CITY OF CHARLOTTESVILLE

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Housing Advisory Committee

Wednesday, November 20, 2024, Minutes
City Space Conference Room 12pm - 2pm

HAC Members Present:
Dan Rosensweig (DR)
Sunshine Mathon (SM)
Peppy Linden (PL)
Mike Parisi (MP)
Heather Griffin (HG)
Phil d'Oronzio (P'd)
Nicole Scro (NS)

HAC Members Absent:
John Sales
Joy Johnson
Michael Payne

Staff Attendees:
Antoine Williams (AW)
James Freas (JF)
Madelyn Metzler (MM)

Land Bank Entity Discussion – Feedback from Staff (JF)

JF: Land Bank (LB) has been a topic of conversation (Sam, Alex, other depts, including legal – completed their review with no significant changes).

- Thanked MP for the resources he provided, and connection with an individual from another community with LB experience.
- PL: JF, do you have any land bank experience elsewhere? Answer from JF: No, and so I am learning from the resources provided and ongoing conversations.

JF: Two main issues with LB:

- (1) Where is staff support coming from for the LB?
- (2) Tax abatement.

JF: City Manager's (CM) office is ok with moving forward with LB BUT as an authority rather than a nonprofit entity.

- What does tax abatement look like over time?
- During the startup period, it seems the LB is going to heavily rely on City staff and resources, and CM does not want to lend staff/resources to a private entity.
- LB pilot! → LB could then transition into a nonprofit

    - Build up its portfolio, bank account, staffing, etc. then transition assuming that as we go along that makes sense

SM: How do you define a pilot in the actual ordinance language?

- JF: no time limit etc., just using the term "pilot" so that there is an understanding that there are assessments as we go and with stated intention that the entity would be separate eventually

PL: separate Board? JF: Yes. Under the LB ordinance, very little difference between nonprofit entity and an authority for how the LB functions.

P'd: What is the difference in how the LB would act? Operations? Would Board be subordinate to City staff? What about private outside funding? Cannot give money to the City?

- JF: not sure the answer to the Q of funding from private sources. But on the flip side, City is worried about LB making decisions about tax revenue (i.e. tax abatements).

P'd: What about the primary source of income for LB, i.e. tax abatement?

- JF: LB would still receive tax abatement per the ordinance. CM is concerned about the distance of the LB entity from the City.

P'd: Independence from the City is a feature, not a bug.

NS: So much depends on the makeup of the LB Board, and that is unpredictable right now, and so a pilot makes sense; the LB needs to prove itself. What about the issue of bonding?

- JF: Under IRS tax law, to issue tax exempt bonds, the entity will need to be backed by the City?

HG: Will this result in a slower ability to purchase land?

- JF: Yes.

P'd: Can City Council overrule the LB Board?

- SM: It is not City Council, but CM. Just wanted to highlight that this LB authority entity will be responding to two sets of leaders: (1) CM's office, and (2) LB Board.
    - P'd: Richmond has failed at doing this; they are constipated by too much bureaucracy. What we are saying is the CM office controls?
    - HG: We will figure it out as we go, that's why it is being called a pilot.
- DR: In this structure, is it true that the CM ultimately controls? We don't have the structure laid out in the proposed ordinance.
    - JF: We do not have any structure. The ordinance does not say this. We have to work through this. Whether the LB is a nonprofit entity or an authority, the concern still exists regarding the allocation of tax revenue.
    - DR: Need an operational manual that will be produced after the ordinance.
    - JF: What CM office has talked about is putting a cap on the amount of future tax revenue that could be allocated within a given year, etc.

DR: assuming Council votes in this direction, DR wants to participate in drafting of operational manual.

- JF: does LB Board work on this? Or HAC?
- DR: There may be some productive tension between CM office and new LB Board, and so am ok with LB Board working on the operational manual after the LB is established.

DR: Second question/concern, private philanthropists cannot make donations (or such donations may not be tax exempt) – of both cash and land. Are there foundations attached or related to authorities?

- JF: does not know the answer to this.
- HG: if private individuals cannot make donations, how is the LB funded (besides tax abatement)?
    - JF: the City can allocate money to the LB; $500,000 was allocated to the LB, but it was redirected to Habitat/PHA for their purchase of the Carlton Mobile Home Park.
- SM: balance between independent entity and City oversight – if this new entity is an authority: can look to CRHA (JF: and EDA) for what does/does not work
    - JF: everything Economic Development Authority (EDA) does goes through Council because that is how the EDA ordinance is set up; LB ordinance is different.

MP: how does staffing work for quasi authority entity?

- SM: this is a flagged concern/factor. Concern is that the City takes forever to hire people and HR department has its own sets of rules, etc.
    - JF: need to understand more about this.
- P'd: Also, who makes the hiring decisions?
    - DR: flag this for the operating manual

JF: operating manual first before entity; or opposite?

- SM: CM might not want to take time to do operating manual when Council has not passed the ordinance yet. Push the ordinance forward, while being clear about next steps.
- DR: Agree, and the LB Board should work on the operating manual, and HAC can be a guiding body/consultant

MP: should we review the draft LB ordinance one more time?

- JF: isn't it just changing one word?
- PL: might be worth looking at it with new set of eyes
- DR: can drop breadcrumbs in the ordinance regarding the operating manual. JF: does that need to be in the ordinance itself? That can be in a memo with the ordinance.
- NS: We do have a lot of policy statements in the ordinance itself.
- DR: Okay with this information being in a memo.
- JF: We want to keep the ordinance as simple as possible.
- NS: Do we want to strip back some of the policy statements in the ordinance then?
- P'd: Those are core concepts of the LB that need to stay.

- JF: You do not want to put stuff in the ordinance that you might change.
- NS: We do have stuff we might want to change.
- JF: Up to you; might not want to revisit those conversations.

MP: Was there any discussion regarding composition of the LB Board?

- JF: no issues with the LB Board composition.

Approval of Minutes

- PL moves to approve; HG seconds; all agree. DR abstains (was not at the last meeting).
- HG: There are too many acronyms.

ADU Manual Discussion

PL: What is the process like for getting affordable units approved? Are these regulations impediments?

- MM: When you are going through the process for the development approvals already, this is just another one. There has not been an application yet.
- DR: We tried to strip out some regulations that seemed too onerous. As an applicant, I feel comfortable. It is still theoretical.

SM: AW can go point by point regarding the proposed changes.

- AW: MM & AW compiled comments – want feedback by 12/3, and PC gets to review as well
- AW: tasks MM with going through the document.
- (while waiting for redline document to be pulled up) SM: lawsuit against RGGI looks like it will be in favor of RGI, against Youngkin (Regional Greenhouse Gas Initiative).
- MM going through changes:
    - MM: Figure 1 table lists only up to 3BR, use 3BR fee for anything above 3BR
    - MM: Figure 1 said construction cost per unit and average total cost per unit in lieu fee; now says ADU in lieu fees cost per unit, and Figure 2 clarified to say fractional fees and student housing fees
        - Value gap no longer used as the title
        - Added Appendix B that talks about how fees are calculated
    - MP: Appendix B *text* says average total cost per unit, but appendix actually uses discrete amounts
        - MM: will take out the text because it is more complicated and that language is misleading
    - MM: comment was about how shouldn't rental and ownership be treated the same
        - MM: oversimplification, we can treat them differently; nothing changed to address this comment
    - MM: comment asked if there was a typo; but there is no type, numbers stand.
        - AW: City has issued an RFP for re-evaluating the in lieu amounts
    - MM: bottom of page 3, Section 2.4, staff changed how the table is calculated

    - RKG used a strange methodology for how they calculated rental limitations; now using a 1.5 persons on average per bedroom formula (which is the standard formula)
    - MM: will share the excel file with MP to show how to get the rental limitations
  - NS: for fee in lieu, how does the ADU manual treat units that are initially rented, and then later converted to condo units
    - MM: the ADU manual does not contemplate this
    - HG: conversion to condo units does happen in the City a lot.
    - MM/AW: will need to look at this internally
  - MP: page 1, are there modified terms in Appendix A, this is empty?
    - MM: we have not had any terms that have been modified via an application asking for modifications yet
    - SM: should state that Appendix A is empty now because there have been no modifications asked for
    - MM: yes, will make this change so it is clearer
    - DR: there was a zoning determination that was made – AW: just reference it, don't need to attach it (regarding adding it to Appendix A)
  - MM: a for sale affordable dwelling unit (ADU) must limit the maximum monthly payment (mortgage) to no more than 30% of income, but the comment is that this does not allow builders to model the cost, etc.
    - NS: It makes it difficult to build an ADU without knowing what the ultimate price of the home will be
    - DR: this is what the County does; likes what the City does where they look at the end buyer
    - NS: is the County's number higher or lower than what you usually sell
    - DR: the County's number is irrelevant; affordability should look at the end user
    - SM: Community Land Trusts (CLTs) and Habitat model things very differently than for profit developers/builders
    - DR: This language puts the onus on the developer to figure it out, and has been pushing this at the County as well; otherwise, people game the system.
    - NS: That's not gaming it.
    - SM: In the current ADU, you cannot game the system in the same way as the County because the language prevents that
    - DR: setting a maximum price messes up the capital stack because a nonprofit is able to get multiple second liens so that the home is affordable to the end user
    - NS: Can there be an exception to allow Habitat to do the above, but allow predictability for a market rate builder?
    - P'd: Developer knows what 60% AMI is, and they know what 30% of 60% AMI is; they then need to make assumptions regarding interest rates on XYZ program, and so you can build the price of the home backwards
    - HG: Downpayment is a big factor in the above.

        - P’d: That is the developer’s problem (regarding what/how much subsidy is needed). This does increase risk.
        - AW: Is this language ok as is?
        - P’d: It is fine.
        - NS: I don’t think it is fine, but I appreciate where Habitat and PCLT are coming from.
        - AW: Can you propose language?
        - NS: Yes, but I would like to better understand Habitat’s model and allow exceptions for their program.
        - DR: This might be a place where we cannot get consensus. It is easier to model a fixed number in a pro forma, but what we have seen in the County (or any situation where we fix a price for homeownership), we see that the affordable homeownership is not achieved.
        - P’d: You can figure out the monthly mortgage payment, and how you get to that figure is up to the builder, and not the City’s business.
        - AW: can review this next year.
        - SM: one challenge with setting a price, is that it is based on an average 60% for an average household size but that varies (1 person household, versus 7 person household).
        - DR: What happens in the County is that you get a very limited number of individuals/families that can afford these homes.
        - SM: Historically in the County, since those number of families was so small, and you had only a limited amount of time that you needed to market the home to an affordable household, these units would convert to market rate units after the 90-180 days of trying to market it to an affordable family.
        - NS: I would be interested in seeing how I would build affordable units. Would almost have to find the end user first.
        - SM/DR: You can work with a nonprofit as a partner.
        - DR: County is supposed to be participating in finding the end buyer, but they have had a difficult time. City can be this as well.
    - MM: page 7 has a few changes; Section 4.2. Typo was fixed (rent limit instead of income limit; If household larger than 4 persons, then directed to go to HUD).
    - MM: Language earlier in the manual conflicted with language later in the manual. This is fixed.
    - MM: Section 4.3, one comment about why we don’t let people sublet parking spaces.
        - DR: Agree with the commenter/question.
        - P’d: If sublet parking space, would skew that person’s income. But why would the City care?
        - MM: Can just take this restriction out of the ADU manual. If landlord does not allow it that is an entirely separate issue.
        - SM: Worried because LITHC does not allow this.
        - MM: Can remove this language and let this be a landlord tenant issue.

DR: when do we review the development zoning ordinance (DZO)?

- DR: There are height and dimensional challenges. We submitted an application a day after the ordinance passed, and we have started the project because of these challenges.
- AW: Send feedback by 12/3.
- P'd: There are typos and smaller issues, and then there are also more substantive issues. We (City) want to try to address these comments by February (when the DZO was first passed).

SM: HAC asks NDS/PC to share comments on DZO that have potential impact on affordability and to review such comments prior to DZO going before PC (SM moves; DR seconds; all agree).

- P'd: We do not need to see every typo.

SM: Asked for public comment. None.

Meeting Adjourned.