



# ***Charlottesville Affordable Housing Tax Abatement Program (CAHTAP)***

**Presented:** April 21, 2025, 4 PM City Council Opening Session  
By the City's Office of Community Solutions



# Charlottesville Affordable Housing Tax Abatement Program (CAHTAP)

A proposed financial tool to offset the developers' cost of providing Affordable Dwelling Units ("ADU") in compliance with the City's 2023 Development Code.

## Core Components:

- **Mechanism:** Performance-based reimbursement of a portion of real estate taxes on the incremental assessed value of qualifying projects
- **Purpose:** Improve financial feasibility of ADU production while preserving base tax revenue
- **Trigger:** 10% ADU requirement (*e.g., the ADU Program of New Development Code*) creates a revenue gap that may deter or delay rental housing production

**Legal Basis:** *Authorized under Virginia Code § 15.2-4905 (Industrial Development and Revenue Bond Act)*

**Potential Administrators:** *CEDA (a similar model or use in practice facilitated through the Office of Economic Development) or LBAC (an aligned alternative, if adopted).*



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## Why Now?

- **New Development Code = New Developer Burden**
  - 10% ADU requirement creates a long-term revenue gap
  - Particularly acute for rental housing developers
- **Affordability Pressures Rising**
  - Property values, construction costs, and interest rates continue to increase the cost of building housing
  - Without incentives, development could stall or shift to higher-end markets
- **Strategic Fit**
  - CAHTAP supports long-term affordability goals
  - Aligns with the 2021 Affordable Housing Plan and 2023 Strategic Plan
  - Uses future revenues – not existing General Fund allocations
  - May be a more sustainable option than grant from current revenues to continue funding affordable housing
  - Spends City funds *AFTER* projects are built and delivered – at the *END* of the pipeline



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## Program Development Policy Options

- Should CAHTAP merely offset the ADU cost mandate or be more generous to jump-start projects?
- What is the maximum percentage of new incremental tax revenue to reimburse via abatement?
- Should the program be housed and managed by:
  - CEDD; or
  - LBAC
- Should eligibility for the abatement start at:
  - Just meeting the 10% ADU requirement, or something more than that? (15% or 20%?)
  - Just meeting the 60% AMI requirement, or something deeper than that? (50% or 40%?)
  - How many years should the abatement last? (15 years or 30 years?)
  - Should abatements be granted anywhere or be targeted to the high market rate rent areas only?
    - Perhaps abatements are lower in high market rate rent areas where these rents may subsidize/offset the ADUs' cost
- Should the program provide abatement bonus opportunities?:
  - Provide additional abatement for each additional 10% ADUs
  - Provide additional abatement for deeper affordability ADUs

*Questions or Ideas?*