

# Executive Summary | Funding Recommendations

Charlottesville should make a **strong and recurring financial commitment** to address housing needs in Charlottesville.

In particular, the City should implement the following recommended changes to its funding policies:

Scale	<b>Dedicate \$10M per year to fund affordable housing, to</b> (1) increase the number of subsidized affordable homes by 1,100 homes (on top of an existing stock of 1,630 actively subsidized homes), (2) preserve 600 existing subsidized affordable homes, and (3) stabilize 1,800 to 2,200 owner and renter households facing housing instability.			
Consistency	<b>Make a commitment to sustain this level of funding for ten years</b> , identifying sustainable and reliable source(s) of dedicated funding.			
Targeting	<b>Target funding towards extremely low-income households</b> to ensure that public funding is targeted to incomes with the greatest need. Allocate 50% of funding to serve households with incomes up to 30% of Area Median Income (AMI), 30% of funding for households earning up to 60% AMI, and 20% of funding for households earning up to 80% AMI.			
	E.g., for a three-person household:	30% AMI: \$25,350	60% AMI: \$50,760	80% AMI: \$67,600
<b>Attach funding awards to community representation, duration of affordability, and leverage of non-public funds.</b> Projects that receive public funding should be administered and governed by organizations that directly represent the beneficiaries of housing assistance. Funding awards should also incentivize permanent affordability of both renter- and owner-occupied housing. Finally, public dollars should incentivize maximum leverage of federal, state, and private funding.				
Transparency	<b>Clearly identify overall housing expenditures</b> within the City’s budget, and publish metrics on program funding, capacity, and impacts to create accountability and measure progress towards housing goals.			

The funding chapter provides additional detail on recommended policy changes, as well as the anticipated impacts of these changes.

*See Appendix for full table of Area Median Incomes and affordable rents in Charlottesville.*

# Funding | Scale and Consistency

**The City of Charlottesville should dedicate \$10 million per year to invest in housing affordability over the next ten years.** This proposed figure of \$10M represents *total*—not additional—spending, and it represents *local* spending, not including additional funding provided through state or federal sources. As appropriate, direct subsidy should be centralized and allocated through the Charlottesville Affordable Housing Fund.



RECOMMENDED CHANGES

**The City has historically “spent” close to \$2M per year on household tax relief**, provided to low-income households through the Charlottesville Housing Affordability Program and to elderly and disabled households through the Real Estate Tax Relief program. This allocation, which supports housing stability for low-income homeowners, should be highlighted within the City’s housing budget.

**The majority of the \$10M should be allocated to direct subsidy.** These expenditures include both “**capital**” subsidies used to build and preserve affordable homes, such as financing for public housing redevelopment and single-family infill development, and “**operating**” subsidies provided on an ongoing basis, such as emergency rental assistance and property tax relief. This funding includes the City’s current commitments to affordable housing programs including CSRAP and planned new subsidized housing developments. As appropriate, the allocation of these funds should be made **through the Charlottesville Affordable Housing Fund (CAHF) with input from the CAHF committee.**

**As part of its \$10M annual commitment, the City should set aside \$1M in funding each year for administrative costs and capacity building.** This is a standard practice for housing departments, programs, and funds. These funds would pay for the personnel required for a variety of tasks: to run a competitive process to award funds; monitor and evaluate impact; enforce compliance; design and develop new housing policies; provide technical assistance for funding recipients to improve their expertise and effectiveness; and provide training for new board members of the HAC, especially those who are community representatives and might not work on housing professionally.

# Funding | Scale and Consistency

**The City has already recently made significant commitments for future spending on housing.** These commitments effectively fulfill the recommended \$10M commitment through 2025.

## \$40M Capital Improvement Program funding commitment, 2020-2025

Some of these commitments have been detailed in the City's Capital Improvement Program (CIP), which allocates about \$40M between 2020 and 2025 towards a number of housing programs.

**\$5.25M**

Rental vouchers through the Charlottesville Supplemental Rental Assistance Program (CSRAP)

**\$15M**

Public housing redevelopment

**\$17M**

Friendship Court project

**\$3.125M**

Housing rehabilitation and residential energy conservation

## Other annual housing expenditures, average of historical and projected spending 2020-2025

In addition to these commitments made in the CIP, the City has historically supported other housing programs through tax relief and through other direct subsidies allocated through the City's operating fund.

**\$1.7M**

Average annual property tax relief for low-income, disabled, or veteran homeowners

**~\$500K**

Vibrant Communities Fund, competitively allocated to various housing nonprofits

CONTEXT

# Funding | Scale and Consistency

**Charlottesville has committed a significant amount of funding for a city of its size.** A commitment of \$100M over ten years would put Charlottesville in the top tier of cities making strong and lasting commitments to affordable housing.

For the sake of comparison, the table below focuses on only funding used for direct subsidy, excluding property tax relief and administrative costs. Therefore, Charlottesville’s commitment shows \$70M, excluding an estimate of \$10M for administrative costs and \$20M for tax relief over ten years.

CONTEXT

	Raleigh, NC	Durham, NC	Richmond, VA	Washington, D.C.	Charlottesville, VA
Funding Commitment Size and Sources	\$80M bond	\$95M bond (in addition to \$65M of existing expenditures, part of \$160M housing plan)	\$80M from dedicating tax revenues from properties phasing out of partial tax exemption	\$100M+ through housing trust fund, from transfer taxes and general fund	\$70M in direct subsidy funding
Time Period	5 years	5 years	10 years	annual	10 years
Population	470,000	275,000	230,000	685,000	50,000
\$ Per Capita Per Year	\$34	\$116	\$35	\$146+	\$140

# Funding | Scale and Consistency

RECOMMENDED CHANGES

**Charlottesville needs to identify one or more dedicated funding sources to sustain its commitment to affordable housing beyond 2025.**

Increased spending on housing will require either reallocating funding from other programs within the existing budget, or creating new fees or taxes that expand revenue sources.

If funds cannot be reallocated from other priorities to support ongoing housing programs, the City will need to more closely evaluate potential funding sources. This analysis will need to consider several key factors:

Legality	Revenue potential	Revenue stability	Equity
Is this form of tax or fee legal in Virginia?	How much revenue is this tax or fee estimated to yield on an annual basis?	Does the tax or fee provide a reliable and stable source of funding?	Does the fee’s impact on the tax base meet the City’s equity goals? Is the tax regressive?

Examples of revenue sources used for housing trust funds elsewhere in Virginia include:

Property tax increase	Meals tax	Developer contributions
Additional property tax dedicated to housing <i>Example: Richmond, VA</i>	Additional tax on restaurant food and beverage sales <i>Example: Alexandria, VA</i>	Impact fee on new market-rate residential development <i>Examples: Alexandria, VA; Fairfax, VA</i>

Charlottesville currently funds its housing programs through general fund and capital fund contributions. Charlottesville already uses these and other revenue sources to fund a variety of programs. **To sustain a \$10M annual commitment over time, the City will need to evaluate potential revenue sources** as well as its other policy and funding priorities, such as schools and Main Street improvements, to balance available resources with the City’s goals. This evaluation of opportunity and need should **consider the near-term fiscal impacts of COVID-19**, which has impacted some City revenues and intensified funding needs across a spectrum of priorities.

# Funding | Scale and Consistency

**Local funding commitments will be particularly important in the face of limited and declining federal and state support.**

Federal and state funding for housing has been limited, and while the City should continue to pursue and advocate for this funding, it is not likely to increase. Public spending on affordable housing has declined over several decades for political and structural reasons, and local jurisdictions cannot rely on an infusion of federal resources to address local housing issues.

**To the extent possible, it is also crucial that funding be secured consistently.**

Fiscal year 2021 represents an extreme example of this challenge, as the level of funding for housing was significantly reduced due to budget impacts from the COVID-19 pandemic. Even before this fiscal year, though, spending on housing programs varied significantly, driven by one-time funding for large capital projects. This inconsistency has presented multiple challenges to the efficacy of housing programs in the city. Program administrators are less able to plan for their own operating and capital expenditures, relying on limited philanthropic dollars to fill emergency needs, and the City has less ability to award funding efficiently through a competitive process when funding is responsive to developer requests.

**While the City Council cannot commit funds on behalf of a future City Council, Charlottesville must still make a policy commitment**

to affordable housing and develop a funding approach, such that community partners can plan around an approach that future City Councils will reliably adopt.

**All programs should continue to seek to leverage as much private financing and additional public funding as possible,**

relative to Charlottesville’s contributions. For example, for every dollar that the City invested into Low-Income Tax Credit developments in 2018 – 2019, an additional three to seven dollars of public or private financing was secured to amplify the impact of local dollars. The City should continue to leverage philanthropic dollars, below-market-rate private lending, federal subsidy, and regional sources of funding.

**Regional Funding for Housing**

The City and regional stakeholders should consider the potential for a **regional affordable housing funding agreement** to jointly provide funding from Charlottesville, Albemarle County, and potentially other jurisdictions to support affordable housing development and programming, particularly **within the urban ring**.

A regional funding agreement would allow for greater efficiency in housing production, as it would facilitate the streamlining of programs that serve the region, create flexibility to pursue the most cost-effective projects within the region, and reduce administrative overhead. Given the shared authority and tax relationship between the City and County for the urban ring investments should be shared between the two. **The County and City should establish an agreement about how to coordinate investments within the urban ring to have the greatest impacts.**

In Wake County, North Carolina, the City of Raleigh and the County have separate housing funds and they collaborate with each other to make coordinated investments in LIHTC projects and other affordable housing development to leverage each others funding. Albemarle County and the City of Charlottesville should consider establishing a similar partnership.

# Funding | Scale and Consistency

## What could be achieved with \$100M in investments over 10 years?

**With \$10M in average annual spending over ten years, Charlottesville could grow its existing stock of subsidized homes by nearly 70 percent, preserve nearly 40 percent of existing subsidized housing at risk of becoming unaffordable or obsolete, *and* provide direct assistance annually to up to 2,000 households facing housing instability.**

The resulting level of production shown is only possible if funds are used efficiently and leverage private investment as well as state and federal resources—and, to this end, it will be essential to thoroughly underwrite all funding awards. Combining the subsidy tools represented here with land use reform and tenants’ rights tools will potentially decrease costs and expand program benefits, further increasing the impact of public dollars. Of the other tools, inclusionary zoning would directly contribute to the production of additional homes, which are not included in the estimate below.

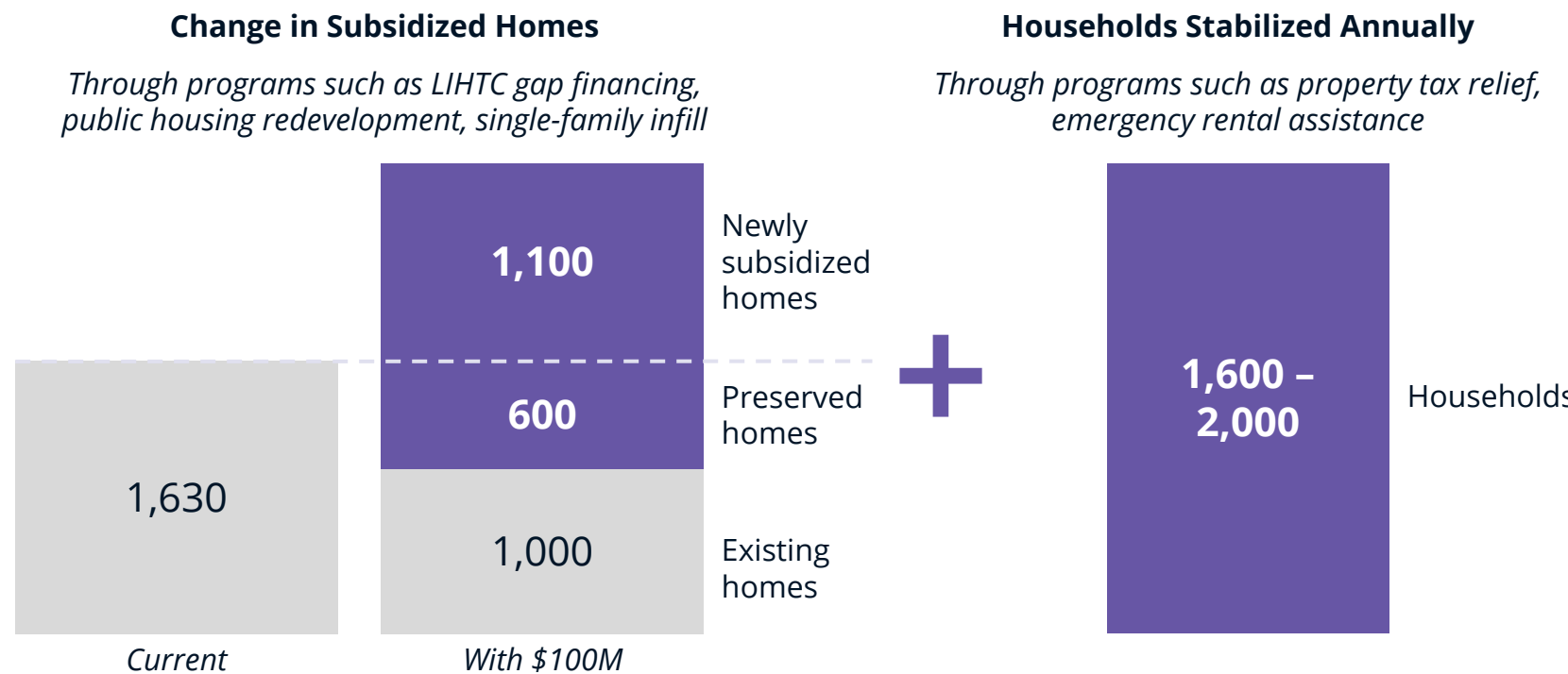
POTENTIAL IMPACTS

### Estimated impact of \$100M in spending over 10 years

These impact figures assume the following costs:

- For newly subsidized homes, between \$35K to \$50K per home for new construction, up to \$50K for down payment assistance, and approximately \$25K for owner-occupied repairs
- For preserved homes, up to \$20K through an acquisition fund, and between \$45 to \$50K per public housing home.
- For stabilized households, annual costs of up to \$1,500 for property tax relief, \$5K for emergency relief, and \$9K for vouchers

These numbers represent one potential distribution of funding—the actual impact will depend on City Council’s final funding allocations, informed by recommendations by the CAHF Committee.





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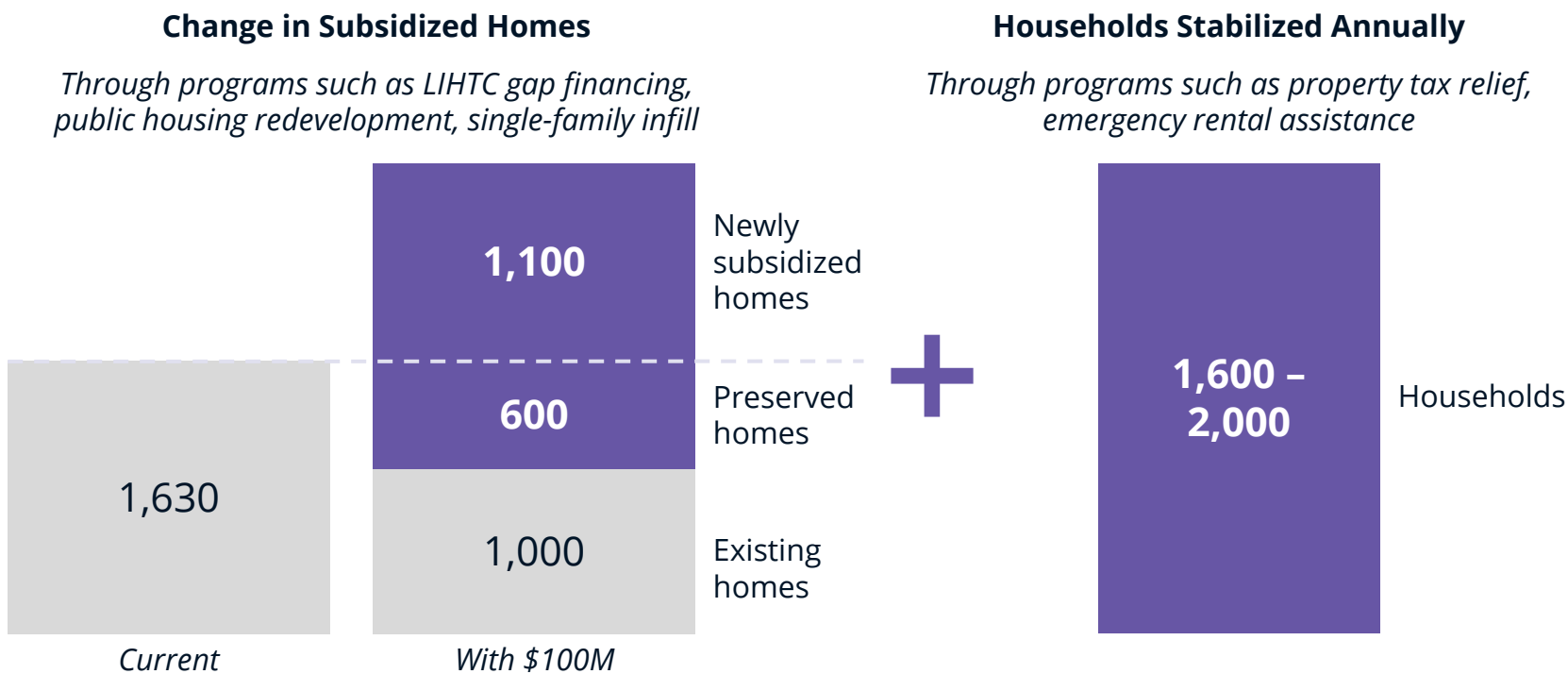
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# Funding | Targeting

RECOMMENDED CHANGES AND IMPACTS

**Place constraints on funding as appropriate to target** funding towards uses that achieve public goals.

Beyond the overall scale and level of funding, the City should also consider what constraints it will place on where its funding should go, as a way of balancing commitments to different issues and goals.

**Income Levels**     **Set a goal of targeting 50% of funding to serve households with incomes up to 30% of AMI**, 30% of funding for households earning up to 60% AMI, and 20% of funding for households earning up to 80% AMI.

Out of an annual \$10M budget with \$1M reserved for administrative costs, this means that \$4.5M will go to households earning up to around \$22K, \$2.7M will go to households earning up to around \$45K, and \$1.8M will go to households earning up to around \$60K. These figures represent the income bands for two-person households; refer to the appendix for a full table of income bands by household size.

Income Targeting

Income level Served	Income for Two- and Four-Person Household	Target Allocation, Percentage	Target Allocation, Over 10 Years
Up to 80% AMI	Two: \$60,100 Four: \$75,100	20%	\$18M
Up to 60% AMI	Two: \$45,120 Four: \$56,340	30%	\$27M
Up to 30% AMI	Two: \$22,550 Four: \$28,150	50%	\$45M

# Funding | Targeting

Beyond the overall scale and level of funding, the City should also consider what constraints it will place on where its funding should go, as a way of balancing commitments to different issues and goals.

## Community Representation

**Set a community representation standard for all organizations receiving funding: The leadership and board of organizations that receive City housing funding should be reflective of the communities they are serving and include residents who are participating in City-funded housing programs.** Reflection of the community served and inclusion of those participating in the program are two separate but related expectations. Residents who participate or have participated in housing programs have insight into how to reform housing programs to increase their effectiveness and should be represented in the decision-making process. In most communities, those who benefit directly from affordable housing have been excluded from the decision-making process. A lack of representation can unintentionally reinforce existing economic inequities and power imbalances.

**Charlottesville should adapt existing precedents for community representation to fit its racial justice focus.** There are a range of approaches to community representation: from setting minimum requirements as HUD does for Community Housing Development Organizations (CHDOs), to including community representation as a scoring criteria as are used for Nashville’s housing trust fund (the Barnes Fund). The CAHF Committee will be charged with setting these standards and adapting them over time as appropriate.

**Setting a community representation requirement is crucial to the guiding principle of racial equity,** as it will push both the City and program administrators to be deliberate about overcoming historical patterns of underrepresentation of non-white populations within staffing and decision-making.

## Duration of Affordability

**All programs should seek the longest affordability term feasible.** The City should seek 99-year affordability for rental developments receiving City assistance, such as direct project funding or funding for infrastructure improvements. Affordable homeownership ownership programs should seek to preserve affordability by encouraging homes to be sold to income-qualifying (<80% AMI) buyers. If homes are sold to households earning >80% AMI, public funding put into the property should be repaid to the City through the sale proceeds. This repayment requirement helps ensure that public funds are recycled to continually assist low-income homebuyers.

For all programs, **the Housing Trust Fund Advisory Committee should review the affordability duration criteria for each program** and adjust as appropriate.