

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	March 21, 2022
Action Required:	Update
Presenter:	Alex Ikefuna, Interim Director, Office of Community Solutions Phillip Kash, HR&A Advisors, Inc.
Staff Contacts:	Sam Sanders, Deputy City Manager, Operations, Alex Ikefuna, Interim Director Brenda Kelley, Redevelopment Manager
Title:	Charlottesville Affordable Housing Fund (CAHF) Program Review/Redesign Report

Background:

On July 19, 2021, the City Council approved funding to Charlottesville Affordable Housing Fund (CAHF) Program Performance Review and Redesign, and Inclusionary Zoning Design. The CAHF program review would include evaluation of the past performance of the housing programs, past program agreements, selection and contracting processes, development of new approaches as needed, grant terms, program criteria, and evaluation metrics the City can use in the future.

Discussion:

The CAHF performance evaluation has two components: Task 1) Program Review; and Task 2) Program Redesign. On December 20, 2021, staff and HR&A representative presented Task 1 of the two parts to the City Council. This presentation includes Task 2) Program Redesign – Equitable and Affordable Development Standards and recommendations

Process and Analysis

In Task 1, Program Review, HR&A examined past performance of the City’s affordable housing programs. This work included collecting and reviewing available records from the City and funding recipients which focused on affordable housing units created and households served. HR&A created an up-to-date inventory of City-funding awards since 2010, interviewed funding recipients, and drafted findings from this review. The primary purpose was to compare the level of impact projected during the application period with the impact achieved by the program or project.

In Task 2, Program Redesign, HR&A formulated recommendations around the redesign of the City’s RFP and NOFA processes, with a focus on aligning the City’s funding with the priorities established in the housing plan. This redesign reflected learnings from the program review, by addressing and preempting issues that had surfaced through this review.

To do this analysis, HR&A worked with the City’s Office of Community Solutions (OCS) to obtain available records of past Notice of Funding Availability (NOFA) responses, Request for Proposals (RFP) responses, funding agreements, and other records detailing funding allocations from the Charlottesville Affordable Housing Fund (CAHF, formerly referred to as the Charlottesville Housing Fund). HR&A closely reviewed the City’s existing database of City-funded affordable housing projects since 2010 and verified details through interviews with nonprofit partners.

The key issues identified in Task 1, Program Review are each directly acknowledged and addressed through HR&A’s recommended changes for Task 2, Program Redesign. The evaluation and recommendations focused on four areas:

- A. **Funding process:** What is the overarching process by which funding is allocated and monitored?
 - Governance
 - Annual Allocation Plan
 - NOFAs and RFPs
 - Project Evaluation and Selection
 - Grant Agreements
 - Reporting and Monitoring
- B. **Policy:** What public good does the funding achieve?
 - Program Types
 - Property and Unit Types
 - Racial Equity
 - Long-term affordability
- C. **Project viability and efficiency:** Are projects delivered on time and cost-effectively?
 - Project Readiness and Schedule
 - Project Budget
 - Cost per Unit
 - Leverage

Summary of the Recommendations

1. Implementation of substantial change to Housing Advisory Committee (HAC) as recommended in the Affordable Housing Plan.
2. Align the State of Virginia funding cycles – Low Income Housing Tax Credit (LIHTC) with the Charlottesville Affordable Housing Fund (CAHF) so it will drive consistency in the affordable housing pipeline production.
3. Create a CAHF Committee to oversee the use of the CAHFs. The newly created CAHF Committee and City should develop a process for budgeting amount of CAHF, and the process should include details on how much of CAHF funding is being counted toward the City’s goals (tax abatement, vouchers, and awards to CRHA, LIHTC projects, and administrative costs). In years where there is funding for less than \$1 million available, a single Notice of Fund Availability (NOFA) and Request for Proposal (RFP) should be issued.
4. Evaluation of CAHF and Community Development Block Grant (VDBG)/HOME development applications should be combined, and at a minimum aligned through the use of a considered set of scoring criteria.
5. Clearly define the City’s affordable housing policy goals at each step of the NOFA and procurement process, including the goal of Area Median Income (AMI) targeting of 50%

of funding to serve households with incomes up to 30% of AMI, 30% of funding for households earning up to 60% AMI, and 20% of funding for households earning up to 80% AMI ([Charlottesville Affordable Housing Plan \(see pages 55-56\)](#)).

6. The City should set annual production goals for housing development and affordability, as well as ensure that housing policies and programs, and decision-making processes are intentionally designed to overcome the past history of racial segregation and ongoing inequities.
7. Incorporate additional details into the grant agreement, (affordability period, etc.) and for Down Payment Assistance or owner-occupied rehab follow guidance in Housing Plan. ([Charlottesville Affordable Housing Plan \(see pages 56, 135-137\)](#)).
 - Non-discrimination of prospective tenants on the basis of race, creed, religion, color, sex, age, or national origin, or source of income
 - Reporting requirements including demographic data
 - For rental construction projects, include clear time requirements for construction to begin and/ or be completed, Certificates of Occupancy received, and project leased up
 - Requirements to give land back to City if an acquisition project does not go forward
8. Dedicate staff to oversee reporting and monitoring of CAHF expenditures.
9. Additional staff capacity should be added to support the quarterly review and monitoring of City-funded projects. Use online application portal for quarterly reporting that can feed the City's up to date inventory of projects.
10. **Continue emphasis on projects that can scale production of affordable housing units.** The City should prioritize projects that can deliver units at scale, meeting the City's aggressive 10-year unit targets: increase the number of subsidized affordable homes by 1,100 homes and preserve 600 existing subsidized homes.
11. **Deepen affordability levels served and enhance monitoring and longevity of affordability.** This evaluation of affordability should be done holistically, balancing the affordability levels served by CAHF-funded programs as well as additional City programs, such as property tax abatements, vouchers, etc. The City should require a minimum of 20 years affordability for all projects supported by CAHF, and at least 30 years for LIHTC projects.
12. Set a community representation standard for all organizations receiving funding: The leadership and board of organizations that receive City housing funding should be reflective of the communities they are serving and include residents who are participating in City-funded housing programs. ([Charlottesville Affordable Housing Plan see pages 56](#)).
13. Development projects supported by CAHF should be no more than 24 months from completion of construction at the time of CAHF funding. For LIHTC projects, a 18-22 month construction period should generally be expected, following project closing on credits and other funding sources.

Steepen requirements and scoring criteria around documentation of readiness to proceed, including requests for:

- Environmental review
- Site Control
- Permits / entitlements
- Historical resources approval
- Other funding commitments

14. Require full set of project sources, uses, and operating budget through standard application template. Funds may be awarded prior to a development identifying all sources but cannot

be drawn until a complete set of sources is in place for development and rehabilitation projects. Additional capacity will be required to review and perform due diligence on project financials, to determine appropriateness of funding requests and validate financial viability. This capacity may come from a new FTE or contractors.

15. Monitor cost efficiency by program type, and track drivers of higher or lower costs per unit. Set a clear per-unit cost target in the RFP, and scale scoring based on cost efficiency. Points should be allocated such that the application with the lowest cost per unit or per program receives the full points, and everyone else is scored relative to that highest mark.
16. As part of cost efficiency, the application that brings the greatest amount of leverage should be given the full amount of points dedicated to leverage, and everyone else should be scored relative to them.

Alignment with City Council's Vision and Strategic Plan:

Since this request is associated with the implementation of the 2021 Comprehensive Plan and Affordable Housing Plan, it supports all aspects of City Council Vision in one way or another. It contributes to the following 2018-2020 Strategic Plan Goals: Goal 1.3 to increase affordable housing options, Goal 1.5 to intentionally address issues of race and equity, Goal 2: a healthy and safe city, Goal 3: a beautiful and sustainable natural and built environment, Goal 5: a strong, creative and diversify economy, and Goal 5.4 to foster effective community engagement.

Community Engagement:

There have been several community engagement meetings and activities conducted as part of the comprehensive plan update and affordable housing planning process.

Budgetary Impact:

This is an update of already funded project.

Recommendation:

Next Steps for Program Redesign

Overview of Required Updates

1. Revise overall NOFA and RFP structure
2. Rewrite guidelines, evaluation criteria, and application forms to fit updated structure and reflect housing plan priorities
3. Enforce updated guidelines through review and selection process, contracting, and tracking and monitoring
4. HR&A has begun to draft sample NOFA, application, and scoring criteria documents for several major programs.
5. Implement change to the current Housing Advisory Committee (HAC) structure and create Charlottesville Affordable Housing Fund (CAHF) Committee to oversee the use of CAHF funds.

Alternatives:

Not applicable!

Attachments:

Task 1 report



Mr. Alex Ikefuna
Interim Director, Office of Community Solutions
City Manager's Office, City of Charlottesville
605 E. Main Street
Charlottesville, VA 22902

Dear Mr. Ikefuna:

HR&A Advisors, Inc. (HR&A) was selected by the **City of Charlottesville** (the City) to help implement some of the recommendations of the Charlottesville Affordable Housing Plan, including better understanding past performance of the City's affordable housing expenditures and aligning the City's selection process for affordable housing programs with policy goals. These goals include increasing the impacts of the City's policies and programs, remove barriers to access, maximize the City's public return on investments, improve relationships with funded community partners, and advance racial equity in housing in Charlottesville.

The following report summarizes the progress, as of March 7th 2022 toward the Program Performance Review and Redesign of the Charlottesville Affordable Housing Fund (CAHF). The CAHF performance evaluation is organized into two components:

Task 1 Program Review: HR&A examined past performance of the City's affordable housing programs. This work included collecting and reviewing available records from the City and funding recipients that focused on affordable housing units created and households served. HR&A created an up-to-date inventory of City-funding awards since 2010, interviewed funding recipients, and drafted findings from this review. The primary purpose was to compare the level of impact projected during the application period with the impact achieved by the program or project.

Task 2 Program Redesign: HR&A formulated recommendations around the redesign of the City's RFP and NOFA processes, with a focus on aligning the City's funding with the priorities established in the housing plan. This redesign reflected what was learned from the program review, by addressing and preempting issues that had surfaced through this review.

Progress to Date

On December 20, 2021, staff and HR&A representative presented interim findings to the City Council for Task 1. The following memo includes the final findings from Task 1, along with an interim report on Task 2, Program Redesign, including recommendations for improving past program agreements, selection and contracting processes, grant terms, program criteria, and evaluation metrics the City can use in the future as it seeks to increase the impacts of City housing policies and programs. Following City Council discussion and recommendations, this memo will be finalized.

Task 1 Final Findings

Task I Background:

HR&A began the review of past awards and current selection practices in October 2021. During Task 1, HR&A examined past performance of the City's affordable housing programs. This work included collecting and reviewing available records from the City and funding recipients which focused on affordable housing units created and households served. HR&A is in the process of creating an up-to-date inventory of City-funding awards since 2010, drafting findings and preparing recommendations. This will be completed by reviewing past funding agreements and performance for City-funded projects and programs over a 10-year period (2010-2021) and interviewing funding recipients who received City funding for operations, programming, and development of affordable housing units. The primary purpose is to compare the level of impact projected during the application period with the impact achieved by the program or project.

Task 1 Methodology and Interview Process:

HR&A worked with the City's Office of Community Solutions (OCS) to obtain available records of past Notice of Funding Availability (NOFA) responses, Request for Proposals (RFP) responses, funding agreements, and other records detailing funding allocations from the Charlottesville Affordable Housing Fund (CAHF, formerly referred to as the Charlottesville Housing Fund). Additionally, HR&A reviewed the City's existing database of City-funded affordable housing projects since 2010. For our internal review, HR&A identified the following grant types:

- **Operating grants** which include administration, compliance, and matching of federal grants such as the Department of Housing and Urban Development's (HUD) HOME Program. Operating grants are typically awarded annually to recipients in order to support staffing needs and overhead costs.
- **Program grants** which include rental subsidy programs, homeownership subsidy programs, rehabilitations & housing quality improvement programs for single family detached homes, and homelessness service programs. Program grants enable recipients to support down payment assistance programs, energy retrofit programs, and small-scale rehabilitations, among other programs.
- **Development grants** which include the construction of affordable single-family detached homes and multifamily units and significant rehabilitations for affordable multifamily developments. These grants were leveraged by recipients to support property acquisition costs, predevelopment expenses (i.e. master planning), and construction costs.

To evaluate the performance of the City's affordable housing programs, HR&A reviewed each award based on the following metrics:

- **Units Created/Households Served** which includes the number of new affordable units constructed, number of units preserved and/or rehabilitated, and number of households for which rental or homeownership subsidies were provided.
- **Affordability** which identified the proposed affordability levels, affordability requirements and/or covenants, and the expiration of affordability requirements.

Development grants, whose reporting summarized the number of units created or preserved, were identified as having the greatest impact on evaluating the performance of the City's affordable housing programs. Additionally, program grants which provided rental subsidies and down payment assistance were also identified as being impactful in evaluating the effectiveness of the City's affordable housing programs. Operating grants often had limited information detailing the uses of City funds and were not deemed to be very effective in evaluating the City's affordable housing programs.

Following this initial data review, HR&A contacted project sponsors, proposers, and recipients of CAHF funding to schedule interviews to discuss individual records of CAHF funding allocations from the City since 2010 and to solicit additional information for each CAHF funding allocation. As of November 30th, 2021, HR&A interviewed the following CAHF funding recipients:

- Albemarle Housing Improvement Program, Inc. (AHIP)
- Charlottesville Abundant Life Ministries (CALM)
- Charlottesville Redevelopment and Housing Authority (CRHA)
- Habitat for Humanity of Greater Charlottesville
- Jefferson Area Board for Aging (JABA)
- Local Energy Alliance Program (LEAP)
- Piedmont Community Land Trust (PCLT), formerly Thomas Jefferson Community Land Trust (TJCLT)
- Piedmont Housing Association (PHA)
- Thomas Jefferson Area Coalition for the Homeless (TJACH)

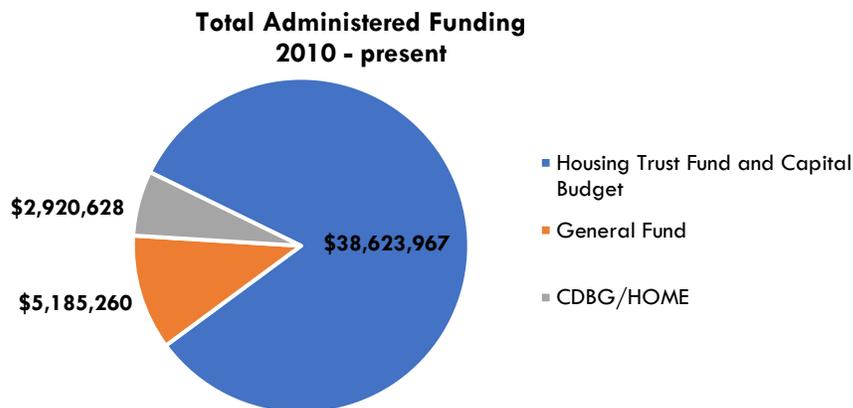
For each interviewee, HR&A developed a series of questions based on the specifics of the grant documentation that existed for the recipient and followed up on project-specific items. For cases where there was missing information on funding allocations or inconsistencies between City and recipient records of funding awards, HR&A requested additional documentation or explanations from recipients to confirm funding allocation amounts and address other follow-up questions. In many instances, recipients would confirm whether grants were used for operations or would provide additional explanation and/or documentation on grants which were used to support programs and/or development of affordable housing units.

Our findings on City-funded affordable housing expenditures since 2010 and preliminary recommendations for improving the City’s solicitation, procurement, and contracting processes are detailed on the following pages.

Summary of City Expenditures Since 2010

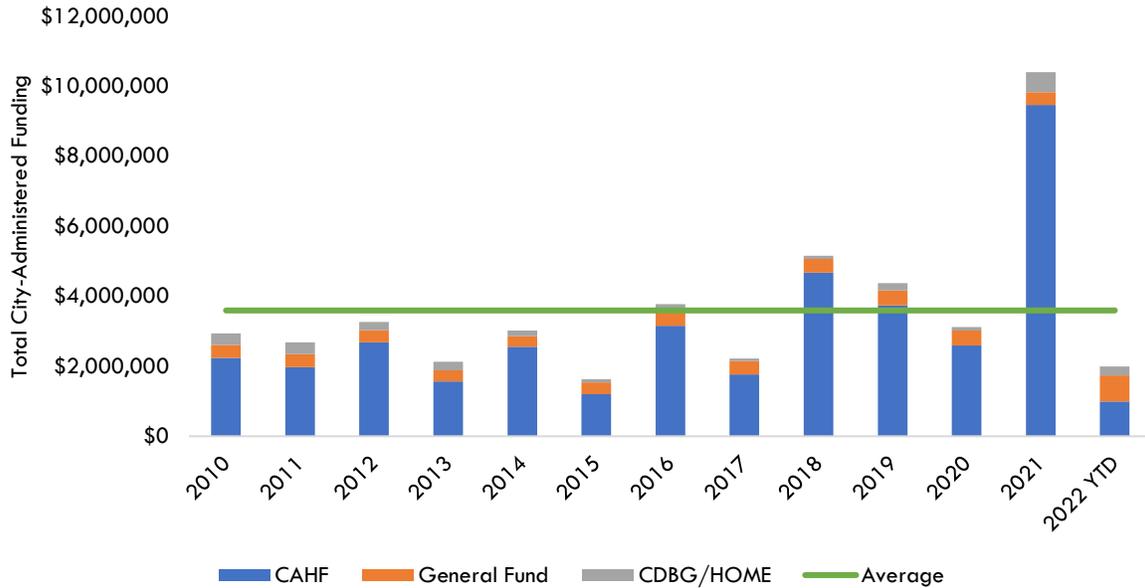
The figures below were created using a database of housing expenditures kept by the City, drawing from all available documentation of City Council funding approvals and grant agreements.

Since 2010, the City of Charlottesville has administered a total of **\$46.7 million** in funding to support a variety of affordable housing initiatives across the City, drawing from the City’s General Fund, Capital Budget (CIP) and Housing Trust Fund (CAHF), and federal HOME and CDBG funds.



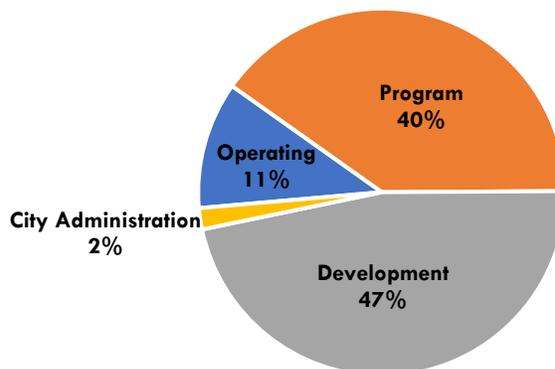
Funding levels have averaged \$3.6 million per year, with a large outlier in 2021 which totaled \$10.4 million. Federal HOME and CDBG funds differ significantly from local CAHF but are considered critical affordable housing resources. These funds come with separate procurement and monitoring processes, and a limited set of uses. The local funds (Housing Trust Fund, Capital Budget, and General Fund) are considered more flexible.

**Annual City Funding by Vehicle of Funds
2010 - present**

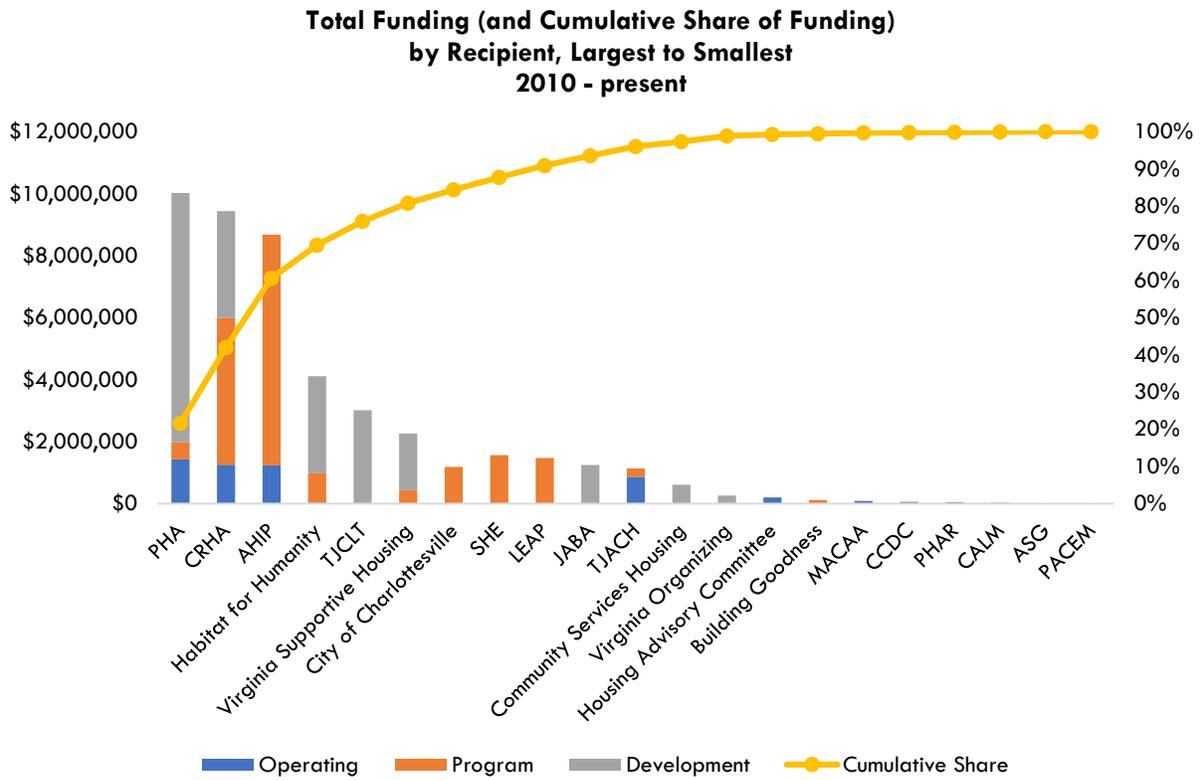


This funding is spread across a variety of uses. The largest share of funding (47 percent) went towards **development** (new construction of multifamily and single-family homes, and significant rehabilitation of multifamily buildings). **Program** (owner-occupied single-family rehabilitation and energy retrofits, homelessness services, rental subsidy, and homeownership subsidies) grants made up the next highest share, 40 percent of funding. **Operating** subsidies for nonprofits made up 11 percent of expenditures. The remaining 2 percent were used for internal City administration, such as housing-related staff and consulting fees.

**Total Spending by End Use
2010 - present**



This funding was allocated to a variety of recipients. The largest 11 recipients of funding account for 95 percent of all funding disbursements between 2010 and 2021.



This spending yielded a total of about 2,300 households served, and 1,600 units created or preserved.

End Use	Households & Units	Spending	Spending per HH or Unit
Rental Subsidy	839	\$7,980,187	\$9,512
Homeownership Subsidy	116	\$1,328,496	\$11,453
Homelessness Services	1,299	\$171,282	\$132
Single-Family New Construction	75	\$3,499,602	\$46,661
Single-Family Rehab	919	\$10,434,866	\$11,355
Multifamily New Construction	444	\$13,895,209	\$31,296
Multifamily Rehab	173	\$4,201,964	\$24,289
Total/Avg, Households	2,254	\$9,479,965	\$4,206
Total/Avg, Units	1,611	\$30,794,236	\$19,115

Note: For rental subsidies, the number of households served represents the total number of vouchers or rental assistance given and does not double-count the same vouchers that are provided over multiple years. It is also likely that not every household served by these programs is unique—the same household may have received multiple forms of assistance at different points.

Overview of Non-Profit Partners Receiving City Funding

A summary of the non-profit partners who received City funding since 2010 and were interviewed by HR&A to review past performance of the City's affordable housing programs is included below. Additional detail on each individual non-profit funding history is provided in Appendix 1.

- **Albemarle Housing Improvement Program, Inc. (AHIP):** AHIP conducts rehabilitation of owner-occupied single-family affordable homes in the City, but their efforts are primarily concentrated around the 10th & Page neighborhood through the Block by Block Cville (BXBC) initiative. These repairs range from \$10,000 to \$100,000 and primarily include energy retrofits, structural and foundational repairs, and replacements of plumbing, electrical, and septic systems. Past City funds have been used to support AHIP's BXBC initiative, site specific rehabilitations and repairs, and administrative costs.
- **Charlottesville Abundant Life Ministries (CALM):** CALM, in collaboration with PHA and Habitat for Humanity, supported the development of the Harmony Ridge subdivision (991 5th Street SW). City funding was used for property acquisitions and predevelopment costs, which yielded the development of 12 single family homes, of which 10 were priced at the 60% and 80% AMI ranges.
- **Charlottesville Redevelopment and Housing Authority (CRHA):** CRHA is the City and region's public housing authority. The agency is primarily involved with providing rental assistance through the Charlottesville Supplemental Rental Assistance Program (CSRAP). The CSRAP funding is for rental assistance and is separate from HUD voucher assistance. CRHA has also partnered with other agencies to support the renovation and development of affordable housing units throughout the region. Since 2010, City funds have been used to support CSRAP, support the development and preservation of 167 affordable housing units, and other administrative costs.
- **Habitat for Humanity of Greater Charlottesville:** Within the Charlottesville region, Habitat for Humanity is involved with affordable housing development and down payment assistance programs. City funds since 2010 have been used to support both programs, which has yielded approximately 68 new single-family units and subsidized down payments of 85 homes, along with other administrative costs.
- **Jefferson Area Board for Aging (JABA):** JABA is a non-profit advocacy agency whose focus is involved with serving senior citizens throughout central Virginia. City funds since 2010 have been

used to develop 59 affordable senior housing units in the Timberlake and Pace Housing developments, as well as preserving 20 affordable dwelling units in Morningside.

- **Local Energy Alliance Program (LEAP):** LEAP is involved with providing retrofits, HVAC replacements, energy efficiency improvements on existing single-family homes throughout Charlottesville and the region. City funds have been used to support LEAP's efforts for households earning between 60-80% AMI. In all, approximately 177 homes have been supported by LEAP through City funds since 2010.
- **Piedmont Community Land Trust (PCLT):** PCLT is a community land trust which purchases land throughout the City and region and leases land to homeowners earning at or under 80% AMI. Homeowners then contribute approximately \$20,000 for down payments for each home, while leasing land from PCLT at \$25 per month. City funds have been used to support the acquisition of 4 properties on Nassau Street, which were then sold to income qualified homeowners, as well as the partnering in the development of Carlton Views (Phases II and III), which serves households at the 40-60% AMI level.
- **Piedmont Housing Association (PHA):** PHA is primarily involved with three affordable housing programs in the region; down payment assistance programs, property management, and affordable housing development. Since 2010, City funds have supported the development of 252 affordable multifamily units (Carlton Views and Friendship Court), as well as providing down payment assistance subsidies for approximately 51 homeowners.
- **Thomas Jefferson Area Coalition for the Homeless (TJACH):** TJACH serves as the regional advocacy agency to combat homelessness. Since 2010, City funds have primarily been used to support TJACH's coordinated entry system, as well as TJACH's Spring for Housing initiative to provide short term rental subsidies for 21 residents.

Summary of Findings from Review of City Expenditures

Our findings on the expenditure review indicated that overall record keeping was accurate. There were no widespread discrepancies or major issues found with the use of City funds for affordable housing development. The nine non-profit recipients interviewed during the process were responsive and had internal documentation which tracked the uses of City funds and were consistent with City records. Digitalization of records and internal capacity to track and manage funds have improved during the past ten years.

Overall, while documentation was generally robust and accurate when requested and gathered together, this documentation revealed several challenges with the actual use of funds:

Timely Deployment of Funds

There were several instances in which City funding was leveraged for site acquisition and predevelopment expenses for affordable housing projects, but the projects ultimately fell through and were not developed for a variety of reasons not solely attributable to the funding recipient. While City funds in these cases were eventually paid back to the City. These cases delay the impact of public dollars to further the City's affordable housing development goals.

Compliance Issues with Federal Funds

The expenditure review also found some instances of non-compliance with federal funding sources which required City funds to remedy. For example, one recipient was required to repay HUD due to a delay in using HOME funds. Though remedying the violation brought parties into compliance, these cases of unused funds dampen the efficacy of the City's affordable housing program in leveraging public dollars to support its goals.

Geographic Targeting

City funds were almost always used within the City of Charlottesville and non-profits were aware of the requirement. There were a handful of instances in which this was not the case; for example, HR&A's review

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found that in one instance, City funds were used for down payment assistance on a single-family home outside of the City limits because the resident wanted to live elsewhere. In this instance, the City arrived at a case-specific agreement where property value appreciation would go to the City if the property were to transfer ownership.

Capacity

Overall, HR&A's findings suggest that there is currently insufficient staffing at the City level to monitor such a complex range of housing investments and programs. Among the other cities that HR&A advises, the City of Charlottesville staff is notably small.

Task 2 Methodology and Process:

To do this analysis, HR&A worked with the City's Office of Community Solutions (OCS) to obtain available records of past Notice of Funding Availability (NOFA) responses, Request for Proposals (RFP) responses, funding agreements, and other records detailing funding allocations from the Charlottesville Affordable Housing Fund (CAHF, formerly referred to as the Charlottesville Housing Fund). HR&A closely reviewed the City's existing database of City-funded affordable housing projects since 2010 and verified details through interviews with nonprofit partners.

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