

**PLANNING COMMISSION REGULAR MEETING**  
**January 13, 2026 – 5:30 P.M.**  
**Hybrid Meeting**

**I. COMMISSION CLOSED SESSION (Agenda discussion(s))**

***Beginning:*** 5:00 PM

***Location:*** NDS Conference Room

**Members Present:** Chairman Schwarz, Commissioner Roettger, Commissioner Joy, Commissioner Yoder, Commissioner Harness, Commissioner Carp, Commissioner Mitchell, Commissioner Solla-Yates

**Staff Present:** Patrick Cory, Dannan O’Connell, Matt Alfele, Kellie Brown, Carrie Rainey

**II. COMMISSION REGULAR MEETING – Meeting called to order by Chairman Schwarz at 5:33 PM.**

***Beginning:*** 5:30 PM

***Location:*** City Hall Chambers

**A. COMMISSIONERS’ REPORTS**

**Commissioner Carp** – No Report

**Commissioner Mitchell** – No Report

**Commissioner Solla-Yates** – The Virginia General Stakeholders work group worked on the building code met January 5<sup>th</sup> and 6<sup>th</sup>. I could not attend. I understand a submission was made based on my previous submission. Mine was allowing 4-story single-stair residential. This was allowing 5- and 6-story single-stair residential with the same additional safety restrictions. The committee did not reach consensus. It proceeds to the Board for a vote.

**Commissioner Harness** – No Report

**Commissioner Roettger** – I was at a Tree Commission meeting a week ago. They are preparing their State of the Forest Report to go before Council in April. There is a lot of work to put into that in terms of recommendations. The one that would be most relevant to the Planning Commission is that there is work creating a pamphlet packet for developers on the best ways to keep or preserve existing trees rather than planting new trees. They offer so much if we can keep them. They have been working on suggestions and images to do that better.

**Commissioner Yoder** – No Report

**B. UNIVERSITY REPORT**

**Commissioner Joy** – I was going to talk about the two housing projects that UVA has undertaken. Both are at Darden and at the Emmet/Ivy Corridor. If you pass by on 250 for the Darden one or go by on Ivy Road, you can start to see the extents of both projects, more so at Darden where you can see the mass coming to completion. Along Ivy Road, they have come out of the ground. They are no longer subgrade. If you want to

get a sense of where the limits are relative to the public realm, it is becoming clearer each passing week. As they transition up and rise, you will see a lot of progress this Spring. Hopefully, they will top out.

### C. CHAIR'S REPORT

**Chairman Schwarz** – From the Board of Architectural Review, the only large item was the apartment building at 7<sup>th</sup> and Delevan in the Fifeville neighborhood. The BAR denied that project. An appeal has been filed with City Council. Council will be looking at that project in the coming months.

### D. DEPARTMENT OF NDS

#### a. Tax Abatement Study

**Kellie Brown, NDS Director** – I am going to do a brief introduction on our tax abatement study. At a City Council meeting on April 21, 2025, Council charged staff with conducting research and analysis to determine if an affordable housing tax abatement program could have a material impact to incentivize housing construction in Charlottesville within the context of the high cost associated with housing construction. If such a program could have an impact, Council also asked staff to define an optimal tax abatement program structure that could improve housing construction financing and minimize administrative complexity. In June 2025, staff contracted with 3TP Ventures to lead and conduct this study, market analysis, and model building to test the potential impact of an affordable housing tax abatement on the feasibility of housing construction projects. The goal of this project is to enable an informed recommendation to Council regarding a tax abatement program in Charlottesville. 3TP has reached the point where they have prepared a final report and completed a feasibility model that they will present and demonstrate for the Planning Commission this evening. This is not an action item, but an opportunity for commissioners to learn more about this research, ask questions, provide feedback & insight, and learn how this feasibility model can help with the policy and programmatic considerations related to an affordable housing tax abatement.

**Jeremy Goldstein, Consultant** – You should see here an outline of the kinds of things we want to talk about, mostly get you up to speed on the reason for the study, our methods, make sure we are all on the same page about tax abatements, show you a little bit about this tool we built, and the findings therein and the key takeaways.

#### Next Slide – Findings Overview

The biggest takeaways are here in these three main points. We will talk about the numbers themselves.

Looking at typical housing projects across the city, we are not seeing a lot of projects that can really pencil out. There is effectively limited development feasibility.

If we remove the inclusionary zoning from that math about the current realities of the market, that does make some small improvements in feasibility, it still does not create a condition where housing is easy to build right now. Effectively, this is the difficulty of the market. If you hear from the local development community that it is difficult to make projects work right now, this data concurs with that. It also concurs with the fact that inclusionary zoning has a role to play but is not the solitary reason why things are not penciling today.

Lastly, tax abatements can help in this process. I think we should be looking at some alternative mechanisms **or** other ways to make sure that we are really aligning some of the public sector concerns with not wanting to overpay or over-subsidize and the need to create more housing with this real market dynamic

of things not being able to pencil right now. We may want to be thinking more flexibly about that. While this study was not meant to provide a definitive solution to this problem, it is meant to inform those kinds of decision-making processes as we move forward.

#### **Next Slide – Overall Purpose**

We want to evaluate the market as it stands today. We want to evaluate the impacts of inclusionary zoning from a financial perspective. There is a financial evaluation. We are not going to talk a lot about administration or some of the other real burdens to making projects happen. Right now, we are still mostly talking about the math. We will venture a little bit into some of these other issues. We want to talk about the financial or fiscal benefits of tax abatements in a couple of different realms. The other task was to provide a mechanism for continued monitoring and updating evaluation of impacts and findings. We don't want to leave you with a static picture of the market today when the market can change tomorrow. I want to give you something that allows you to continue to monitor over time.

#### **Next Slide – What This Project is and isn't**

There are a couple of things that this project does and some things that it doesn't. The tool is like the leave behind portion of this project and what that tool is and what it isn't. More than anything, it is a means to inform policy decisions. You can see those lines in bold. It is not giving you the policy decision. It is helping to inform it. The more that private sector math is understood by those making public sector decisions, the better we are going to be. That is what this thing is about. We wanted to provide you with a method that is transparent, flexible, and adaptable. It is something that you can come back to again. You can feel very clear about where the data comes from. You can be making changes to it over time as better information comes along. We don't want to act like we have all the answers. We want to give you the means to make those adjustments as we move forward. This is meant to be a collaborative effort. It was not just us doing this in some back room. It was done with a lot of conversation with city staff, the local development community, developers who aren't local who can also provide outside context. We wanted to make sure that this was as inclusive as we could be in making sure that we were doing our best to understand and inform a complicated housing market. This tool is a handful of things. It is not meant to be the thing that determines the policy. There is a lot more to this than just math. It is certainly not a way to provide staff who will now have control over this tool moving forward, to supersede what a private developer is saying when they are looking at their map. This is meant not so much to inform a specific project but typical projects. Every project is unique. That is something that must be understood. It is not a black box tool. It has all the assumptions and things built in. It can and should be adjusted.

#### **Next Slide – Background and Need**

This is one step in an ongoing thing that started several years ago with the identification of the need for more than 4000 affordable housing units in the next 20 years. A zoning code was adopted that was meant in some ways to address this, which included inclusionary housing alongside a real financial attempt to provide some financial backing to that and noticing that market rate projects with affordable units have not come to fruition. The city wanted to know: What can we learn more about that? What can we do as it relates to tax abatements? That is something that has been brought up on several occasions. How valuable is an option to improve the outcomes of housing construction? Our goal was to build a tool, build this model that can help inform this multivariate set of interests.

#### **Next Slide – Tax Abatement**

What we are talking about is some kind of reduction in taxes because of meeting the needs of that abatement policy. Whatever the policy would be, it would be with the intent to improve the financial feasibility of projects that have affordable dwelling units in them. It was authorized under this act. What happens is that it is a grant that you refund after the fact. We must operate within the bounds of state law.

### **Next Slides – Method Overview**

This is 3-step process.

1. Collaboratively determine typical costs and revenues.
2. Build a development feasibility tool that mirrors the private sector analysis process. Build a proforma tool. Let's add into that tool the means to analyze impacts of public interventions. This is a screenshot of a portion of the user interface tab of this tool. You can see that there is a section for project inputs and a section for policy testing. You can see that under this situation how things pencil? What is the yield? What if we add this policy? How does that change the yield? That is what this thing is doing. It is calculating current feasibility of the typical project and how that changes under a range of interventions. Our primary issue was tax abatement. We tried to go further with this work.

Why a tool? You need to have something where a tool that can change with changing market conditions. This is not the first time someone has tried to evaluate the fiscal feasibility of the housing market. If you have been here for some of these previous plans that come as PDFs, it does not always take long for the data and the underpinnings to have changed. It makes a lot of the findings therein. However solid the methodology it was, it is not as relevant anymore. We want to avoid that. We wanted to give you an opportunity to change with changing times and allow you this opportunity to start playing with a wide range of interventions and cede other things moving forward.

### **Next Slide – Model Inputs**

The inputs to proforma tool can become incredibly complex, especially for a specific project where there is real money on the line and need to go out and get financing from other people, which is often the case when you are doing more than enough units to trigger the affordable dwelling unit requirement. Overall, the basics are that you need costs and revenues is what goes into that. There is a wide range of costs. There are different ways you can calculate revenues. There is another handful of financial assumptions that go into all this stuff. These things can be unique to any individual project. They change with regularity. What we are trying to do is get in the right range of overall financial viability. We have had that vetted with people inside and outside of this room. We feel comfortable with the order of magnitude about this. What we want to care about is that this gives us an opportunity to make some 'apples to apples comparisons.' If this was the financial feasibility of this project, here is how it would change if we added this other stuff. It is really the change that matters most.

### **Next Slide – Hard Costs**

One of the biggest things is hard costs. It comes down to labor and materials. The way that we wanted to do that was to try and mirror real projects that already exist in the city. We are not making up silly projects. We were asked to evaluate a range of housing options from single-family to high-rise. I do want to note NOT student housing. That is not here. If there are questions about student housing, that would have to be an ancillary thing. The model is in place to begin. We have gone a good way on that. It is just not part of this study. We started with an outside cost estimating software asking it to price out projects like the ones that already exist in the city. That was vetted with local and outside developers based on their project experiences. We made changes as a result. We took real world examples into consideration. They were always included in our numbers. They did not necessarily replace things. They were always included as part of that finding.

### **Next Slide**

This slide shows effectively the hard costs per unit for these different types of units. These can change over time. One person's number will not be the same as another person's number. We are fine with that. There is nothing about this model now that does not allow somebody to say it.

### **Next Slide – Land Costs**

Land cost is another one of the important components. Getting accurate prices for land right now has been difficult for several reasons. What we started with was assessed land values. We did go back and look at the small number of land sales that have been in the city, especially over the last few years. There did seem to be pretty good alignment between 2023 and 2024 land sales and the assessed land values. It is not a bad place to start from. These can change wildly over time. What we want to do with this was to create tiers of submarkets. The prices in one part of town are not the same as the prices in another part of town. Even if the construction materials cost the same, the land is not the same. We wanted to use this tiering system. It means that from tier 1 to tier 5, as you will see in these charts, it relates from the most expensive assessed areas to the least. This is a map of the assessed land value per acre. It will not surprise you to see the darker colors indicating the higher prices or higher assessed land values. We did not want to say that there is a downtown submarket. For now, it is high priced. It does not necessarily have to be in the future nor is it the case that there might be projects outside of downtown that would get downtown type prices even if they don't show up on this map. Instead of these tiers being submarkets in the way that you are used to them being, that is not what this is. It is effectively a place that has the land costs and commensurate rents associated with the types of places that currently fall under this tier one.

### **Next Slide**

When we vetted this with a local community, there was no real consensus. While we were able to reach a reasonable consensus on construction costs, there just was not a real consensus on land costs. I expect these numbers are likely to change over time. For some people who run performance, this is an input to see how it changes yields. For others, the land cost itself relates to meeting a bottom line first. Whatever money is left over, it becomes the land cost. There is not even consensus on how to price all these things. I would fight anybody about changing any of these numbers.

### **Next Slide – Soft Costs**

That is also true with soft costs, which mostly have to do with fees and whether they go to the city to review things or to the consultants for drafting plans.

### **Next Slide – Revenues & Financial Costs**

The model ties soft costs to time. If you were to discover over time that it is taking longer to get stuff done, that is a material soft cost. We want the model to account for that. If there are situations in which things can go faster, that could have a benefit to cost. There is no maximum. We set a minimum. At some point, there is only so much savings from that. We did not want to overemphasize.

### **Next Slide**

Lastly, there are revenues and some financials. Most of what we did was pull rents. We pulled rents for that from apartments.com on projects that we felt were representative of tiers one through five for each of these kinds of building costs to the extent that we could find them. We did not necessarily find a robust number of comps across our 5 tiers and 6 building types, but enough to at least give us some reasonable numbers to start from. That is our market rent rates. Affordable rents are based on area-wide median income, a proportion of that number. That changes every year. That is a static number. There is some other stuff in this model. All can have substantive changes in outcomes. They were all vetted with at least some portion of the group. Everything was looked at by somebody else besides us. All can be modified as we need to.

### **Next Slide – Tool Overview**

This tool provides 2 critical standard proforma outputs. Yield on cost and IRR. Yield on cost is focused on how much you are effectively getting as a return once a project is stabilized. It cares about your net operating income relative to the project costs. That is its role. In some ways, it is a simple kind of calculation. It does not care about time. Time matters tremendously in a lot of these projects. It is nice to know that you have a stabilized yield. Once everything is up and running. These are all for rentals. This tool

is just looking at rentals. Once you have a stabilized project, it is interesting to know how much money you are generating every month. The other side also cares about time. When did you have to buy the land? How long did it take to get things running? When did you start getting rents? The way that you would look at that is with internal rate of return, which is almost like inscrutable calculation that you just put into Excel, and it gives you a number. It is like a goal-seeking thing that it is trying to do to get to a net present value of zero. You mostly just let the machine tell you the IRR. They both have generally standard thresholds for what counts as feasible or not feasible. That is what we care about: those thresholds. We built that into this model along with a couple other types of measurables that might yield a little more information for the public sector people besides the private sector finances. What we care about is the difference in these performance metrics with and without policy interventions. That is what matters.

### **Next Slide – Interface**

This is a screenshot of the tool interface. What this thing is doing is it is giving users an opportunity to make selections about the development type in the submarket, how many affordable units you are supposed to have at various AMI bands if you want, and what kind of policies you want to test. On the right side are the overall findings of yields and IRR with and without these policy changes, what the difference is, and some additional other summaries of the costs and benefits of these incentives. We will show you some of the findings in at least one example so you can see the relative impacts.

### **Next Slide – Key Questions We Explored**

- What is the feasibility of a ‘typical’ project today?
- What does the inclusionary zoning policy do to feasibility?
- What incentives (tax abatement + others) do to feasibility?
- How are city revenues affected by incentives?

### **Next Slide – Current Market Feasibility**

We just looked at the current conditions’ market feasibility. That does include the inclusionary zoning. These are the typical findings. Red seems bad. Green would be good. I missed adding a key that green means that you have reached the standard threshold for something likely to be developable. With yellow, we kept it as a wide band. It says that there is a chance under the right conditions projects of this type have a chance of being built. With red, these look tough. What we are seeing is that as of now, new construction with financial feasibility looks limited. The only thing that maybe seems to be penciling out or has the chance of penciling out under just the right conditions would be a high-rise building that has good rents. You can perhaps fill in the gaps. What kinds of projects might meet the criteria today? There are a lot of reds. A lot of this is out of Charlottesville’s hands. What if we removed inclusionary zoning? What if it never existed? How would that change financial viability? How big of a deal is inclusionary zoning on its own?

### **Next Slide – Inclusionary Zoning Feasibility Impact**

What we found is that it is not a sea change. It is not like everything turned green. You see a little bit more, a little bit of improvement maybe in even in some other kinds of products. In general, yields tend to increase by about 50 basis points and IRR increases maybe 2 percent. It is still difficult for things to pencil out. If you want things to be built, there is space to provide incentives or interventions to make projects pencil.

### **Next Slide – Tax Abatement Methods**

We want to talk about 2 different kinds of approaches. One is what people talk about for tax abatement. The standard is a value-based abatement. I expect to introduce people to a rent-gap abatement. I think it was originally brought to us through someone from Livable Cville. We presented this to CADRE, HAC, and city staff. That was one of the things that came to us. The value-based abatement is on the improvement value

associated with that project. It does not care about land prices. The land cost is the same. The tax rate of the land stays the same. What is abated is the building itself, the tax on the building itself.

The rent-gap abatement is very different. It is focused on the difference between market-rate rents, what that unit would have rented for if it was offered to the market and the rent that is mandated as affordable. It is an abatement of the gap between those two numbers. Those are the 2 things we want to show you.

#### **Next Slide – Value-Based Tax Abatement Impacts**

It is a summary table for running the model on an example, a mid-rise project on in a tier three area. It is average prices, rents, and land costs that was subject to inclusionary zoning and then gets an abatement. The rows are different levels of abatement. If you look in columns 2 and 3, you can see that as you add abatement, increasing the abatement amount, you improve the yields and improve IRR. I also want to note the next 2 columns, which is another way to evaluate the efficacy of this sort of work. If you have mandated that a unit must be offered to someone at an affordable rate, there is an effective loss in income or revenue associated with that requirement. Under this project, that amounts to \$13,000 a month. With the abatement return associated with each of these abatement percentages; you can see that it does not get anywhere close to \$13,000. Full 100 percent abatement on the improvement value. There is still an effective gap between what the financial mandate of inclusionary zoning and this style of tax abatement. That is another way to evaluate how good this program is.

Another way to look at this is if we did not have this abatement and somebody built this project; how much money are we giving away? This is one of the things people are concerned about. Are we just giving away money? How much is that? In this case, this would amount to as much as \$50,000+ in tax revenue waved because of this tax abatement. On the flip side of that, there are many times where in some ways what you are trying to do is provide an incentive that creates a unit that otherwise would have not existed, a project that otherwise would not have existed. The other way to look at this is to say how much new tax revenue do you still get because of this project with the presumption that nothing would be there otherwise. You can get maybe as much as \$530,000. Maybe it drops down to \$490,000. It is still \$490,000 more tax revenue that would not have otherwise been there. It is important to think about this from multiple scales. What are the basic financials from the private sector side? That is something that you should know about but does not necessarily need to be the only reason that you make a decision. How are you giving them relative to what is being lost? How much are you giving away relative to what you might be getting back in return? There are multiple ways of thinking about this. This is the way in which we hope that this sort of information informs a decision.

#### **Next Slide – Rent-Gap Tax Abatement Impacts**

Let's show the version with that rent gap where the abatement is tied to the gap. Let's say that an average rent is \$2,500 a month. We are saying that the affordable rent here is about \$1,500. All these things are built with a mix of studio to 3-bedroom units. We are now abating that difference. We are saying there is a \$1,000 a month difference. We are going to abate somewhere up to that just in these cases up to that \$1,000. You can see the yield changes and IRR changes.

If you go back, you can see yield changes and IRR changes. The version in rent-gap is much higher. This has a much stronger financial impact.

The other thing that this does is doing a 100 percent abatement. The whole point of it is that you are giving back the monthly loss. It is a \$13,000-loss and a \$13,000-abatement. It does not have to be that number. You can reach that more easily under this sort of mechanism. That means a much higher amount of revenue waved and effectively lower new tax revenue. This sort of abatement may increase the probability of a project being built because you have had a larger financial impact.

**Commissioner Yoder** – With the second to last column, annual revenue wave, that is annual tax revenue that the city is waving.

**Mr. Goldstein** – That is correct.

**Commissioner Carp** – In terms of cost to the city of the abatements of either form, is this looking at the first year the project is built? We are doing a 99-year IZ requirement. Is that right? Is this averaged over 99 years the first few years? What timeframe are we talking about?

**Mr. Goldstein** – This would be over the time of the abatement. You could have inclusionary zoning requirement for 99 years and have a tax abatement for 6 months. That would be up to you. This is part of the policy.

**Commissioner Carp** – What is modeled here?

**Mr. Goldstein** – This is what would happen for the course of a year.

**Commissioner Carp** – The gap narrows every year. The numbers might heavily depend on the duration of the abatement.

**Mr. Goldstein** – It would depend on the duration of the abatement. It would depend on which of these methods you use. One that is more focused on the existing market rate prices of that particular project would certainly have changes in the gap year over year.

**Commissioner Carp** – Is the duration of the abatement a parameter?

**Mr. Goldstein** – Yes. It is the last thing to tweak. It is not doing a lot of the net present value changes. The way in which that would manifest itself is in the downstream effects and the model. It is only looking at 30 years. If you wanted to build it to look at 100 years, it would seem more robust. There is a cap on it as it stands right now. All those things can be changed over time. At some stage, we were looking at a macro scale how valuable this thing is? More than trying to get down to how long we should be doing this.

#### **Next Slide – Tax Abatement Pros & Cons**

This is a little bit about the pros and cons of these two. The number one pro for the value-based abatement is that it is the standard. It is the industry standard. It is the one that is tried and true. That is what you see all over the place. There are a couple of cons associated with it. It does not fully close like a market gap. This is not a technical finding. One could think through this logically. That kind of abatement does not look like it is often going to make a project pencil when it otherwise would not. It might be the kind of thing that is particularly useful in good market conditions. It does not make a huge difference in bad market conditions. It does not mean it is still not beneficial. I am sure that there are projects that would pencil that otherwise. This is probabilistically. It may not address some of these like getting us to the finish line in tough times.

With a rent-gap abatement, the pros are that because it is tied to market conditions, it is addressing the financial loss that is associated with the inclusionary zoning. A person could say that this is an unfunded mandate. Doing something that is focused on addressing that unfunded mandate, this is probably the best way to do that. Since it is more robust, it might be more beneficial in a wider range of economic times. The number one con is that it is rarely used. We found this Baltimore example. Our project was not to do a deep dive into the Baltimore version. This is mostly trying to get information from them. They have just started it and don't have a lot of results yet. They are dealing with the same macro level housing conditions that

Charlottesville is. There are some number of administrative hurdles that exist. It is intriguing. There are still things that must be figured out.

**Next Slide – Other Potential Incentives**

We did not go far down this path. It was easy enough to program into the tool a couple other standard kinds of incentives for housing feasibility. We built those into the model that includes gap financing, land provision, reduced development timelines, and forgivable loans. They are sitting there ready to be used. We have a couple examples. You can see that they also have demonstrable improvements on IRR. It is not surprising that you will hear that there are other places that use multiple incentives at once to make something happen. This is part of why there is no single one that is the silver bullet. Some of these can be layered on top of each other. The model allows for that. You could turn on two policies at the same time and see what happens. It has not been done as robust manner as some of the other parts.

**Next Slide – Key Findings**

Here are the key findings. Market conditions are challenging right now. Inclusionary zoning adds a financial burden to that challenge. Traditional tax abatements can help. It is a net positive. They would look today to be sufficient on their own. I don't think you could make a reasonable recommendation that this is a thing that needs to happen today to solve your problem. You could recommend it today because it can be part of solving problems. It may be worth learning more about this rent-gap tax abatement and model vetting it. What are the things that we need to be thinking about? Are we missing anything about how this would work? Are there other kinds of administrative challenges that we would need to face? It does look like it might be a better balance between some of these public and private priorities. It does help make market dynamics the crux of what it is that we are trying to work towards. That makes a lot of sense. For the purposes of future exploration, future adaptation I hope this tool is a mechanism to keep this part of the conversation.

**Commissioner Joy** – Do you consider completion time? Is escalation built into the tool? You can modify when it would open up.

**Commissioner Solla-Yates** – Developers often will talk about the hurdle rate for a loan. You cannot just pencil. You must make enough profit so that the bank gets 'big feelings.' Did you consider that?

**Mr. Goldstein** – All we said was that if you reached a particular yield, that might mean that it is likely to be feasible. That is the full extent. It may well be that this hurdle rate needs to be something that would ultimately be included in any other version of this. We have available tools to us to affect positive change. That is not one of them. Talking to the bank is not one of them. Here are the impacts of the tools that we have.

**Commissioner Solla-Yates** – For about 5 years, Charlottesville has been trying to get permission from Richmond to do a split-rate tax, land at a higher amount than buildings. The hope is that this could reduce the land acquisition costs, reduce holding costs, and improve the profitability of for-profit and non-profit development. I am guessing that is not in the model.

**Mr. Goldstein** – No. It is modeling your existing condition. If you wanted to change it, it would just be a field that would be changed.

**Commissioner Harness** – I really appreciate this tool. It is not necessarily the point of the study. Having this accessible can help some people that may not understand how this works and be able to build themselves a model this way can get in here. I have not yet played around with the tool. Looking at the input screen here, it appears to be relatively straightforward. You talked about this a few times about the delta

between with and without. That is what matters. With some of your matrices, I am curious to know what project return on cost or IRR did you pick for those tables that showed the results? You were showing a half percent yield on cost improvement and 2 percent IRR improvement. Knowing the base yield or the base IRR is important. A change at a 5 percent IRR will be smaller than the exact same monetary change at a 10 percent IRR. I am curious to know what the results of the project were when you started playing around with these.

**Mr. Goldstein** – We ran that same table on lots of different scenarios. That was a generic finding. Sometimes, it would go as high as half a percent. It would not always go to half a percent. In some ways, it depends on the inputs of the project and the project type. That is all here. If you want to try and test the viability of a particular style, you would be able to get a sense of that project type. There is nothing to prevent you from making specific changes, even away from the typical. You can see here in a midrise tier one project where we are assuming it is 135 units with above ground parking with 3 spaces for every 4 units. You could change those if you wanted to. You would have to reset to default at some point to make it go back to the original typical. You can try and mirror some real-life projects. It will never be as robust as the versions that people are doing.

**Commissioner Harness** – I am hearing you say that some of those results slides that you showed is not necessarily specific to a project. It is medium to average compared to the many projects that you looked at.

When you talk to local developers about this, did they give you a delta that they are looking that would help?

**Mr. Goldstein** – No. It was not asked. I hope that we were upfront with people about what it was that we were looking for. We are looking to try and make this thing as reasonable as we can so that it could help inform decisions moving forward as opposed to this thing being the thing that is some part of a negotiation that is happening right now to decide on a number. That kind of question would not even necessarily come up in the kinds of questions we were asking.

**Jeff Levein** – We were talking about an assumption. To get an IRR, you must assume some exit date. You picked a date. Through that, the real estate taxes were zero because you had a full abatement.

**Mr. Goldstein** – They were regulated on whatever you put in for the abatement. You can set the abatement. You can turn it on or off and set the percentage.

**Mr. Levein** – You were showing how the abatement does not help that much in getting that different yield up. Real estate taxes are around 33 percent of our opex. It goes to IRR if you can exit in 5 years. There are a lot of variables other than going in yield on cost. You can go overtime and get the benefit of the real estate tax abatement versus 2 to 4 years. Burning it off decreases value. You did not present value that when it burns off and the city gets the real estate taxes for 20 years, your net present value versus the real estate taxes on that piece of property today. My economics have shown that sometimes it is 8x to 10x of what they get today. They get 40,000 and over the time would get 400,000. That would be a good thing to factor. I would change your name of it. I don't think the city is giving anything up. It is a city investment in its infrastructure. This is a place for cities to make investments because of the housing shortage and the other economic benefits that flare out from housing. The city right now invests in affordable housing. The city invests a lot of different ways in city infrastructure. This is just another way.

**Mr. Goldstein** – I want to be respectful of the wide range of opinions about this. That is why that is mentioned. If you look at this through a developers' lens, what does it tell you? If you look at it through a person who is skeptical about development lens, what does it tell you?

**Commissioner Joy** – Looking at the presentation, you started with the yield on cost with the market feasibility. You just did the analysis saying that it is hard to build right now. You did another one. You took the same sampling. You said that if we removed inclusionary zoning, it moves but not in a fundamental way. Did you think about overlaying the same data set through the rent-gap and through the other one a couple scenarios to visually continue that thread? With these things, look at things turn green. I was curious if that thread would be helpful. It is different once you look at real projects but to give a case point to show the baseline and how it plays out.

**Mr. Goldstein** – I can imagine that being helpful as a visual aid and only just in the sense that these are all typical and rounded numbers. I would not want to over emphasize doing this at this exact percentage is the solution to this problem.

**Commissioner Joy** – It is around six runs. You show that those things can start to shift. There could be avenues if you ‘drill down’ on the numbers to change the landscape.

**Mr. Goldstein** – There is plenty of evidence that these can change the landscape, especially if you are savvy enough to do things at the right time and take advantage of them in the right way. In some ways, this tool will never be able to capture all that stuff nor should it. In some ways, it is good to know that there is merit in an abatement. It is not a cure-all. Those who want to take advantage of it can do great things with it and make positive changes.

**Commissioner Joy** – I have a question for NDS. This is new rental construction. Has there been any precedent or exploration of tax incentivization around existing inventory, ways to create abatements to take existing stock, give owners a reason to maybe lower the rent and offer them at a lower rent?

**Ms. Brown** – No, we have not considered any policy in that vein.

**Commissioner Joy** – I have seen other tax abatements for other investments or other

**Commissioner Solla-Yates** – We have an Economic Development team. They are good at problems like this. Have they looked at this?

**Mr. Goldstein** – Yes/ They have been involved.

**Commissioner Yoder** – Looking at the 3 example cities, there are 2 strategies: the traditional tax abatement and the rent-gap abatement. How does a traditional abatement become operational? If I am building a project, does the city have to tell me the percentage of the future tax revenue that we will refund to you. Is there something that must happen every year in a city department to make sure that this is administered? With rent-gap, is that a one-and-done calculation or does it happen every year?

**Mr. Goldstein** – Those are done annually. There are compliance components. I will not pretend that I am an expert in the administration of this stuff. We are reaching the end of the things where I think I am the number 1 choice for doing this stuff. It is certainly an ongoing administrative burden on both sides. There are other costs besides just those that come up with the creation of the requirement of affordable housing. That may not be shown on a proforma spreadsheet or the kinds of things that would come up if you wanted to go down this path. Some of them have obvious financial costs and some have ‘karmic’ costs to deal with. They are all real. Any additional component that you are putting onto people. Often, they just returned the debt that they accrued by loaning the money from somebody else. These are major projects. Every one of these examples are 7- to 9-figure projects. Nobody has that money. It is loaned from someone else. Often

the capital that you are raising does not care about the policy that you have put in place. It is looking for a return and the burden of getting that return is on the developer. That is just like a real hurdle they must deal with. Anything you are adding onto that probably has an additional cost beyond the financial one.

**Commissioner Carp** – You have in the matrix an entry for single-family homes. Inclusionary zoning comes into play for 10 or more units. Is that talking about a cluster of 10 or more single-family homes? What does that mean?

**Mr. Goldstein** – At this stage, it is a placeholder. Are there real-world situations where you could have this be applied to single-family housing or is this the portion that was assessing the market in general?

**Ms. Brown** – The scope of study was for the tax abatement. The study was to look at where the city policy comes into play requiring affordable units. That is at 10 or more units. We did not look at the potential for tax abatement on infill projects.

**Commissioner Carp** – That is my confusion. There is a row in the output for that.

**Mr. Goldstein** – We still wanted to know the feasibility. It would not come into play. It should maybe be removed from that matrix.

**Commissioner Carp** – The modeling that you are doing is saying that most land tiers and most typologies are not feasible to build right now. How many IZ units are in the pipeline under the new zoning ordinance?

**Ms. Brown** – I think that we have worked through review of 2 or 3 units.

#### **b. ADU Manual and Student Housing Study**

**Ms. Brown** – I am here to present another presentation on another study that we are getting ready to embark upon, looking at our Affordable Dwelling Unit Manual with a specific focus on the in-lieu fee requirements for student housing and non-student housing. I have a presentation to share that provides an overview of some background on the topic of student housing, what we are looking at in this, and a timeline. We are hoping that it can be an opportunity for the Planning Commission to provide some feedback on the scope of work to inform the study approach moving forward and desired outcomes. We will be coming back to you with updates once the study is underway.

What I would like to share with you today is some background on student housing, some initial observations on areas of concern or questions for what we form our policies for requirements of in-lieu fees for student housing and non-student housing moving forward. What we have proposed is a scope of work for study, an approach to community engagement, some potential options, really one set of options that we may want to test through this study, and a timeline for that work.

#### **Next Slide – Student Housing History**

UVA growth enrollment has steadily increased and increased the demand for student housing. Students historically lived on Grounds in a limited capacity and in older apartment complexes near UVA. That does include converted single-family homes and small apartment buildings. What we have seen recently, as enrollment has grown, construction costs combined with feasibility of development has changed over time. Private developers are now stepping in and building purpose-built student housing around Grounds. Walking distance of Grounds seems to be an important consideration. Another key feature is the provision of 4-bedroom units, allowing for rental by the bedroom.

### **Next Slide – Student Housing Supply and Demand**

This is by no means a comprehensive market assessment of student housing, a comprehensive assessment of supply and demand. This is some high-level statistics to provide some foundation for understanding what the city is facing in terms of need for student housing and how that is being met. Total graduate student and undergraduate student enrollment at UVA is 26,470 students according to one article. If you go on the UVA website and look at their facts and figures, it puts it close to 27,000: 18,000 undergrad and 9,000 graduate. There are approximately 7,000 beds on Grounds. The 2030 Plan that UVA is following aspires to house first-year and second-year students on Grounds. There are 5 projects currently under construction off Grounds that are looking to meet some additional need. This map shows the locations. They are hugging close to that proximity to the University with little over 3,500 additional beds. There is still quite a bit of unmet demand to speak for housing. Many students are still living in residential neighborhoods and in the county.

### **Next Slide – Student Housing-Definitions and Perspective**

In terms of definitions of student housing in the development code, it is defined as projects that rent by the bedroom within a half mile of Grounds. Some other things to understand about student housing, national reports note that there is a trend and desire for private bedrooms and bathrooms, high-end amenities, really to locate these near campus. If you can get commercial development on the ground floor, that is a great thing. That kind of development is happening here in Charlottesville and around the country.

### **Next Slides – Development Code Amendments-Background**

You have seen this slide before. By way of context, I did want to share that we are looking at the Development Code at policies and regulations that were established when we adopted it in 2023 and seeing what is working and what is not working: tier 1 and tier 2 recommendations for Development Code changes. Tier 3 studies are much broader in scope, require a lot of engagement, and thought for how the process should lay out to look at key questions and develop recommendations. Looking at the Affordable Dwelling Unit Manual and this question of student housing really does represent a Tier 3 study that we have determined is appropriate to bring forward as a priority on our work plan. Having housing as part of NDS and given several questions about our student housing policies as the new Development Code is looking to be implemented

### **Next Slide – Zoning Categories and Overlay Districts**

As you know, there are a lot of provisions in the Development Code for what intensity of development is in different places. Housing is permitted everywhere. There are several overlay districts that govern some special features and special requirements, such as our entrance corridors, our architectural control districts. There is no specific overlay district for where student housing can and cannot be built. It is just that a specific geography was established for where you need to require a different type of in-lieu fee if you are not providing affordable dwelling units. That is important to understand. It is not that we are permitting student housing in some places and not in others. It is permitted everywhere. We need to make sure that we are not restricting different types of housing. It is that we created this geography to govern how we are allowing for an in-lieu fee for affordable housing.

### **Next Slide – Affordable Housing Requirements**

These are the specifics on the affordable housing requirements and non-student housing. Any project that provides more than 10 units is required to provide 10 percent of units at 60 percent of the AMI or less or pay an in-lieu fee. Bonus heights for units are permitted if you are providing those affordable units at 50 percent of the AMI or you must pay the same fee. For non-student housing, that in-lieu fee is equal to the average total cost per unit of developing a residential unit in the Charlottesville market based on the bedroom count up to 3 units. For student housing, the requirement is different. I described the definition of student housing. For student housing, no affordable units are required on site, but you might achieve bonus height. An in-lieu fee is required. The in-lieu fee for student housing is different. That is based on the difference between the value of a market rate unit and that of an affordable unit, which we have used term value-gap to describe that.

**Commissioner Solla-Yates** – I have heard this described as a ban on affordable housing within a half mile of the University. Is that accurate? How would you distinguish it?

**Ms. Brown** – If it is student housing, no affordable on-site units are to be built. If it is non-student housing, the requirement applies. It is not a ban. If student housing is the more attractive option to build, you will not see affordable units built in those locations. In terms of a rationale for why we have this approach, the rationale from when these requirements were established was that student housing projects do not typically include non-student housing. This is because that student housing program is unique. It is designed to offer rental by the bedroom for students. There are parental preferences and student preferences for what those living conditions and amenities look like. You are just not going to see non-student housing included in a student housing project. Because of that, it was deemed appropriate not to require on-site affordable units. In looking at different methods of calculating an in-lieu fee, when you compared the construction cost approach to the value-gap approach, the value-gap approach was found to be lower, that was determined to be a more appropriate requirement. If you are not requiring on-site affordable units, how can you have an in-lieu fee requirement that is as high as the in-lieu fee requirement for non-student housing. A lower fee requirement was deemed appropriate given the lack of on-site the affordable unit requirement. We are trying to determine if that still makes sense or if we should consider some other approaches.

#### **Next Slide**

In terms of that geography/of where that requirement is applied, it was determined that requirement for student housing within a half mile radius of Central Grounds would be defined by the location of North Grounds and Central Grounds through our zoning map where there is no zoning for those parcels and a half mile radius outside of those boundaries. Any project that comes forward in that area, if it is proposing student housing, there is no on-site requirement for affordable units, and the lower in-lieu fee requirement kicks in.

#### **Next Slide – Initial Observations and Concerns**

There is an inconsistent in-lieu fee payment structure for bonus height. That is something that I will mention briefly. If you are gaining bonus height, there is no requirement that you pay an additional amount in an in-lieu fee to achieve that bonus height, despite that if you were providing on-site units, they would have to be at the 50 percent AMI rather than the 60 percent AMI. In terms of the student housing requirements, there is a lack of requirements for an on-site unit limits new affordable housing where student housing is the most financially feasible reinvestment option. Student housing has a lower per bedroom cost requirement for an in-lieu fee. That further encourages student housing. There is no consideration for conversions to non-student housing, no consideration for 4-bedroom units, which is what we are seeing the most of. This geography that was established, that this policy apply within that half mile radius starts to impact neighborhoods where displacement is a concern.

**Commissioner Carp** – When you say no consideration for 4-bedroom units, what does that mean? There is no number in the chart. What does someone pay to build a 4-bedroom unit?

**Ms. Brown** – We don't have a metric right now that can be used. We must use the 3-bedroom calculation. That is something that needs a fix in the near term. We are seeing 4-bedroom applications come forward.

#### **Next Slide**

As we look at what the scope of study should be for this effort, it is part of an annual review that is required of the Affordable Dwelling Unit Manual. We are really using this review as an opportunity to focus on studying and potentially refining expectations for in-lieu payments broadly, bonus height projects specifically and student housing.

### **Next Slide – Next Steps/Key Study Questions**

Our next step, or what we are proposing as the scope of work for this effort, is to try to answer several questions through research and analysis. We have hired 3TP to help us with this. They will be coming back to provide a report on their findings on this topic of the in-lieu fees and student housing specifically. They will be updating the model to include student housing so that we can determine what approach to requirements for an in-lieu fee payment provides the best balance of incentivizing production of on-site units without limiting development feasibility. We will also be looking at whether the current in-lieu payment structures accurately reflect construction costs and the value gap method that has been proposed. What are other Virginia jurisdictions doing? What are the best practices?

We also want to take time in this study to make sure that we have the right understanding of our goals, what the guiding principles should be for developing some recommendations? What are the city's goals for student housing? Where do we think it should be located to the extent that is something that we should have power to control should an in-lieu payment be greater for bonus height than for non-bonus height? Those are all questions that we want to ask through some engagement with key stakeholder groups and broad engagement.

### **Next Slide – Key Stakeholders & Engagement Strategies**

We want to make sure our key commissions have an awareness and understanding of the scope of work. We will be engaging with property owners, UVA, Albemarle County, TJPDC, and advocacy organizations to get their input on what are the answer to those questions about our goals and guiding principles. We are doing outreach to commissions. I am happy to report that we will be using our digital engagement platform, Connect Charlottesville, to do some digital outreach. That has not been as easy for us to do in the past. Connect Charlottesville is currently live. Right now, it is focused on several ongoing projects in NDS. That has been something Ose Akinlotan and our long-range planning group has led that effort to make that happen for us. This study will be featured on Connect Charlottesville as an opportunity to provide feedback. We will do some focus groups and pop-up visits as well.

### **Next Slide**

What do you think is the most important outcome for this policy? What should it accomplish for the community? What are the impacts or unintended consequences that we want to try to avoid?

### **Next Slide**

Here is one set of potential options that we could explore. A lot of these are crosswalks from some of the issues that I previously identified. It would be to study the creation of an in-lieu payment structure that increases the requirement for bonus height to reflect that the on-site requirement for bonus height is 50 percent of AMI, not 60 percent of AMI. As it pertains to student housing, consider requiring on-site units for student housing. Just because developers will not build them does not mean that we should not have a requirement, especially if there is an option to provide an in-lieu fee payment instead. Some advantages of exploring that approach are that it would address the potential for conversations to non-student housing. That has been raised as a concern. It would also allow for on-site affordable units when financial market conditions are favorable to that.

Adding an in-lieu requirement for 4-bedroom units. That is a must-do. Consider geographic criteria. Is there still a need given the potential merit of making the requirement for non-student housing the same as for student housing? Are there other reasons to maintain a geographic boundary for some other reason? The merit of this is that it removes that unintended incentive to build student housing. For all housing projects, good tie-in with the tax abatement, consider if there are some strategies to help offset the costs associated with affordable housing production and facilitate investment.

### **Next Slide – Timeline**

We have brought the consultant on board to do some of that back of the house research, continue to update that model, look at what other jurisdictions are doing. In the next part of this process, we will do that stakeholder engagement, try to get feedback on guiding principles, and in the spring, we are hoping to be able to develop some recommendations for policy refinements and amendments.

**Commissioner Solla-Yates** – Are there any quick tweaks we could do to get something rolling? I am concerned that the building cycle is annual. Acting in spring means we are losing another year.

**Ms. Brown** – In terms of developing the big picture policy, we want to make sure we take our time to do that so that the recommendations are in line with what the community sees as appropriate. We can take that back and think if there are any changes that could be immediately made.

**Commissioner Schwarz** – You are planning to have this wrapped in a couple months?

**Ms. Brown** – That is correct. This is a short timeframe.

**Commissioner Roettger** – I feel the diagram showing the boundary was a parallel line. In talking to neighborhoods, there might be ways to adjust the line. When we have hillsides, railroad tracks, or bus stops, there could be other ways we could refine that mapping to be more in line with where neighborhoods see that divide. What we are seeing is that Main Street has different neighborhoods adjacent. Maybe there are some neighborhoods that have more room for student housing that might be outside of that. I would be interested in looking at that as a potential place for feedback from neighborhoods.

**Commissioner Joy** – The 4-bedroom was a great pickup on your part. You are correct. I think that there are 5-bedroom units in some of those developments. Getting ahead of that seems like a smart thing to incorporate. We were showing how tough buildings are right now. It seems like some of these loopholes are making student housing less difficult to build. We are seeing it with bricks and mortar going up. Looking at affordability and looking at these new products being offered that are approximate to Grounds that are solely geared towards a student experience. They are by a bedroom, not by a unit. I am curious what the ripples are to existing historic student housing. Should the city put a bullet point on here to cast what incentives can go in some of these historic neighborhoods and these single-family homes that have been subdivided into student houses? Is there a pathway for those landowners to return those into market rate housing instead of student housing? I wonder if there is some part of the student housing study that looks at a broader net that is not new development but helps restore some communities that were historically single-family homes.

**Ms. Brown** – Whenever we do a study like this, it always raises additional questions or areas of study or exploration. That is perhaps something that could be added. While we may want to keep the scope of this contained and be able to bring forward recommendations that meet this specific need, it could flag some areas for additional study in the future.

**Commissioner Harness** – I think you said a couple times that there is this distinction between the geographical boundary for the in-lieu fee versus the definition of student housing. From my understanding of what you just said, student housing is defined as rental by the bedroom. Is there more to it than that?

**Ms. Brown** – It is only referred to in the Development Code as rental by the bedroom and located within the half mile boundary of Grounds. We don't have a definition for student housing as a use that is permitted in some areas and not in others.

**Commissioner Harness** – You had also said that student housing is permitted citywide. The difference is inside the boundary is what in-lieu fee is.

**Ms. Brown** – That is the extent.

**Commissioner Harness** – Some of the concerns you have brought up is that potential in-lieu fee inside the boundary is over-incentivizing the creation of student housing versus some other forms of housing.

**Ms. Brown** – That is correct.

**Commissioner Carp** – The previous topic was about the high cost of building in Charlottesville. All the changes I am hearing in this presentation would increase fees. We are adding more fees for higher bedroom counts. That makes sense. The effect is to make the fees higher given what is being built. Changing the fees for the height bonus units makes sense. The effect is to raise the IZ fees. I get the idea to harmonize in-lieu fees for student housing and non-student housing. It sounds like the in-lieu fees are much higher for non-student housing. If you harmonize those by raising student housing in-lieu fees to match non-student housing fees, you are talking about doubling them. That seems challenging to square with 3TP's previous presentation about how IZ is already a material burden on development such that we have 3 units in the pipeline citywide. I think harmonizing by lowering the non-student housing IZ fees to match in-lieu fees to match the student housing fees makes a lot of sense. It lowers cost. The rent gap makes sense conceptually in a way that construction costs I don't get why that would be the matter. I would like to hear more about how we square that we want to make development more feasible.

**Ms. Brown** – I don't think we know yet that it would be appropriate to bring the requirement for in-lieu fee for student housing up to the same level as what is currently required for non-student housing nor that the current expectation for non-student housing is appropriate either. That is something that I can maybe clarify in the presentation. We will be looking at the in-lieu fee expectations for student housing and non-student housing to see if it provides the right balance of promoting the provision of on-site units and still supporting the production of housing. We will look at both of those questions. We just don't know yet. A key question that we will be trying to raise through our engagement is what we are trying to do here with these in-lieu fee expectations. Are we trying to increase revenue for uses elsewhere? Are we trying to promote the production of on-site units? Those are still open questions.

**Commissioner Carp** – What I am hearing is the possibility of harmonizing student housing and non-student housing in-lieu fees might look like raising student fees to meet non-student or lowering non-student to meet student. Both of those are on the table.

**Commissioner Yoder** – I assume that we will have the chance to weigh in on the stakeholder engagement that will be in February. Will we have a work session to give feedback to the study team?

**Ms. Brown** – There will be opportunities for additional engagement and to weigh in on the guiding principles and goals.

**Commissioner Solla-Yates** – The Affordable Housing Plan is the best guide that I have on those topics of what we are doing and why we are doing it. It is not specific in some areas. It can create challenges for us.

## **E. MATTERS TO BE PRESENTED BY THE PUBLIC NOT ON THE FORMAL AGENDA**

**Jeff Levien** – Tonight is interesting and what is laid out to you. The development community, who go into business to do this, follow the path of least resistance and how they get an economic return on their risk and their capital. If you look at everything that has been laid out, the structure is to build affordable housing or maybe hospitality. If you make the in-lieu payment so high but combine it with a real estate tax abatement that

is given, if we build affordable housing and the math works, we will be more inclined to build affordable housing because the math works. In almost every instance, it probably pays to pay the in-lieu. You have no burden of that low-cost housing that you must give away. You can finance that in-lieu. There are ways to put these together. I don't know if every department head is thinking collectively. Our code is meant to have density and to go tall where you get the 'most bang for your buck.' If you can use a half-acre parcel to build 300 units versus 12 acres building only 3 stories, that is where you get 'best bang for your buck.' If you help the economics for larger projects, high-rise projects to give you the 'most bang for your buck,' that helps. If this amorphous thing not called the code worked in a way that worked for an urban setting and was not laid out for green space, if everybody spoke together about what everybody wants, what I hear is that the city wants housing. They want affordable housing and market rate housing. What we heard tonight is that none of that is being built. Student housing and hospitality are being built. The thought of raising any fee and anything that makes this more complex has made this even more complex to go through site plan approval. The private and public sectors are not together. All the public heads are looking to get what we want. Right now, there is this vision of encouraging development. Everything in place does not do that.

**Valerie Long** – I wanted to provide comment to the most recent discussion you just had about the in-lieu fee rates for student housing relative to non-student housing and the perception that it creates an incentive for student housing to locate in certain areas so they can take advantage of the lower fees. In our experience, we work with a lot of the large, national student housing developers find that they are focused almost entirely on location. Finding a location that is strategic for their market, finding a willing seller, and finding a seller who will work with them on a price that pencils. By the time they find us, and we are talking to them, they have heard about the affordable housing requirement. Usually, they assume it is a requirement for a certain number of affordable units. We spend a fair amount of time educating them on all the types of things that Ms. Brown discussed today about the differences for in-lieu fee, where you can and can't do units, and the different schedules are and why they are different. They don't know any of that information. They factor it into their budget and their purchase price. They don't start by looking at where we can go and develop student housing in the city and pay the least amount of money for our in-lieu fee. That is an afterthought. It is an important figure. They don't start there. They are focusing on location.

**James Snyder** – I have a home at 206 5<sup>th</sup> Street Southwest. It is one of six units on 1/3 of an acre called Oak Lawn Cottages. Across the street there are another 6 units on 1/3 of an acre called Oak Grove Cottages. Next door to us is a 3-story condominium flat called 5<sup>th</sup> Street Flats. These were built 20 years ago by a local developer and architect. They define what you are trying to get through your missing middle effort. Unfortunately, they along with some historic homes on 5<sup>th</sup> Street have been rezoned to RX-5 at 7 stories. They are damaging our property. With no setbacks, someone can build student housing next door to our property. We have been asking since June to get this fixed. We are the poster child of what you are trying to get done. Together, we have more units by several times built that define missing middle than you are getting built through all this time and effort out in the neighborhoods. We have requested and had no response to how we can get our zoning fixed. It is going to create hardship for us. It is going to create disinvestment. It damages our property by removing any setbacks requirements. You have 100-year-old homes, which are historic or contributing on 5<sup>th</sup> Street, which are now zoned for several stories. We are next to the railroad tracks. You have tall buildings being built next to the railroad tracks. The state of Virginia hopes to include a passenger line from Charlottesville to Richmond. These developments, being built on the property lines, will make that eventual improvement to the Charlottesville station impossible. The city has not coordinated with the Virginia Passenger Rail Authority. It is a state agency that owns the property. They don't know what you are doing. There are some serious things that need to be looked at. While we are talking about bits, pieces, and studies and consultants, some basic things like rezoning us back to what we should be. We can show off what the missing middle can be in terms of scale and livability. We have been punished with this seven-story RX-5 zoning. We have been at meetings. We have had no formal response from staff.

**Matt Alfele, Development & Planning Manager** – A rezoning can be pursued by any property owner for their property. There is a process. Staff are happy to help with that process. It is not necessarily done as a collective. You would do it for your property.

**Joe Leung** – I am excited for the tier 3 amendments. I think the city focusing its energy is in the right direction and starting to address some of the problems the public has talked about in the past months. I am wondering about the communication the city has with the private actors or developers within Charlottesville and Albemarle County. I remember when the tier 1 and tier 2 amendments were starting, there was a lot of energy and enthusiasm from developers about the communication and working with the city on working out specific solutions on tier 3 amendments and having ideas on how to make development more feasible with the city. I am wondering if there has been movement on that front. I feel that developers want to develop and make money. They want to have a positive impact on the city. They have worked out the financials. It would be wise to get their opinions early on.

**Kim Allen** – I am the Chief Operations Officer for City Schools. There was a mention about ripple effects with the high-rise student development. I want to make sure this body is aware that we have recent precedent for a significant ripple effect with public school enrollment that occurred between 2010 and 2017/2018. After decades of no growth in our public schools, we have year-over-year growth of 3 to 8 percent. It was when the new high-rise UVA student housing opened on West Main. It freed up single-family home stock in the city in a way that had not been seen in a long time. You will see that opportunity with this next wave or push for high-rise student development. What happens when those parcels free up that is some of the issues you are wrestling with. It will depend on how quickly developers buy that up for more UVA student housing or whether it goes towards single-family homes.

## **F. CONSENT AGENDA**

### **a. Minutes – October 28, 2025 Work Session**

**Motion to Approve – Commissioner Solla-Yates – Second by Commissioner Mitchell – Motion passes 5-0.**

The Meeting was recessed at 7:25 PM for 5 minutes.

The Meeting was called back to order at 7:30 PM.

## **III. PLANNING COMMISSION PUBLIC HEARING ITEMS**

*Beginning:* 6:00 PM

*Format:* (i) Staff Report (ii) Public Hearing (iii) Commission Discussion & Motion

### **1. Development Code Text Amendments**

#### **i. Staff Report**

**Matt Alfele, Planning Manager** – You are going to holding a public hearing related to a series of development code amendments and making a recommendation to City Council.

#### **Next Slide**

You have seen some of these slides before in previous meetings. What you see here is the background of the development code, the approach to moving minor amendments forward, and the next steps. The best way to think about this tiered approach is the car analogy. Tier one is washing the car. Tier two is changing the oil and rotating the tires. Tier three is the car making an awful noise and needs a new transmission. What we are looking at tonight is moving those tier one and tier two amendments forward.

**Next Slide – Tier 1 Amendments**

In your packet, you have a full outline of the tier one amendments. For general purposes, there are 63 amendments that we are proposing to move forward. These are addressing copying, editing, scribe errors, legislative updates, and small changes.

**Next Slide – Tier 1 Amendment Examples**

The full list of all amendments is available. In this presentation, you just see some examples of those tier one amendments.

**Next Slide – Tier 1 Amendment Examples State Regulations**

In addition to the legislative amendments, we need to make it to conform to changes in state regulations that happened July 1<sup>st</sup> of this year.

**Next Slide – Tier 2 Amendments**

Here we see the tier two amendments. Staff are recommending 23 changes to the code. The purpose is not to alter the intent sections of the code. This is to provide clarity, to remove some misunderstandings, and to provide small changes that do not require much in the way of community engagement outside of the public hearing we are having here tonight. That is another distinction when thinking about tier one, two, and three. With tier one and tier two, the public engagement should be happening here at a public hearing. Anything that is tier three needs to be a robust community engagement where we hear from the community and making the changes that are coming from our fellow residents.

**Next Slide – Tier 2 Amendment Examples**

Here are some examples of these tier twos. The full changes are in your packet with the full analysis with them.

**Next Slide – Public Comment and Community Engagement**

The processes to how we got here tonight has been an ongoing effort. It has been one with many different touch points. Staff have been continuously collecting data on these issues and keeping track of them in the working document, which is Attachment C in your packet. We have had several work sessions with this body to improve and refine the amendments that you are holding a public hearing on tonight.

**Next Slide – November 12, 2025 Planning Commission Work Session Highlights**

At the most recent Planning Commission work session, feedback was provided to staff on the proposed tier two amendments. Most of the Planning Commission's recommendations were incorporated into what you are seeing here tonight. There were a few areas that came up that staff did make changes. I wanted to make sure that they were covered. You could see what we heard from the Planning Commission and how we addressed it, the first being the existing structure date. There was discussion at that meeting about having a rolling date to allow structures that have been built for the next period to count toward that existing structure preservation bonus. The Commission is worried that a fixed date might exclude new units from qualifying from the existing structure bonus. After reviewing it, staff were concerned that having a rolling date could create loopholes. It would need an engagement with the community if you wanted to go that route. Even though December 18<sup>th</sup> might feel arbitrary, a decision was made as a community that structures before that date had a significance. We want to preserve them. When you get into your conversation, I can get into some of the loopholes that staff would be worried about the rolling date. That is why we are recommending having a fixed date. It is something we could come back to and review in the future. It would at least clear up the issue we have right now. Right now, there is no date. If something got a CO, it could be viewed as an existing structure the next day.

The next was the side setbacks for attached dwelling units. Staff had presented an alternate form. There was a lot of good, constructive conversation in the work session. We went back and looked at it again. We came up

with a better solution by just putting the attached side and detached side in each zoning district. Then having the definition covering that must be for the project. That would hopefully help alleviate the concern that someone would just not build one half of the attached dwelling.

### **Next Slide**

The last was the fence and walls. Staff's original suggestion was to have a different definition of a fence. There was a lot of good debate and conversation on that at the work session between the 6 feet and the 4 feet. Staff took that information back and reworked it to allow more of an exemption section within fences and walls. We went with 4.5 feet to get a little wiggle room for posts. When you are talking about 4 feet, it is what the Commission talked about at work session. That would give room to have a post and have those 4-foot panels. It also has the exception for when it is required for health and safety under the building code and when it is required for separation to state agencies, such as ABC.

### **Next Slide – Recommendation**

You will hold your public hearing. Staff recommend approval of these. You will have your conversation. The next step will be taking these to City Council.

**Commissioner Yoder** – I remember the discussion about side setbacks for allowing attached dwellings. The wording would say, if it is one project, you are building 2 attached units, the side with 0 side setback applies where they are attached in the single project.' Does a project mean that both or all units are being constructed at once? Is there still the possibility that you could build one and come back 2 years later and build the second?

**Mr. Alfele** – You could. The project means that it is part of it. You are planning to build 4 units. You may phase it and say that you are building 4 units in 4 phases. At least, it is still documented, and it is still part of a plan.

**Chairman Schwarz** – With needing a building permit for something over 256 square feet, we are getting rid of that requirement because the building code does not require a permit for something smaller than 256 square feet. Is that why we are doing that? This is B.5. We have crossed out that a permit is required for accessory use or structures exceeding 256 square feet of gross floor area. The implication is that you need a building permit for like a doghouse or something.

**Mr. Alfele** – What we are saying is if it does not need a building permit, you still must follow the rules. We will not make you go through that whole development process for your doghouse. There are a lot of things that we are held to complaint driven. You should talk to us. If you don't do it, you could get a citation.

**Chairman Schwarz** – Somebody going to Lowes and buying a prefab shed to put in their backyard, you will never see it unless someone complains.

**Mr. Alfele** – This gets to the conversation we had in the work session where we were saying we did not want accessory structures in the front yard. If we are allowing accessory structures anywhere, we want what is in that façade range to match all our development standards. This code is very much a form-based code even though our last code was somewhat. This code is not so much about the use. It is a structure. A structure has design elements that it needs to have. It is going to be in that area.

## **ii. Public Hearing**

**Joe Leung** – It looks pretty good. The code itself is a mystery to me as to how it works. All the edits from the work session look pretty good and reasonable.

### iii. Commission Discussion & Motion

**Chairman Schwarz** – We talk about some of these things we can get around with a special exception process. That special exception process is lengthy and expensive. I don't know if there is some way that some of these things seem so small. Is there another way to make them go faster and not cost as much? For example, exceptions to setbacks and build-to zones, I understand it is the same exception process. It is \$1800. It is 4 to 5 months. I wonder what happens when you have a project in front of the BAR and they want to push something back. It sounds like we are holding up the project 4 to 5 months. Does the special exception process have to happen if you have for that streetscape exemption? When you have an easement in your front yard and there is an opportunity to ask the administrator whether your setbacks can be moved back the amount of that easement? Is that the same?

**Mr. Alfele** – With this administrative, that has happened during the review. That would happen in the cycle of review. You would not need to go to anything that is administrative. You would not need to go to City Council.

**Chairman Schwarz** – Anybody else who wants to have some kind of variation to that front yard setback, it is a 4- to 5- month process. That is a concern. I would feel so much more comfortable with some of these things if there was a way to speed that up somehow. I feel that is the type of thing where there may be a better project. We are not getting the better project because waiting 4 to 5 months is too much of a risk.

**Mr. Alfele** – Someone right now would have to go through that process to change the setback. Could you expand on that concern?

**Chairman Schwarz** – I am trying to think of a good example. I am not sure why somebody would want to push their building back further. Maybe they have a use they want to put in the front yard. Somebody had tested the site. That apartment building that is causing so much controversy by Westhaven, that site. Mitchell Matthews had come into the BAR to test that right before we adopted the zoning code. They were going to put a hotel there. They wanted to have an outdoor dining area in front. That would have required a deeper setback. I think everybody with the BAR agreed. This is fantastic. This would make a better project. That project would have to go through the whole special exception process. With something that large, I don't feel that it is such a big deal. I don't know if there are smaller projects that might put a wrench in things.

**Mr. Alfele** – This probably will not be helpful to this conversation. As part of these amendments going through, you see that we are making some changes to our development review process. There are some things that we have been working on in house for a while that are just on that process-wise. We would like to get those in place. It is changing the major and minor development plan to just a development plan and having a major and minor site plan. As we get through this round, we could explore, trying to scale up or down special exceptions. It might not be something right now. It could be something that would be a path that we could explore on the development review side, how to remove barriers, how to speed things up. It might not be a code thing but just a scaling special exceptions. If someone is building a 12-story apartment building and they have a set of special exceptions they want to move forward, that probably needs to be onerous and time to go through. If somebody is trying to put a building in their backyard off East High Street, the process could be quicker.

**Chairman Schwarz** – The Element Workshop is where I keep coming back to. It felt ridiculous how we ended up there.

The code allows you to add on to the back of an existing building without having to build with the build-to zone. It does not let you put a separate building in the backyard without doing so. That seems strange

**Mr. Alfele** – This is more of a policy thing. The code is about bringing things up to the street. That is a fundamental part of the code to build this more urban area where you are bringing things up to the street. Where we landed is to at least have a relief valve for supporting structures, not the primary structure, if you are going to do an addition, that is fine. The primary structure needs to be up to the street before you build the next primary structure. At least in these amendments, it is giving a relief valve that it did not have before where you can do any structures. This is saying ‘I don’t need to bring that primary structure up into the build-to zone to add accessory structures to the site.’

**Chairman Schwarz** – My concern is that a dwelling unit cannot be considered an accessory structure. I wonder about the examples where you have a single-family house, and they want to have another dwelling unit somewhere on the property. In the R zones, it sounds like there is an exception for that with the existing building preservation bonus provision. We have a lot of houses and historic buildings. High Street is in the CX-3 zone. A lot of those old houses are well beyond the build-to zone. A way around that is somebody could add onto the back of them and physically attach to the back of them. It seems silly that you are physically attaching versus building behind. You are getting the same thing. By forcing them to attach to the existing building, you are starting to require sprinklers being added to the whole building or some other things that would drive up the cost of the project.

**Mr. Alfele** – This is going to be yearly once we wrap up. We are jumping into 2026 with lessons learned and trying to move things quicker. Maybe we look at this in 2026. I would be hesitant of blanketing all the districts. Using this example of preservation if it was a contributing structure were deemed to meet build-to. This would be more of a fundamental change. The code is about getting to the street. I am not saying that it is pro or con. That is the conversation that we should have more with our communities because that is a fundamental change.

**Commissioner Solla-Yates** – I was heavily involved with the construction of the theory of the zoning. Our thought at that time was that the special exception process would be relatively fast and easy. It would be a speedy and effective process. It would not be like a special use permit. It would not go to Council. It would go to the Planning Commission to focus on the specific issues and dispense with it efficiently for the good of the public. That is against the law. I now know that everything goes to Council. If it is a special exception, it must by law go to Council. I think that changed in 2016. We are bound by law to be more thorough and public with these decisions which we were not calculating when we wrote these. That might be a thought as we have learned that the process is more burdensome. That may inform us how we think about this process.

**Chairman Schwarz** – Ideally, it would be like that where it would be like going to the BAR. It is a month, 30 days, a small fee, and get some consensus and move on. I guess that is not going to happen. If we need a special exception for the active depth, I am stuck on the definition of active depth. Is there a free administrative ‘this is bad hallway/good hallway’ type of thing? How is that resolved?

**Mr. Alfele** – How it is currently written, it is prescriptive.

**Chairman Schwarz** – It is written that it is defined by the administrator or something in the wording. I think that is what you added.

**Mr. Alfele** – I am saying what is existing now there is no administrative.

**Chairman Schwarz** – If you have project in a DX zone. I think it is a 30-foot active depth on the front façade. I believe it goes up the whole front façade. They must come in with their plans and say that they have these many closets in these offices. Is it an informal review?

**Mr. Alfele** – One of the tradeoffs is that a form-based code is meant to allow more freedom, not about use. It is about form. It requires an applicant to have ‘their ducks in a row’ earlier in the process so that we can determine whether they are complying with the development code early in the process. We are trying to be sensitive to not needing architectural drawings that early. They must show us something that they need these active depths. This is building in more flexibility. I think we would be consistent on how we use that flexibility. If there was better definition, we would entertain that.

**Chairman Schwarz** – If somebody builds apartments, there are going to be bathrooms and hallways and closets within the 30 feet of active depth that is in a DX zone. I believe that is how the DX zone is defined. The front façade must be 30 feet ground floor to the roof. If someone puts an apartment there, that is not by definition possible. I am assuming that by reading this I am hoping that when it says, ‘as determined by the administrator.’ The administrator will look at that and that there are all components of an apartment and it is allowed within 30 feet. The way it is written, I am worried that it may not be like that.

**Mr. Alfele** – When we wrote this, we were trying to give more flexibility to the administrator. Unfortunately, when you get into the actual section on active depth, it has these things like hallways, restrooms called out differently. I would have preferred to take them out of the definition because they are so tied into the code. It is why they are still in the definition.

**Chairman Schwarz** – I feel that it could be a major problem depending on how it is interpreted. If this means 2 more weeks of looking through the code for staff, if you are telling me that it is going to be another year.

**Mr. Alfele** – I don’t know if we would have time to fix that section of the code to match. I am less concerned. The projects that this would really impact on what we are seeing is they are probably going to be coming forward with special exceptions. We have not had large projects come forward and say that they are doing it 100 percent by right. I would love that. We are running into it with our topography where we are seeing some of the active depth on the front end becoming an issue. As you are dropping down and your plates are not lining up, people do not want to do the modular. They are talking about coming to do special exceptions because they have exposed wall.

**Chairman Schwarz** – I love the changes to fences and guardrails. The thing that I notice is that for bullet point A, you say that it does not have a solid foundation. I could imagine that someone could build a masonry wall that would have a solid foundation. I don’t know if you even have that line.

**Mr. Alfele** – Because the code is split into walls and fences, there is a whole list of requirements when you get into foundation as a wall. We kept that in place because that is more permanent. It gives more discretion to City Council. Walls are allowed in a lot of areas per district.

**Chairman Schwarz** – There is a difference between someone building a brick wall that is 4 feet high versus a wood picket fence that is 4 feet high.

**Mr. Alfele** – The code breaks it up into walls and fences. We did not touch the walls because that has not been an issue. Fences have been an issue.

**Commissioner Yoder** – I share your concerns about the active depth going all the way up to the roof. After our work session, we asked why do we have this build-to requirement? We want you to preserve the structure. We then say it is not to the build-to. This would make it harder for you to preserve the structure. I can’t remember if some of these things are in tier three. I agree that these things are longer term, more substantial changes to the code. I would be on board for looking at these things outside of what we are doing tonight and discuss a more substantial change in the future.

**Mr. Alfele** – What we are hoping for as we roll into the 2026 amendments is that I am hoping it is not 60 but 20. I hope we can pair it down. The Planning Commission, as a body, can work on maybe four or something more manageable to dig into deeper. Our tweaks are not changing the intent of the code. They can be this as the public engagement.

**Chairman Schwarz** – I hope that for next year we tackle some philosophical issues in this. We have some disagreement between the Commission and staff. It seemed like from our work session that we had some philosophical differences that we would like to at least study. I am content if we have a work session every month that includes going through this stuff if that is what we must do to get this right.

**Commissioner Carp** – Are there topics in tier two that people on the Commission want to see pulled into tier three to talk about more?

**Chairman Schwarz** – The issue is we want to make changes as fast as we can. The changes that we want to make in tier two are that we cannot make tier two if they need to wait for tier three. We keep trying to grasp tier three and pull into tier two. We are told not to for good reason. It needs more public comment and study.

**Motion – Commissioner Solla-Yates – Based on a finding that the proposed zoning text amendments will serve the public necessity, convenience, general welfare, and good zoning practice, I move to recommend approval of the batch of zoning text amendments as proposed by staff within this report. Second by Commissioner Roettger. Motion passes 5-0 with 2 abstentions (Commissioner Carp and Commissioner Harness).**

#### **Recommendations**

Build-to zones with eye to preserving existing buildings.

Redefinition of active depth – do we need active depth?

Concern over ability to add onto existing properties without having to build in front of existing structures.

Commissioner Solla-Yates had a question about the landbank ordinance – The landbank ordinance has been put on pause by the HAC.

Commissioner Solla-Yates mentioned that the School Board would like to work more with the Planning Commission.

#### **IV. PLANNING COMMISSION ACTION ITEMS**

Beginning: Following any public hearings

#### **V. Adjournment**

The Meeting was adjourned at 8:12 PM.