CITY OF HARRISONBURG
OFFICE OF THE CITY MANAGER

HARRISONBURG CITY HALL
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To: Ande Banks, Interim City Manager
From: Liz Webb, Housing Coordinator
Date: September 2, 2022
Re: Housing Initiatives

Summary:

Four potentially impactful housing activities require consideration and review to determine policy direction: the use of city-owned property; ARPA funds for affordable housing; residential tax abatement; and fee waivers.

Background:

Over twenty actions were recommended in the Comprehensive Housing Assessment and Market Study in 2021. Among them, City Council identified three priorities (fee waivers, tax abatment, and identifying city-owned assets). Housing was also identified as a key issue in the surveys and community conversations associated with ARPA.

Based on the existing resources and policy landscape, four policy options have been identified as having potential for implementation in the relative short term, with varying degrees of difficulty and resources needed to implement, and direction necessary from City Council.

Pursuit of any of these policy initiatives will contribute to a "housing ecosystem" that demonstrates to developers that the City of Harrisonburg is coming to the table with the tools and the mindset of supporting affordable housing growth. City-owned assets and ARPA funds rely on utilizing existing resources towards the development of affordable housing while setting up mechanisms and processes for future opportunities; tax abatement and fee waivers would be new policy tools to give developers greater capacity to incorporate affordability into projects. The specifics of any policy, program, or ordinance, will serve as a mechanism to outline the housing objectives and goals that the City wishes to pursue, as they may describe specific areas, target populations, and affordability goals, and more.

In order of the anticipated impact on meeting not only housing goals, but setting up opportunities to continue to advance affordable housing via policy, these four policy priorities are as follows:

Key Issues:

City-Owned Property

The City of Harrisonburg applied for and received a $50,000 grant from Virginia Housing to study two sites (Central Avenue and Neff Avenue) for the potential to develop affordable housing, to determine the site suitability and costs, and the financial feasibility for different potential ways of financing the projects. The greater the costs of grading and infrastructure, the more density may be necessary to make development possible.

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The final report will include recommendations for development that will have the most impact on meeting the City's affordable housing goals. This report may guide the city on rezoning, and clarify the type of financing tools that may be necessary for a certain level of affordability.

While the study will be grounded in data specific to the sites, and research-based best practices, the report will not address any target populations (e.g., senior housing, permanent supportive housing), affordability constraints (e.g., extremely low-income, workforce income), unit types (e.g., townhomes vs apartments), or sale/rental models that the city asks them to consider.

As the city proceeds with this process of evaluating the site, and the subsequent public process for community engagement, rezoning, and eventual RFP for development, we are developing a method for this type of workflow, which we will then be able to use to identify additional sites and goals for housing development as may be desired.

ARPA Funds for Affordable Housing Development

Utilization of ARPA to create a competitive application for housing funds is a practice that staff have seen successfully implemented elsewhere, and there are many examples of notices of funding availability and applications from which the city can borrow. The types of lending or granting available can maximize the use of this limited funding resource. ARPA rules already require affordability that meets the terms of other housing programs, and as such, it is likely that this funding would be maximized as gap financing as match to other state and federal dollars.

Issuing a request for proposals or a NOFA would also send a strong message to solicit all creative development ideas that our local developers, nonprofits, and entities across the state and region may have to offer; and a well crafted application can incorporate a number of components that council may wish to see in its implemented final projects.

Residential Tax Abatement

Virginia Code §58.1-3220 allows the City, by ordinance, to provide a partial real estate tax exemption on which a structure no less than 15 years of age has undergone substantial rehabilitation*, renovation or replacement* (RRR) for residential use. The partial exemption may be an amount equal to the increase in assessed value or a percentage of the increase resulting from the RRR up to 50 percent of the cost of the RRR.

Localities across Virginia have implemented rehab programs that vary depending on their goal. In Staunton, a main objective is to reward owners to renovate existing older properties; the program is city-wide, with a requirement for the renovation to generate a threshold of value increase, and without a requirement for affordability. Richmond's program sets specific requirements for affordability and details its use for both single family and multifamily. Jurisdictions may also be able to designate the terms of the tax abatement by location, and determine if a percentage of units must be kept affordable to qualify.

A property with an assessment that increases from 1 to 2 million would have its taxes increase by roughly $9,000. If the property has twenty units total, and 30 percent of them (6 units) are set aside for income-eligible households, the tax abatement would offset $125 per month rent for the 6 units.

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Fee Waivers

Virginia Code §15.2-958.4 allows the City, by ordinance, to waive building permit fees and other local fees associated with the construction, renovation, or rehabilitation of housing by a §501(c)(3) with a primary purpose of assisting with the provision of affordable housing, or by a private-sector entity that is pursuing an affordable housing development.

The most significant development fees by far are related to public utilities, typically comprising more than the combined costs of all other fees and permitting applications. These hard costs trickle down to the eventual rent or sales price amounts.

Water Meter (inches)	Water Fee	Sewer Fee
⅝ × ¾, ¾	2,500	4,500
1	6,000	9,000
1½	12,000	18,000
2	20,000	30,000

These fees cover the cost of doing business in terms of not only the actual costs of the labor and materials to construct a water line from the water main and install a meter; they also serve as a means to pay up front for the added use of the existing public utilities expenses such as water treatment and upkeep.

Charlottesville offers water and sewer connection fees that reduce the cost from $8,450 to $1,600 for affordable units.

If a policy is enacted, staff would measure its cost and impact in terms of the number of affordable units achieved, though it would be difficult to ascertain the extent to which this policy might be the critical tool in achieving any affordable housing that would not otherwise be created. This policy tool would likely have a greater impact by signaling the City's willingness to make such a tool available, than by its actual use.

Environmental Impact:

Fiscal Impact:

Prior Actions:

Alternatives:

Community Engagement:

Recommendation:

Attachments:

Review: