AFFORDABLE HOUSING POLICY
Recommended July 23, 2013

It shall be the policy of Albemarle County to promote a variety of housing choices for residents. Choice shall be defined by type, tenure, and price ranges. Albemarle County believes its housing market can generally be best served by private sector providers that constantly assess demand and create products to meet that demand. The County will continue to work with real estate developers, builders, and other market partners to promote communities and products which are affordable to County residents and those who desire to become County residents.

It shall further be the policy of Albemarle County to support affordable housing for those who face financial challenges in obtaining housing. In particular, the County may provide guidance, resources, and incentives to the nonprofit and for-profit development and financing communities to increase the supply of affordable housing (both rental and homeownership) for households with incomes between 0 and 80% of area median income by:

- Promoting safe, decent, and affordable housing options for low- to moderate-income residents of Albemarle County and those working in and desiring to reside in Albemarle County;
- Promoting variety/choice in housing and equal housing opportunities;
- Creating and preserving safe, high quality and sustainable neighborhoods;
- Understanding diverse housing needs and special needs of various populations;
- Directing assistance to those populations least able to attain safe, affordable housing through the private sector alone; and
- Encouraging the preservation of all existing affordable housing units County wide and the development of new housing in a manner consistent with the County’s Comprehensive Plan Growth Management Policy.

The provision of affordable housing should be focused on the designated Development Areas to be consistent with the Growth Management Policy and to provide homes where a higher level of services and facilities (both public and private) are available to support residents. Affordable housing may be provided in the Comprehensive Plan’s designated Rural Area consistent with rural area policy and regulations.

DEFINITIONS

Affordable Housing, in general terms means safe, decent housing where housing costs do not exceed 30% of the gross household income. Housing costs for homeowners used to determine affordability include principal, interest, real estate taxes, and homeowner’s insurance (PITI). Housing costs for tenants used to determine affordability include tenant-paid rent and tenant-paid utilities with maximum allowances for utilities to be those adopted by the County’s Housing Office for the Housing Choice Voucher Program.

Affordable Housing is further defined, for this policy, as those houses affordable to approximately 40% of the County population that have household incomes not exceeding 80% of the area median income established by the U.S. Department of Housing and Urban Development (HUD) adjusted by family size.

Affordability Period is defined as the initial sale on for-sale properties and ten (10) years for rental property.
**Appraised Value** means the market value of a property as determined by a third-party appraisal.

**Area Median Income** means those income established by the U.S. Department of Housing and Urban Development (HUD) for the Charlottesville Metropolitan Statistical Area (MSA). The incomes are adjusted based on family sizes from 1-person households to 8- or more person households. For the purpose of the County policy, calculations are made to establish maximum incomes for 1- and 2-person households and 3- or more person households.

**Cash-in-lieu** means a monetary contribution by a developer or builder in place of constructing the targeted number of affordable units. The County’s expectation is that cash equal to ten percent (10%) of the affordable sales price constitutes a comparable contribution.

**Comparable Contributions** are donations, other than cash, which may be made in-lieu of producing affordable units. Such contributions may include:

- Donated lots/units to nonprofit entities in lieu of for-sale units; and
- Other contributions that directly impact creation or preservation of affordable housing, such as but not limited to providing off-site units or participating in the rehabilitation of existing housing units in partnership with other entities.

**Fair Market Rents** (FMRs) are gross rents established by HUD for the MSA and updated annually.

**Maximum Gross Rent** means rent plus tenant-paid utilities and is set by the County for the purpose of establishing affordability it no greater than 100% of the Fair Market Rents (FMRs) established by the U.S. Department of Housing and Urban Development and updated annually. Initial rents shall be established based on FMRs in effect at the time the rental units are placed in service. Rental rates may increase at a rate not to exceed three percent (3%) annually during the affordability term.

**Maximum Sales Price** as set by the County for the purpose of establishing affordability is 65% of the maximum mortgage limit established by the Virginia Housing Development Authority (VHDA) for its first-time homebuyer programs for the Charlottesville region.

Maximum sales prices are expected to be consistent with the property’s appraised value. In cases when the maximum sales price is less than the appraised value, the County will only consider the property as an affordable property if the developer or builder provides deed restrictions or junior deeds-of-trust to secure the difference. Such deeds-of-trust shall be assignable to the County or a designated agent for the County.

Albemarle County sets a target for the inclusion of affordable housing or comparable contributions for affordable housing initiatives with the general target being fifteen percent (15%) of the total units proposed for development under rezoning and special use applications. In negotiating proffers, considerations will be given to the nature of the community and surrounding development, availability of transportation, and proximity to employment and services. In addition, developers and builders who commit to serving households in lower-income categories demonstrated by sales prices and rents which would be affordable to those populations can receive credits towards the fifteen percent target.

For for-sale units, the following credits may be provided:
<table>
<thead>
<tr>
<th>Credit Factor</th>
<th>% VHDA Limit</th>
<th>2012 Sales Price</th>
<th>% AMI (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>65%</td>
<td>$211,250</td>
<td>80%</td>
</tr>
<tr>
<td>1.25</td>
<td>55%</td>
<td>$178,750</td>
<td>70%</td>
</tr>
<tr>
<td>1.5</td>
<td>45%</td>
<td>$146,250</td>
<td>60%</td>
</tr>
<tr>
<td>1.75</td>
<td>35%</td>
<td>$113,750</td>
<td>50%</td>
</tr>
</tbody>
</table>

For rental units, the following credits may be provided:

<table>
<thead>
<tr>
<th>Credit Factor</th>
<th>% Fair Market Rent (HUD)</th>
<th>2012 Rents (inc. utilities) 2 bedroom</th>
<th>% AMI (target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>100%</td>
<td>$1,029</td>
<td>50%</td>
</tr>
<tr>
<td>1.25</td>
<td>80%</td>
<td>$823</td>
<td>40%</td>
</tr>
<tr>
<td>1.5</td>
<td>60%</td>
<td>$617</td>
<td>30%</td>
</tr>
</tbody>
</table>

Credit towards the 15% target will be calculated using the credit factors associated with the targeted income group and associated sales/rent price. For example, if a project’s for-sale affordable units are restricted to 60% AMI or less, only ten percent (10%) of the total units would be required to be affordable.

**STRATEGIES AND RECOMMENDATIONS**

The following strategies and recommendations are intended to help implement the County’s Affordable Housing Policy as resources are available.

**Strategy:** Continue to implement necessary regulatory and administrative functions for establishing affordable housing strategies in all applicable development review applications. Streamlining processes may be considered while maintaining an equitable approach to all zoning applications.

**Recommendations**

- Develop process to measure and track trends on existing affordable housing stock.
- Update annual affordability figures for sales prices and rental rates.
- Develop methods to assess and prioritize housing needs and associated supportive services required throughout the housing continuum.
- Develop affordable housing production goals based on documented need/demand to address identified housing priorities and to insure that low- and moderate-income households have access to a sufficient supply of new and redeveloped housing units.
- Promote the use of the density bonus ordinance as a tool to achieve affordable housing production in by-right developments.
- Work with other County departments and outside agencies to promote a streamlined and timely process for plan approvals.
- Develop procedures to measure the impact of County-imposed regulations on the affordability of housing units.
- Follow the Affordable Housing Policy to the greatest extent possible for all rezoning and special use permit applications.
• Explore opportunities to provide incentives/allowances for developments that commit to produce 25% or more of their proposed units as affordable.
• Explore revising the zoning ordinance to allow for creating accessory dwelling units throughout the County which may be detached from the main dwelling unit while being mindful of the County’s Growth Management Policy and goals and policies for the Rural Area.

**Strategy:** Work with developers to phase in affordable units within a neighborhood consistent with the Comprehensive Plan’s Neighborhood Model principles, including the use of regulatory and monetary incentives available through the County, its partners and state and federal programs.

**Recommendations**

• Promote site plan development that disperses affordable homes throughout a development and encourages a variety of housing types. Use Master Plans developed in designated development areas as guidance for the creation of affordable units that are scattered throughout the development.
• Provide for a flexible, negotiated process based on the characteristics of the particular project when a development proposes the donation of lots, units, funding, off-site affordable housing, or other comparable contributions. Consideration may include, but is not necessarily limited to, proximity to jobs and services including day care and transportation, agreements with nonprofits for producing affordable units and maintaining long-term affordability, and the nature of proposed development and surrounding area.

**Strategy:** Develop strategies and mechanisms including security instruments for the initial sale of affordable units to promote long-term affordability and protect direct monetary investments from public resources.

**Recommendations**

• Develop procedures for monitoring and enforcing occupancy and resale restrictions required by law and/or funding sources.
• Establish a first right-of-refusal for the purchase of affordable units for rent or sale by the County and/or its nonprofit partners as may be allowed by law.
• Develop model deed restrictions and junior deeds-of-trust which may be proffered by developers and other mechanisms to insure affordable units remain affordable for a specific period of time (control period).
• Utilize any allowances provided in the Code of Virginia which may reduce the tax burden of deed-restricted dwellings.

**Strategy:** Expand existing partnerships/programs and create new alliances with the private sector including nonprofit and for-profit housing providers and lenders.

**Recommendations**

• Implement processes for reviewing and approving eligible families for purchase or rental units produced including utilizing nonprofit housing agencies and the developer’s/builder’s sales staff to identify eligible purchasers and renters for affordable housing units.
• Increase access to counseling by refunding the County’s homeownership education program and utilizing similar services provided by others.
• Continue to support nonprofit housing organizations and help clarify roles and responsibilities for each including, but not limited to, community development, housing development, affordable lending, and housing counseling.

• Develop formal and informal procedures for dialogue with and among the private sector (for-profit and nonprofit) development community to increase production of affordable housing during the rezoning and special use permitting processes.

• Utilize credit criteria as outlined in the Affordable Housing Policy to facilitate the donation of or purchase of lots and/or units between for-profit developers and the nonprofit organizations which ensures occupancy of units by eligible households and long-term affordability.

• Promote affordable housing by increasing participation with the real estate community including representative organizations (mortgage bankers, apartment council, realtors, and homebuilders).

• Provide encouragement and incentives to nonprofit housing providers for the purchase, construction, rehabilitation and/or management of affordable owner-occupied and rental units.

• Promote an understanding of the regional nature of affordable housing issues and participate with neighboring jurisdictions in addressing these issues with increased coordination with the City of Charlottesville,

• Explore available incentives to promote the production and preservation of affordable housing.

**Strategy:** Seek additional resources including those through the state and federal governments for the development and/or financing of affordable housing.

**Recommendations**

• Support tax credit applications for properties that preserve or create affordable rental units. Consider monetary support in the form of tax abatements and reduction of fees as allowable by law.

• Develop strategies for effectively leveraging public and private funds to maximize resources for affordable housing including options for capitalizing a housing trust fund.