

## **LOAN AGREEMENT FOR CARLTON MOBILE HOME PARK PROJECT**

This Loan Agreement (this “Agreement”) is by and between Piedmont Housing Alliance (“PHA”) and the City of Charlottesville, Virginia (the “City”) dated as of this \_\_\_\_ day of September, 2024.

### **RECITALS**

WHEREAS, the preservation of existing housing in safe and sanitary condition and the production of new housing for persons of low and moderate income are public purposes and uses for which public money may be spent, and that such preservation and production are governmental functions of concern to the Commonwealth of Virginia (the “Commonwealth”) and the City;

WHEREAS, pursuant to Virginia Code §15.2-958 the City may, by ordinance, make grants or loans to the owners of residential rental property occupied, or to be occupied, following rehabilitation or after construction, by persons of low or moderate income, for the purpose of rehabilitating or producing such property;

WHEREAS, an owner assisted in this manner must provide a minimum of 20 percent of the units for low and moderate income persons as defined by the City for a minimum of 10 years and participation by an owner is voluntary;

WHEREAS, Piedmont Housing Alliance (“PHA”) is a private, nonprofit 501(c)(3) organization organized and operating under the laws of the Commonwealth, having as its mission the creation of affordable housing opportunities by developing new housing and by preserving existing affordable housing;

WHEREAS, Greater Charlottesville Habitat for Humanity, Inc. (“GCHH”) is a private, nonprofit 501(c)(3) organization organized and operating under the laws of the Commonwealth, having as its mission the creation of affordable housing opportunities by developing new housing and by preserving existing affordable housing;

WHEREAS, Habitat Carlton Alliance, LLC (“HCA”) is a private corporation wholly owned by GCHH and PHA in a 50-50 joint venture structure organized and operating under the laws of the Commonwealth, having as its mission the acquisition, operation, and eventual redevelopment of the Carlton Mobile Home Park (the “Project”);

WHEREAS, PHA, GCHH and HCA are planning the redevelopment of the Project into a new development, funded by various methods;

WHEREAS, PHA, GCHH and HCA have requested the City to provide a loan for financing a portion of the costs of the Project, in an amount sufficient to subsidize the projected cost of acquisition of property for the Project;

WHEREAS, the City desires to loan up to \$8,700,000 at an interest rate of 3.00% per annum for a term of approximately 40 years (the "Loan") to PHA pursuant to the terms and conditions this agreement (the "Agreement") and a Declaration of Affordable Housing Covenants, to be approved by the City;

WHEREAS, the Loan will be secured by a subordinate interest in the land for the Project granted by HCA to the City as further described in the Agreement; and

**NOW, THEREFORE, for good and valuable consideration, the receipt of which has been acknowledged by the parties, the following is agreed:**

**Section 1. Public purpose of the Loan**

This Loan is provided to Piedmont Housing Alliance, for the benefit of HCA (PHA and HCA referred to herein as "Recipient" or "Project Owner") to be used for the public purposes of providing funding for property acquisition necessary for the Project, which will assist the construction of new for-rental and for-sale affordable housing units within the property known as Carlton Mobile Home Park.

**Section 2. Representations and Warranties by the Recipient**

To induce the City to make the Loan, Recipient makes the following as its representations and warranties to the City:

- (A) HCA is a limited liability corporation organized under the laws of the Commonwealth of Virginia, active and in good standing as of the date of its execution of this Agreement.
- (B) PHA is a nonprofit 501(c)(3) organization whose 501(c)(3) status remains in effect as of the date of its execution of this Agreement.
- (C) Recipient(s) will ensure the Loan funds will be used only for the public purposes referenced in Section 1. Recipient shall execute an assignment of lien and interests as further security for the Loan from the City to the Recipient, subject to certain requirements of lenders, including this Agreement and the Declaration of Affordable Housing Covenant(s) being subordinate and subject to the lien of all lenders to the Project.
- (D) Recipient shall in good faith take all measures necessary to meet the affordability goals set in 3(B).

- (E) The Declaration of Affordable Housing Covenant(s) shall be recorded in the land records of Charlottesville Circuit Court, prior to issuance of a building permit. The City Manager and City Attorney shall approve the Declaration of Affordable Housing Covenant(s) prior to recordation.
- (F) Recipient will ensure the development of the Project shall comply with all Federal, State and local laws and regulations and be consistent with the provisions of the Declaration of Affordable Housing Covenant(s) and the public purposes for which this Loan is offered pursuant to Virginia Code §15.2-958.
- (G) Recipient will execute any and all documents reasonably requested by the City to finalize the Loan authorized by this Ordinance, including, without limitation, any note, deed of trust, security agreement or guaranty.
- (H) Recipient acknowledges that the City is providing financial assistance towards the acquisition of the property for the Project in furtherance of the construction of new for-rental and for-sale affordable housing units. the Project's use as a mobile home park, will remain as such during the term of the Loan and will remain under ownership of HCA and in no way shall be considered an asset of the City. The City will not be responsible for any maintenance or repairs upon acquisition of the Project, or for any costs associated with the planning and development of the Project.
- (I) Recipient shall take all measures necessary to secure additional or other equity funding sources for the acquisition of the property. If additional acquisition equity funding is secured, the City's contribution will be reduced by the amount of the additional funding secured.
- (J) The recipient will include City representatives in the planning and design process. A to-be-formed redevelopment planning committee will include one City Councilor and one designee of the City Manager.
- (K) The representations set forth within paragraphs (A) through (J) preceding above are material provisions of this Agreement.

### **Section 3. Authorized Expenditures; Budget**

- (A) The Project is planned as a redevelopment of land currently identified by Tax Parcel Identification No. 560087100, currently assigned the street address of 1500 Carlton Avenue, Charlottesville, Virginia (the "Property") (see Exhibit A for legal description).

- (B) The Project shall include no fewer than one hundred eighty (180) for-rent or for-sale dwelling units. A minimum of 70% of these dwelling units must be affordable units provided for rental or homeownership, of which: (i) a minimum of five (5) For-Rent dwelling units will be provided for rental to households having incomes from zero to thirty percent (30%) AMI; and (ii) a minimum of five (5) For-Rent dwelling units will be provided for rental to households having incomes at or below fifty percent (50%) AMI. The City and Recipient both desire the development of a higher number of affordable units on the Property than the minimum percentage presented above. Recipient will make every effort to increase the percentage of affordable units as is feasible and to provide as many units as is feasible at the lower AMI levels.

However, the Recipient is just beginning the redevelopment planning for the Project and the intention of the planning process is to include resident guidance. The total unit count and percentage of affordable units for the Project is, therefore, subject to variability based on some factors outside the control of Recipient or achieving the best design and/or programmatic solutions. Therefore, the terms of 3(B) may be amended by mutual agreement of the parties.

- (C) Affordable rental units must be affordable for 99 years. Affordable ownership units must be affordable for 99 years or provide an alternative affordability timeframe with criteria and expectations that meet the affordability goals of the Comprehensive Plan and the Affordable Housing Plan, such as through reinvestment of resources in ongoing affordable housing efforts as per the zoning determination letter issued by the City on February 22, 2024 (attached as Exhibit B to this Agreement).
- (D) The City will provide up to \$8,700,000, or the total amount of the financing acquired by PHA for the acquisition of the Property, including debt service costs from such financing during the funding period of the City's loan, whichever is less, in Loan proceeds. Loan proceeds will be made payable to PHA, on behalf of the Recipient. This funding is intended to be an entire, all-inclusive City assistance for the acquisition and development of the Property. Also, no further funding is intended to support current operations and maintenance of the Property.
- (E) Loan proceeds are estimated to be expended as follows, or as may be modified pending the terms of the final loan financing for the acquisition of the Property:

Payment	Amount	FY Funding	City Payment Schedule
Closing	\$322,250	FY25	9/17/2024
Year 1 Interest Payment	\$384,000	FY25	10/15/2024
Year 1 Principal Payment	\$1,025,000	FY26	9/1/2025
Year 2 Interest Payment	\$307,200	FY26	10/15/2025
Year 2 Principal Payment	\$1,000,000	FY27	9/1/2026
Year 3 Interest Payment	\$230,400	FY27	10/15/2026
Year 3 Principal Payment	\$1,000,000	FY28	9/1/2027

Year 4 Interest Payment	\$153,600	FY28	10/15/2027
Year 4 Principal Payment	\$1,000,000	FY29	9/1/2028
Year 5 Interest Payment	\$76,800	FY29	10/14/2028
Year 5 Principal Payment	\$3,000,000	FY30	9/1/2029

- (F) Construction of the Project will commence by December 31, 2029, and be diligently prosecuted by Recipient to completion. An extension of this requirement is allowable by mutual agreement of the parties.
- (G) Construction of the Project will be completed on or before December 2033 to the extent feasible and reasonable. An extension of this requirement is allowable by mutual agreement of the parties.
- (H) All affordable dwelling units will be completed simultaneously with all stages of development to the extent feasible and reasonable. This requirement is amendable by mutual agreement of the parties.
- (I) All income levels of dwelling units shall be dispersed throughout the Project and not clustered in any one location to the extent feasible and reasonable. This requirement is amendable by mutual agreement of the parties.
- (J) Recipient shall establish, and will submit, the Budget to the City for approval, prior to issuance of a building permit. Once the Budget is approved by the City, all material changes to the Budget shall be subject to the prior written approval of the City.

#### **Section 4. Disbursement of Loan Proceeds**

##### **(A) Preconditions, General**

Prior to the first disbursement of any Loan proceeds pursuant to Section 3(D) and 3(E), the Recipient shall furnish all of the following documents to the City, in a form acceptable to the City, for the City's approval:

- (i) A copy of the final, executed Closing Documents; and
- (ii) A copy of the final, executed Loan Document(s)

##### **(B) Disbursement Requests**

Prior to disbursement of forthcoming Loan proceeds pursuant to Section 3(D) and 3(E), the Recipient shall furnish a Disbursement Request, in a form approved in advance by the City.

Following receipt of a complete Disbursement Request, the City shall issue payment of Loan proceeds to the Recipient for the amounts documented within the Disbursement Request as required pursuant to the financing terms for the acquisition of the Property. Payment shall be made within 30 days of the City's receipt of a complete Disbursement Request.

(C) Execution of Loan Instruments

This Loan is in the amount of the total disbursements made by the City to the Recipient, pursuant to Section 3(E). Disbursement shall be made up to the Loan maximum specified in Section 3(D), above. All disbursements shall be added to the principal of the Loan, and interest at the rate of this Loan shall accrue thereon from the date each disbursement is made. The City shall not disburse any loan proceeds to the Recipient unless and until the Recipient has executed and delivered to the City all documents or legal instruments deemed by the City to be necessary to effectuate the Loan and to secure the City's ability to enforce the requirements of this Agreement. The following terms and conditions are material to the City's agreement to enter into this Agreement and shall be requirements of this Agreement enforceable in accordance with this Agreement as well as through any documents or legal instruments that effect and secure the Loan of public funds to the Recipient:

- (i.) Deferred Payment Loan; Payment Date. This Loan shall be a deferred payment loan. The deferral period shall commence on the Commencement Date specified in subparagraph (ii), below, and shall expire at midnight on December 31 of the fortieth (40<sup>th</sup>) calendar year thereafter ("Deferral Period"). Interest shall accrue during the Deferral Period, in the amount specified in subparagraph (iii) following below.
- (ii.) Each Disbursement of funds made by the City to the Recipient shall constitute loan proceeds (individually and collectively, the "Loan") of the Loan that is the subject of this Agreement. The term of the Loan shall be forty (40) years, commencing on the date of the final disbursement of Loan proceeds by the City to the Recipient pursuant to this Agreement ("Commencement Date"). If the Project is completed and operated continuously in accordance with the requirements of this Agreement and the Declaration of Affordable Housing Covenant(s) throughout the entire Deferral Period (i.e., continuously from the Commencement Date through the expiration of the Deferral Period) then the Loan shall be forgiven. Recipient will grant to the City, as security for the Loan, an assignment of its subordinate interest in the Project.
- (iii.) Interest shall accrue on outstanding amounts of the Loan, at the annual rate of three percent (3%), beginning on the Commencement Date specified in (ii),

above. If the Project is completed and operated continuously in accordance with the requirements of this Agreement and the Declaration of Affordable Housing Covenant(s) throughout the entire Deferral Period referenced in paragraph (ii) preceding above (i.e., continuously from the Commencement Date through the expiration of the Deferral Period) then the accrued interest shall be forgiven.

(iv.) Payment. All Loan proceeds disbursed to the Recipient shall immediately become due and owing to the City in full, in each case following any applicable notice and cure period:

- a. on the date of any Uncured Event of Default on the Loan;
- b. upon the insolvency or dissolution of the Recipient;
- c. on the date of any foreclosure of the Project; or
- d. upon the sale or transfer of the property, or any portion(s) thereof, to any person other than a related entity, or other assignee, who has been approved by the City in advance. For purposes of this Agreement, the term “related entity” means any transferee that is controlled by the Recipient, the Landowner, or both.

(v.) Default. If any Event of Default shall occur pursuant to this Agreement and is not cured within sixty (60) days from the date that written notice of such Event of Default is given by the City to the Recipient or such longer period as was reasonably necessary for cure, provided the Recipient requested an extension prior the expiration of the 60-day cure period and the City approved the request in writing (“Uncured Event of Default”), the Loan shall immediately become due and payable in full to the City. Each of the following shall constitute an Event of Default:

- a. Use of Loan funds for any purpose(s) other than those articulated within Section 1 of this Agreement;
- b. Failure to comply with the terms and conditions of this Agreement;
- c. Failure to perform any of Recipient’s obligations under this Agreement with respect to construction of the units of housing;
- d. Failure to perform any of Recipient’s obligations under the Declaration of Affordable Housing Covenant;
- e. A successful legal challenge initiated by the PHA, GCHH, HCA, or any other Project owner, asserting that the Declaration of Affordable Housing Covenant(s), and any amendments thereto, is invalid or unenforceable, in whole or as applied to such person;
- f. Failure to perform as required by any document that secures this Loan;

- g. Failure of Recipient to give the City notice of any anticipated sale of all or any portion of the Project to any person that is not controlled by the Recipient, and who will use it for any purpose other than that specified within Section 1 of this Agreement;
- (vi.) Remedies for Default. If Recipient fails to pay the Loan or fails to cure any Event of Default prior to the end of the 30-day notice period, the City may invoke foreclosure of this Agreement or any other remedy allowed by the Agreement, any document related to this Loan, or by the laws of the Commonwealth. All of the City's rights and remedies are distinct and cumulative to any other rights and remedies under this Agreement, or otherwise at law, and may be exercised concurrently, independently, or successively.
- (vii.) No Waiver. No forbearance by the City in exercising any right or remedy hereunder, or otherwise afforded by Virginia law, shall constitute a waiver of, nor shall forbearance preclude the exercise of, any right or remedy.
- (viii.) Release. Notwithstanding the foregoing, the lien of the Loan and the Declaration of Affordable Housing Covenants will be released from portions of the Project as follows:
  - a. For a portion of the Project that is to be developed as an affordable rental project, the lien of the Loan will be released and the Declaration of Affordable Housing Covenants will be removed per this Ordinance and a new agreement specific to the affordable rental project will be drafted in alignment with the execution and recordation of an Extended Use Regulatory Agreement.
  - b. For a portion of the Project that is to be developed as homeownership by Habitat, the lien of the Loan and the Declaration of Affordable Housing Covenants will be released upon the recordation of a deed from GCHH to a GCHH partner family that contains GCHH's customary affordability restrictions.
  - c. All lots sold (for the purpose of Project cross-subsidization) to market rate developers will be released upon request by HCA to the City provided there remains sufficient lots to satisfy the minimum number of affordable units under Section 3.
  - d. The Loan will be satisfied and the Declaration of Affordable Housing Covenants release as to the entire Project upon the satisfaction of the affordability requirements of Section 3.



## **Section 5. Additional Terms and Conditions**

- (A) Recipient will negotiate with the City in good faith to make available to City, concrete/mobile home pads for the erection of temporary shelter/housing if deemed mutually beneficial and feasible. If City is to proceed, a separate agreement will be entered into, specific to this purpose.
- (B) Upon possible foreclosure, bankruptcy, etc. that the City has first right of refusal to acquire units to maintain their affordability.

## **Section 6. General Terms and Conditions**

- (A) Non-Appropriations Condition: The obligations of the City as to any funding beyond the end of Fiscal Year 2025 (June 30, 2025) are expressly made subject to the availability of and appropriation by the City Council of sufficient public funds to support continued performance of this agreement by the City in succeeding fiscal years. When public funds are not appropriated or are otherwise unavailable to support continuation of payment(s) by the City to Recipient in a subsequent fiscal year, the City's obligations hereunder shall automatically expire, without liability or penalty to the City. Within a reasonable time following City Council's adoption of a budget, the City shall provide the Recipient with written notice of any non-appropriation or unavailability of funds affecting this Loan agreement.

Should the City not appropriate the funds required to support the Loan as outlined in this Agreement in succeeding fiscal years, this Agreement will terminate and HCA will be entitled to operate, re-develop, re-finance, and/or sell the Property as it desires, free of the affordability requirements set forth in this Agreement. Upon such a sale or other Financing event due to the City not appropriating the funds required to support the Loan, any proceeds of the Loan that were in fact advanced by City, will be paid back to the City, to the extent there are excess proceeds after payment of amounts owed to all prior secured lenders. City acknowledges that there may not be any such excess proceeds. The lien of the City's Loan will be discharged after the first such sale or refinance, notwithstanding, that the Loan was not re-paid in full.

- (B) Assignments. The City reserves the right to approve in advance any assignment of this Agreement by the Recipient to any individual or entity, and the ownership and membership of any such entity must be disclosed to the City. Any change in the Recipient's organizational structure, and any change in the Recipient's status or Recipient's relationship to either the Landowner, or the Project Owner shall also be subject to approval by the Authority. Any such assignee shall be bound by all the terms and conditions of this Agreement.

- (C) Public Disclosure of Agreement Documents: The Recipient acknowledges and understands that this agreement, and all related public proceedings and records, shall be open to the inspection of any citizen or any interested person, firm or corporation, in accordance with the Virginia Freedom of Information Act (Va. Code §2.2-3700 et seq.) and the Virginia Public Procurement Act (Va. Code §2.2-4300 et seq.) to the extent that either of those laws applies.
- (D) No Waiver of Rights: No failure on the part of the City to enforce any of the terms or conditions set forth in this Agreement shall be construed as or deemed to be a waiver of the right to enforce such terms or conditions. No waiver by the City of any default or failure to perform by the Recipient shall be construed as or deemed to be a waiver of any other and/or subsequent default or failure to perform. The acceptance of the performance of all or any part of this Agreement by the City, for or during any period(s) following a default or failure to perform by the Recipient, shall not be construed as or deemed to be a waiver by the City of any rights hereunder, including, without limitation, the City's right to terminate this Agreement.
- (E) Force Majeure. All dates in this Agreement shall be extended for a period of time equal to the period of any delay directly affecting such date which is caused by fire, earthquake or other acts of God, strike, lockout, acts of public enemy, riot, insurrection, pandemic, disease, work shortages, acts beyond the control of the parties, declared state of emergency or public emergency, government mandated quarantine or travel ban, government shutdown or governmental regulation. All federal extensions permitted due to any pandemic, declared state of emergency or public emergency, government mandated quarantine or travel ban, or any other similar event, shall also apply to the dates in this Agreement.
- (F) Severability: In the event that any term, provision, or condition of this Agreement, or the application thereof to any person or circumstance shall be held by a Court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement, and the application of any term, provision or condition contained herein to any person or circumstance other than those to which it has been held invalid or unenforceable, shall not be affected thereby.
- (G) Governing Law: This Agreement shall be governed by the laws of the Commonwealth of Virginia, and, in the event of litigation, jurisdiction and venue shall be in the Circuit Court of the City of Charlottesville, Virginia, and all legal actions involving this Agreement shall be brought only in such court. All parties hereto agree that in the event of any action brought to enforce the terms and provisions hereof, the prevailing party shall be entitled to reimbursement of reasonable attorney's fees and court costs. All

parties to this Agreement have standing to enforce any covenants, terms, provisions, and agreements set forth herein.

- (H) Entire Agreement: This Agreement is the entire agreement between the parties hereto, sets forth all of promises, agreements, conditions, and understandings between the parties respecting the subject matter hereof and supersedes all prior and contemporaneous negotiations, conversations, discussions, correspondence, memoranda, and agreements between the parties concerning such subject matter.
- (I) Authorized City Signature: The Charlottesville City Council has authorized the Charlottesville City Manager to execute this Agreement to effectuate the requirements herein on its behalf.
- (J) Amendments. Except as otherwise specified within Section 6(E) of this Agreement, the City Manager is hereby authorized to modify terms and conditions set forth within this Agreement, without Council review and approval, but only if such amendment(s) do **not** materially modify: (i) the number of affordable dwelling units to be provided by Recipient, or (ii) the length of the Affordability Period, or (iii) the affordability requirements of the affordable dwelling units, or (iv) the dollar amount(s) of the Loan, as set forth within Section 3(D) of this Agreement. Any amendments of the terms referenced in clauses (i) – (iv) preceding above within this paragraph must be approved by ordinance of City Council in the same manner as this Agreement.
- (K) Notices. All notices required under this Agreement shall be given in writing, and shall be deemed to be received five (5) business days after being mailed by first class mail, postage prepaid, return receipt requested, or one (1) business day after being placed for next day delivery with a nationally recognized overnight courier service, or upon receipt when delivered by hand, addressed as follows:

- a. if given to the City:  
City of Charlottesville  
Attn: City Manager  
605 East Main Street, Second Floor, City Hall  
P.O. Box 911  
Charlottesville, Virginia, 22902

- City of Charlottesville  
Attn: City Attorney  
605 East Main Street, Second Floor, City Hall  
P.O. Box 911

Charlottesville, Virginia, 22902

b. if given to the Recipient:

Piedmont Housing Alliance  
Attention: Executive Director  
682 Berkmar Circle  
Charlottesville, Virginia, 22901  
with a copy to:  
x

Greater Charlottesville Habitat for Humanity  
Attention: Executive Director  
967 2<sup>nd</sup> Street SE  
Charlottesville, Virginia 22902

Habitat Carlton Alliance, LLC  
Attention: Executive Director  
x  
Charlottesville, VA 22901

With a copy to the Project Lender at an address provided by the Recipient.

CITY OF CHARLOTTESVILLE, VIRGINIA

By: \_\_\_\_\_  
|City Manager

PIEDMONT HOUSING ALLIANCE

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**Legal Description of Property**

**[ PHA / GCHH to provide ]**



## CITY OF CHARLOTTESVILLE

*"A Great Place to Live for All of Our Citizens"*

Department of Neighborhood Development Services

**Memorandum**

**To:** Daniel Rosensweig, Executive Director, Habitat for Humanity of Greater Charlottesville

**From:** James Freas, Director, Neighborhood Development Services & Zoning Administrator

**Date:** February 22, 2024

**Re:** Zoning Determination: Section 4.2.2 Affordable Dwelling Units

**CC:** Alex Ikefuna, Director, Office of Community Solutions  
Jay Stroman, City Attorney

Habitat for Humanity of Greater Charlottesville (Habitat) has requested a zoning determination that their program for the creation of affordable ownership units, with specific provisions that ensure that funds can be recaptured and reinvested into the creation of more affordable housing and otherwise detailed below, is consistent with the provisions of sec. 4.2.2.C.3.b. allowing the Administrator to accept modifications to the otherwise required provisions of sec. 4.2.2. Specifically, Habitat would like a modification of the requirement that bonus affordable units in the Residential districts must be income restricted for a minimum of 30 years found in sec. 4.2.2.C.3.a. and instead would like to use the requirements detailed below. For the reasons stated below, the Zoning Administrator finds the Habitat requested modifications consistent with sec. 4.2.2.C.3.b.

The following section of the Affordable Dwelling Unit (ADU) provisions of the Development Code gives the zoning administrator the ability to modify certain ADU requirements:

**Sec. 4.2.2.C.3.b.**

*When a project demonstrates the affordability goals of the Comprehensive Plan and Affordable Housing Plan and the intent of this Section are met, such as through reinvestment of resources in ongoing affordable housing, the Administrator may accept modifications to the requirements in Sec. 4.2.2.*

The intent section of the ADU provisions of the Development code is as follows:

**Sec. 4.2.2.A. Intent**

- 1. To promote the creation and preservation of affordable housing suitable for meeting the current and future needs of the locality in accordance with Va. Code §15.2-2304 and other relevant sections of the Virginia Code.*
- 2. To ensure that any project choosing to include 10 or more residential units will implement the*

*affordable housing goals of the adopted Comprehensive Plan, and Charlottesville Affordable Housing Plan.*

*3. To provide an incentive for the development of residential projects of any size that implement the affordable housing goals of the adopted Comprehensive Plan and Charlottesville Affordable Housing Plan.*

Broadly, housing production, particularly of affordable housing, is a central goal of the Comprehensive Plan. The following goals and strategies are directly applicable:

### **Housing Chapter Goal 2. Diverse Housing Throughout the City**

*Support a wide range of rental and homeownership housing choices that are integrated and balanced across the city, and that meet multiple City goals including community sustainability, walkability, bikeability, ADA accessibility, public transit use, increased support for families with children and low-income households, access to food, access to local jobs, thriving local businesses, and decreased vehicle use.*

#### **Strategy 2.1**

*Encourage mixed-use and mixed-income neighborhoods and housing developments throughout the city and support zoning changes to allow them by-right.*

#### **Sub-strategies:**

*Ensure that the forthcoming zoning rewrite supports a wide range of housing typologies, including both rental and homeownership opportunities at a variety of scales, including for families, aging in place, and multigenerational living.*

*Through Small Area Plans and zoning amendments, work with the community to determine appropriate levels of density/intensity in neighborhoods and nodes and along corridors identified on the Future Land Use Map.*

### **Details of the Request**

Habitat is a significant producer of affordable housing in Charlottesville, with a particular focus and expertise in the production of affordable units for ownership. The organization's model is "people-first" meaning that it prioritizes affordable housing as a mechanism to lift-up a household, enabling their long-term financial stability and wealth-building that can break the cycle of poverty and bring a household out of low-income status. Towards this mission, Habitat has developed a program when selling a home to a qualified low-income household that achieves these objectives while also reserving certain interests to ensure these objectives are accomplished for the overall public benefit. This program has the following provisions incorporated into the deed of bargain and sale:

1. A provision granting Habitat a 30-year Right-of-First-Refusal to repurchase the property and share in appreciation realized upon transfer of the property as described below.



- a. This right shall run with the land, burden title to the property, and bind the grantees assessors and assigns for a period of time of 30 years from the date the deed is recorded in the clerk's office.
2. If the Right of First Refusal is not utilized, Habitat shares in the home value appreciation, defined as follows: For years 1-3, Habitat realizes 100% of the appreciation of value; for years 3-5, Habitat realizes 75% of the appreciation of value; and after 5 years there is a 50-50 split of the appreciation in value. The appreciation in value equals the delta between the initial home sale price, which is the fair market value as established by an appraisal at the time of the initial sale, and the amount of the offer.
3. In the event of a sale before 30 years, Habitat will either repurchase and sell to another qualifying household or reinvest their share of the home value appreciation back into the production of affordable housing in Charlottesville as demonstrated by the production of another affordable home within 5 years.
4. If another home is not built within 5 years, then Habitat will provide an in-lieu of payment equal to 50% of its share of the appreciation into the City's housing fund.
5. Nothing in the above shall preclude the ability of an owner to transfer the property to their linear descendants. In the case of such a transfer, no appreciation in value shall be due to Habitat.

### **Analysis**

The City of Charlottesville has a strong interest in the production of affordable housing and further, recognizes that a robust affordable housing strategy requires a wide range of approaches. Ownership affordable units are an important part of this mix and the Comprehensive Plan clearly calls for a diversity in these ownership options and that they meet multiple goals. Habitat's program offers an alternative to a regular unit that would otherwise be produced under the ADU provisions as while a regular unit would be long-term and affordable unit, it doesn't offer the same level of "people-first" benefits described above. Allowing this option supports the policy objective of diverse affordable housing options.

Further, allowing Habitat to employ their affordable ownership housing model in the City promotes and incentivizes the production of affordable housing in the City by a trusted and reliable affordable housing provider as called for the intent of the ADU section of the Development Code. The model described above serves to create affordable housing meeting the requirement of being available to a household meeting the 80% AMI standard of the code. Where, for whatever reason, the qualifying household decides to sell the home before the 30 year term, the model allows for the reasonable recapture of funds, which are then redirected back to the production of affordable housing.

### **Zoning Determination**

The zoning administrator hereby accepts the proposed modifications allowing that, rather than a 30-year affordability period during which any sale must be to a qualified low-income unit, the requirement to sell to a qualified low-income unit will only apply to the first sale. This modification would be applicable to Habitat projects involving bonus affordable units in the Residential Districts. The modification is contingent on the deed conditions listed above, evidence of which must be submitted with each project to the Office of Community Solutions.

Reviewed



Alexander Ikefuna

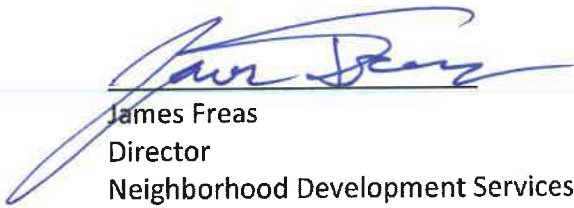
Director

Office of Community Solutions



Date

Approved



James Freas

Director

Neighborhood Development Services

Zoning Administrator



Date