocations for PY25 \$531,328.13

**Programmatic Funding & Setasides**

CDBG Planning & Admin	\$ 89,090.40
Public Services Cap @ 15%	\$ 66,817.80
Council Priority: Public Facilities & Imprv.	\$ 89,896.51
Council Priority: Economic Dev.	\$ 89,896.51
HOME Program Local Match (25%**)	\$ 21,469.03

\*\* Typically funded from CAHF

**CDBG Economic Development**

*Requests*

CIC Entrepreneur Programs & Supports	\$ 25,000.00
BGF Cville Builds - Construction & Renovation for Nonprofits & Small Bus	\$ 35,000.00

*Subtotal: \$60,000.00*

**CDBG Public Facilities & Infrastructure Improvements**

*Requests*

Arc of the Piedmont Shamrock Group Home	\$ 19,554.29
The Haven Day Shelter Infrastructure	\$ 33,000.00

*Subtotal: \$52,554.29*

**CDBG Public Service Activities**

*Requests*

The Haven Coordinated Entry	\$ 50,000.00
IRC Financial Capabilities & Language Access Support for Newcomers	\$ 35,000.00
LVCA Beg. Workforce Literacy	\$ 50,000.00
PHA Eviction Diversion & Housing Stabilization	\$ 30,000.00
PHAR Resident-Involved Redevelopment	\$ 55,000.00

*Subtotal: \$220,000.00*

**CDBG Affordable Housing**

*Requests*

AHIP Charlottesville Critical Home Rehabs	\$ 140,000.00
LEAP Healthy, Safe & Energy Efficient	\$ 125,000.00

*Subtotal: \$265,000.00*

**HOME Investment Partnerships**

*Requests*

CRHA Shared Housing Rehabs and Renovation in Fifeville	\$150,000.00
Building Goodness FoundationC'ville Builds: Local Repair & Renovation	\$35,000.00

*Subtotal: \$185,000.00*



# Preliminary Gap Analysis

## Previous Year Allocation (PY25)

<i>PY25 Actual Allocation Rec'd</i>	\$ 445,452.00
<i>PY25 Local Share HOME</i>	\$ 85,876.13

## Current Year Anticipated (PY26)

<i>Subtotal Econ Dev</i>	\$ 60,000.00
<i>Subtotal Public Facilities &amp; Inf</i>	\$ 52,554.29
<i>Subtotal Public Service</i>	\$220,000.00
<i>Subtotal Afford Housing</i>	\$265,000.00
<i>total py26 requests</i>	\$597,554.29

## PY26 Gap Analysis (All CDBG)

<i>total cdbg requests</i>	\$ 597,554.29
<i>cdbg available to commit</i>	\$ 356,361.60
	Δ -\$241,192.69

## PY26 Gap Analysis (Public Service Activities)

<i>total public services requests</i>	\$220,000.00
<i>hud ps cap (available)</i>	\$ 66,817.80
	Δ -\$153,182.20

## PY26 Gap Analysis (All HOME)

<i>total home requests</i>	\$185,000.00
<i>home available to commit</i>	\$ 85,876.13
	Δ -\$99,123.87



# Preliminary Funding Recs

**2026-2027 CDBG & HOME FUNDING RECOMMENDATIONS ("PY26")**  
Amended based on HUD Allocations Transmittal Letter Received on April 6, 2026

**PY26 HUD Allocations (2026-27 Anticipated)**

CDBG est.	\$ 464,924.00
HOME Local Share est.	\$ 92,568.21

\$557,492.21

**Programmatic Funding & Setasides**

CDBG Planning & Admin	\$ 92,984.80
Public Services Cap @ 15%	\$ 69,738.60
Council Priority: Public Facilities & Imprv.	\$ 89,896.51
Council Priority: Economic Dev.	\$ 89,896.51
HOME Program Local Match (25%**)	\$ 23,142.05

\*\* Typically funded from CAHF

**CDBG Economic Development**

*Recommendations*

CIC Entrepreneur Programs & Supports	\$ 23,994.75
BGF Cville Builds - Construction & Renovation for Nonprofits & Small Businesses	\$ 35,486.24

*Subtotal: \$59,480.99*

**CDBG Public Facilities & Infrastructure Improvements**

*Recommendations*

Arc of the Piedmont Shamrock Group Home	\$ 20,408.76
The Haven Day Shelter Infrastructure	\$ 34,442.53

*Subtotal: \$54,851.29*

**CDBG Public Service Activities**

*Recommendations*

The Haven Coordinated Entry	\$ 26,092.82
LVCA Beg. Workforce Literacy	\$ 14,421.82
PHA Eviction Diversion & Housing Stabilization	\$ 29,223.96

*Subtotal: \$69,738.60*

**CDBG Affordable Housing**

*Recommendations*

AHIP Charlottesville Critical Home Rehabs	\$ 93,934.16
LEAP Healthy, Safe & Energy Efficient	\$ 93,934.16

*Subtotal: \$187,868.32*

**HOME Investment Partnerships**

*Recommendations*

BGF C'ville Builds: Local Repair & Renovation for Homeowners	\$ 37,727.45
Unallocated	\$ 54,840.76

*Subtotal requests HOME: \$92,568.21*

Total CDBG Recommendations for 2026-27: \$371,939.20  
Total HOME Recommendations for 2026-27: \$92,568.21



## **PY26 Timeline**

- 5 Jan** Start of 30-day Winter 2026 Application Window & Pre-Application Technical Assistance for prospective applicants
- Feb 7** Close of application window (midnight)
- March 4** CDBG/HOME Taskforce convenes to review applications
- April 1** CDBG/HOME Taskforce finalizes preliminary funding recommendations
- April 6** City receipt of HUD Allocation Transmittal Letter
- April 14** Public hearing before Planning Commission
- April 15** Start of 30-day Public Comment Period (*closes on May 15*)
- May 4** Public hearing before City Council (*first reading*)
- May 7** Public hearing before Commissioners of the Thomas Jefferson Planning District Commission
- May 18** Public hearing before City Council (*second reading*)
- May 31** Target date for submittal of locally-approved Annual Action Plan to HUD
- July 1** Projected start of 2026-27 Program Year (“PY26”)



## **PY26 Anticipated Outcomes**

Based on the city's investments of CDBG and HOME funds, at the end of the 2026-27 program year the city anticipates out local nonprofit partners will:

- Residential group home renovation services to support eight (8) persons with disabilities (03B - Facilities for Persons with Disabilities)
- Operational supports and infrastructure improvements to support persons experiencing and/or at risk of experiencing homelessness (03C - Homeless Facilities, Not Operating Costs; 03T - Homeless/AIDS Patients Programs)
- Adult workforce literacy supports that will assist twenty-five or more adult residents (05H - Employment Training)
- Subsidized tuition to facilitate participation in microentrepreneur trainings through a Charlottesville-based CDFI for ten (10) or more adult residents (18C - Micro-Enterprise Assistance)
- Emergency short-term housing assistance and Eviction Diversion counseling services for ten (10) or more households at-risk of losing their current housing (05Q - Subsistence Payments)
- Critical or emergency housing rehabilitation services and/.or energy efficiency upgrades that will assist fifteen (15) or more income-eligible households through established local providers, including one that is a first-time applicant for CDBG and/or HOME funding support
- A novel partnership that seeks to provide important rehabilitation services to local nonprofits that serve primarily the income-eligible residents our CDBG and HOME programs are designed to serve





**Thank you for your interest in  
the City of Charlottesville's  
CDBG and HOME programs!**

**Any questions?**

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# City of Charlottesville

*To be a Place Where Everyone Thrives*

Office of Budget & Grants Management

## Policy Briefing Memo

To:	Planning Commissioners
Re:	<b>Public Hearing for the Draft One-Year Annual Action Plan &amp; Associated Funding Recommendations for HUD-funded Activities for Program Year 2026-2027 (1<sup>st</sup> of 1 reading)</b>
Date:	April 14, 2026
Staff Contact:	Anthony Warn, Grants Analyst

### Action Requested

City staff seeks input and guidance from the Planning Commission regarding the draft 1- Year Annual Action Plan for program year 2026-2027 (“PY26”) and associated funding recommendations from the CDBG/HOME Taskforce for the Community Development Block Grants (“CDBG”) and HOME Investment Partnerships (“HOME”) programs, to be forwarded to City Council for further consideration.

### Background/Rule

The City of Charlottesville engages as a ‘participating jurisdiction’ (“PJ”) in the Community Development Block Grant (“CDBG”) & HOME Investment Partnerships (“HOME”) programs offered by the U.S. Department of Housing and Urban Development (“HUD”). Charlottesville is, in that role, the periodic recipient of federal funds to support eligible community development, affordable housing and planning activities as identified by HUD’s Office of Community Planning & Development (“CPD”).

The City of Charlottesville is also a contributing member of the Thomas Jefferson HOME Consortium (“TJHC”) in partnership with the Thomas Jefferson Planning District Commission (“TJPC”) and the counties of Albemarle, Fluvanna, Greene, Louisa and Nelson, and through the Consortium shares in the benefits of participation in the HOME program.

### Discussion

For the Winter 2026 funding round, the city received thirteen (13) Requests for Proposals (“RFPs”), eleven (11) of which were requests for CDBG funding and two (2) of which were requests for HOME funding, an overview of which is provided as an attachment.<sup>1</sup> Consistent with previous years, the greatest number of applications received were for proposals that are classified by HUD as CDBG

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<sup>1</sup> PDF copies of the applications received during the Winter 2026 Requests for Proposal application cycle can be found on the city’s CDBG & HOME web page at <https://www.charlottesville.gov/678/CDBG-HOME-Programs> or by direct link at <https://www.charlottesville.gov/DocumentCenter/Index/1097>

Public Services activities.<sup>2</sup> The volunteer members of the city's CDBG/HOME Taskforce have carefully reviewed these requests and based on their deliberations have adopted the proposed funding requests presented here today.

### *Status of HUD Guidance*

In a letter dated April 6, 2026, the City of Charlottesville was notified by HUD of the CDBG and HOME allocations the city can anticipate receiving for the 2026-2027 program year. Based on this notice, funding for the CDBG program is anticipated to increase by \$19,472.00 (from \$445,452.00 in program year 2025-2026 to \$464,924.00 in program year 2026-2027, or +4.37%). Similarly, funding for the HOME program is anticipated to increase by \$53,536.58 (from \$687,009.06 to \$740,545.64, or +7.79%). The city's local share of HOME funds is anticipated to increase by the same percentage, moving from \$85,876.13 in the prior year to \$92,568.21 for 2026-2027.

The funding recommendations adopted by the CDBG/HOME Taskforce have been updated based on this April 6th notice from HUD, with the anticipated increase in funds applied uniformly by percentage across all activities recommended for funding. In this way, all applications recommended for funding have been adjusted by the same percentage, or approximately 4.37%. One outcome of this is that two applicants are now recommended to receive an award above the amount originally requested in their applications.

### *Deliberations of the CDBG/HOME Taskforce*

The current recommendations attempt to maximize the benefit of the limited funds available for these two programs emphasizing proposals that detailed clear and measurable outcomes. Consistent with previous years, deliberations were exceptionally difficult given that all proposals seemed worthy of funding at some level. It should be noted here that at least one applicant built on the feedback received from the Commission during last year's public hearing by splitting their funding request between the CDBG and HOME programs to stay away from the Public Services cap so as to avoid the limitations imposed by HUD's 15% spending cap on Public Services activities.

The review team did identify some issues regarding some of the applications that impacted on their deliberations. In one case, an applicant requested significantly more money than is typically available within that program category while also specifying that receipt of less than their full request might make it impossible to complete the proposed activity within the upcoming program year as it would necessitate new fundraising to complete. The review team also noted that many of the applications did not provide a clear and measurable statement of what they hope to accomplish if funded (what

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<sup>2</sup> Public Services is the eligible activity category most severely constrained by HUD in that no more than 15% of each year's allocation of CDBG funds can be expended on these activities. Due to this HUD-imposed spending cap, for example, for the current 2025-26 program year the city was allowed to award no more than \$66,817.80 for public services activities in spite of the fact that requests for funding in this category totaled \$369,236.00, resulting in a shortfall of available funds of for this category of \$302,418.20.

the application document refers to as the ‘Shark Tank Elevator Pitch’). Program staff will continue to emphasize inclusion for future funding rounds the need for applicants to craft a concise statement of the work to be done, including the estimated number of measurable outcomes.

#### Implications for Amendments to the CPP

The taskforce also experienced an issue that may inform proposed revisions to the Citizen Participation Plan and associated municipal code (at Chapter 2, Article XIII).<sup>3</sup> Specifically, one active, engaged member lost their seat by statute when they had to move out of the neighborhood to which they had been appointed by Council to represent. This member remained at all times a city resident and their statutory removal after deliberations had begun was interruptive to the work of the taskforce. The City may wish to consider adding language that would allow members to continue to serve in such cases, such as by having such a seat convert automatically to an at-large seat, at least until such time as Council can take further action on their appointment, among other options available for consideration.

#### Evaluation Criteria

The members of the Taskforce have also expressed an interest in reconvening in the near future to evaluate the current CDBG & HOME application templates and associated evaluation criteria to more closely align these documents to the city’s current needs to take full advantage of the new grants management software the city has recently adopted, and would appreciate any feedback and/or suggestions the Commissioners may have that can help guide this work.

#### Conclusion

In conclusion, while the members of the CDBG/HOME Taskforce would have liked to have been in the position of being able to fund each applicant in full, the funding recommendations outlined in the draft Plan represent the Taskforce’s best efforts to invest the limited funds available to them so as to maximize the positive impacts for our community and those residents at the heart of this work.

#### **Financial Impact**

There is no adverse financial impact of these recommendations, as the funds proposed to be awarded are federal funds allocated to the city by HUD to support community-benefit activities, and, as such, do not draw from the city’s General Fund. Rather, use of these funds as recommended here will instead serve to address important and pressing community needs while at the same time supporting the city’s continued eligibility for allocations of entitlement funds in future years.

#### **Recommendation(s)**

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<sup>3</sup> [https://library.municode.com/va/charlottesville/codes/code\\_of\\_ordinances?nodeId=CO\\_CH2AD\\_ARTXII\\_ICODEBLGRPL](https://library.municode.com/va/charlottesville/codes/code_of_ordinances?nodeId=CO_CH2AD_ARTXII_ICODEBLGRPL)

Staff respectfully recommends that the Commissioners of the Charlottesville Planning Commission accept the draft Annual Action Plan and associated funding recommendations as presented here today with the recommendation that these be forwarded to City Council for further consideration. All feedback received from the public during the scheduled Public Comment period and from the Commissioners here today will be incorporated into the Plan to be presented before City Council during two (2) public hearings currently scheduled for May 4 and May 18, 2026, respectively.

### **Suggested Motion(s)**

**I move that the Planning Commission accept the draft 1-Year Annual Action Plan for program year 2026-27 and associated draft funding recommendations as presented here before us today.**

and

**I further move that the Planning Commission recommend that staff present the draft Plan and the associated draft funding recommendations as presented here before us today to the City Council for public review and consideration.**

### Attachments:

- 2026-27 CDBG & HOME Funding Recommendations (“PY26), as Adopted by the Members of the PY26 CDBG/HOME Taskforce on April 1, 2026, and Updated based on Preliminary Notice of New Allocations from HUD
- Overview of 2026-27 CDBG & HOME Funding Requests Received
- Draft City Council Resolution to Approve the 2026-27 Annual Action Plan
- Draft City Council Resolution to Approve CDBG Grant Awards for the 2026-27 Program Year
- Draft City Council Resolution to Approve HOME Grant Awards for the 2026-27 Program Year
- CDBG/HOME Taskforce PY26 Reviewer Evaluation Criteria



# **ADU Manual In-Lieu Fee & Student Housing Study**

**Planning Commission Presentation**  
*Updated 4/14/26*



# Agenda

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- **Study Background, Purpose & Scope**
- **Public Engagement, Goals, and Guiding Principles**
- **Study Findings**
  - Findings from Other Jurisdictions
  - Findings from Initial Fee Evaluation
- **Feasibility Impacts**
- **Policy Recommendations**

# Study Purpose, Background, and Scope



# Study Purpose

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- Annual review and update of the Affordable Dwelling Unit Monitoring and Procedures Manual (ADU Manual)
- Evaluate current merits of
  - In-lieu fee payments
  - Bonus height projects
  - Student housing
  - Geographic criteria



# Affordable Housing and Student 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
  - 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 allowed, 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)
  - Bedroom count up to 3 bedrooms

## Current Fee Structure – Non-Student Housing

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

## Current Fee Structure - Student Housing

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	\$407,741



# Rationale for Different Student Housing Requirements

- Student housing projects do not typically include non-student housing
  - Unique requirements for student housing projects (rental by bedroom, parental preferences for student living conditions and amenities)
- Value gap method resulted in a lower in-lieu fee requirement
- Lower fee requirement deemed appropriate given the lack of an on-site affordable unit requirement

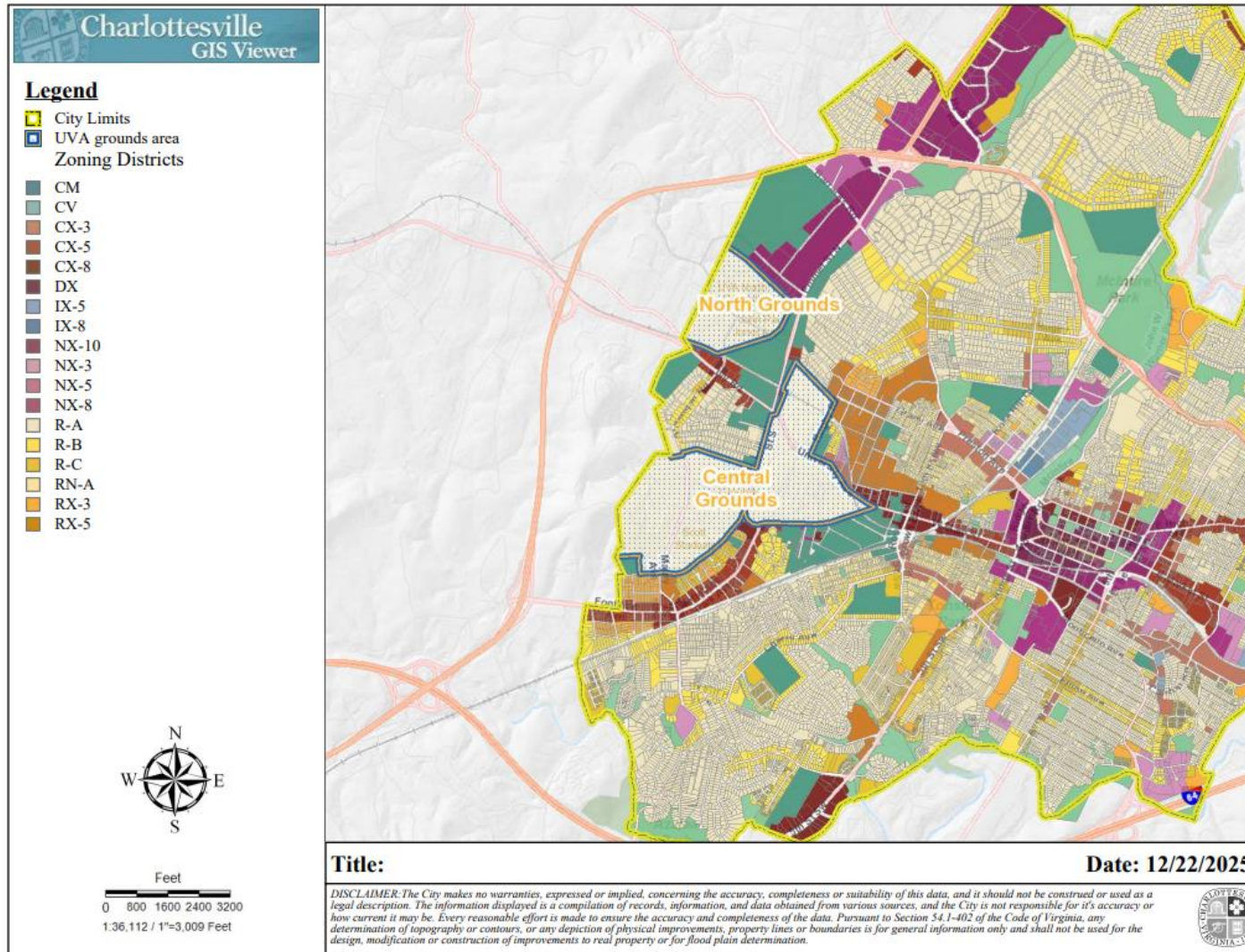
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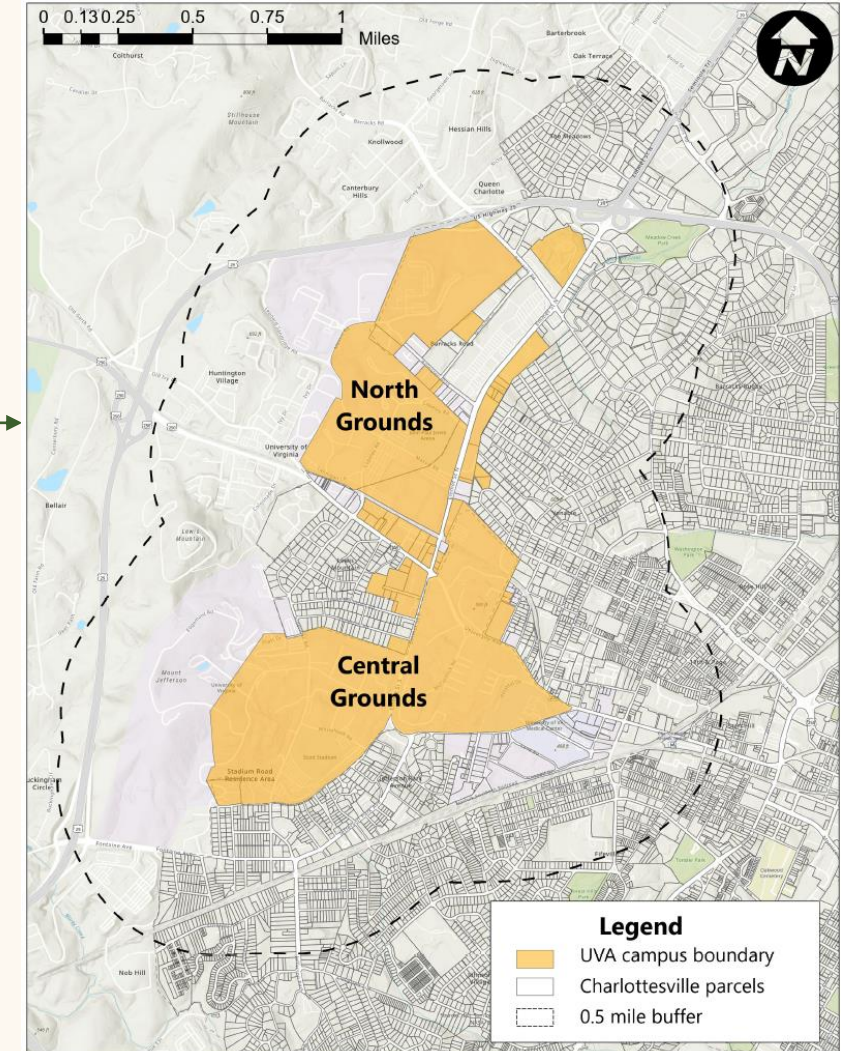
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# Locations Where Affordable Housing Expectations for Student Housing Apply



UVA Grounds



Area within 1/2 Mile of Grounds



# Student Housing History

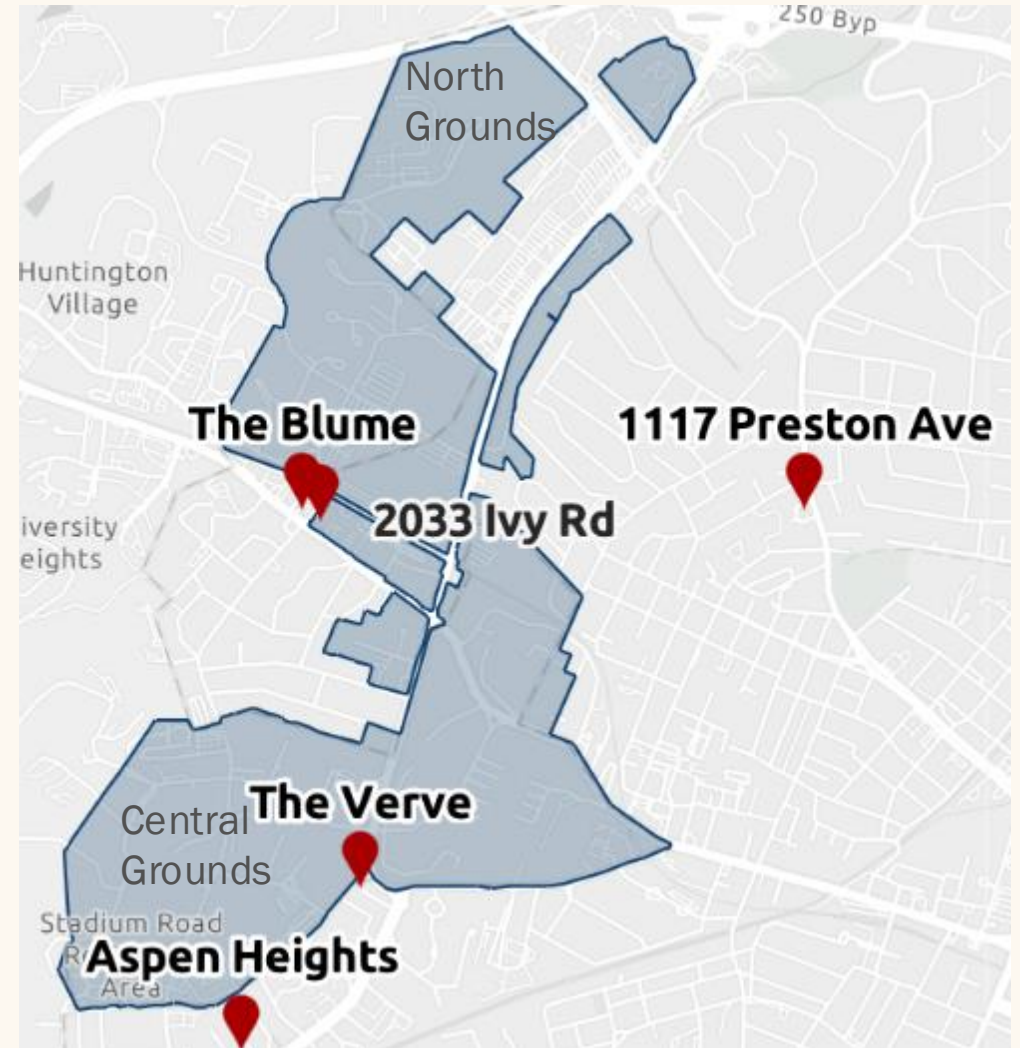
- UVA enrollment growth has steadily increased demand for student housing.
- Historically, students lived:
  - On Grounds (limited capacity)
  - In older apartment complexes near UVA
  - In converted single-family homes in neighborhoods within walking distance to the university
- As enrollment grew, private developers increasingly stepped in to build purpose-built student housing, concentrated closer to Grounds
  - 4-bedroom units, rental by bedroom

Neighborhood	Key Student Housing Features
The Corner / University Area	Oldest off-Grounds student district; dense housing near UVA
Venable	Early 20th-century homes converted to rentals; adjacent to Grounds
JPA Corridor	Mix of apartments + subdivided homes; close to hospital & Grounds
West Main	Longstanding transition zone; now major student-housing corridor
Fifeville (edges)	Increasing student-housing pressure near West Main
10 <sup>th</sup> and Page	Early 20 <sup>th</sup> -century homes converted to rentals; increasing student housing pressure

# Student Housing Supply and Demand

Total Undergraduate and Graduate Enrollment On Grounds ~ 27,000\*

- ~ 7,000 beds on Grounds (4,000 for First-Years)
- UVA has targeted for all 2<sup>nd</sup> Year Students to live on Grounds by 2030
- 5 projects currently under construction off Grounds, totaling 3,515 beds
  - Verve (442 Units / 1,332 beds)
  - Aspen Heights (119 Units / 390 beds)
  - 1117 Preston Avenue (16 Units / 32 beds)
  - Ivy (Blume) (231 Units / 641 beds)
  - 2033 Ivy Rd (780 beds)
  - Darden Graduate Housing (County) (340 beds)



\*Darden Graduate Housing not pictured

# Student Housing – National Perspective

- National report note a continued trend toward:
  - Private bedrooms and bathrooms
  - High-end amenities (fitness centers, study lounges, pools)
  - Mixed-use developments near campus
  - Preference for **private space and modern amenities**

\* [Inland-Insights-Robust-Student-Housing.pdf](#)



The Verve, Charlottesville, VA (UVA)



Ivy (Blume), Charlottesville, VA (UVA)

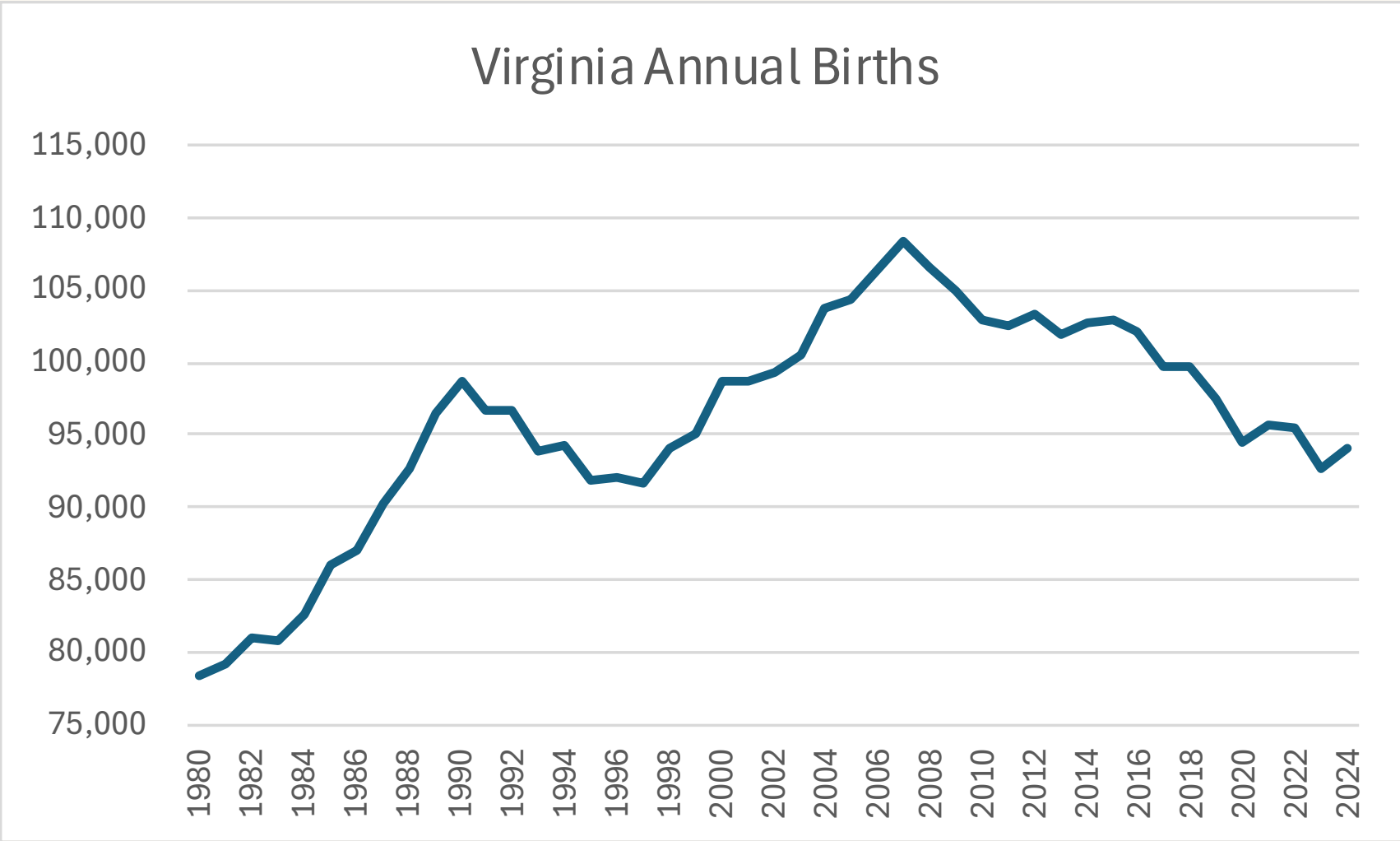


Jolly Roger, Greensboro (ECU)

# Virginia Demographic Trends



Number of births has been declining since 2008



# Initial Observations and Concerns

## Residential Development (Non-Student Housing)

- Significant gap between non-student and student fees
- Current fee structure may not be best practice
- In-lieu fee payment does not change for bonus height

### Current Fee Structure – Non-Student Housing

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Studio	\$184,152	\$324,510
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# Initial Observations and Concerns

## Student Housing

- Lack of on-site unit requirement limits new ADUs near campus
- Student housing's lower per-bedroom fee further incentivizes student housing
- No consideration for conversions to non-student housing, or 4+ bed units
- Large geography leads to displacement concerns

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# 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 – February 2026: Stakeholder Engagement

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

# Timeline

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

January – 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



# Timeline

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

January – February 2026: Stakeholder Engagement

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

- Guiding Principles
- Feasibility Analysis
- Policy Recommendations\*
- Manual and Development Code Amendments

\*Development of recommendations will be coordinated with presentation of key findings and recommendations from tax abatement study

# Public Engagement, Goals, and Guiding Principles



# Goals and Guiding Principles

Asked staff and stakeholders two key questions:

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

Questions posed as ‘would you rather’, to highlight trade-offs in fee policy

## WHAT MATTERS MOST?

Fewer projects, but mixed income  
vs.  
More projects, but units built elsewhere

Mixed income in buildings  
vs.  
Mixed income on site

Private provision of ADUs  
vs.  
Nonprofit/public provision of ADUs

More financial control of ADU decisions  
vs.  
Less operational burden of ADU decisions





# Engagement Strategy & Reach

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*The engagement process for the Housing and Student Housing Study utilized a "digital-first, community-supported" model to capture broad feedback and targeted stakeholder expertise.*

## **Connect Charlottesville Participation Metrics**

- 270 Unique Visitors and 475 Total project page
- Over 800 Page Views, indicating repeat engagement.
- 45 Contributions submitted across various forum topics and surveys.

## **Engagement Mediums**

- Digital: Connect Charlottesville portal, interactive website features, and targeted email campaigns.
- Consultative: Meetings with the Housing Advisory Committee, stakeholder group representatives, and the Neighborhood Leaders list-serve.
- In-Person/Offline: Promotions via Boards and Commissions, newsletters, and direct neighborhood outreach.



# Key Discussion Themes & Sentiments

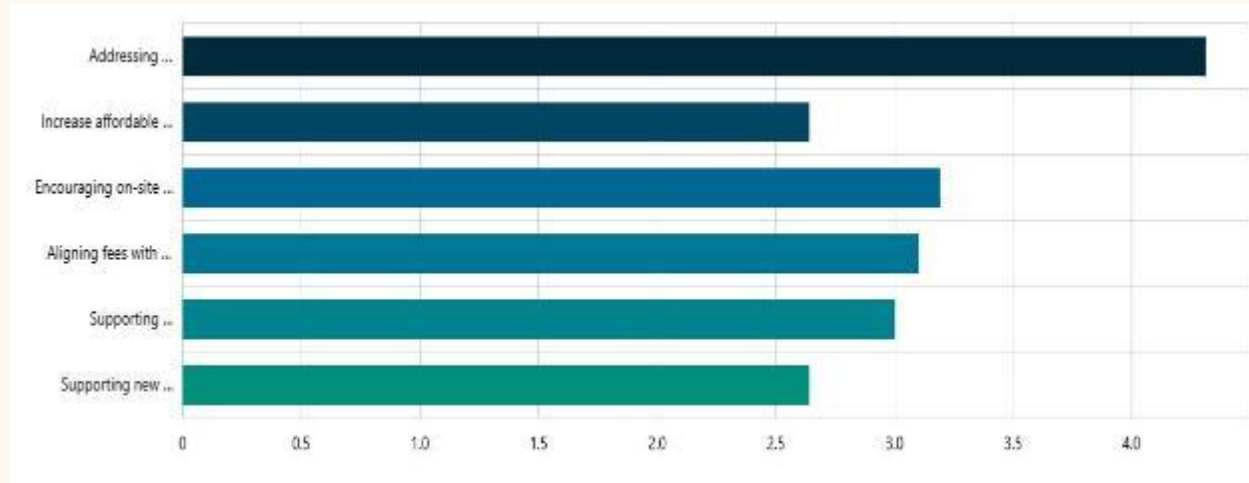
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## Core Themes:

1. **Neighborhood Preservation & Character** - A High concern regarding the "ruining of the character of Charlottesville" due to luxury high-rises, particularly in areas bordering the University.
2. **In-Lieu Fee Loopholes** - Significant apprehension that current in-lieu fee policies allow developers to bypass the actual construction of affordable units, potentially failing to meet the city's housing needs.
3. **Environmental & Quality of Life Impacts** - Concerns that increased building heights lead to reduced green space, loss of natural sunlight, and increased greenhouse gas impacts.
4. A recurring theme of private **Student Housing "Encroachment"** on year-round residential areas, creating a detrimental impact on neighborhood stability.
5. Specific anxiety that market-driven density mandates will accelerate **Displacement Risks** of long-term residents, particularly in historically marginalized areas.

# Community Priorities & Sentiment

1. **Addressing displacement pressures in vulnerable neighborhoods** – greatest percentage of participants ranking it as their top concern
2. **Encouraging on-site affordable housing units** - preference for "in-kind" units within new developments
3. **Aligning fees with current financial costs to produce and maintain affordable units** - ensuring policy revenue matches the actual cost of creating housing.
4. **Supporting development feasibility for housing production** - balancing policy requirements with the practical ability to build new units.
5. **Supporting new student housing within walking distance to UVA Grounds** – seeking to concentrate students to protect residential areas.
6. **Increasing affordable housing options for students** - expanding specific housing supply for the student population.



# Guiding Principles

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## **We want to have:**

- ✓ Predictability
- ✓ ADUs on site in new development
- ✓ Development at a wide-range of price points
- ✓ A policy that promotes both public and private provision of ADUs
- ✓ New build and preservation of existing ADUs are both important

## **We want to avoid:**

- ✗ Concentrating ADUs in low-cost areas
- ✗ Making worse the displacement pressures in vulnerable neighborhoods

# Study Findings



# Study Findings | Best Practices Fee Methods

**Affordability Gap** –the financial gap between the value of a market-rate unit and that of an ADU. Measures impact on developer

**Production Cost** –the financial gap between construction cost and the value of an ADU. Measures impact on non-profit developer

- The amount needed to break even

**Fees can be fixed or indexed, and can be per unit or per SF**

References: [Urban Institute 2020](#), [Grounded Solutions Network](#)



# Study Findings | Best Practices Fee Methods

Note that construction cost (the current method) is **not listed** among common best practice

# Study Findings | Best Practices Fee Methods

PROS	CONS
<b>CONSTRUCTION COST</b>	
<ul style="list-style-type: none"> <li>• High fee promotes on-site units</li> <li>• Ensures sufficient funding to build units off site</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of developable land limits off-site units</li> <li>• Fee is higher than loss of revenue from ADUs</li> <li>• Does not account for affordability levels</li> </ul>
<b>PRODUCTION COST</b>	
<ul style="list-style-type: none"> <li>• In line with subsidy for nonprofit developer to build off site units</li> <li>• Doesn't depend on keeping up to date with fluctuating market rents/prices</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of developable land limits off-site units</li> <li>• Fee is much lower than loss of revenue from ADUs – developers likely to choose fee</li> </ul>
<b>AFFORDABILITY GAP</b>	
<ul style="list-style-type: none"> <li>• <b>Good match for market-rate developer cost</b></li> <li>• <b>Could fully subsidize off-site units</b></li> <li>• <b>Allows for fees at multiple affordability levels</b></li> <li>• <b>May align well with tax abatement strategy</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lack of developable land limits off-site units</b></li> <li>• <b>Less likely to promote on-site units than current fee</b></li> </ul>

# Findings from Other Jurisdictions



# Takeaways from Other Virginia Jurisdictions

- Most places with requirements have an in-lieu fee
- Fee in lieu structures are different for every community
- Few communities have ADU requirements similar to Charlottesville

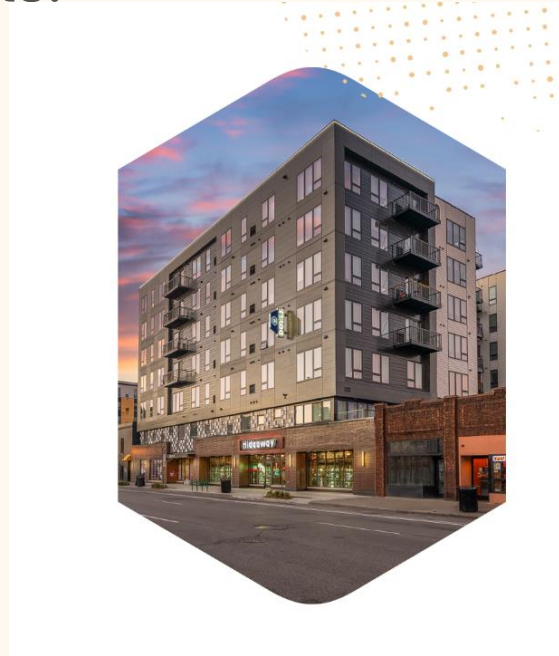


# Minneapolis Case Study

- Uses a definition of rooms rented by the bedroom and location to define student housing, within a university overlay district.
- Student housing projects can pay an in-lieu fee or provide onsite units for students.
- Projects with affordable units:



[Identity Dinkytown](#)



[Doyle Apartments](#)



[Fieldhouse Dinkytown](#)

# Findings & Takeaways of Initial Study

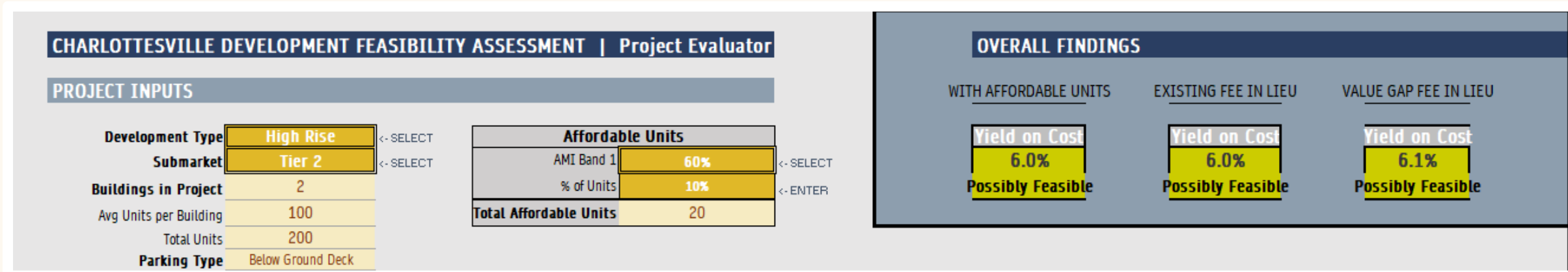
- Existing fee matches local construction costs, but fee is high and method is not a best practice (though it is used elsewhere in Virginia)
- Existing student housing fee (“value gap”) may actually be production cost, which is low
- **Affordability gap** is a best practice alternative with more flexibility and better policy alignment

# Feasibility Analysis



# Feasibility Analysis

- Used the feasibility tool developed for the tax abatement study to test the in-lieu fee's impact on development feasibility
- Compares feasibility of a project in three scenarios: on-site units, existing fee in lieu, proposed fee in lieu (Affordability Gap fee)
- In theory, feasibility of on-site and fee in-lieu should be similar



# Existing Fee vs. Affordability Gap Fee

- Tested the existing fee compared to a fee based on the Affordability Gap method
- Included a fee for 4-bedroom units

## Current Fee Structure

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

## Proposed Fee Structure

Number of Bedrooms	Cost per Rental Unit	Cost per Ownership Condominium Unit
Studio	\$136,000	\$97,000
1	\$176,000	\$154,000
2	\$317,000	\$228,000
3	\$411,000	\$393,000
4 or more	\$495,000	\$439,000

# In-Lieu Fee Calculation for Rentals

IN-LIEU FEE CALCULATION FOR RENTALS					
VALUE GAP					
# Bedrooms	Studio	1 Bed	2 Bed	3 Bed	4 Bed
Market Rent /mo	\$1,946	\$2,218	\$3,053	\$3,673	\$4,228
Avg SF	535	778	1,143	1,390	1,600
Rent PSF	\$ 3.64	\$ 2.85	\$ 2.67	\$ 2.64	\$ 2.64
Property Tax	\$261	\$297	\$409	\$493	\$567
Other Expenses	\$354	\$403	\$555	\$668	\$769
Net Operating Income	\$1,331	\$1,518	\$2,089	\$2,513	\$2,892
Capitalized	\$336,244	\$383,369	\$527,661	\$634,791	\$730,615
Affordable Rent /mo (60% AMI)	\$1,322	\$1,416	\$1,605	\$1,793	\$1,963
property taxes	\$177	\$190	\$215	\$240	\$263
NOI	\$791	\$823	\$835	\$885	\$931
Capitalized	\$199,821	\$207,859	\$210,852	\$223,504	\$235,223
Value Gap	\$136,423	\$175,510	\$316,809	\$411,286	\$495,392

# Feasibility Analysis - Rentals

- Most housing types fall below desired 6% yield for rentals
- Fees do not (and should not) change yield much compared to units
- Little difference between existing and proposed fee for rentals
- Proposed fee (Affordability Gap) is a better match to units for most housing types

ESTIMATED TYPICAL YIELD ON COST BY HOUSING TYPE BY AFFORDABLE UNIT PROVISION		
Housing Type	Yield On Cost for projects On-Site Units	Yield on Cost for Projects Existing Fee
Garden Apt	4.1%	3.9%
Low Rise	4.2%	4.1%
Mid Rise	<b>4.5%</b>	<b>4.5%</b>
High Rise	<b>5.8%</b>	<b>5.8%</b>
Townhouse	4.2%	4.1%
Student Housing	6.6%	6.8%

ESTIMATED TYPICAL YIELD ON COST BY HOUSING TYPE BY AFFORDABLE UNIT PROVISION		
Housing Type	Yield On Cost for projects On-Site Units	Yield on Cost for Projects Affordability Gap
Garden Apt	<b>4.1%</b>	<b>4.0%</b>
Low Rise	<b>4.2%</b>	<b>4.2%</b>
Mid Rise	4.5%	4.6%
High Rise	5.8%	5.9%
Townhouse	<b>4.2%</b>	<b>4.2%</b>
Student Housing	<b>6.6%</b>	<b>6.6%</b>

# Feasibility Analysis - Condos

- Very little recent local data available on condos – limited confidence in results
- Model indicates that condo feasibility is far below target 20% gross margin
- Affordability gap shows much better alignment for condos compared to existing fee
- Lower fee helps but does not make projects feasible

ESTIMATED TYPICAL GROSS MARGIN BY HOUSING TYPE BY AFFORDABLE UNIT PROVISION		
Housing Type	Gross Margin for projects On-Site Units	Gross Margin for Projects Existing Fee
Garden Apt	8.1%	3.4%
Low Rise	4.9%	0.6%
Mid Rise	-1.3%	-4.7%
High Rise	11.8%	5.7%
Townhouse	-4.4%	-6.1%

ESTIMATED TYPICAL GROSS MARGIN BY HOUSING TYPE BY AFFORDABLE UNIT PROVISION		
Housing Type	Gross Margin for projects On-Site Units	Gross Margin for Projects Existing Fee
Garden Apt	<b>8.1%</b>	<b>7.7%</b>
Low Rise	<b>4.9%</b>	<b>4.6%</b>
Mid Rise	<b>-1.3%</b>	<b>-1.2%</b>
High Rise	<b>11.8%</b>	<b>11.2%</b>
Townhouse	<b>-4.4%</b>	<b>-4.2%</b>

# Feasibility Analysis | General Findings

- Changing to Affordability Gap fee narrows the financial gap between on-site provision and fee payments in most cases
- Changing the fee as recommended will not make a difference in project feasibility, especially for rentals
- Because the fee is an average,
  - Fee has higher feasibility than units in more expensive places
  - Units have higher feasibility than paying fee in less expensive places
  - This is true for both existing and proposed
- Bringing student housing fee in line with other housing types removes the incentive, but student housing remains the most feasible housing type to construct

# Policy Recommendations



# Change Fee Method to Affordability Gap

## Why?

- Brings fee in line with best practices and true cost
- Addresses possibility that current fee is curtailing new development

## Potential impacts

- Increased supply of housing
- Increased fee payment

### Current Fee Structure

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
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### Proposed Fee Structure

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2	\$317,000	\$228,000
3	\$411,000	\$393,000

# Align Student Housing with Other Housing

## Why?

- “Student housing” is housing, so can be contributing in line with other housing types
- Further simplifies affordable housing policies
- Future change of use no longer a concern

## Potential Impacts

- Increase in student housing fee
- Increased revenue to support community needs

## Current Fee Structure

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	\$407,741

## Proposed Fee Structure

Number of Bedrooms	Cost per Rental Unit	Cost per Ownership Condominium Unit
Studio	\$136,000	\$97,000
1	\$176,000	\$154,000
2	\$317,000	\$228,000
3	\$411,000	\$393,000

# Eliminate Geographic Criteria for Student Housing

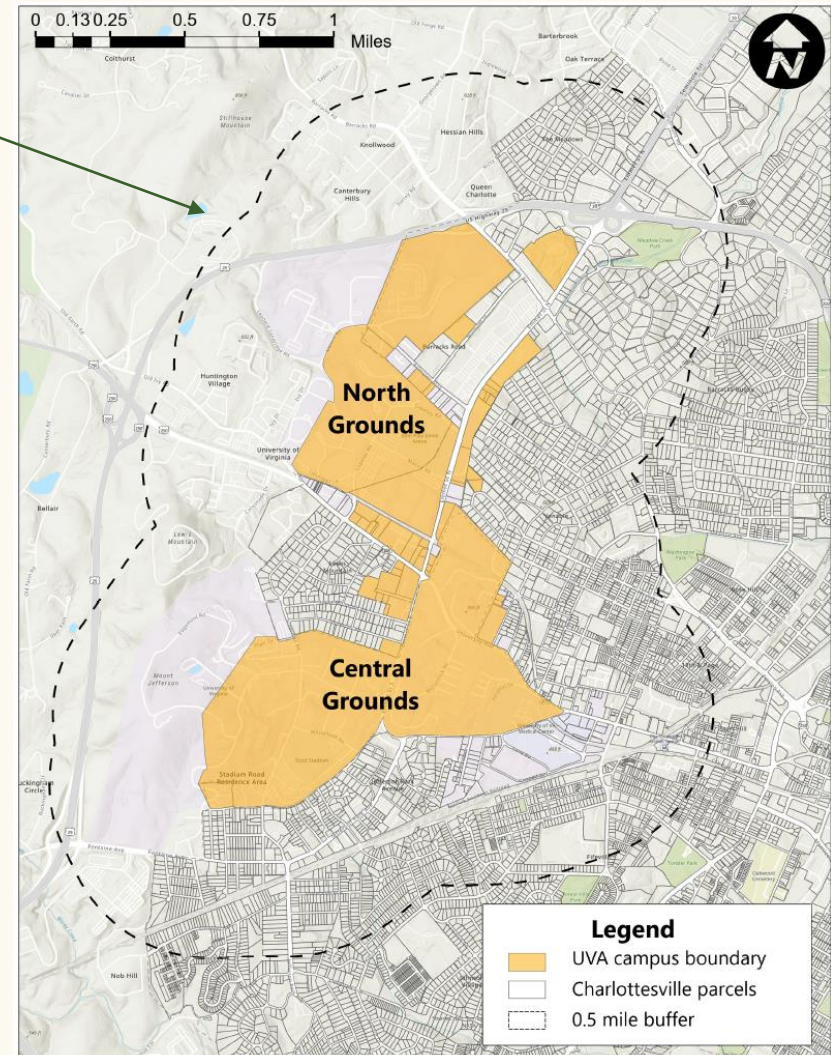
## Why?

- Equivalency with non-student housing expectations

## Potential Impacts

- Simplify affordable housing policies
- Market-driven concentration of student housing closest to Grounds

Remove



# Add In-Lieu Fees for 4+ Bedrooms

## Why?

- Current fee structure ends at 3 bedrooms
- Many units in student housing have 4 or more bedrooms

## Potential Impacts

- Increase revenue from 4+ bed units, or decrease the viability of this product
- Student housing still unlikely to include on-site units

Number of Bedrooms	Cost per Rental Unit	Cost per Ownership Condominium Unit
Studio	\$136,000	\$97,000
1	\$176,000	\$154,000
2	\$317,000	\$228,000
3	\$411,000	\$393,000
<b>4 or more</b>	<b>\$495,000</b>	<b>\$439,000</b>

# Add Fee Requirements for Bonus Height

## Why?

- Concern that it's too easy to get the bonus height
- Concern about large buildings, especially near vulnerable neighborhoods

## Possible changes

- Higher in-lieu fee for bonus height (see table)
- Alternative: require on-site units to get bonus height

Fee for Bonus Height - Affordable at 50% AMI		
Number of Bedrooms	Cost per Rental Unit	Cost per Ownership Condominium Unit
Studio	\$185,000	\$152,000
1	\$227,000	\$196,000
2	\$358,000	\$262,000
3	\$446,000	\$422,000
4 or more	\$526,000	\$464,000



# Summary of Potential Options to Consider

## Non-Student Housing

- Apply affordability gap approach to in-lieu fee expectation in line with best practices and alignment with true cost
  - Addresses possibility that current fee is curtailing new development
- Increase fee for bonus height to reflect that the on-site requirement for bonus height is **50% AMI**, not 60% AMI

## Student Housing

- Require on-site affordable units for student housing, with allowance for an in-lieu fee equivalent
  - Addresses potential conversions to non-student housing
  - Allows for on-site affordable units when financial and market conditions are favorable
- Removes geographic criteria (1/2 mile distance from Grounds) for student housing, given new equivalency with expectations for non-student housing
- Add in-lieu fee requirement for four-bedroom units
  - Removes unintended incentive to build student housing



# Future Considerations

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- Monitoring how well fee promotes on-site units vs. fee payment once updated
- Monitoring market conditions given policy and demographic changes (e.g. second-year students, birth rates)

# Thank You

