CITY OF CHARLOTTESVILLE

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Housing Advisory Committee

Wednesday, October 16, 2024 Minutes
City Space Conference Room 12pm - 2pm

HAC Members Present:

- Sunshine Mathon, Vice Chair (SM)
- Phil d'Oronzio (PdO)
- Peppy Linden (PL)
- Mike Parisi (MCP)
- Nicole Scro (NS)

HAC Members Absent:

- Joy Johnson, Chair (JJ)
- Heather Griffith (HG)
- Michael Payne (MP)
- Dan Rosensweig (DR)
- John Sales (JS)

Staff Attendees:

- Alex Ikefuna (AI)
- Alan Peura (AP)
- Antoine Williams (AW)

1. **Welcome**

   MP: Calls meeting to order at 12:04pm.

2. **Introductions and Attendance**

3. **Staff Updates**

   AI: Staff is currently working on the 2025-26 budget cycle. OCS submitted CIP requests 10/4, operating budget is due 11/1.

   Council seems in favor of creating a Land Bank. City Manager Sam Sanders (SS) and Deputy City Manager James Freas (JF) will have further discussions with Council to flesh out more details, then give direction to staff for reports, ordinance, resolution. No timeline at present.
   PL: Any response from Legal to the work session?
   AW: So far just some initial comments re: ordinance language. Also, HOPS grants close this week, CAHF application window opens next week. In November, RFI will be sent out for CIP projects over the next 5 year cycle. If there is a notable project submitted, will let the HAC know.
   PdO: Planning Commission recently had a discussion re: CIP, CDBG, CAHF funding, how to coordinate these flows. Sometimes projects arise within CIP/outside of the Affordable Housing Fund, but how does the funding of those affect these other streams?
   AW: The HAC could weigh in on specific priorities it wants the CAHF to address.
   SM: In HAC reconstitution, there was a bright line drawn between the CAHF Committee and HAC, so the HAC may not want to weigh in here. A HAC subcommittee that excluded housing providers used to recommend how to use CAHF money, but it was later decided that even more separation was prudent and the CAHF Committee itself was created.

PdO: HAC may comment on activities themselves but not the funding decisions.

4. **Agenda Items**

   i. **August 21 Regular HAC Meeting Minutes**
   Approved.

   ii. **September 18 Regular HAC Meeting Minutes**
   Approved.

   iii. **Land Bank Ordinance discussion**
   PdO: Recently resigned City Attorney Jacob Stroman was an expert in LBO statute, previously wrote an ordinance for Chesapeake VA. City expected to lean on his expertise.
   AW: Strong discussion and process among staff composing the presentation to Council. Conscious effort and intention to avoid mistakes from 2018.
   NS: What is HAC's role from here?
   AI: Before Council votes, staff will bring any major updates or questions to HAC. Otherwise, Council, staff, legal will continue their work on the ordinance
   PL: Question of funding and staff resources?
   SM: Pre-Carlton Views, $500,000 was pre-allocated to the Land Bank. That money was moved to support the Carlton Views purchase.
   PdO: Council wanted to see the LBO now before they got too far into budget season so they can consider how to re-allocate money to the Land Bank.
   AW: When was LB money first allocated?
   AI: In the previous budget cycle, Michael Payne strongly advocated for setting aside that money in the CIP. OCS will need to submit a request for funding allocation for this '24-25 cycle if Council indicates their support for the Land Bank.
   AW: Legal's analysis will also need to be more complete before funding is decided on.
   SM: As SS gets an update on unused ARPA dollars, there may be an opportunity to use those for the LB, if that's an eligible use. That would be prior to the spring timeframe.

   iv. **Financial Incentives for Inclusionary Zoning Discussion**
   AI: Staff is working on Tax Abatement details for the Inclusionary Zoning (IZ) rules established in the new Zoning Ordinance, focusing first on multifamily development. Meeting with JF tomorrow, have provided some documents to him. Several internal meetings have been happening, including with Chris Engels in Economic Development (ED), the only department in City that has been handling tax abatements. Recently the state legislature has added housing to economic development. JF will review documents and meet with NDS and ED, then Treasurer and Assessor will be included as well as the City Attorney. Will touch base with HAC at some point in the process. Hoping to bring a Tax Abatement plan to City Council as soon as possible.
   AW: Our present tax abatement structure is focused on ADU production. For example, if a 12-unit project were to be proposed, the tax abatement only applies to the 2 required ADUs and would not be a large factor. At a larger scale like 200 units, the rules would only require 20

ADUs. But if the developer instead offered 75 units at 60% AMI and 75 more at 30% AMI, they could get a $1.6 million rebate. Tax abatement structure would only be effective for projects that go significantly above the required quantity of ADUs.

SM: An example would be PHA partnering with a for-profit developer to develop affordable housing beyond the required levels. There the tax abatement could be potentially very helpful.

AW: Yes, we are trying to give PHA and other non-profit developers a tool to help them team up with for-profit developers. The tax abatement structure is not designed with for-profit developers' market rate projects in mind. We want to make it easier for community partners to build more affordable housing.

NS: There are a lot of complaints from the for-profit development community about the IZ rules. The project at the Artful Lodger site pivoting from housing to a hotel is directly because of the IZ rules, according to the developer.

AW: We have heard that concern and consternation among the for-profit community. So far, we have only had two for-profit developers approach the city for large projects.

PdO: PC at our last meeting looked at a change of ADUs being built on-site at a project on Stribling Ave. to off-site at Flint Hill because more ADUs could be built more quickly at Flint Hill. Need to look at the interrelationships between fee-in-lieu of ADUs, off-site ADU options, on-site ADU requirements. Will be complex to figure out the best balance.

SM: Boston uses a three-tier system. On-site units are incentivized, off-site units have a stepped down benefit, fee-in-lieu even more so.

AW: Ex: What if a developer proposes ADUs above the requirements, but wants to put them off-site? How would the rules be written for situations like this?

AI: Is that a consideration for the ADU Manual revisions being considered soon?

PdO: Yes, but that's a tight timeline.

SM: Can start discussion now.

AW: The required annual ADU Manual review should happen around February.

SM: Is the City considering tax abatement based on depth of affordability? Any other factors?

AW: Considering the 60% and 30% AMI levels, and the length of affordability is also being discussed. RVA has a 15-year term with an option to renew, could also consider a certain $ figure to be reached after which the affordability would expire. City could stretch the affordability period of more units and consider adding the renewal option.

SM: In my conversations with Chris Engel, we discussed two ways to monetize tax abatement. In Kindlewood, we wrapped it into the 30-year mortgage. Virginia Housing wouldn't participate with a shorter timeline than that. Non-profit developers need to be able to bring in debt via a tax abatement. Any tax abatement is only useful if that dollar amount is large enough to leverage.

AW: Agree, it's a monetizing tool. In VA it's a "synthetic TIF" not a true TIF.

PdO: We know some decisions about how to structure this will be wrong and will need to be corrected. Need to give the City guidance about functioning outside of any strict model. What do we do with projects that don't fit the structure decided on.

AW: And if a new developer approaches the City we need a framework for them, not just for local partners.

NS: Does staff see this only as another tool to help provide deeper affordability? Seems like structure would mostly apply to larger, LIHTC-based projects?
AW: Yes, it should work mostly to incentivize large-scale, affordable projects.
SM: Ex: for a 12-unit development in an R-C neighborhood, does this structure do anything to help add affordable housing at this smaller scale?
AW: Staff conversations did begin at this smaller scale, thinking about 10-20 unit projects–
NS: Hard to make those projects pencil at all, ADUs or no, they could use some help.
AW: –but we ended up looking at projects above the 20-unit range.
SM: A tax abatement structure based just on the ADUs in a project might not be sufficient in this 12-unit example. If a developer wants to go above and beyond and include 4 affordable units, they have limited access to other subsidies at that scale and so may need the City's tax abatement to apply to the entire project, not just the ADUs, to make it feasible. Might need a 50% tax abatement for ten years on the whole project. Would be good to have back and forth with HAC to iron out specific examples like this.
AW: For now, JF instructed staff to draw up an initial, basic structure to build on and adjust in the next phase. But the HAC can start considering specific examples and the balance of different parts of a tax abatement program right now, doesn't have to wait.
SM: Agrees but would like what's been submitted to JF to be shared with the HAC so we can use that as a starting point of our discussion.
PdO: Would be easier to know what to consider if we could see some details of the proposal so far.
AW: The model that Chris Engel uses is still being formalized, details being worked out. JF requested a "vanilla" framework that can then be tinkered with. This is 2025-type work, the first application submitted under a new framework might not be until late 2025.

5. **Next Meeting: November 20, 2024**
   NS: Last meeting we discussed a couple of groups acting on HAC priorities.
   AI: Reminded Eden Ratliff about meeting with HAC members about boards & committees compensation and support. Still pending.
   PdO: Re: PILOT, need to touch base with Michael Payne again.

6. **Public Comment**
   No public comment.

7. **Adjourn**
   Meeting adjourned 1:06pm.