

Comprehensive Housing Analysis and Policy Recommendations Affordable and Workforce Housing

Prepared for City of Charlottesville | Charlottesville, Virginia | January 15, 2016

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Objectives

The City of Charlottesville engaged RCLCO to provide a better understanding of its overall housing market and an in-depth analysis of the market barriers and other issues that may limit the provision and attainment of affordable housing. The key questions addressed in this engagement include:

- What housing stock does the City have and how can it be characterized? What options are available to consumers currently seeking housing? What new housing is provided by the open market?
- How is housing demand from current City residents segmented according to housing type, age, tenure, and income?
- Where might there be a supply-demand mismatch between City households and available quality housing supply? What is the need from the existing population and what type of housing would be needed to attract additional workforce households?
- If the City were to pursue a workforce housing strategy, who is the likely consumer, how deep is the market, and what type of housing would compel these households to choose this housing over their current residence?
- Based on the quantifiable and qualifiable findings resulting from answering the above questions, what market barriers and issues limit the attainment or provision of affordable housing today? What strategies could the public or non-profit sectors undertake that may narrow these gaps?

The findings relative to the above questions are detailed in the following document and inform the policy recommendations that would help the City achieve these goals.



Market Analysis

Key Findings in Market Analysis

Housing Market Dynamics

- The City of Charlottesville and surrounding region is perceived as a desirable place to live, and attracts a wide range of households including families, professionals, affluent retirees, and students.
- The housing affordability challenges identified by the City as basis for this comprehensive housing study are a testament to the number of people who desire the lifestyle, housing, and proximity to jobs that Charlottesville offers. While there are policy options to help mitigate the impact of rising costs for some households, in all likelihood housing affordability will likely become a greater challenge over time due to the City's small and limited land area and relatively built-out character.
- The City contains about 12% of the broader Charlottesville region's housing stock. This represents 9% of the region's owner-occupied housing stock and 20% of the region's rental housing. (See Page 11)
- In most areas of the City, there is little if any new for-sale housing being built at price points below \$250,000 for a single-family house. The average price at new actively selling communities (including condos, townhomes, and single-family houses) is about \$430,000. (See Page 12)
 - A \$250,000 home becomes affordable to households with incomes just above 80% of AMI assuming they spend the full 30% of gross income towards housing costs.
 - Around 80% AMI is also where newer Class A rental units located in and near the City of Charlottesville become affordable to households using the same assumptions.
 - However, an average-priced new home would require an income above 120% of AMI.

Housing Demand and Demographics

- The age distribution of City residents skews older, with 52% of the City's non-student households age 55+. About two-thirds of non-student households are only 1- or 2-person households. (See Page 14)
- The AMI for a 4-person household is \$84,100 per year. This translates to a maximum of approximately \$2,100 in monthly housing costs. (See Page 7)
- About 54% of the City's non-student households fall below 80% AMI, 19% qualify as workforce households (80-120% AMI), 17% fall between 120-200% AMI, and 11% are very affluent, with incomes over 200% AMI. (See Page 14)
- 47% of non-student households own their home and 53% rent. (See Page 15)
- Today, the City's largest consumer groups are comprised of empty nester and retiree-aged households (age 55+), spread across the income and wealth spectrum, followed by family-aged households and lower-income singles and couples (age 18-54). Looking forward, workforce and market-rate young professionals offer a significant opportunity for growth, as many of these households would like to live in the city but don't currently either due to price/rent or supply constraints. (See Page 16)
- An additional market audience for the City's housing is the approximately 20,000 students living in or near the City of Charlottesville while attending UVA. An estimated 12% of these students live in off-campus housing not "purpose built" as student housing, including single-family homes and apartments. Based on University growth projections, new student housing development above and beyond what is currently in the pipeline today would continue to be market supportable. (See Page 18)

Key Findings in Market Analysis

Supply-Demand Reconciliation

- At an overall market level, the City of Charlottesville has an undersupply of housing units statistically affordable for households at the top (>120% AMI) and the bottom (<50% AMI) of the income spectrum. This suggests that at an individual household level, the lowest income households are likely paying more than they can afford (or receiving significant assistance) for housing and the highest income households are paying less than they can afford. This holds true for both rental and for-sale units. (See Page 19)
 - From a purely statistical perspective, the City's most underserved segment in its housing market is its lowest income households. Albemarle County has the same dynamic. However, just because there are an adequate number of total units in a price/rent range affordable to workforce households doesn't mean that this segment is adequately served.
 - Workforce households likely face the most challenging trade-offs between housing and commute costs. Housing outside of Albemarle County provides more desirable options in their price range, but living beyond Albemarle County (beyond a 30 minute commute from the City) is precisely where transportation costs begin to increase substantially.
- While the majority of housing in the City and region is statistically affordable to those making less than 120% AMI, housing costs within each income band vary widely and many households are housing burdened. However, there are also many households at all income ranges who pay much less for housing than what they can statistically afford to pay. (See Page 19)
- In addition to the high perceived housing costs in Charlottesville, there are additional housing costs that are not reflected in the rents or sales prices of homes. Utilities, property taxes, and insurance all greatly impact the cost of living and working in Charlottesville. For an average homeowner, these costs are estimated at approximately \$300 per month on top of mortgage payments that have been accounted for in affordable price/rent assumptions.
- Based solely on the price points of new supply, the market should be able to provide appropriately-priced housing for the majority of workforce consumers in the region. The Charlottesville region should not be a supply-constrained market. However, two key factors are creating supply challenges within the City limits and in close-in areas of Albemarle County and will continue to drive up home prices and rents:
 1. Limited supply of land available for new development within the City and close-in areas, driven both by the City's small land area and built-out character, and Albemarle County's restrictive growth areas.
 2. A large affluent population that desires city living and can afford to pay higher prices for housing compared to the market today, which will continue to drive up land prices, home values, and sales prices.

Glossary of Terms and Acronyms

- **Affordable Housing** – Income-restricted housing to households earning under 80% of the Area Median Income.
- **AMI: Area Median Income** – The median household income for each household size in the Charlottesville area.
- **Class A Rental** – A rental unit which generally includes those properties built or substantially renovated since 2000.
- **Condo/Multifamily** – A unit in a building which generally has five or more dwelling units.
- **Development Areas** – Areas defined by Albemarle County where urban development is permitted.
- **Empty Nesters** – Households aged 55 and over.
- **Housing Affordability** – Defined by the Department of Housing and Urban Development as not exceeding 30% of Gross Household Income, including: rent/mortgage payment, utilities, property taxes, and insurance.
 - **Statistically Affordable** – Housing that is affordable to households at a given income, based on the U.S. Department of Housing and Urban Development’s definition of Housing Affordability.
- **Housing and Transportation Affordability** – Defined by the Location Affordability Index, a tool created by the U.S. Departments of Housing and Urban Development and Transportation, as not exceeding 40% of Gross Household Income.
- **Housing Burdened** – Occurs when a household pays more than 30% of Gross Household Income toward housing costs.
- **Housing Tenure** – The likelihood of households to own or rent their dwellings.
- **LIHTC: Low-Income Housing Tax Credit** – A financing tool used by developers to help offset the costs associated with developing housing for low-income households. Tax credits are allocated by the state and projects compete to secure credits which they can sell to investors to make these projects more attractive investments. LIHTC-financed projects must remain affordable for 30 years.
- **Mature Households** – Households aged 35-54.
- **Primary Market Area** – The area within which most people and households live and work in the City of Charlottesville.
- **Net Absorption** – The change in occupied housing units over a given period of time.
- **Non-Student Household** – A household occupied by one or more persons where the head of household is currently not a full-time student.
- **Senior Housing** – Age-restricted housing for households typically aged 55 and over.
- **SFD** – Single-Family Detached dwelling.
- **Strategic Investment Area** – An area southeast of the Downtown Mall that was identified by the City of Charlottesville in 2013 as a priority for redevelopment, with an emphasis on mixed-use and mixed-income development.
- **Student Housing** – Housing that is targeted for rental by undergraduate or graduate students, and is typically leased by the bed, as opposed to by the unit.
- **Tenure** – Describes whether a householder rents or owns their dwelling unit.
- **Townhouse/SFA** – A housing type that includes townhouse, duplex, triplex, quadplex, and other single-family housing where units share one or more firewalls.
- **Workforce Housing** – Income-restricted housing to households earning between 80%-120% of the Area Median Income.
- **Young Professionals** – Households with moderate incomes or greater aged 18-34.

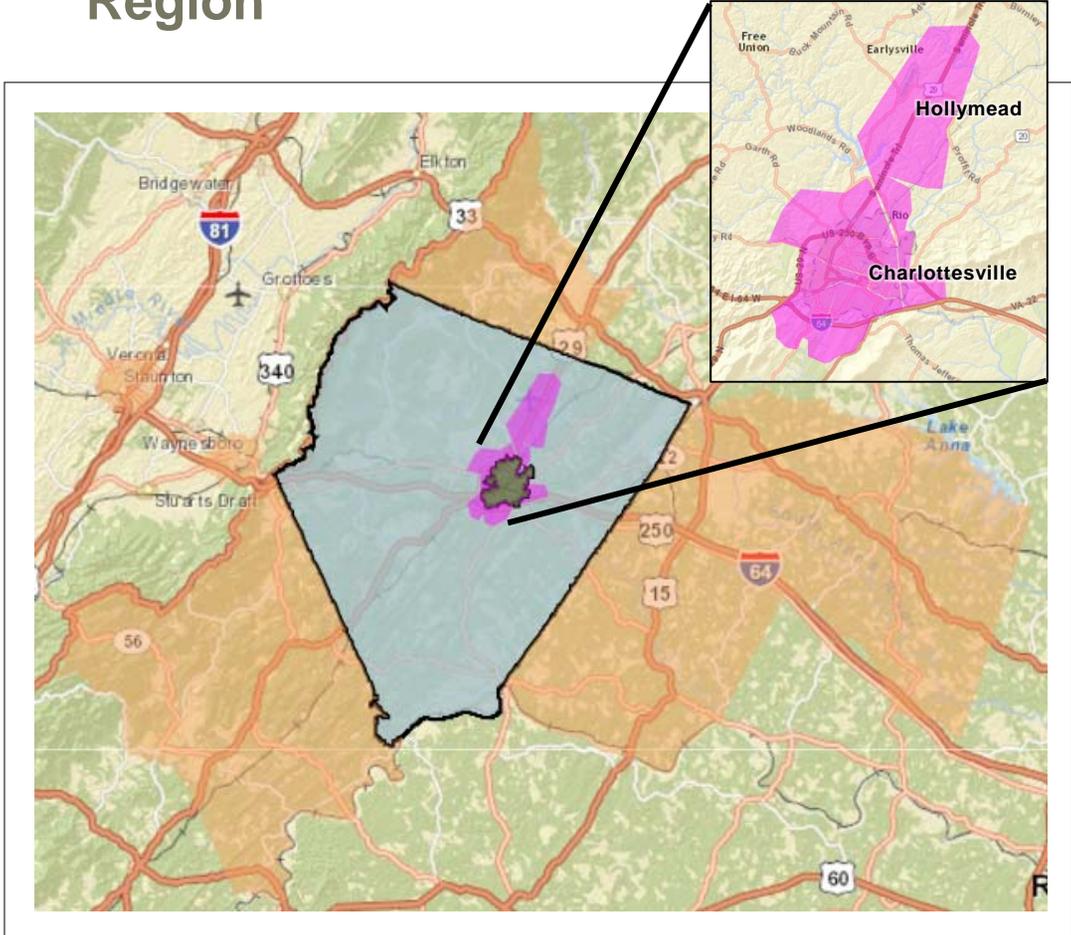
Source: RCLCO

AMI Definitions by Household Size

	Under 30% AMI	30%-50% AMI	50%-80% AMI	80%-120% AMI	120%-200% AMI	Over 200% AMI
1-Person HH	Under \$17,700	\$17,700- \$29,450	\$29,450- \$46,100	\$46,100- \$69,150	\$69,150- \$115,250	\$115,250 and Above
2-Person HH	Under \$20,200	\$20,200- \$33,650	\$33,650- \$52,650	\$52,650- \$78,975	\$78,975- \$131,625	\$131,625 and Above
3-Person HH	Under \$22,750	\$22,750- \$37,850	\$37,850- \$59,250	\$59,250- \$88,875	\$88,875- \$148,125	\$148,125 and Above
4-Person HH	Under \$25,250	\$25,250- \$42,050	\$42,050- \$65,800	\$65,800- \$98,700	\$98,700- \$164,500	\$164,500 and Above
5-Person HH	Under \$28,410	\$28,410- \$45,450	\$45,450- \$71,100	\$71,100- \$106,650	\$106,650- \$177,750	\$177,750 and Above
6-Person HH	Under \$32,570	\$32,570- \$48,800	\$48,800- \$76,350	\$76,350- \$114,525	\$114,525- \$190,875	\$190,875 and Above
7-Person HH	Under \$36,730	\$36,730- \$52,150	\$52,150- \$81,600	\$81,600- \$122,400	\$122,400- \$204,000	\$204,000 and Above

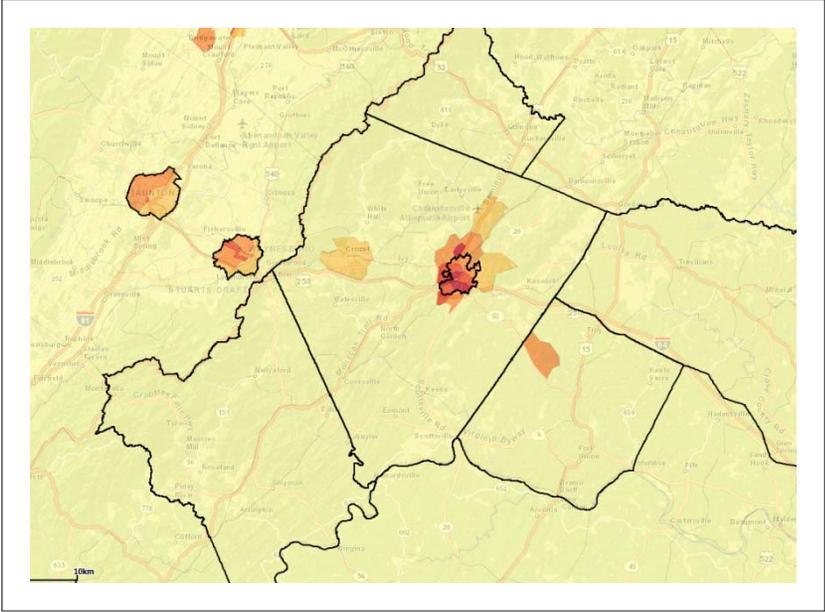
Source: Virginia Housing Development Authority

City of Charlottesville is Small in Area and Population Relative to Region



- RCLCO analyzed four scales of geography to understand the Charlottesville region. These areas include:
 - The City of Charlottesville
 - The Primary Market Area, which largely includes Albemarle County's growth areas around Charlottesville and whose development is contiguous with the City
 - Albemarle County
 - The Charlottesville region, defined based on commute patterns which includes all of the above, plus Staunton, Waynesboro, Greene County, Nelson County, Fluvanna County, and Louisa County

**Population Density by Census Tract
Charlottesville Region**



MAP KEY	SHARE OF POPULATION	SHARE OF LAND AREA
 City of Charlottesville	16%	1%
 Primary Market Area	32%	2%
 Albemarle County	36%	38%
 Charlottesville, VA Region	100%	100%

MAP KEY	
2015 Population Density (Pop. Per Sq. Mile)	
	5,000 or greater
	2,500 - 4,999.9
	1,000 - 2,499.9
	500 - 999.9
	500 or less

Source: Esri



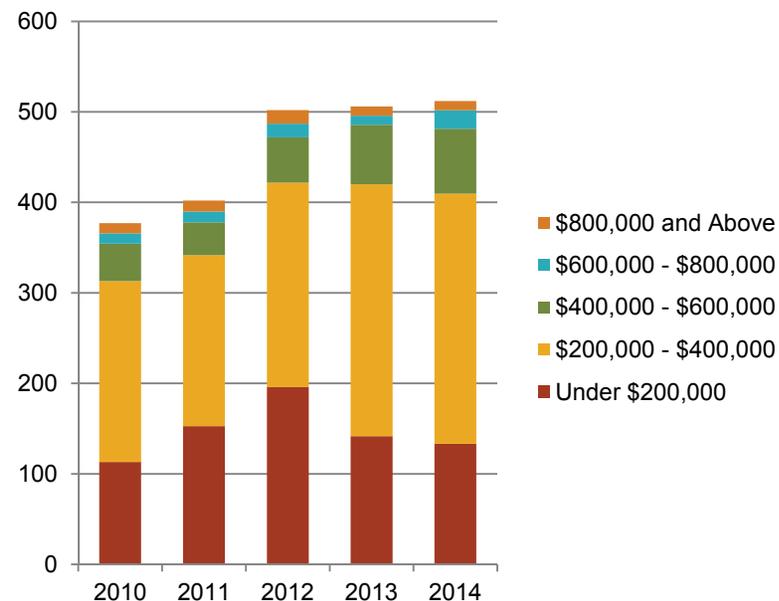
Annually, Over 500 Homes Sell Per Year, Approximately 4% of Total Inventory

- In 2014, there were 512 home sales in the City of Charlottesville. These sales represented 4.0% of Charlottesville’s total housing inventory.
- Albemarle County had 1,468 home sales in 2014, but this figure represented only 3.4% of all homes in the County. This indicates that a smaller proportion of all homes in Albemarle County turn over or are sold, and that the City has a proportionally more active housing market despite the County’s larger sales volume.
- Home prices in the Charlottesville region have been trending upward since 2011, when the median sales price was \$230,000 in

the City of Charlottesville. In 2014, the median sales price for a home in the City had increased to over \$261,000. By comparison, the 2014 median sales price in the County was \$325,000.

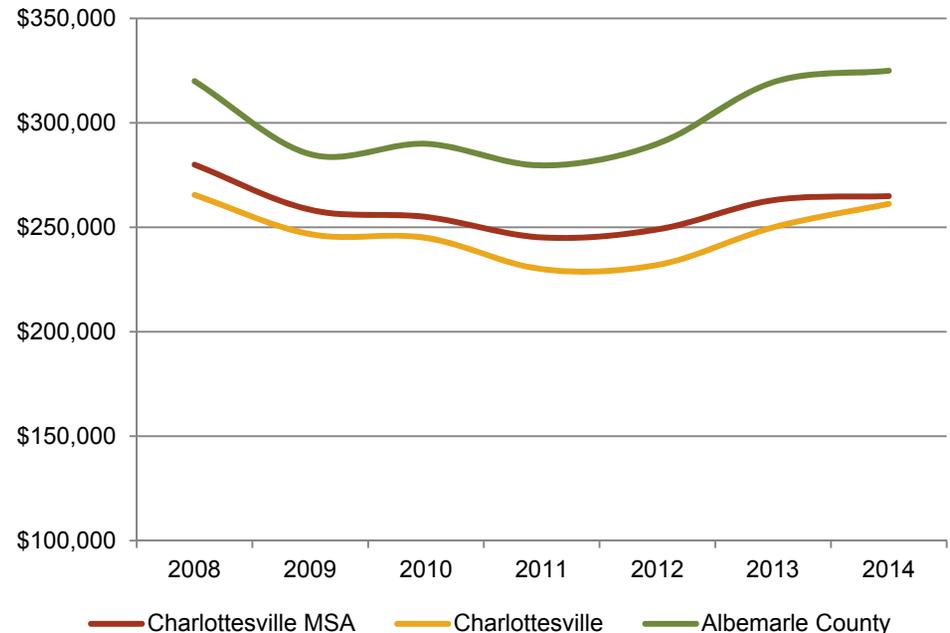
- Despite the County’s larger sales volume, a significantly smaller share of its homes are sold at price points affordable to affordable and workforce households. In 2014, only 22% of sales were below \$200,000, compared to 26% in the City. That disparity holds true even at higher price bands, as the County has 20% fewer sales below \$400,000 which encompasses all price points affordable to households below 120% AMI.

**Annual Home Sales by Price Band
City of Charlottesville, VA; 2010-2014**



Source: Nest Report

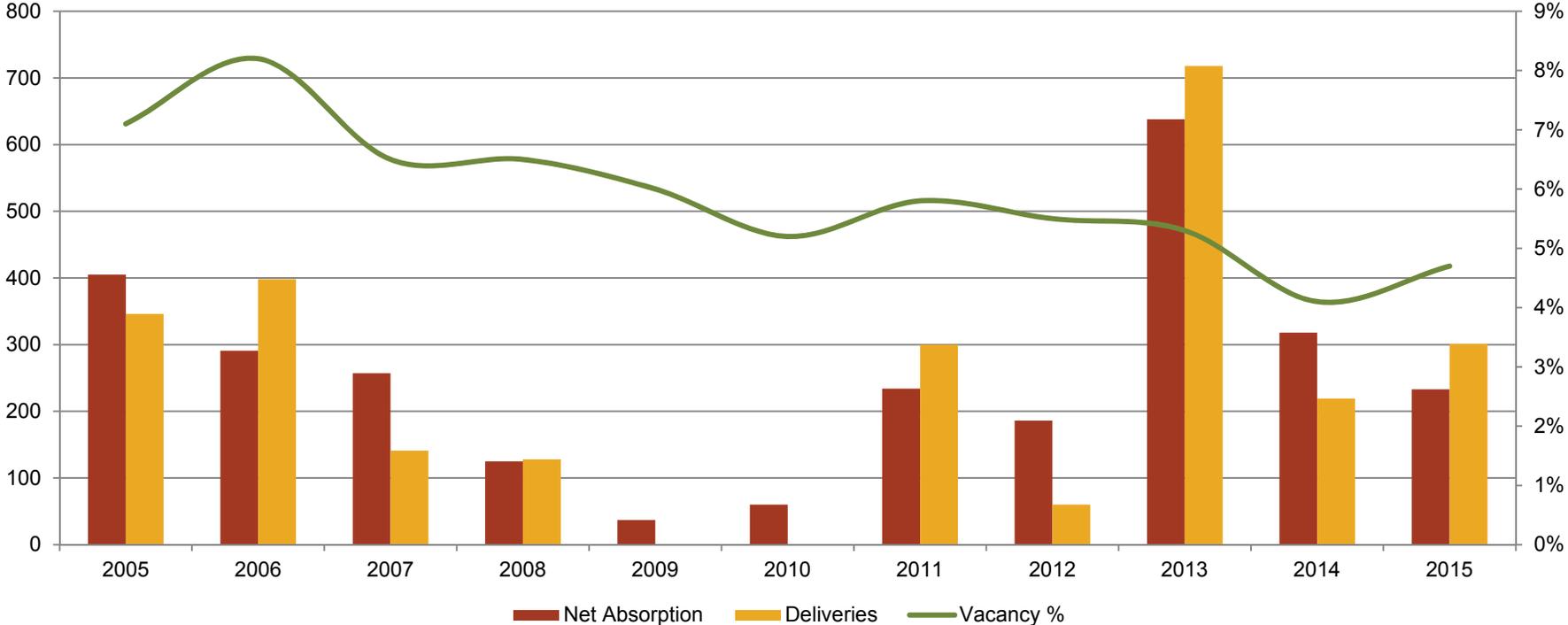
**Historical Median Home Sales Price by Location
City of Charlottesville, Albemarle County, Charlottesville, VA MSA; 2010-2014**



Strong Rental Apartment Market Suggests Unmet Demand in City

- The City of Charlottesville has 2,869 rental apartments in multifamily buildings, the unit type most closely tracked by data sources. 8% of these units have been built over the past 10 years.
- Vacancies have remained healthy over the past 10 years, with new supply being absorbed into the market as it has delivered. In 2015, the market looks relatively tight with a 5% vacancy. For consumers, a tight market is usually felt in the form of rent increases and fewer available units for those looking to move.
- Annual absorption is the closest measure for demonstrated rental demand and has averaged about 400 units per year since 2013. Annual absorption has exceeded the new supply delivered, and suggests pent-up demand for additional rental units.

**Historical Net Absorption, Deliveries, and Vacancy Rate
City of Charlottesville, VA; 2005-2015**



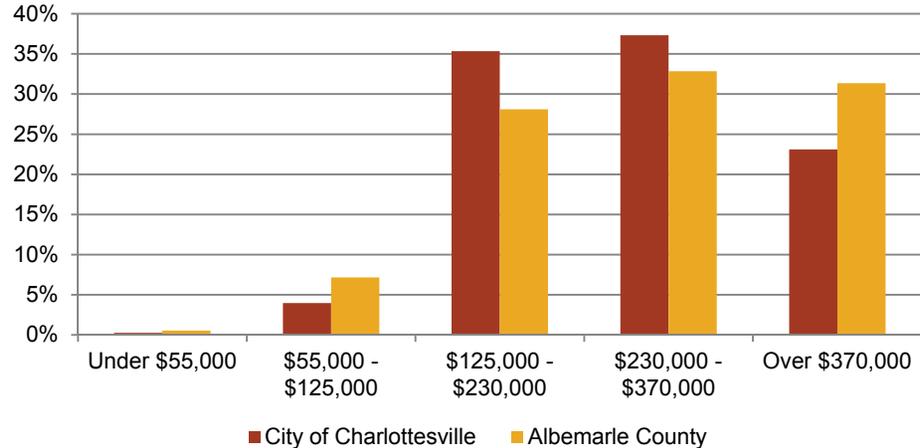
Source: CoStar



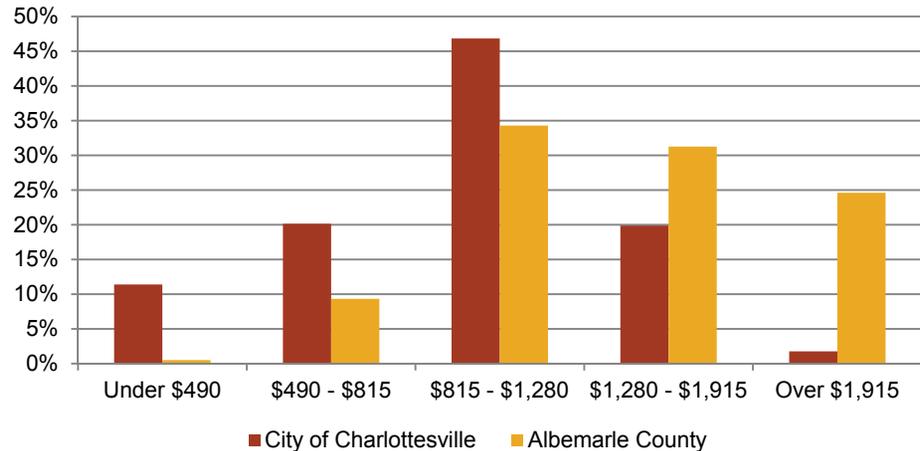
Existing Housing Inventory Concentrated in Price/Rent Bands Affordable to Most Consumers

- The City contains about 12% of the broader Charlottesville region’s housing stock. This breaks down to 9% of the region’s owner-occupied housing stock and 20% of the region’s rental housing.
- Class A rental apartments located in or near City limits have an average rent of \$1,282 per month. There are few additional Class A rental apartment communities in the broader region. On average, apartment communities in the broader region have average rents about 20% less than those in or near the City. For instance, for a 2BR apartment this translates to an average rent of \$1,300 per month in/near the City and an average rent of \$1,000 per month in other areas of the region.
- The majority of renters in the City and in Albemarle County rent individually-owned housing units, including condos, townhomes, and single-family homes. Some of this rental stock is also contained within the City’s 813 accessory dwelling units (ADUs); however, not all ADUs may be rented out. The pricing in this market is less organized than in the conventional apartment market, as the quantity and quality of available units varies greatly at any given time. In addition, there is less information collected and available to individual owners who are functioning as landlords, and these owners are typically motivated more by covering their property costs than by maximizing profit.
- Purpose-built student housing in the Charlottesville market does not have a meaningful impact on the rents of market rate rental housing, as the dynamics of these markets are different. However, the small share of students living in other rental apartment communities (not limited to students) based on their proximity to campus or somewhat cheaper rents may slightly impact rents at these specific communities but with a negligible impact on the overall market.

**Comparison of Owner-Occupied Supply
City of Charlottesville and Albemarle County, VA; 2015**



**Comparison of Multifamily Renter-Occupied Supply
City of Charlottesville and Albemarle County, VA; 2015**



Source: City of Charlottesville; Virginia Housing Development Authority; ACS PUMS Data 2012-2013; U.S. Census ACS 2011-2013 3-year Data; RCLCO

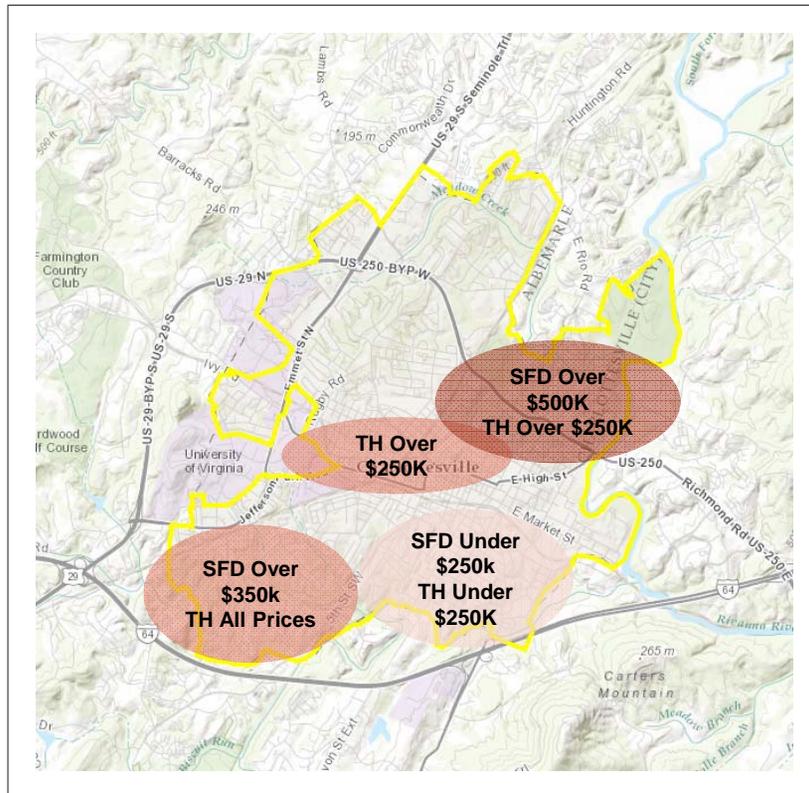


Housing Outside the City is Similarly Priced, but Larger

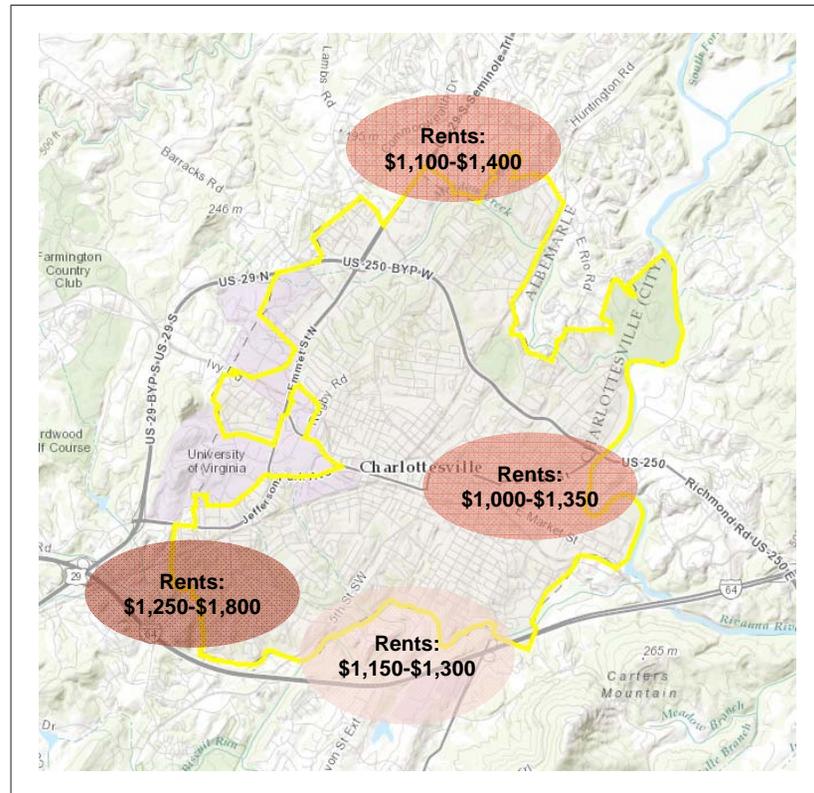
- In most areas of the City, there is little if any new for-sale housing being built at price points below \$250,000 for a single-family house. The average price at new actively selling communities (including condos, townhomes, and single-family houses) is about \$430,000.
- The north and southwest sides of the city are the most expensive, with the southeast quadrant providing the majority of more affordably priced housing.

- On average, new homes being built outside the city of Charlottesville are offered in a similar price range to those within the city, but are more affordable on a per square foot basis. New homes outside the city offer on average 35% more square footage for a single-family home and 10% more square footage for a townhome.

Price Range of New Construction Housing by Location in Charlottesville



Rent Range of Recently Delivered Rental Apartment Communities by Location in Charlottesville



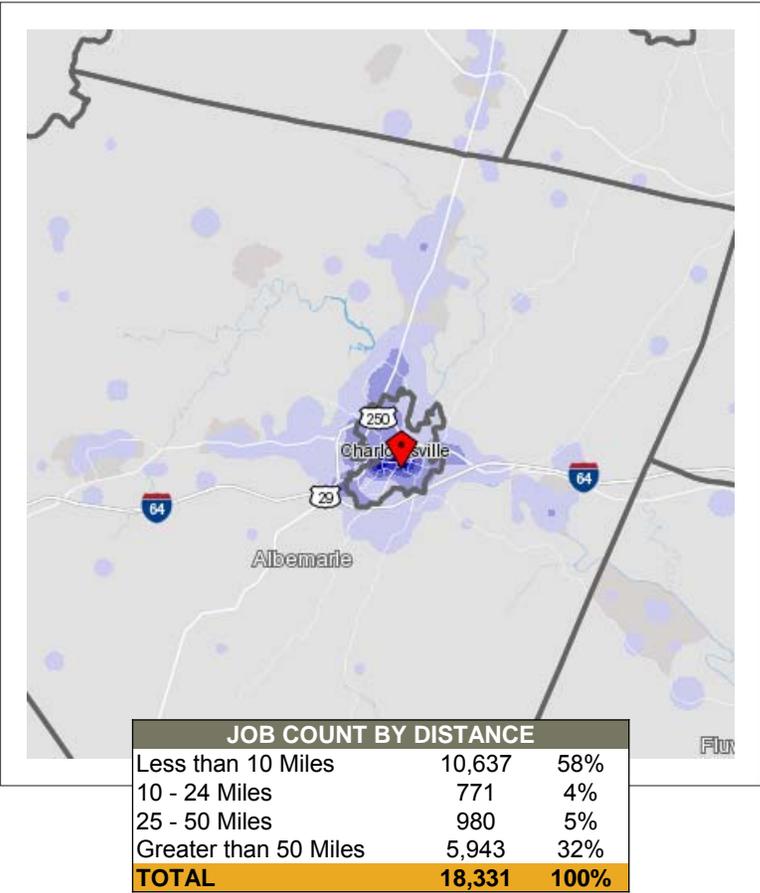
Source: Esri; City of Charlottesville; CoStar; Zillow

Commuting Patterns of Charlottesville Residents and Workers

- Residents of the City of Charlottesville are more likely to work within 10 miles of the City, as 58% of residents work less than 10 miles from their homes. However, there is also a large contingency of residents who commute over 50 miles to work in regions like Hampton Roads, Richmond, and Washington, D.C.

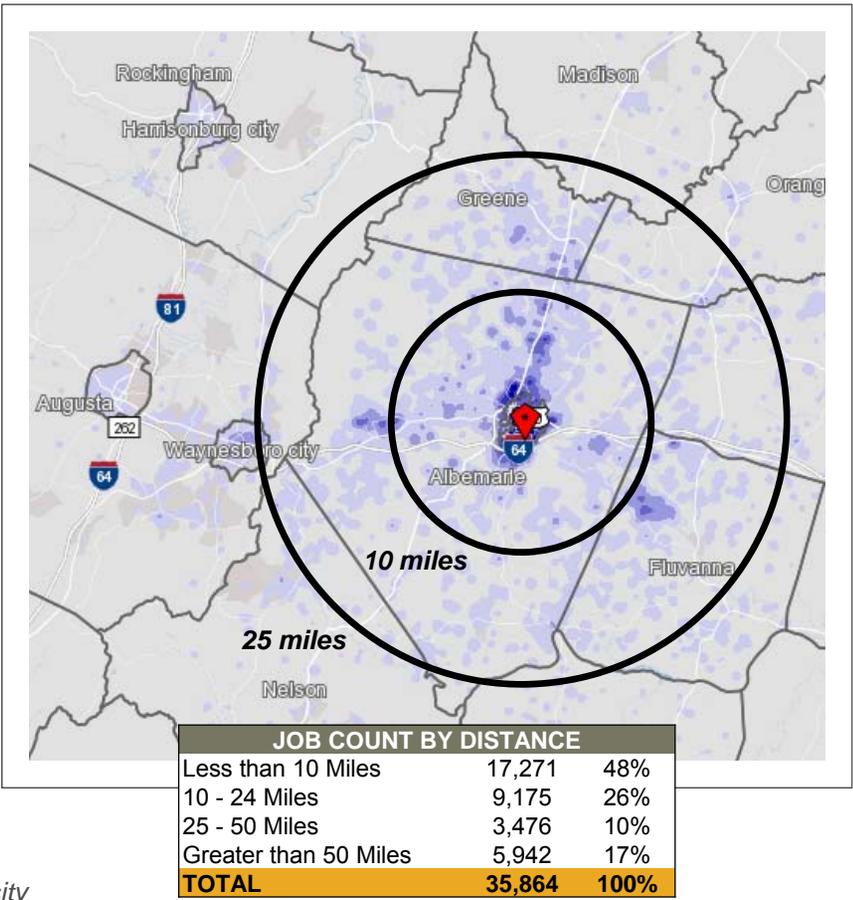
- 74% of workers in the City of Charlottesville live within 25 miles of the City. This indicates that nearly three-quarters of employees who work in the City live in Charlottesville, Albemarle County, or close-in Fluvanna, Greene, or Louisa Counties. Over one-quarter of employees live beyond those corporate limits and commute over 25 miles for their job.

Where Charlottesville Residents Work, 2011



Note: Darker shading indicates higher population or employment density
 Source: OnTheMap.Census.Gov

Where Charlottesville Employees Live, 2011



Households are Small and Aging

- Approximately 54% of the City’s non-student households fall below 80% AMI, 19% qualify as workforce households (80-120% AMI), 17% fall between 120-200% AMI, and 11% are very affluent, with incomes over 200% AMI.
- According to the City, 2,006 of Charlottesville’s households reside in supported affordable units, and comprise approximately 10% of all housing units in Charlottesville.
- Households aged 65 and over comprise approximately 32% of all households, and while two-thirds of households in this age group earn under 80% AMI, it is not necessarily indicative of the net worth of all of these households, as many are likely retired and living on fixed incomes. Over half (52%) of all households are aged 55 and over, so the City’s household composition is aging.
- Many of the City’s non-student households are singles, couples, and roommates living together, with 1- and 2-person households comprising approximately 70% of total households.

**Summary of Non-Student Households by Income and Household Size
City of Charlottesville, VA; 2012-2013**

SUMMARY OF NON-STUDENT HOUSEHOLD TYPE AND AMI LEVEL									
	EXTREMELY LOW INCOME	VERY LOW INCOME	LOW INCOME	WORKFORCE	MARKET-RATE	AFFLUENT/HIGH-END	TOTAL	SHARE	
	Under 30% AMI	30% - 50% AMI	50% - 80% AMI	80% - 120% AMI	120% - 200% AMI	Over 200% AMI			
1-person household	1,821	1,145	1,412	896	370	312	5,955	37%	
2-person household	481	789	882	1,108	1,280	780	5,321	33%	
3-person household	134	219	411	461	546	291	2,063	13%	
4-person household	412	73	285	402	379	225	1,776	11%	
5-person household	142	9	76	106	72	54	459	3%	
6-person household	69	90	81	14	14	8	276	2%	
7+-person household	2	20	31	28	16	10	107	1%	
TOTAL QUALIFYING HOUSEHOLDS	3,061	2,345	3,178	3,014	2,678	1,680	15,957		
Share	19%	15%	20%	19%	17%	11%			

Source: Esri; 2013 American Community Survey 3-Year Estimates 2011-2013; ACS PUMS Data 2012-2013; RCLCO



Tenure (Own/Rent) Varies by AMI and Less so by Household Size

- Lower-income households are more likely to rent than households earning over 80% AMI, with 76% of households earning under 30% AMI renting. Approximately 60% of households earning between 120-200% AMI, and over two-thirds of households earning over 200% AMI own their homes.
- Smaller households are also more likely to rent than larger households, albeit by a small margin. 59% of one-person households rent, and 52% of two-person households rent.
- Conversely, 52% of households with three or more people own their homes.
- In total, most (53%) households in the City rent their homes, while 47% own their homes.

Summary of Tenure by Income and Household Size City of Charlottesville, VA

OWNERS						
	1	2	3-4	5-7+	TOTAL	%
	Person	Person	Person	Person		Own
Under 30% AMI	546	82	55	57	740	24%
30% - 50% AMI	389	244	111	54	798	34%
50% - 80% AMI	658	454	342	94	1,548	49%
80% - 120% AMI	478	554	480	85	1,596	53%
120% - 200% AMI	203	711	611	83	1,609	60%
Over 200% AMI	187	507	384	68	1,147	68%
TOTAL	2,462	2,553	1,983	440	7,438	47%
% Own	41%	48%	52%	52%	47%	

RENTERS						
	1	2	3-4	5-7+	TOTAL	%
	Person	Person	Person	Person		Rent
Under 30% AMI	1,274	399	491	156	2,321	76%
30% - 50% AMI	756	545	181	66	1,547	66%
50% - 80% AMI	754	428	354	94	1,630	51%
80% - 120% AMI	418	554	383	63	1,418	47%
120% - 200% AMI	166	569	314	20	1,069	40%
Over 200% AMI	125	273	132	4	534	32%
TOTAL	3,493	2,768	1,856	402	8,519	53%
% Rent	59%	52%	48%	48%	53%	

Source: Esri; 2013 American Community Survey 3-Year Estimates 2011-2013; ACS PUMS Data 2012-2013; RCLCO

Key Market Segments: “Barbell” of Demand with Millennials and Boomers

- RCLCO determined the top five market segments that comprise the greatest share of households in the City today and that demonstrated the most interest in living in the City of Charlottesville in the consumer research. The characteristics of these target segments are described in depth below in the matrix.
- The deepest market segments today are highly correlated with the type and price point of housing available in the City, with a high propensity to own single-family detached (SFD) housing.
- Young Singles and Couples are the only key market segment identified in the matrix that primarily rent their homes, and a lack of available rental product has likely limited their ability to obtain housing in the City. This market segment could be much larger if desirable housing was available.
- To understand the potential market size, RCLCO utilized a fair share analysis based on responses in the consumer research, shown below. A score of greater than one indicates that more than the current share of households for that demographic is interested in living in Charlottesville.

MARKET SEGMENT	SEGMENT CHARACTERISTICS	CURRENT BEHAVIOR	% OF CURRENT HOUSEHOLDS	POTENTIAL MARKET SIZE	NEED FOR DIFFERENT HOUSING
Workforce Empty Nesters	1-3 Person Households Aged 55 and Over 80-120% AMI	Likely to Own or Rent SFD	8%	16%	High
Working Mature Households	1-4 Person Households Aged 35-54 80-120% AMI	Approximately 75% Own, Primarily in SFD; Those that rent occupy SFD	7%	14%	Low
Young Singles and Couples	1-2 Person Households Aged 18-34 Over 80% AMI	Mostly Renters, Primarily in High Density Multifamily and SFD; Those that own in SFD	4%	6-8%	High
Market Rate Mature Households	1-4 Person Households Aged 35-54 Over 120% AMI	Approximately 75% Own, Primarily in SFD; Over Half of Renters Occupy SFD	12%	24%	Low
Downsizing Empty Nesters	1-2 Person Households Aged 55 and Over Over 120% AMI	Extremely Likely to Own SFD; Renters Tend to Occupy SFD and High Density Multifamily	9%	12%	High
TOTAL KEY MARKET SEGMENTS			41%	74%	

Fair Share Analysis of Households Interested in Living in Charlottesville City of Charlottesville, VA; 2015

	<30% AMI	30-50% AMI	50-80% AMI	80-120% AMI	>120% AMI
18-34	0.4	0.7	0.9	1.6	1.2
35-54	0.0	0.4	1.1	1.7	1.5
55 and Over	0.0	0.3	1.0	2.2	1.3

Source: 2012-2013 ACS PUMS Data; Charlottesville Consumer Research; RCLCO



Ideal Next Housing for Key Market Segments: Need More Multifamily

- Each market segment overwhelmingly responded that they would ideally own their next home, and that this home would be a single-family detached dwelling unit. While these may not be entirely realistic assumptions for some segments, these preferences are well-aligned with the existing housing stock.
 - Empty Nesters would like to downsize into smaller single-family homes or condos.
 - Young Singles and Couples typically continue renting until they can afford the type and location of housing that they prefer. This suggests the opportunity to capture a greater share of these households as renters in their pre-purchase stage than the City does currently.
- Most segments would ideally like to purchase a home in the range of \$180,000 and \$325,000. Renters identified \$750-\$1,250 per month as their target rent range.

MARKET SEGMENT	OWNER IDEAL HOUSING	OWNER IDEAL COST	RENTER IDEAL HOUSING	RENTER IDEAL COST
Workforce Empty Nesters	SFD or Condos 2-3 Bedrooms	\$180,000-\$325,000 (75%)	Townhomes and Apartments 2-3 Bedrooms	\$1,000-\$1,250 (50%)
Working Mature Households	SFD 3 or More Bedrooms	\$180,000-\$325,000 (75%)	Apartments 1-2 Bedrooms	\$750-\$1,250 (73%)
Young Singles and Couples	SFD 3 or More Bedrooms	\$180,000-\$325,000 (77%)	Apartments (1-2 bedrooms) SFD (2-3 bedrooms)	\$1,000-\$1,500 (63%)
Market Rate Mature Households	SFD 3 or More Bedrooms	\$250,000-\$450,000 (61%)	No Product Preference 2-3 Bedrooms	\$1,250-\$1,500 (50%)
Downsizing Empty Nesters	SFD or Condos 2-3 Bedrooms	\$180,000-\$325,000 (56%)	SFD 2-3 Bedrooms	\$750-\$1,500 (80%)

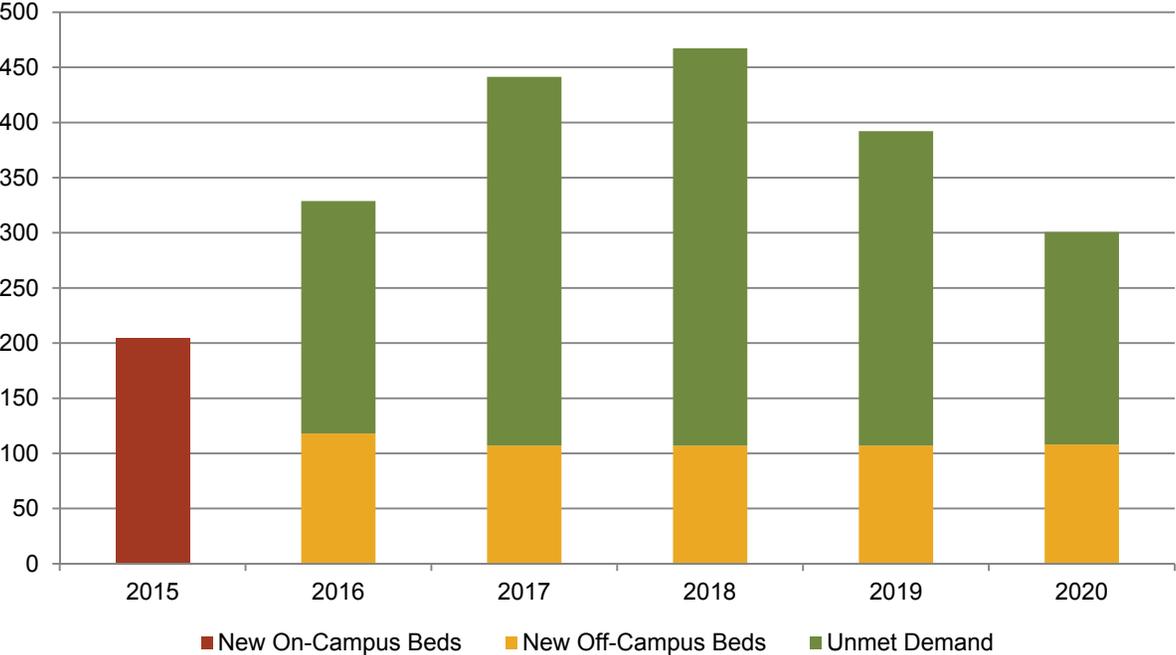
Source: 2012-2013 ACS PUMS Data; Charlottesville Consumer Research; RCLCO



Projected Demand for Student Housing Still Exceeds Pipeline Supply

- By 2020, the University of Virginia is expected to have an enrollment of 22,895 students, but with few new on-campus accommodations expected to deliver after this year, many of these students will need to find private housing offered off-campus.
- Based on a competitive market analysis, RCLCO found that there are nearly 7,600 beds in purpose-built student housing accommodations off-campus, and this number is only expected to increase by 547 beds by 2020. If you assume that the market is in equilibrium today and that the full pipeline delivers as planned, there would be unmet demand for approximately 200 new beds of purpose-built student housing over the next five years.
- In regards to comparison of rent levels between student and market-rate rental housing, it is worth noting that these are two different types of markets, and that student housing does not have a meaningful impact on the rents of market rate housing.

**University of Virginia Student Housing Projected Deliveries and Unmet Demand
City of Charlottesville, VA; 2015-2020**



Source: University of Virginia; J Turner Research; CoStar; RCLCO



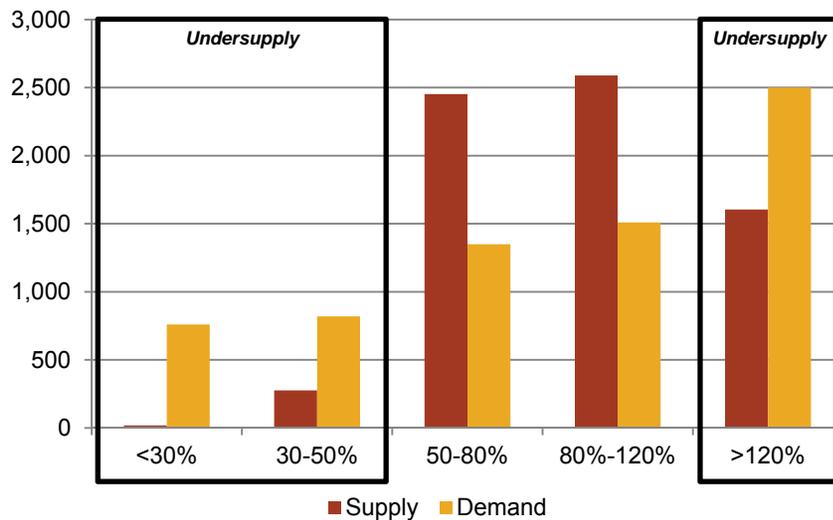
Supply-Demand Reconciliation

- At an overall market level, assuming households pay the maximum they can afford for housing-related expenses, there is an undersupply of housing units at the top (>120% AMI) and the bottom (<50% AMI) of the income spectrum.
- This suggests that at an individual household level, the lowest income households are likely paying more than they can afford (or receiving significant assistance) for housing and the highest income households are paying less than they can afford. This holds true for both rental and for-sale housing.

- From a purely statistical perspective, the City's most underserved segment in its housing market is its lowest income households. Albemarle County has the same dynamic. However, just because there are an adequate number of total units in a price/rent range affordable to workforce households does not mean that this segment is adequately served.

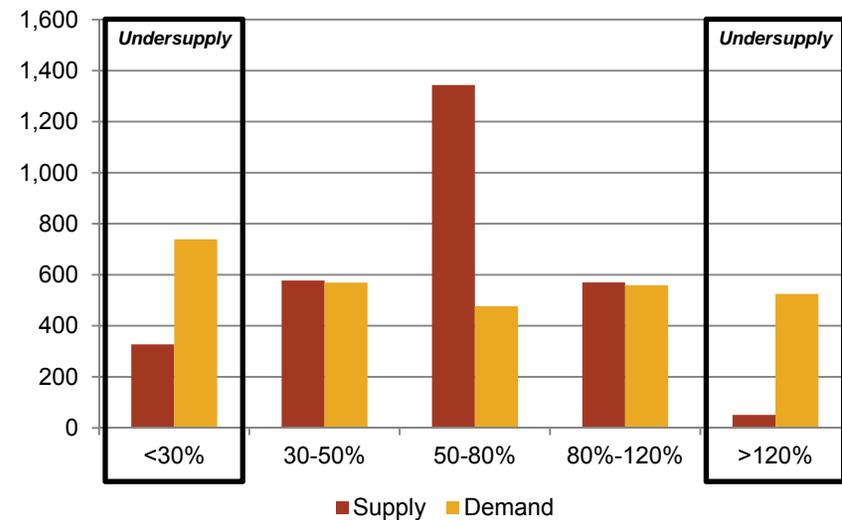
**Supply-Demand Comparison of Owner-Occupied Housing
City of Charlottesville, VA; 2015**

AMI Band	Housing Value Range
<30%	Under \$55,000
30-50%	\$55,000 - \$125,000
50-80%	\$125,000 - \$230,000
80%-120%	\$230,000 - \$370,000
>120%	Over \$370,000



**Supply-Demand Comparison of Rental Housing
City of Charlottesville, VA; 2015**

AMI Band	Rent Range
<30%	Under \$490
30-50%	\$490 - \$815
50-80%	\$815 - \$1,280
80%-120%	\$1,280 - \$1,915
>120%	Over \$1,915



Source: City of Charlottesville; CoStar; Virginia Housing Development Authority; ACS PUMS Data 2012-2013; U.S. Census ACS 2011-2013 3-year Data; RCLCO



Consumer Research

Key Findings in the Consumer Research

Consumer Research

- An analysis of RCLCO’s consumer research provides a critical lens through which to interpret the comprehensive market research. A question-by-question breakdown of survey responses is provided in the data appendix. This research received approximately 1,400 mostly complete responses (where mostly complete is defined as surveys where a substantial number of questions were answered) which represents an exceptional response level for this type of survey. Sample size information is provided for each question in the appendix. This survey is designed to be used as a supplement to the market analysis findings and is not intended to be academic research.
- RCLCO set out to answer five critical questions to inform the market research and policy recommendations:
 1. How much are households in each AMI band actually paying for housing relative to what they can afford? Are households living in the City paying more than those outside the City? Or do they get different housing?
 - Most households pay much less than they can statistically afford. However, the Under 30% and 30-50% AMI bands show 53% and 54% of their households are cost burdened, respectively.
 2. Which home and location factors do respondents identify as most important in the decision about their next house?
 - Cost, location, and type/size of home were identified as the three factors most influential on decision. Other factors, such as commute, were secondary to general preference for neighborhoods and location. These factors are largely similar to how people report choosing their current home.
 3. How does a household’s “ideal next house” compare to what they live in today in terms of cost, tenure, type, size/number of bedrooms, and location?
 - Overwhelmingly, households are cautiously optimistic about their future housing. Most say they would like a somewhat larger house, for it to be single-family, and to own instead of rent.
 - The key factors influencing their next housing decision are location, housing type and size, and cost.
 - Age and lifestage, rather than income, correlate most closely with the type of housing that households demand.
 - Age 18-34: Mostly renters today, and would like to own SFD eventually. Although many respondents aged 18-34 noted that their ideal housing type is SFD, RCLCO research on a national scale shows that these households do not mind renting until they find their ideal housing to own.
 - Age 35-54: Mostly owners today, but a large portion rent, largely in three-bedroom SFD homes or larger. More of these households are interested in owning SFD.
 - Age 55+: These households predominantly want a smaller house, and more would like a multifamily unit than a single-family home. However, they still want to own their home, which suggests condos would be an appealing product type.

Key Findings in the Consumer Research

4. How much unmet demand is there to live in the City if households could secure their “ideal housing”? What would be the type and price point of housing necessary to attract these consumers?
 - Approaching this from a “fair share” perspective, workforce households across all ages would like to live in the City at a greater rate than they currently do. Market-rate households also demonstrate this trend. Surprisingly, segments under 80% AMI are overrepresented in the City today relative to how many would like to live there. *Chart shown on page 15 with key market segments.*

5. How does housing and transportation affordability combined vary by geography and income level? Does the share of cost-burdened consumers change based on length of commute?
 - The share of income spent on housing and commute costs is relatively stable until commutes reach over 30 minutes. This is roughly the time it would take to commute from outside Albemarle County, and suggests that cheaper housing costs are not offsetting transportation costs once households are moving sufficiently far from the City.

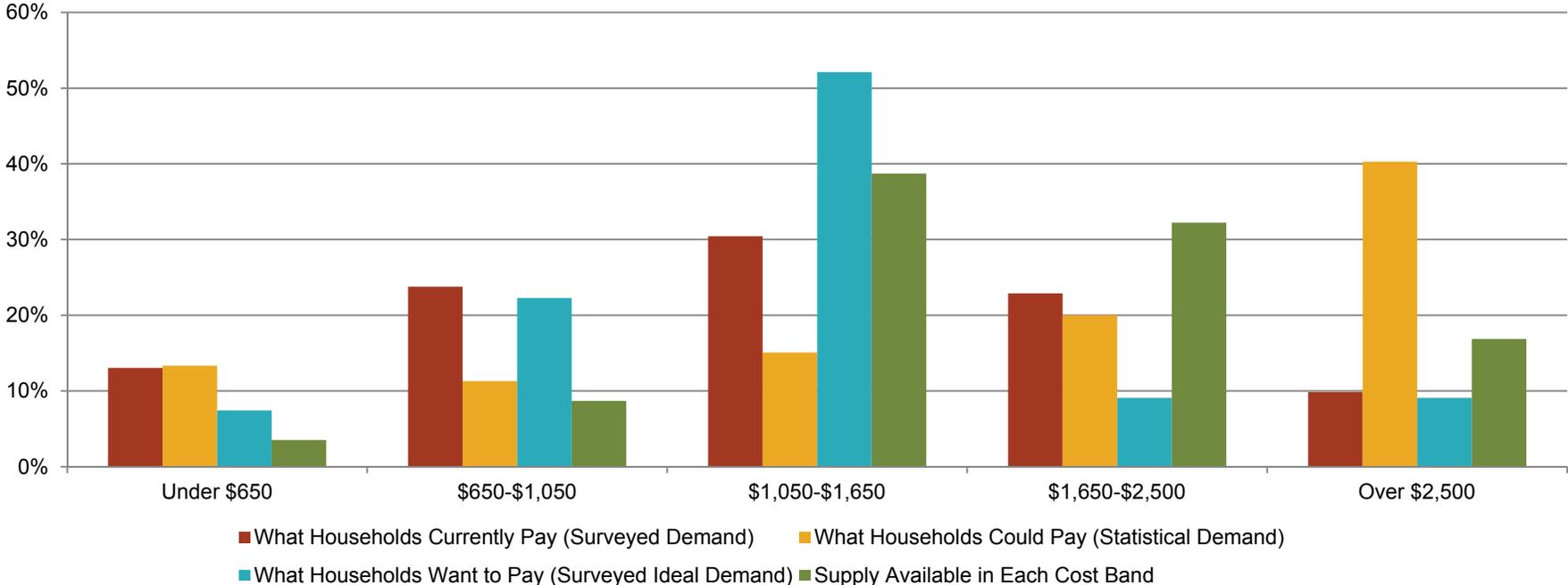
Survey Methodology

- RCLCO and the Housing Advisory Committee (HAC) designed a 48 question survey to better understand the commuting and housing preferences of City employees across all income spectrums but with a focus on affordable and workforce households. The School Board, UVA, and the City of Charlottesville all reviewed the survey in full before distribution.
- The survey document was distributed and data collected through two distinct processes, yielding an “employee” survey and an “affordable” survey that were then combined back into one dataset for analysis.
 - The employee survey was distributed online via email with the help of key organizations. An incentive for the first 250 complete responses was provided.
 - The affordable survey was distributed through key housing partners of the HAC to expand participation among lower income households. Some of these responses were submitted online, but many were filled out as paper copied and inputted into the online survey system by HAC volunteers. 10 participants who provided contact info were randomly selected to receive a participation bonus.
- The employee survey was open for approximately two weeks in August 2015 for responses. The affordable survey began at the end of July and responses were entered by mid-September.
- The employee survey received 1,111 “mostly complete” responses, and the affordable survey received 260 “mostly complete” responses. The exact survey sample for each question is provided in the appendix. We qualify these as mostly complete, as many respondents had certain questions which they chose not to answer, but completed the survey to a sufficient level that their responses were helpful in the consumer research effort.
- The responses to each question are summarized in the Consumer Research Flip Book (sections V and VI of the appendix). The key findings pertaining to existing and ideal housing, commuting costs, and desirability of living in Charlottesville are summarized in the Key Findings section.

Consumer Research: Comparison of Current and Ideal Housing Costs

- Looking at all surveyed households, including both renters and owners, there appears to be a fairly normal distribution of housing costs paid by cost category (rent, utilities, maintenance, etc.).
- When compared to how much households would ideally like to pay for their housing, over 50% of households reported that they would like to pay between \$1,050 and \$1,650 per month (compared to 30% who currently pay that amount). 74% reported that they would prefer to pay between \$650 and \$1,650 (compared to 54% who currently pay that amount).
- Interestingly, households under 30% AMI responded with ideal housing costs that were actually greater, on average, than their current housing costs. This could be attributable to this group's desire for upward mobility and to eventually purchase or rent a larger home and raise a family.
- For households that reported earning over 120% AMI, nearly 70% of households reported spending over \$1,500 on housing costs, yet despite this group's ability to pay this amount, two-thirds reported that they would ideally like to pay under \$1,500 in housing costs each month.

Comparison of Statistical, Surveyed, and Ideal Housing Cost Demand City of Charlottesville, VA; 2015



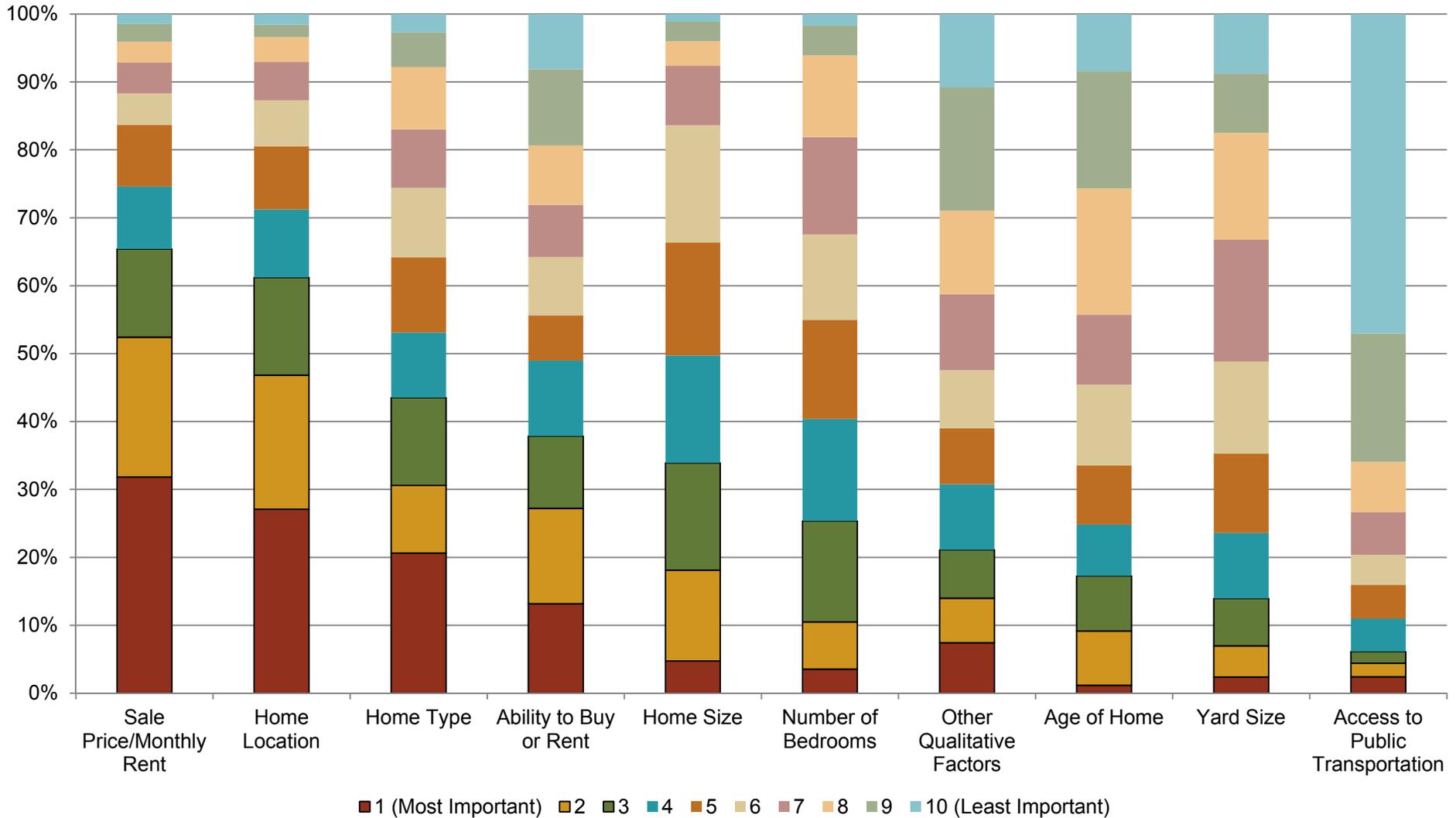
Source: Charlottesville Consumer Research; RCLCO



Consumer Research: Decision Factors for Next House

*Most Influential
(Selected Most Often in Top 3)*

*Least Influential
(Selected Least Often in Top 3)*



Source: Charlottesville Consumer Research; RCLCO

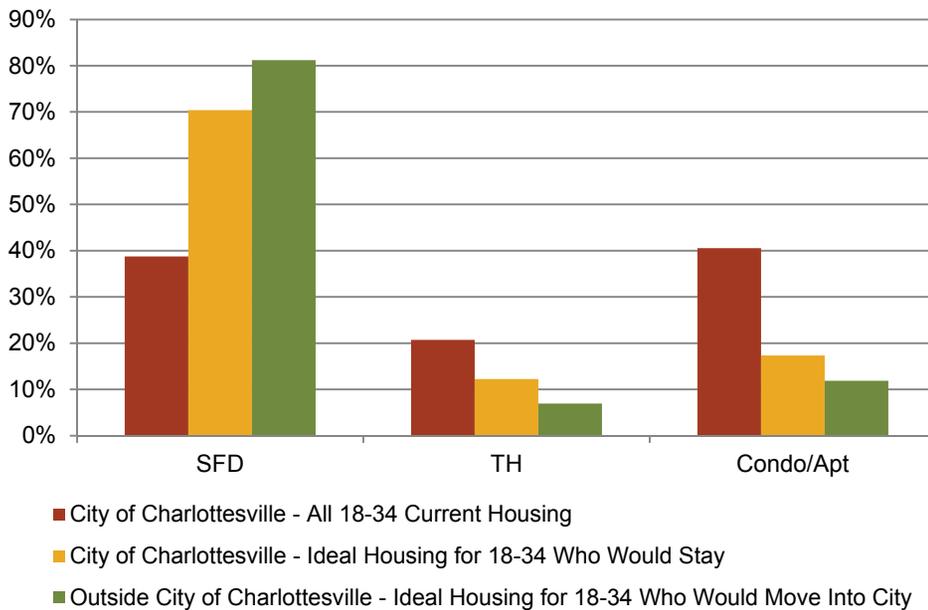


Age 18-34 Ideal Housing

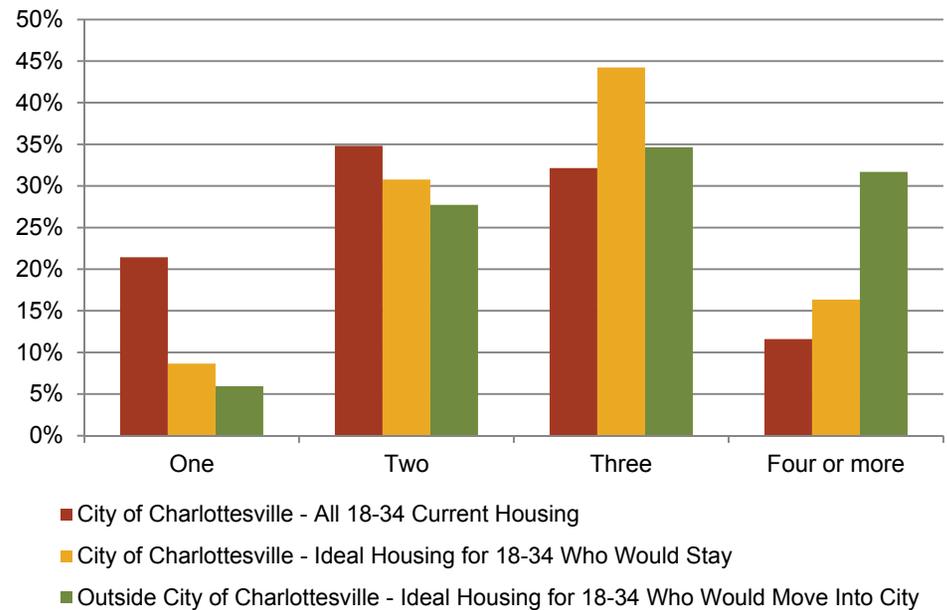
- Respondents aged 18-34 largely rented their current homes, and indicated that their ideal housing situation would include a home that they own and would be a two- or three-bedroom SFD. RCLCO's national research indicates that households in this age group will continue to rent until they find their ideal housing in their ideal location, and these renters may not purchase their first homes for several years.
- Multifamily housing, both rental and for-sale, is critical to attracting this demographic, as national research continues to show home buying occurring later than in previous generations.

	Today	For Those Who Would Stay	For Those Who Would Move In
Own	29%	62%	66%
Rent	66%	38%	31%

Housing Type:



Number of Bedrooms:



Source: Charlottesville Consumer Research; RCLCO

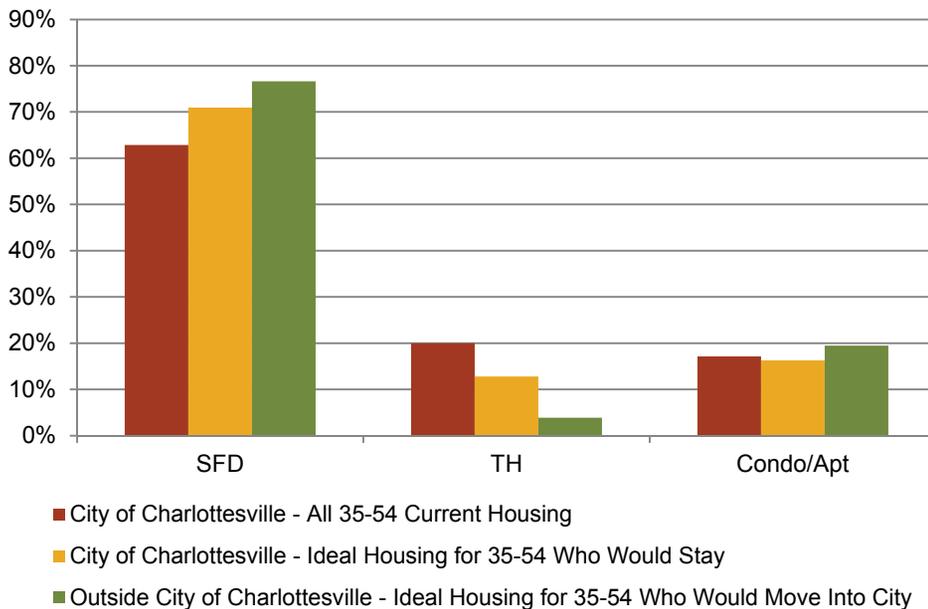


Age 35-54 Ideal Housing

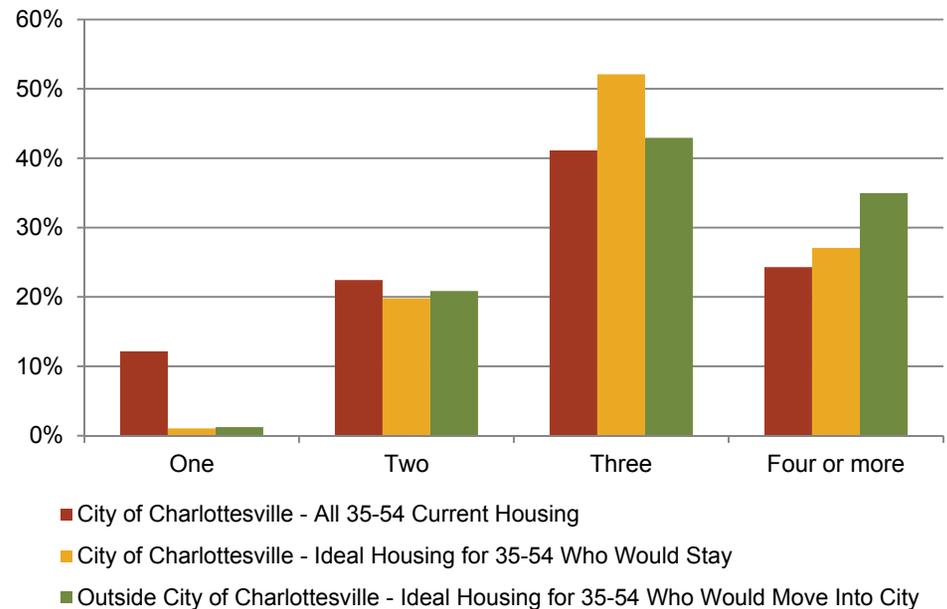
- Respondents aged 35-54 mostly owned their current homes, but a large portion rented. Most respondents indicated a strong desire to own a three bedroom or larger SFD. Respondents currently not living in Charlottesville maintained a slight preference over current residents to live in a condominium or apartment.
- Many households are currently choosing townhomes over SFD, likely based on price point and availability, though as these households “move up” in housing, they will increasingly demand SFD. Townhomes can satisfy lower-priced demand as a substitute for those who are priced out of SFD.

	Today	For Those Who Would Stay	For Those Who Would Move In
Own	53%	83%	82%
Rent	38%	15%	15%

Housing Type:



Number of Bedrooms:



Source: Charlottesville Consumer Research; RCLCO

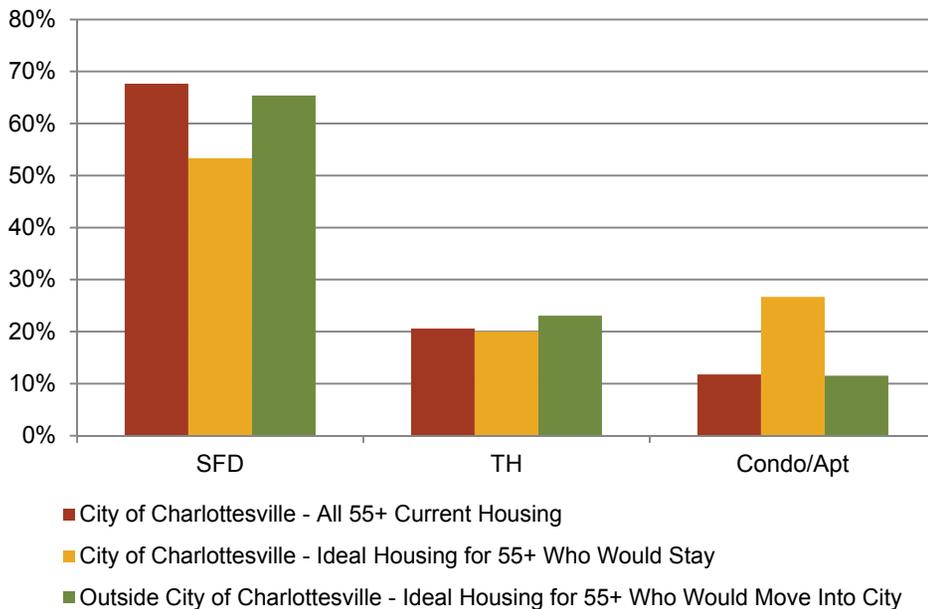


Age 55+ Ideal Housing

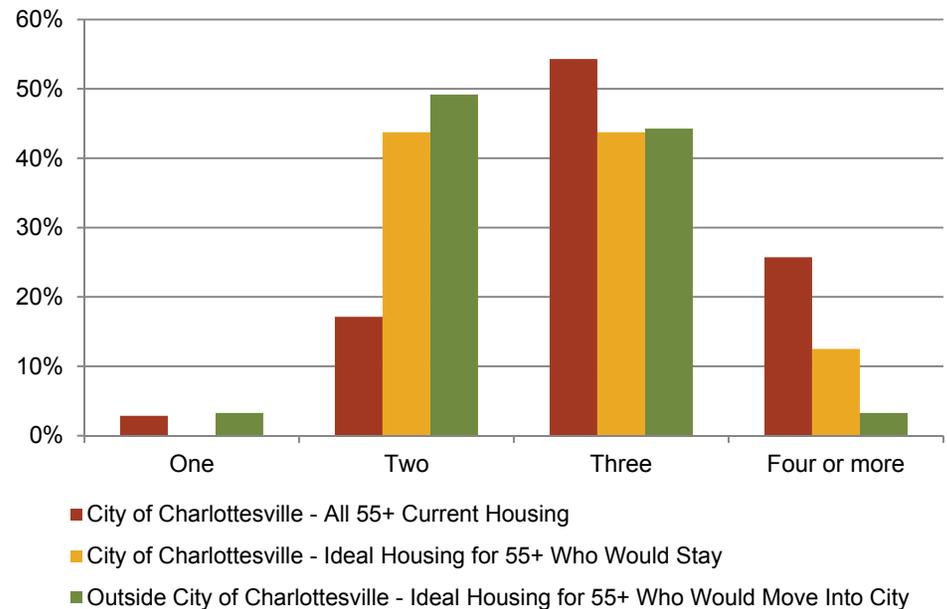
- Respondents aged 55 and over largely owned their current homes, and expressed a desire to remain homeowners. Most respondents indicated a strong desire to own two- or three-bedroom homes, which is a step down from their current profile of owning three bedroom homes or larger. Respondents currently living in Charlottesville were significantly more likely to express their desire to live in a condominium or apartment for their next home.
- Other 55+ open-ended responses provided additional evidence that these households are thinking about their next home as a “move down” that can accommodate them as they age. Suggestions included single level layouts, condominiums, maintenance-free living, and senior living.

	Today	For Those Who Would Stay	For Those Who Would Move In
Own	74%	78%	72%
Rent	26%	16%	23%

Housing Type:



Number of Bedrooms:



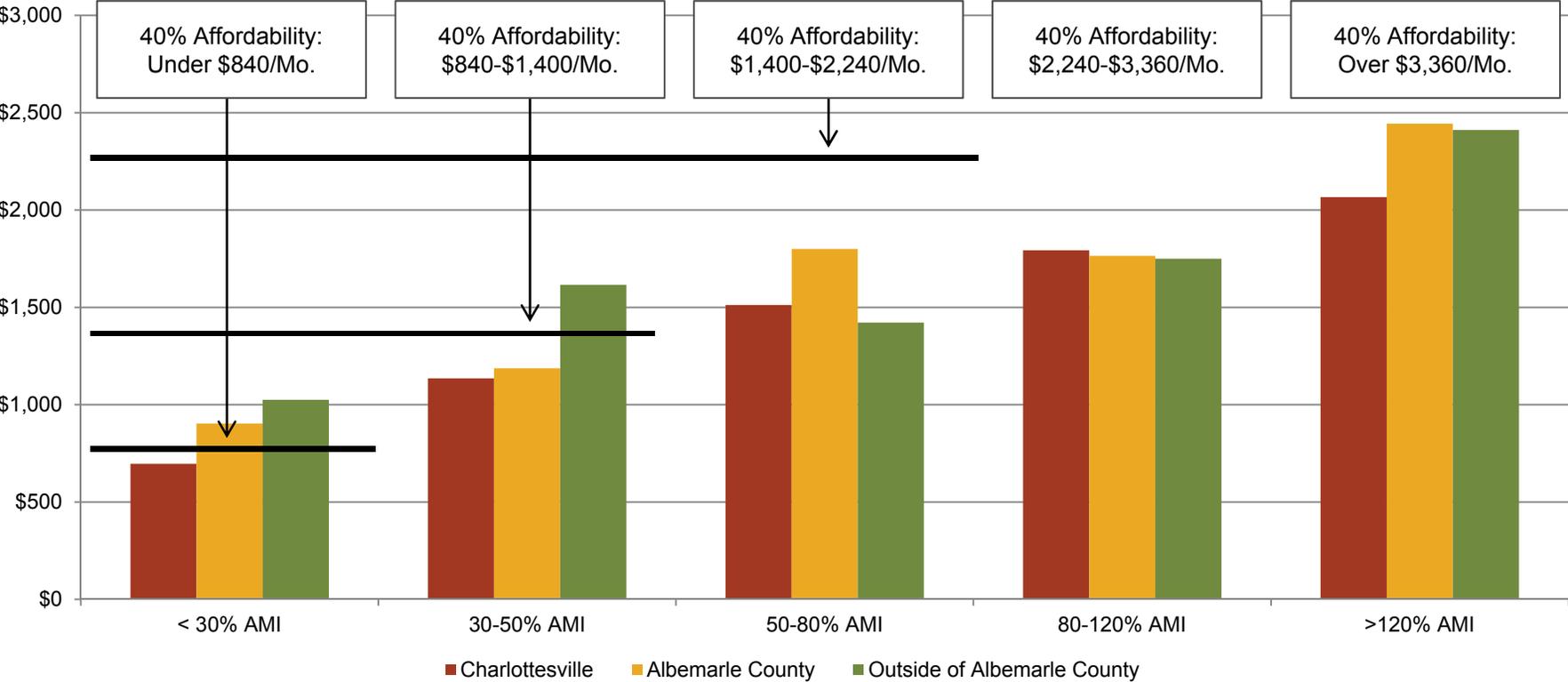
Source: Charlottesville Consumer Research; RCLCO



Over 50% AMI, Most Households Pay Less Than They Can Afford for H+T

- Industry research has evolved to recognize that transportation has a significant cost burden on households based on where they live, regardless of how affordable their housing is. The Location Affordability Index (a joint venture by the U.S. Department of Housing and Urban Development and the U.S. Department of Transportation) has established 40% as the maximum share of income that households should spend on housing and transportation combined.
- Housing costs, when combined with transportation costs are generally higher the farther one travels from Charlottesville. This is especially true for households earning under 50% AMI. Surveyed households earning under 30% AMI are, on average, cost burdened when they begin to move outside of Charlottesville’s city limits. Households earning between 30% and 50% AMI are cost burdened only when they move beyond Albemarle County’s corporate limits.

**Comparison of Surveyed Housing and Transportation Costs by AMI Band
City of Charlottesville, VA; 2015**



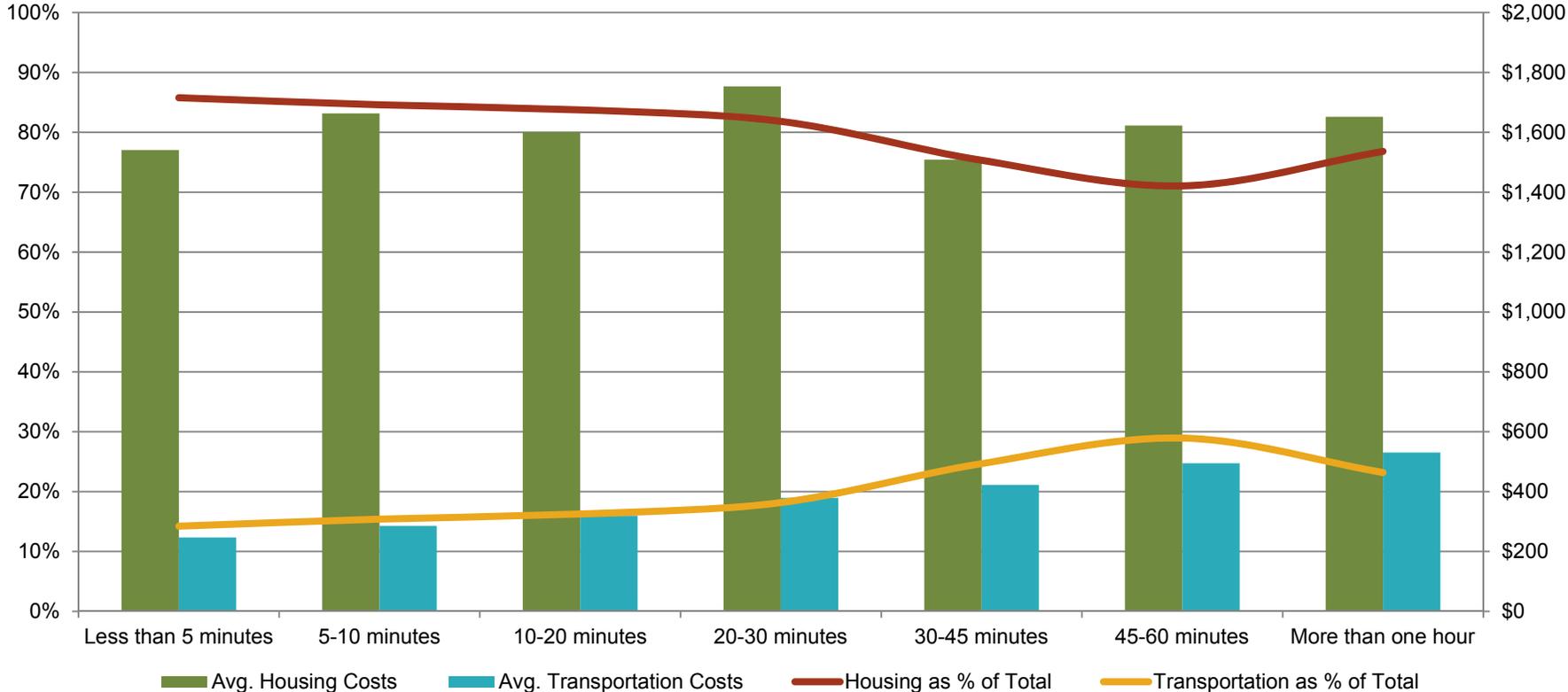
Source: Charlottesville Consumer Research; RCLCO



Commuting from Beyond Albemarle Adds to Transportation Cost Burden

- Transportation, as a percentage of total housing and transportation costs, remain fairly stable until households begin to move farther out than 30 minutes from the City of Charlottesville. Between 30 and 60 minutes away from the City, transportation costs consume a much larger portion of total costs, indicating that the cost of inexpensive housing is offset significantly by the cost of commuting and owning a car.
- This demonstrates that, while housing costs may be less expensive outside of Charlottesville, the cost of commuting has a major impact on total living costs after one moves more than 30 minutes away from the City.

**Change in Percent Share of Housing and Transportation Costs by Typical Commute Times
City of Charlottesville, VA; 2015**



Source: Charlottesville Consumer Research; RCLCO



Policy Recommendations



Summary of Potential Policy Options

Current City Policy	Additional Policy Options Allowed but Not Pursued by City	Short-Term Recommendations	Long-Term Recommendations
<ul style="list-style-type: none"> • Density bonuses for developers who designate a certain percentage of dwelling units as affordable • Outlined a reinvestment plan and strategy for a distressed area of the City southeast of Downtown • Allows higher building densities in mixed-use and R3 districts • City of Charlottesville 2025 Goals for Affordable Housing document <ul style="list-style-type: none"> ◦ Housing Policy #1 guides funding for affordable housing-related programs • Real estate tax abatement for eligible homeowners • Charlottesville Affordable Dwelling Unit Ordinance 	<ul style="list-style-type: none"> • Designate housing restricted to workforce households by defining it as “affordable” • Increase suggested cash in lieu of payment when this option is chosen in lieu of providing affordable dwelling units for projects that trigger Affordable Dwelling Unit Ordinance • Raising minimum residential building densities in mixed-use districts • Increased use of public funds to improve streetscape and infrastructure in distressed or reinvestment areas • Implementing a minimum FAR for commercial developments • Expand eligibility for the existing real estate tax abatement program • Transfer of Development Rights program between City and Albemarle County, with the County offering Charlottesville land within its jurisdiction, allowing the City to increase affordable housing inventory near its corporate limits 	<ul style="list-style-type: none"> • Aggressively pursue goals and strategies in Strategic Investment Area plan • Define workforce housing as a separate “affordable income” group so that housing may be legally reserved for moderate income households • Increase minimum required building densities in mixed-use corridors • Redevelop public housing into mixed-use/mixed-income housing and use housing fund to temporarily house residents in private housing • Increase code, health, and safety enforcement for privately-managed units that are affordable to low-income households • Increase annual commitment to Charlottesville Affordable Housing Fund (CAHF) • Empower CRHA to act more like a redevelopment authority 	<ul style="list-style-type: none"> • Providing financial incentives to developers providing low-income housing to offset the cost of structured parking necessary to provide increased density and affordable dwelling units • Implement an inclusionary zoning policy that requires developers to provide a certain percentage of units to households with incomes in City-defined income bands (may require legislation) • Work with Albemarle County to increase the supply of quality affordable and workforce housing units • Develop a Right of First policy to restrict the sale or transfer of privately-owned affordable and workforce housing units (may require legislation) • Consider consolidating various mixed-use zones into a singular mixed-use zoning category • Provide free Broadband Internet access to lower-income households • Consider a more formalized “Tenant Advocate” office given the City’s large renter population • Expand marketing and outreach for housing subsidy programs and seek ways to streamline the application process • Look at tax credits or other “after purchase” subsidies to help workforce households purchase housing and to help maintain long-term affordability



Summary of Potential Policy Options

Incentives and Investments	Policy Changes
<ul style="list-style-type: none"> Expand eligibility for the existing real estate tax abatement program Providing financial incentives to developers providing low-income housing to offset the cost of structured parking necessary to provide increased density and affordable dwelling units Increased use of public funds to improve streetscape and infrastructure in distressed or reinvestment areas Aggressively pursue goals and strategies in Strategic Investment Area plan Redevelop public housing into mixed-use/mixed-income housing and use housing fund to temporarily house residents in private housing Increase annual commitment to Charlottesville Affordable Housing Fund (CAHF) Provide free Broadband Internet access to lower-income households Look at tax credits or other “after purchase” subsidies to help workforce households purchase housing and to help maintain long-term affordability 	<ul style="list-style-type: none"> Designate housing restricted to workforce households by defining it as “affordable” Increase suggested cash in lieu of payment amounts when this option is chosen in lieu of providing affordable dwelling units for projects that trigger Affordable Dwelling Unit Ordinance Raising minimum residential building densities in mixed-use districts Implementing a minimum FAR for commercial developments Transfer of Development Rights program between City and Albemarle County, with the County offering Charlottesville land within its jurisdiction, allowing the City to increase affordable housing inventory near its corporate limits Define workforce housing as a separate “affordable income” group so that housing may be legally reserved for moderate income households Increase minimum required building densities in mixed-use corridors Increase code, health, and safety enforcement for privately-managed units that are affordable to low-income households Empower CRHA to act more like a redevelopment authority Implement an inclusionary zoning policy that requires developers to provide a certain percentage of units to households with incomes in City-defined income bands (may require legislation) Work with Albemarle County to increase the supply of quality affordable and workforce housing units Develop a Right of First policy to restrict the sale or transfer of privately-owned affordable and workforce housing units (may require legislation) Consider consolidating various mixed-use zones into a singular mixed-use zoning category Consider a more formalized “Tenant Advocate” office given the City’s large renter population Expand marketing and outreach for housing subsidy programs and seek ways to streamline the application process



Summary of Potential Policy Options

- The City of Charlottesville has available a variety of tools that it could utilize in order to increase development opportunities for affordable and workforce housing.
 - Density bonuses
 - Financial incentives
 - Implementing Strategic Investment Area Strategies
- These policy recommendations will be divided into two sections:
 - Short-term and easily implemented strategies
 - More impactful strategies that will take longer amounts of time, strong political will, and lobbying of the General Assembly

Existing Policy Overview

- Adopted in 1990, an amendment to the Code of Virginia would allow the City of Charlottesville to create and implement a density bonus program, where building densities can be increased by as much as 20% for single-family dwellings or 10% for multifamily dwellings when at least 12.25% (multifamily) or 12.5% (single-family) of units are designated as affordable. Projects must be of at least 50 total dwelling units to qualify for such a bonus.
 - A density bonus of up to 30% may be offered to developers that provide for affordable housing units that comprise up to at least 17% of total approved units.
- Albemarle County is not subject to this ordinance because it, along with three other municipalities, are allowed more latitude in drafting an affordable dwelling unit program, as established in a separate law in the Code of Virginia. The fact that Albemarle County is given this greater flexibility makes it even more vital that the City works with this county to develop a regional model that addresses high housing cost burdens among affordable and workforce households.

- The same ordinance within the Code of Virginia also allows for municipalities to create their own definition of “affordable” housing; create citywide sales prices for affordable dwelling units that are for sale; create an affordable dwelling unit advisory board; and offer other financial incentives that help the City achieve its affordable housing goals.
- In 2013, a study was completed for the City of Charlottesville that recommended a plan for a Strategic Investment Area (SIA)—a site that is approximately 330 acres in size located south and east of the Downtown Mall, and which includes the Avon/Monticello, Ridge, and East High Street corridors.
 - The plan identified this area as having the most promise for reinvestment as a result of its proximity to Downtown and the large amount of vacant and underutilized land in the SIA.
- A large focus of the plan was to rebuild and preserve public and subsidized housing in the SIA. The incorporation of mixed-income housing, along with increased density, was one strategy mentioned in the plan that could promote this goal, while fostering a vibrant district that did not displace low-income residents.
- Through a combination of design and zoning recommendations, the plan suggests that a variety of housing types be allowed within the SIA, so as to not restrict housing choice in the district, as well as an increased number of uses and densities at which buildings can be developed.
- The City of Charlottesville currently has an Affordable Dwelling Units ordinance that allows developers (requesting a rezoning or special use application) constructing residential units to choose between constructing affordable housing units or providing a payment of cash in lieu to the City in lieu of building these additional units.



Summary of Potential Policy Options

Short-Term Policy Recommendations

- Increase the cost of the payment of cash in lieu option under the existing ADU ordinance to better represent the value of an ADU to the City. Current results of the payment option suggest that developers view providing payments as more financially appealing than constructing affordable housing units. Raising the payment to a higher level would incentivize the construction of affordable units.
- Consider expanding the existing real estate tax abatement program that relieves certain homebuyers of paying real estate taxes on their homes, given they meet certain income and/or age restrictions. One potential change is to increase the income limit to 80% AMI to match that used for affordable housing.
- According to the SIA plan, much of the publicly subsidized housing in the SIA is constructed at a much lower density than what is allowed by-right, and suggests that mixing land uses and building vertically can address these density “deficits.”
 - The plan identifies over 20 acres of land in the SIA that is vacant or characterized by surface parking. If all of this land were zoned R3, this suggests that approximately 460 residential dwelling units could be constructed on these parcels.
- In general, the City should aggressively pursue the goals and strategies outlined in the SIA plan. Redevelopment of land within the boundaries of the SIA should be a priority for mixed-income housing construction. Further, the City should identify other publicly-owned and underutilized parcels for mixed-income housing development.
 - Some examples of strategies outlined in the SIA plan that the City should begin to pursue include funding a redevelopment plan for the Levy Site and develop housing type hybrids for residents in the SIA.
- The SIA could be reinvigorated with mixed-income and mixed-use development, but an increased population is vital to the success of potential non-residential uses in the district.
- While the plan recommends developing additional residential units at densities of up to 240 dwelling units per acre at prices affordable to all income bands, it will be necessary for the City to ensure that these housing options are restricted to the corresponding affordable income bands.¹
- The City of Charlottesville should look for a development partner with which to build housing on vacant land in the SIA. The City can utilize its money from the housing fund to pay to temporarily house public or subsidized housing residents in private housing, while public housing developments are renovated or rebuilt into mixed-income dwellings.
- Many of the concepts discussed in the study are similar to the goals highlighted in the Choice Neighborhoods Initiative (CNI), a program offered by the U.S. Department of Housing and Urban Development (HUD) that seeks to revitalize distressed neighborhoods by developing mixed-use/mixed-income housing, and create an environment conducive to stabilized neighborhoods.
 - Although the City of Charlottesville does not qualify for CNI funding, there are other potential avenues that the City can pursue that will help to accomplish the goals of the SIA plan that will work to increase the number of affordable, workforce, and market-rate units.
- The City can focus mixed-use and mixed-income housing development on areas that it has already identified as redevelopment priorities, including the West Main Street and Cherry Avenue Corridors, and the SIA. This would serve two goals, as it would expand the City’s affordable and workforce housing inventory, and could revitalize and add density to lower activity commercial and residential districts.

¹ See for Fairfax County example: http://www.fairfaxcounty.gov/rha/adu/adu_january_2013.pdf

Summary of Potential Policy Options

- Another strategy is to “build up” within the City by increasing maximum allowable building densities. This can be accomplished by allowing denser development by right and through fostering an environment where mixed-use infill development creates additional moderately priced housing.
 - RCLCO recommends that affordable and workforce housing be developed on infill sites that currently host underutilized or temporary uses. Land uses that fall under these categories include public golf courses, surface parking lots in the more urbanized commercial districts, older retail centers, declining industrial facilities, and old/abandoned public schools and other public facilities. While RCLCO can identify specific sites that might meet the above criteria, this would be better accomplished at the City level with participants who understand particular site constraints.
 - Existing development does not maximize FAR or building densities under current zoning, so while land within the City is built out, the population density is far below the maximum achievable under current zoning.
- In the near-term, the City should look to increase code, health, and safety enforcement for units in managed properties that are affordable without government subsidies by encouraging or incentivizing upgrades that will bring housing up to code. The City can use part of its housing fund to improve street lighting, redesign public spaces in lower-income neighborhoods, and widen sidewalks, among other streetscape improvements. The goal of the City should be to ensure that residents feel safe in the housing and neighborhoods that they occupy.
- As RCLCO has identified, the City’s young professional workforce, as well as households aged 55 and over, have the strongest desire to live in the City. Charlottesville should direct and incentivize new developments that are able to handle the potential influx from these demographics at housing prices that are affordable to them.
- Empower the Charlottesville Redevelopment and Housing Authority (CRHA) to act as more of a redevelopment agency by allowing it to exercise greater authority and have the power to purchase privately-held land and hold in a “land bank” for mixed-income housing construction.
- Review the City’s current expedited review process for projects that include affordable housing. Current policy may not be working as intended, and may require a better process.

Longer-Term Strategies

- The City can incentivize denser housing and mixed-use developments by assisting with, or constructing structured parking in developments that offer a minimum of 20% of units as affordable and workforce housing, which may help to make the development more profitable or feasible. This would be consistent with Virginia Code 15.2-958.
 - Alternatively, the City could provide straight cash incentives for developers looking to redevelop vacant and underutilized parcels at densities that are conducive to achieving the mixed-use, affordability, and walkability goals of the SIA plan.
 - The City is currently conducting a parking study to identify strategies to encourage higher density development.
- One strategy is to improve upon an inclusionary zoning policy that was drafted in Albemarle County in the early-2000s. This policy offers density bonuses to builders that institute price controlled units that reserve a portion of units for low-income households.
 - In the first year after its passage, the ordinance resulted in no new developments offering affordable housing units. This indicates that, although the County would allow them to build additional units at greater densities, developers do not wish to build at higher densities, as many developments proposed do not “max out” the density allowed by-right.

Summary of Potential Policy Options

- The City of Charlottesville should lobby the General Assembly to allow, by-right, a requirement that builders dedicate a portion of their units to households with strictly defined income limits.
 - Charlottesville’s current Affordable Housing Ordinance has had only a limited impact on the number of income-restricted units available for rent or purchase in the City. Currently, developers favor the cash payment in lieu option as opposed to choosing to develop additional units for low-income households at a loss.
 - While this may require lobbying the General Assembly for approval, the City should make the affordable dwelling units provision mandatory for all new multifamily developments seeking approval. Alternatively, the City could increase the cash payment in lieu option, which could make it less financially appealing to developers.
- Due to the supply-constrained nature of the Charlottesville housing market, households earning between 80-120% AMI should also be allowed to purchase affordable housing units, but the units that this income group is permitted to purchase should be separately defined from the units intended for households earning under 80% AMI.
- While suburban growth is occurring today in surrounding counties, we recommend that household growth, both lower-income and market rate, be focused closer to jobs in Albemarle County as opposed to areas farther from Charlottesville. In order to relieve the pressure on moderately priced housing in Charlottesville, we recommend increasing the supply in Albemarle County, by working with the County to expand the amount of developable land in its growth areas, which may help to alleviate the cost burden felt by lower-income households.
- To ensure that affordable and workforce housing is part of the additional housing supply created by infill and redevelopment opportunities, we recommend that Charlottesville implement a Right of First Refusal on multifamily rental properties. This restriction would allow the City, or a designated organization to purchase a multifamily building put up for sale by the owner in order to minimize the potential for conversion to higher rent units.
 - While no exact policy exists elsewhere in Virginia, the City of Charlottesville could work with the General Assembly to permit this legal protection of low-income housing, based on a new interpretation of a Virginia Beach policy today.
 - The City of Virginia Beach has a limited Right of First Refusal policy for workforce housing units, but this covenant is only applicable to new units developed in the City where developers enter into an agreement with the City to help subsidize the cost of providing workforce for-sale housing units. The City has the first opportunity to repurchase the unit from the seller, at fair market value, and can assign the unit to another workforce household. In other words, this policy is applied to specific units put up for sale, rather than entire multifamily projects.
 - There may not be clear precedent in Virginia, but this policy is worth exploring to reinterpret the statute that gives the City the Right of First Refusal on housing that is organically affordable to low-income households. Charlottesville should tailor such a policy so that it best addresses the City’s situation, and review with the Commonwealth’s attorney to ensure that implementing this policy will not require General Assembly approval.
 - Alternatively, the City could consider including deed restrictions as a separate way of limiting the sale of low-income occupied housing when assigning a taxable value to privately-owned affordable housing units.
- Charlottesville should also work to expand the use of LIHTC financing. Currently, the City has 730 units developed with this financing tool across 11 properties.

Summary of Potential Policy Options

- Currently, the City has no single mixed-use zoning policy or mixed-use plus multifamily land use policy. A zone or land use category that allows developers to build at higher densities, and earn an attractive return on investment by incorporating a mix of uses, may help to alleviate the housing pressure felt by many Charlottesville households, if the City chooses to pursue such a policy.
 - Although such a zoning ordinance could have a direct positive effect on low-income housing supply in the City by permitting a mix of housing types that are able to be developed in the zone, while improving access and proximity to other neighborhood amenities, this policy may or may not be more effective than current mixed-use zones.
 - A mixed-use zoning category, pending General Assembly approval, could also outline requirements for affordable units, including number of units, age restrictions, and income eligibility.
- A unique strategy that Charlottesville could pursue is to subsidize or provide, free of charge, Broadband Internet access to affordable and workforce households. Internet costs were among survey respondents' highest "Other" housing costs, and providing this amenity to this income group would alleviate a significant cost, which would make a greater amount of capital available for direct housing costs. This provision has the opportunity to greatly improve the quality of life of the City's lower-income groups, and it could also improve these households' access to job opportunities.
- The City should identify ways to expand outreach and marketing to the City's lower-income and elderly residents who may not be aware of available subsidy programs, such as the real estate tax abatement, and seek ways to streamline the applications for these programs where possible. Effective outreach and marketing, either directly to households and community groups or to the realtor and mortgage community, would make these programs more accessible to those who qualify. Additionally, the City could work to streamline applications for multiple housing subsidy programs across departments to help determine if a household might qualify for additional programs based on the information already provided. With cooperation across City departments, this streamlined process could be expanded to include other programs or subsidies targeted toward low-income, elderly, or disabled residents, even if each program would still require some of its own application components.
- Explore "shared equity" financing to assist lower-income households who wish to purchase a home would borrow money from a community lender in order to fund a down payment on a house.
 - Shared equity is like a down payment loan to help the buyer obtain a traditional mortgage with lower interest rates that are typically available only to buyers who can afford a 20% down payment. It should be noted that a drawback of this policy is that if property values rise, the size of the loan will also increase, meaning buyers will have large amounts of debt (mortgage and shared equity loan).
 - This form of financing has already been done on a case-by-case basis in cooperation with the Thomas Jefferson Community Land Trust.
- Based on the reasons outlined above, both the public and non-profit sectors will be key players in implementing the strategies mentioned in this section. These recommendations are the public sector's best options for implementing this plan.

Summary of Potential Policy Options – National Examples

There are national examples of cities and regions throughout the United States that have successfully addressed, or are in the process of addressing, affordable housing issues within their communities. It should be noted that these policies and programs are not necessarily supported by Virginia code and may require legislation:

- The City of Austin, Texas has experienced rapid household and economic growth over the last couple of decades. In 2000, the City passed affordable housing legislation that has resulted in the delivery of over 18,400 units of affordable housing as of 2014.
 - Like Charlottesville, rents and housing prices were increasing faster than many working households could manage, and many households were beginning to be “priced out.” Austin provides for numerous developer incentives to provide this lower-income housing.
 - One initiative, SMART Housing, waives development fees and expedites the review process for developments that reserve at least 10% of housing units for affordable households. These developments must also meet the requirements of the City’s green building program.
 - Another program, Vertical Mixed Use, gives developers a density bonus and exemptions from parking requirements, as long as at least 10% of units in mixed-use developments are designated as affordable. In addition to their initial designation as affordable, these units must remain affordable to this income group for at least 40 years (for rentals) or 99 years (for ownership).
- Affordable housing policies in Montgomery County, Maryland have also resulted in the provision of thousands of affordable dwelling units throughout the County.
 - In addition to offering a Moderately Priced Dwelling Unit (MPDU) program for rental units, Montgomery County also has an MPDU Homeownership Program for first time homebuyers earning no greater than 80% of AMI. This program not only encourages homeownership among lower-income households, but also supports the County’s goal of higher residential densities in the areas along the Metro line.
 - Homes have 10, 15, or 30 year restrictive covenants on them, depending on the age of the home, which restrict the sale of the home by the owner. In the event the owner must sell the home, the owner must sell at the County-established controlled resale price.
 - After the control period ends, owners may sell the property, or do whatever they would like, but must pay 50% of the net profit to the County.
 - The benefits of this program include the opportunity for lower-income households to purchase a home in the County at a significantly lower price, and the opportunity to pay lower property taxes based on the MPDU value of the property.
 - The Montgomery County MPDU Homeownership Program is an excellent model for affordable housing policy at the local level. Given the high proportion of renter households (from all income bands) in the Employee Housing Survey who would like to become homeowners, the City of Charlottesville could offer a program similar to that of Montgomery County, with income limits defined separately for affordable and workforce housing.

Summary of Potential Policy Options – Additional Comments from Housing Advisory Committee

- Consider the purchase of fee simple air rights of properties in lower density areas or developments in the City that will not be built higher, and transferring the maximum building height to higher density developments that can be constructed taller.
- Increase adding housing inventory targeted to and increasing access for households earning under 50% AMI and over 120% AMI.
- Consider increasing the scope and authority of the City's Housing Specialist, by being a more active participant in affordable housing decisions. This could include: empowering the Housing Specialist to put together a coalition among public, private, and non-governmental organization entities; requiring applicants interested in developing housing in the City to meet with the Housing Specialist to discuss incorporating affordable housing units; and potentially expanding the capacity within the Housing Specialist office.
- Encourage employer-assisted workforce housing development within the City.
- Consider creating a land bank with the goal of increasing the amount of developable land for affordable housing. Currently there are no land banks within the Commonwealth of Virginia, and enabling legislation would be required in order to establish an institution, such as a Land Bank Authority.
 - A Land Bank Authority could have the capacity to acquire land and transfer those properties to non-profit organizations for development or rehabilitation into affordable and workforce dwelling units.

Critical Assumptions and Limiting Conditions

Critical Assumptions

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will grow at a stable and moderate rate to 2020 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when an economic and real estate upturn will end.

With the above in mind, we assume that the long term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- Economic, employment, and household growth.
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels.
- The cost of development and construction.
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth).
- Availability and cost of capital and mortgage financing for real estate developers, owners and buyers.
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand.
- Major public works projects occur and are completed as planned.

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not

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