



## CITY OF HARRISONBURG OFFICE OF THE CITY MANAGER

HARRISONBURG CITY HALL  
409 SOUTH MAIN STREET, HARRISONBURG, VA 22801  
OFFICE (540) 432-7701 • FAX (540) 432-7778

To: Ande Banks, City Manager  
From: Liz Webb, Housing Coordinator  
Date: March 18, 2024  
Re: FY25 Fee Waiver Pilot Program for Affordable Housing Development

### **Summary:**

This memo explores fee waivers as a potential strategy to impact housing affordability and outlines recommendations for a fee waiver pilot program in FY25.

### **Background:**

#### *Purpose of Fee Waivers for Affordable Housing*

By offsetting some of the costs associated with development, fee waivers have the potential to reduce the total expenses that require project financing and subsequent debt service. This can help keep the eventual rent or sales price of housing paid by the consumer affordable. Fee waivers also count as local subsidy (match) for developers seeking certain financing through Virginia Housing. The Comprehensive Housing Assessment and Market Study ([Housing Study](#)) recommended enacting fee waivers for affordable housing development.

#### *Authority*

Virginia Code [§15.2-958.4](#) allows localities, by ordinance, to provide for the waiver of building permit fees and other local fees associated with the construction, renovation, or rehabilitation of housing by (1) nonprofits with a primary purpose of assisting with providing affordable housing, and by (2) private-sector entities pursuing affordable housing development, based on definitions and conditions established in the ordinance.

#### *Examples of Affordable Housing Fee Waivers*

Localities in Virginia and elsewhere have adopted fee waivers to support affordable housing.

- The City of Charlottesville offers [reduced water and sewer connection fees](#) for low-income housing. The program waives fees for rental and sale housing that serves 80% AMI with a five-year affordability commitment. For a single-family home, fees are reduced from \$8,805 to \$1,600. For all other developments, the fee is 25% of the standard rate.
- Loudoun County's [Permit Fee Waiver Program](#) applies to 100% of applicable development fees for projects that serve 60% AMI (rental) or 100% AMI (sale) with a thirty-year affordability commitment. Waivers are capped at \$100,000 per project.

#### *Local Fee Waivers*

Government, civic, charitable, and nonprofit organizations are exempt from permit fee requirements for signs under [Sec. 10-3-208\(3\)\(a\)](#).



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## City of Harrisonburg Development Fees

The City of Harrisonburg's development fees relate to land use and zoning; subdivisions; site planning; code and permitting; and public utilities.

### Land Use and Zoning

- Zoning Ordinance Amendment: \$450
- Rezoning: \$550 plus \$30 per acre
- Special Use Permit: \$425 plus \$30 per acre
- Zoning Variances and Appeals: \$300
- Traffic Impact Analysis: \$1,000 (if required)
- If Tabled by Developer: 50% of fee

### Subdivisions

- Subdivisions: \$20 per lot plus
  - \$200 (major subdivision with variance)
  - \$175 (major subdivision without variance)
  - \$150 (minor subdivision)
- Final Plat: \$20 per lot plus \$150

### Site Planning

- Site Plan: \$400 plus \$10 per unit
- Erosion Control Plan: \$300 up to one acre plus \$50 each additional acre or part
- Stormwater Management Plan: \$200 individual single family lot; \$290 under 1 acre; \$2,700 1-5 acres; \$3,400 5-10 acres; \$4,500 10-50 acres; \$6,100 50-100 acres
- Resubmittals: \$100 for minor revision; \$300+ for withheld

### Code and Permits

- Mechanical: \$54 per unit plus \$1.08 levy = \$55.08
- Electrical: \$54 per unit plus \$1.08 levy = \$55.08
- Plumbing: \$54 per unit plus plus \$1.08 levy = \$55.08
- Building: \$60 for first \$2,000 of assessed value plus  
\$6 each additional \$1,000 or fraction thereof, plus 2% levy
- Re-inspections: \$50

### Public Utilities

	Single Family Unit	Multifamily
• Water Connection:	\$2,500 or	by cost for meter size
• Sewer Connection:	\$3,000 or	by cost for lateral size
• Water Capital Fee:	\$2,000 or	\$500 plus \$1,500/unit
• Sewer Capital Fee:	\$2,000 or	\$500 plus \$1,500/unit



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### Development Fee Examples and Analysis

The Suter Street project created 21 new 3-bedroom and 4-bedroom for-sale duplex and triplex units on 2.03 acres on a new cul de sac. The Foley Road project added 11 new efficiency rental apartments to an existing developed 1.06-acre lot. Fee examples are close approximations.

Fee Category	Suter Street	Foley Road
Land Use & Zoning	\$1,733	\$485
Subdivision	\$1,650	\$0
Site Planning	\$4,810	\$810
Code & Permits: MEC	\$3,530	\$1,916
Code & Permits: Building	\$20,000	\$3,672
Public Utilities: Connection	\$115,500	\$2,289
Public Utilities: Capital Fee	\$84,000	\$15,000
<b>Total</b>	<b>\$231,223</b>	<b>\$24,172</b>
<b>Per Unit</b>	<b>\$11,011</b>	<b>\$3,453</b>

### Recommendations for Pilot Fee Waiver Program

Staff recommends a full waiver of [water and sewer capital recovery fees](#) (\$4,000 per unit) for nonprofit and private sector developers of homeownership units serving 100% AMI households with a five-year affordability commitment.

Household Size	1	2	3	4	5	6
100% AMI Income Limit	56,700	64,800	72,900	81,000	87,500	94,000

Sale price restrictions would be based on Virginia Housing homeownership program eligibility. A \$40,000 pilot program for FY25 would assist ten units.

### Purpose of Affordable Housing Fee Waiver FY25 Pilot Program

A fee waiver program would add a new mechanism to the “housing toolbox” towards an ecosystem supportive of affordable housing growth. A fee waiver program would help demonstrate the City of Harrisonburg’s commitment to addressing housing challenges with strategic programs and policy initiatives that advance local development.

A pilot format would assist affordable housing development while providing staff an opportunity to monitor program impact and effectiveness, with the potential to adjust, adapt, and improve to maximize potential.

### FY 25 Fee Waiver Pilot Program Priorities

A fee waiver program could give developers greater capacity to incorporate affordability into projects; incentivize new affordable housing development; encourage deeper and longer affordability for planned affordable units; and potentially serve as leverage or gap funding to enhance an affordable project’s financial viability.



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The proposed fee waiver pilot program prioritizes options that will balance effectiveness with sustainability, with a process that is simple for developers and manageable for staff to administer. By design, the pilot program would be limited in scope and applicability to fees that are attributable to actual units in the pipeline, relatively simple to estimate and calculate, and substantial enough to have an impact on affordability.

Fee waivers can be an effective tool for both rental and homeownership developments. With a modest budget, the FY 25 Pilot Fee Waiver Program would be limited to homeownership, to maximize impact and process-building opportunities.

Public utility fees typically comprise more than the combined costs of all other development fees. Connection fees cover the actual costs of labor and materials to construct public utilities infrastructure. Capital recovery fees serve as a means to pay up front for the added use of the existing public utilities expenses such as water treatment and upkeep. Capital recovery fees are timely in relation to when units will be available for occupancy, and calculated by formula by the number of units, making them well suited for a waiver strategy.

**Key Issues:** If City Council supports recommendations for a FY25 Fee Waiver Pilot Program, staff will draft an ordinance and program guidelines, incorporating any additional guidance and input received from City Council, and present for consideration at a subsequent meeting, ahead of a proposed July 1 effective date.

**Environmental Impact:** N/A

**Fiscal Impact:**

**Prior Actions:** N/A

**Alternatives:**

**Community Engagement:** N/A

**Recommendation:** N/A

**Attachments:** Presentation

**Review:** N/A