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January 31<sup>st</sup>, 2022

James Freas  
Director, Neighborhood Development Services  
City of Charlottesville  
PO Box 911  
Charlottesville, VA 22902

Dear James:

Following up on our conversations, I am pleased to propose the following addition to our current scope of work to assess the impacts of zoning reform in the City of Charlottesville. This “Upzoning” analysis comes at an important time as the Zoning Ordinance Project is beginning along with the Inclusionary Zoning Study. There is also an imperative in the City to confront the challenges of previously exclusionary zoning practices and to implement the goals of the Affordable Housing Plan adopted in 2021.

#### APPROACH

HR&A, in partnership with Code Studio and RHI, will provide an analysis of the impact of zoning changes (“upzoning”) in the City of Charlottesville for single family and medium density areas. As HR&A understands, the City wishes to understand the impacts of proposed zoning policy changes that allow for increased density and FAR on property owners and the housing market overall, and then translate those findings for the broader local constituency. Based on this understanding, HR&A proposes the following tasks, which we anticipate to be delivered within three months:

- **Task One – Review of Existing Conditions**
- **Task Two – Model Set-up and Data Gathering**
- **Task Three – Land Use and Financial Analyses**
- **Task Four – Presentation of Findings and Final Report**

#### **Task One | Review of Existing Conditions**

Using the parcel-based data collected as part of the recent Comprehensive Planning process, HR&A will work with Code Studio to develop a methodology that is appropriate to the available data including how we account for existing zoning, zoning changes, market factors, and owner behavior. HR&A will confirm any lot requirements for eligible properties to be able to accommodate additional housing units on site. For example, properties within the selected zones will require a minimum lot size, width, or depth to accommodate a higher density of housing. HR&A will work with Code Studio to screen for these characteristics when defining inventory to ensure alignment with any lot requirements set by City, such as parking or street access.

#### **Task Two | Model Set-up and Data Gathering**

Following confirmation of model approach and screening factors defined above, HR&A will set up the model framework, gather parcel data, develop market factor filters, and calibrate production estimates based on owner/developer risk and tolerance. We will develop a set of market and development assumptions for three to four prototypical new development typologies seen in the City of Charlottesville. These may be duplexes, four-plexes, denser infill development and townhomes. HR&A will assess the total housing capacity on properties which will position us to project the level of new housing production.

### **Task Three: Land Use and Financial Analyses**

HR&A will conduct a real estate financial analysis to determine the impact of proposed changes on the real estate market, of single family and medium intensity areas of the City. This will position us to project the level of new housing production and how that production will impact key financial metrics for the housing market. As an initial step of quality control, we will ensure that these typologies have return metrics that are comparable across each project and commensurate with typical capital sources available for development in the Charlottesville market. To evaluate “financial returns” on potential development, we will utilize data from other work under the Inclusionary Zoning process and proprietary data available through Co-Star. We will follow-up with developers for specific inputs, as necessary.

Using market data from Task 1 and land use data and development assumptions from Task 2, the model will determine the financial feasibility of the redevelopment of certain types of properties and then estimate the likelihood that those properties will be redeveloped with additional units over time. Based on this likelihood, and in combination with existing development patterns and housing turnover rates, HR&A will estimate the number of properties that would add units and the total additional housing stock that could be created. This analysis will serve as a supply estimate for the additional production capacity: the number of additional units that could be produced under a set of assumed zoning changes.

HR&A will review the interim findings with NDS, discuss the methodology and potential adjustments, and how best to present the findings.

### **Task Four: Presentation of Findings and Final Report**

HR&A will work with City staff, Code Studio, and RHI to coordinate this study with the broader zoning ordinance reform. We will work to translate the findings of Task One, Two, and Three for the larger audience of housing and development stakeholders, to help policy-makers evaluate the impacts of proposed zoning changes on property owners and on the housing market more broadly.

HR&A will prepare a memo that describes the findings and methodology, as well as a presentation that summarizes the impact of upzoning in Charlottesville over time.

## **BUDGET AND TIMELINE**

HR&A will complete this scope of work for \$40,000, with an additional \$5,000 in data analysis and coordination with Code Studio (\$45,000 total) . We will complete this scope of work and present a final report within 3 months.

We look forward to working with you on this exciting aspect of Charlottesville’s zoning ordinance reform. Should you have any questions or comments, please do not hesitate to contact me at 202-903-0749 or [pkash@hraadvisors.com](mailto:pkash@hraadvisors.com)

Sincerely,



Phillip Kash  
Partner  
HR&A Advisors, Inc.

