

## TOWN OF BLACKSBURG STRATEGIES

### Strategy 1: Establish a housing trust fund

A housing trust fund is a flexible set-aside fund that would enable a jurisdiction to provide “gap” funding for a wide range of affordable housing projects in the region, such as aging in place modifications or to support housing for households between 80-120% of the area median income. The Town of Blacksburg is currently pursuing the creation of an affordable housing trust fund (HTF). As other localities in the region may also benefit from an HTF, Blacksburg may be able to pilot the initiative and then expand it to the rest of the region. Considerations and best practices for a regional HTF are detailed further in Regional Housing Strategy 2.

#### FRAMEWORK

Local HTFs vary and focus on a wide range of housing issues. The key challenge for HTFs in smaller jurisdictions is generating sufficient funding to affect affordable housing needs. HTFs in smaller jurisdictions therefore tend to have a very narrow focus. For example, some trust funds target the needs of seniors and accessibility improvements for persons with disabilities.

While HTFs ideally have a dedicated source of revenue, it is more common that they are capitalized annually through general fund appropriations. Successful trust funds with dedicated revenue sources typically rely on an increase in a tax or fee. Real estate taxes are the most common source for dedicated revenues, but a significant campaign is typically required to develop a consensus around increasing real estate taxes to support affordable housing.

The benefit of a dedicated funding source is that contributions to the fund are long-term and consistent. Because housing development is typically a high-capital and long-term proposition, a consistent source of funds to support future housing development is highly desirable.

Several jurisdictions in Virginia have supported local HTFs using fees received from the developers of both residential and commercial property, such as the counties of Arlington and Fairfax. In Fairfax, the county imposed a surcharge based on new square footage of office space development in Tysons Corner. The proceeds from that surcharge will support the development of affordable and workforce housing in Tysons.

Funding sources may include the following:

- Developer fees and agreements
- Real estate taxes
- Document recording fees
- Tax increment funding
- Short term rentals/Airbnbs
- Housing bonds
- Interest on public accounts
- Construction-related fees
- Code violation penalties
- Building permit fees
- Restaurant/meal taxes
- Philanthropic donations

While many towns in Virginia do not take advantage of all these funding sources, Blacksburg currently collects many of these fees, including an Airbnb tax (which is not common in Virginia). Individual towns setting up HTFs find that many of these sources may not generate significant funding or are already committed to other expenses. HTFs do not need specific allocations to be viable, and the funding decision is by locality. However, funds should be sufficient to generate an annual impact. The town's meal, hotel, telecommunications, and sales taxes all provide significant revenues that are currently committed to the operating budget. Some communities have cobbled together small increases for a range of taxes (or small set-asides from existing collections) to capitalize their HTFs. Increasing taxes to support a trust fund (including the real estate tax) usually requires a campaign with a particular target source and an educational effort to follow and make the case to the community.

The City of Charlottesville has an HTF that is funded through annual appropriations and not a dedicated source. Because Blacksburg seeks to increase its commercial density and add new market-rate or student housing, it should explore the negotiation of proffer fees from developers who want accommodations such as increased density, zoning changes, and modified parking requirements.

In 2016, the General Assembly rewrote proffer legislation and severely restricted their use, revisiting it in 2019. This allowed localities and developers to negotiate a broader set of agreements, including voluntary fees to help support a local HTF.

Finally, the town can approach Virginia Tech to contribute to such a fund, the precedent for which is detailed in Regional Housing Strategy 2.

## **IMPLEMENTATION PLAN**

### **Immediate:**

- Explore the potential for a regional fund. Pursue the development of a local fund if unsuccessful.
- Form an HTF committee including town staff, affordable housing providers, community advocates, neighborhood representatives, and other interested parties.

### **Short-term (next 12 months):**

- Assess potential housing funding sources. The process of developing objectives for the HTF should start after a housing funding source or sources are identified. The focus and objectives of the HTF will be partially driven by the level of funding available.

### **Mid-term (12–24 months):**

- If funding sources that require difficult political decisions are pursued (e.g., raising the property tax rate to create a dedicated funding source), a community education campaign must be developed to provide justification for the HTF. These campaigns may take 2 to 5 years, depending upon the level of resources being sought.

## **LEGAL, FINANCIAL, AND ORGANIZATIONAL CAPACITY**

The town has community development and planning staff that can implement the strategy. The legal implications of various funding sources must be reviewed by the town attorney.

## **FUNDING SCOPE REQUIREMENTS AND PROJECTED IMPACT**

- The scope and scale of the project will be determined by the HTF working group. The initiatives must be sized at a level that can substantially improve affordable housing in the town.
  - The Tompkins County–Ithaca–Cornell Trust Fund generates \$400,000 per year, which is an adequate starting target for the fund.

#### **POTENTIAL FUNDING SOURCES**

- Discussed previously.

#### **METRICS TO EVALUATE SUCCESS**

- The program should include metrics that measure its production through targeted uses of funds, such as the number of homes built or rehabilitated, emergency home repairs, accessibility improvements, and temporary rental assistance.
- Characteristics of households served, including household type and income, should also be measured.

#### **RESPONSIBLE ACTORS AND THEIR ROLES**

- Discussed previously.

#### ***HTF Example***

***Tompkins County & City of Ithaca, New York HTF*** — *This region is significantly impacted by the presence of Cornell University, which has just under 25,000 students. The university is the largest employer in the region, and many students must find housing off campus, raising prices and causing conflicts with residents in traditional neighborhoods.*

*The county, city, and university have collaborated to fund this local HTF for the past decade. Combined annual contributions total \$400,000 per year, which are supplemented with funding by other state and federal sources.*

*The HTF has two components, the Community Housing Affordability Program (CHAP) and the Community Housing Trust Program (CHT). The CHAP provides a 0%-interest loan for predevelopment costs associated with residential and mixed-use real estate development projects affordable to households making less than 80 percent of AMI. The loan is repaid from construction or permanent project financing, and eligible borrowers include both for-profit and nonprofit developers.*

*The CHT provides grants to ensure that newly constructed housing units or rehabilitated housing units remain affordable to successive renters and buyers from low- and moderate-income households. Eligible uses of the fund include costs including land and construction, provided that the housing remains permanently affordable.*

## Strategy 2: Develop an affordable dwelling unit ordinance

An inclusionary zoning program (also known as affordable dwelling unit ordinances) for the town could encourage below-market rate units in new housing developments by offering meaningful developer incentives. By codifying affordable home production in a locality's zoning rules, a range of housing prices and choices are delivered in all new residential development.

Nearly 500 communities countrywide have inclusionary zoning. Because developers provide affordable units without additional subsidy, most inclusionary zoning programs are primarily targeted to households earning between 50% and 80% of AMI (or higher).

### FRAMEWORK

Under Section § 15.2-2305.1 in Virginia law, Blacksburg can create inclusionary zoning programs that provide density bonuses and other incentives in exchange for a developer *voluntarily* electing to provide affordable housing. Blacksburg currently has no legal authority to *mandate* affordable units in new construction.

However, the town may seek state legislation to be added into § 15.2-2304, a separate inclusionary zoning statute that enables localities to adopt affordable dwelling unit ordinances requiring below-market homes in *by-right* residential development.

To date, other Virginia localities enabled under this statute include the counties of Albemarle, Arlington, Fairfax, and Loudoun, as well as the cities of Alexandria and Fairfax. As of July 1, 2020, the City of Charlottesville will be added to that list after the passage of HB 1105 in the 2020 General Assembly session.

The town can draft an affordable dwelling unit ordinance that accomplishes the following:

- Creates apartments set at price points currently unobtainable for low- and moderate-income families.
- Encourages smart density, green building design, and energy efficient construction to lower environmental impacts.
- Does not stifle or drive away private development by providing clear and predictable guidance.
- Remains flexible and adaptable to changing market conditions.

### IMPLEMENTATION PLAN

#### Immediate:

- Review § 15.2-2305.1 and the new provisions included in the code owing to HB1101 from the 2020 General Assembly session, which provides applicable localities with much more prescriptive guidance.
- If § 15.2-2305.1 is deemed too restrictive, identify a patron to introduce a bill that adds the Town of Blacksburg to § 15.2-2304 in the 2021 General Assembly session.
- Using this study as a starting point, determine specific rental housing needs and gaps in the town. Choose a price and AMI range to target using an ordinance.

#### Short-term (next 12 months):

- Conduct outreach to the City of Charlottesville, which is a similar university-dominated housing market seeking a new inclusionary zoning ordinance under § 15.2-2304.
- Conduct outreach to housing officials from Fairfax County, Loudon County, and the City of Alexandria. These localities have longstanding inclusionary zoning ordinances created under § 15.2-2304. Seek guidance on the following:
  - Administration needs and capacity.
  - Best practices for outreach to developers and builders.
  - Data tracking and reporting.
  - Methods to build-in programmatic flexibility and resiliency.
- In collaboration with the planning commission, town council, and other private and public stakeholders, begin soliciting input on a potential ordinance. Use this opportunity to educate these groups about rental housing needs and on how inclusionary zoning works.

**Mid-term (12–24 months):**

- Draft a full ordinance and gather feedback from stakeholders in formal and informal settings.
- Assess the ordinance’s potential impact on developable land in the town. Learn the opinions and projections of builders and developers.
- Revise and amend ordinance as necessary and submit for adoption when there is full support.

**LEGAL, FINANCIAL, AND ORGANIZATIONAL CAPACITY**

- Any ordinance must comply with § 15.2-2305.1 or § 15.2-2304 to avoid legal challenges from the private sector. Planning staff should seek guidance from the town attorney and other private practice land-use attorneys.
- Although staff can draft an ordinance, program implementation will require additional administrative time when developments are proposed.

**FUNDING SCOPE REQUIREMENTS AND PROJECTED IMPACT**

- Because inclusionary zoning programs can be used without additional public subsidies, they cannot produce many deeply affordable homes. Rather, they are important tools available to localities to guarantee that some affordable homes are included in nearly all new, private-market development.
- Projected impact depends on many factors, including ordinance design and market conditions. Strong continued multifamily production may produce as many as several hundred affordable units over the next decade in Blacksburg.

**POTENTIAL FUNDING SOURCES**

- No specific sources required.

**METRICS TO EVALUATE SUCCESS**

- The complete ordinance should be drafted and adopted.
- The number of developers that opted into the program because of useful density bonuses and other incentives.
- Affordable units produced and leased in new developments.

## **RESPONSIBLE ACTORS AND THEIR ROLES**

- Local planning staff will help draft and design the ordinance.
- Planning commission and town council will review drafts, provide feedback, and adopt the final version.
- Developers and builders will provide meaningful input and conduct provisions in the ordinance to add affordable units to new construction.

**See [Montgomery–Blacksburg–Christiansburg Partnership Strategies](#) for additional collaborative efforts for the Town of Blacksburg.**