

Policy Briefing Summary

City Council



Regarding:	Presentation of Key Findings from ADU Manual In-Lieu Fee and Student Housing Study
Staff Contact(s):	Kellie Brown, Director of NDS
Presenter:	Kellie Brown, Director of NDS
Date of Proposed Action:	April 20, 2026

Issue

On December 18, 2023, City Council adopted a new Development Code designed to facilitate a more form-based zoning ordinance, allowing for increased density throughout the City in alignment with the 2021 Comprehensive Plan. Development applications that take advantage of the new Development Code have raised concerns about displacement and gentrification. The purpose of this study has been to review the Affordable Dwelling Unit Monitoring and Procedures Manual (“ADU Manual”), which must be updated on an annual basis, to determine if updates to affordable housing expectations for student housing and bonus height could address these concerns, improve support for the affordable housing goals of the Comprehensive Plan, and shed light on other strategies that should be considered. The manual has not yet been reviewed nor updated since it was adopted in 2024.

Staff presented an overview of the scope of work for this effort to City Council in January 2026 and is now sharing key findings and potential options for ADU Manual updates.

Background / Rule

The focus of this update process has been to evaluate and potentially refine expectations for in-lieu fee payments if affordable units are not provided on site as part of a development project, for both student housing projects, non-student housing projects, and projects requesting bonus height. The evaluation has also looked at the criteria (building features and geography) for which student housing project affordable housing expectations apply.

The specific tools to realize affordable housing units are found in the Charlottesville Development Code, and are as follows:

1. Affordable Dwelling Unit Requirement: Requiring residential developments, within certain Zoning districts, that exercise the option to build 10 or more residential units to set-aside new Affordable Dwelling Units built to be priced affordably for households at designated Area Median Income (AMI) levels, or to contribute a calculated in-lieu fee to the City’s Affordable Housing fund; and
2. Affordable Dwelling Unit Bonus: Offering incentives to residential developments that includes affordable housing to set-aside new Affordable Dwelling Units built to be priced affordably for households at designated AMI levels, or to contribute a calculated in-lieu fee to the City’s Affordable Housing fund, as supported by a density bonus.

Details of these provisions are included in Section 4.2.2 of the Charlottesville Development Code and is linked [here](#).

The ADU Manual sets forth the guidance, operational procedures, and implementation protocol governing the administration of these provisions. In the event of any inconsistency between this Manual and the Charlottesville Development Code, the Development Code prevails. The option to pay in-lieu fees, as referenced in Section 4.2.2 of the Charlottesville Development Code, provides applicants with an alternative to on-site construction of affordable dwelling units. An in-lieu fee is a

payment equal to the construction costs of complying with the ADU ordinance. Applicants may satisfy the ADU ordinance requirements by paying an in-lieu fee to the Charlottesville Affordable Housing Fund (CAHF).

Projects that rent by the bedroom within ½ mile of Campus Grounds (i.e. "Student Housing") are not required to provide on-site units, although bonus height may be realized. An in-lieu fee payment is required, equal to the 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.

Analysis

The scope of work for the study focuses on analysis of existing affordable housing and in-lieu fee expectations, comparisons with other jurisdictions, feasibility of potential changes, and stakeholder and community engagement.

The study resulted in several key findings and potential options for ADU Manual updates:

- Existing fee matches local construction costs, but the fee is high and the 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
- Using an "Affordability Gap" method for student housing, non-student housing, and bonus height is a best practice alternative with more flexibility, better policy alignment, and limited impacts on project feasibility

With this approach, geographic criteria for student housing would no longer be needed, given equivalency with expectations for non-student housing. This approach would simplify the City's affordable housing policies and potentially support a market-driven concentration of student housing closest to Grounds, rather than further from campus.

Future study should explore the use of in-lieu fees to mitigate displacement or benefit vulnerable neighborhoods. The City should also continue to monitor impacts of policy adjustments, delivery of student housing projects under construction, and demographic shifts on market conditions for new student housing projects.

Financial Impact

There is no financial impact at this time. Future recommendations for adjustments to in-lieu fee expectations could impact City revenues.

Recommendation

Staff recommends that Council provide direction to staff on the study key findings and potential options for ADU Manual updates.

Recommended Motion (if Applicable)

n/a

Attachments

1. Charlottesville In Lieu Fee_CityCouncil_20260420