



COMMONWEALTH OF VIRGINIA

# LOCAL POLICIES TO STIMULATE AFFORDABLE HOUSING



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## Executive Summary

[House Bill 2153](#) (2025) directed the Department of Housing and Community Development (DHCD) to explore ways a locality can stimulate affordable housing, including strategies for property-tax-exempt nonprofit organizations. With the assistance of experts, DHCD developed this policy document to centralize the tools and strategies a locality may consider to encourage affordable housing development. This document also includes strategies for building affordable housing on property owned by a property-tax-exempt nonprofit organization.

DHCD formed a workgroup of stakeholders including local governments, nonprofits, and housing policy experts to develop this document. The workgroup was facilitated by DHCD staff and composed of representatives from Arlington County, Enterprise Community Solutions, Housing Forward Virginia, Housing Opportunities Made Equal, Manufactured and Modular Home Association, Prince William County, Richmond Realtors, Virginia Association of Counties, Virginia Housing, Virginia Housing Alliance, Virginia Interfaith Center for Public Policy, Virginia Municipal League, and Zion Baptist Church (Hampton Roads).

This document is designed to be used by localities, developers, nonprofit organizations, and other stakeholders as a resource of existing tools that can be used to stimulate affordable housing, including properties owned by property tax-exempt nonprofit organizations. This document includes the available tools for stimulating affordable housing and categorizes policies into four areas: Administrative Decisions and Processes, Financial Incentives, External and Community Partnerships, and Zoning/Code Changes. Additionally, this document takes the four policy areas and focuses on the specific tools that can be used by property-tax-exempt nonprofits.

The tools available to localities are summarized in Table 1 and are discussed throughout the report.

**Table 1. Local Tools to Stimulate Affordable Housing**

Administrative Decisions and Processes	Financial Incentives	External & Community Partnerships	Zoning/Code Changes
<ul style="list-style-type: none"> <li>•Affordable Housing Coordinator Staff Position</li> <li>•Expedited Land Development Review Processes</li> <li>•Extend Affordability Terms for Affordable Rental Developments</li> </ul>	<ul style="list-style-type: none"> <li>•Fee Waivers/ Reductions</li> <li>•Local Tax Incentive Programs</li> <li>•Low Income Housing Tax Credit (LIHTC)</li> <li>•VA Housing Opportunity Tax Credit (HOTC)</li> <li>•Local/Regional Housing Trust Funds (HTF)</li> </ul>	<ul style="list-style-type: none"> <li>•Community Land Trusts (CLT)</li> <li>•Opportunity Lending</li> <li>•Community Development Financial Institutions (CDFI)</li> <li>•Land Banking</li> <li>•Manufactured Home Parks (ownership/ management)</li> <li>•Colleges/ Universities/HBCUs</li> <li>•Hospitals/Health Systems</li> <li>•Economic Development Authority(EDAs)/ Industrial Development Authority (IDAs)</li> </ul>	<ul style="list-style-type: none"> <li>•Accessory Dwelling Unit Ordinance</li> <li>•Affordable Dwelling Unit Ordinance</li> <li>•By-Right Development</li> <li>•Minimum Lot Sizes</li> <li>•Lot Divisions/ Subdivisions</li> <li>•Parking Minimums/Maximums/ Waivers</li> <li>•Density Bonuses</li> <li>•Development Standard Modifications</li> <li>•Update Comprehensive Plans</li> <li>•Manufactured Homes and Modular Homes (development)</li> </ul>

**Property-Tax-Exempt Nonprofits**

- Strengthen partnerships with nonprofit and tax-exempt organizations
- Provide tax exemptions or targeted abatements to support affordability
- Provide technical assistance, training, and early-stage development support
- Provide financial support through grants, infrastructure assistance, or trust fund contributions

## Background

[House Bill 2153](#) (2025) as approved by the General Assembly and signed by the Governor (*Appendix 1*), directed the Department of Housing and Community Development (DHCD) to develop a document describing policies that a locality may consider when implementing an ordinance or other action to stimulate affordable housing and include strategies for property(s) owned by a property-tax-exempt nonprofit organization. The bill directed DHCD to consult stakeholders, including local governments, nonprofit organizations, and other expert resources as determined by DHCD, to develop the document. A workgroup of stakeholders was formed to develop the document (*Appendix 2*). The workgroup met in person on October 22, 2025, and stakeholders provided additional feedback and resources during the development of this policy document.

When a locality is considering implementing an ordinance or policy to stimulate affordable housing, there are a variety of tools available in which to encourage development or preservation of affordable units, offer incentives to developers, reduce barriers/fees for acquisition, rehabilitation, or development, and expedite plan reviews and permitting processes. Additionally, other programs and partnerships are available to nonprofit organizations that provide financial resources and technical assistance. The following outlines some of the existing tools a locality may use to stimulate affordable housing within the following categories: Administrative Decisions and Processes, Financial Incentives, External and Community Partnerships, and Zoning/Code Changes.

## Property-Tax-Exempt Nonprofit Organizations

An aspect of this policy document is to include strategies to stimulate affordable housing development on land owned by property-tax-exempt nonprofit organizations. According to [Chapter 36](#) of Title 58.1 of the Code of Virginia, a locality can grant a tax exemption to certain properties or property owners if the local government has been authorized to do so, and the exemptions may be total or partial. Article 2 of this Chapter specifically exempts certain classifications of property from taxation. The workgroup discussed these classifications and noted that land owned by religious bodies used for religious worship makes up most of the property-tax-exempt land in Virginia. This policy document includes strategies to stimulate the development of affordable housing on property owned by these nonprofit organizations (primarily religious bodies).

## Recent Efforts in Virginia

### Legislation

When considering local policies to stimulate affordable housing, the workgroup discussed several pieces of legislation that have supported and incentivized affordable housing across the Commonwealth. These efforts include:

- Increased funding to the Virginia Housing Trust Fund to \$75 million ([Budget Item 114.E - 2023](#))
- Increased the maximum allowable Livable Home Tax Credit to \$6,500 for new construction or renovation ([HB2099 - 2023](#))

- Increased the tax credit amounts available to landlords who rent to Housing Choice Voucher tenants ([HB1203 - 2024](#))
- Allowed localities the ability to establish a community revitalization fund ([HB473 - 2024](#))
- Allowed comprehensive plans to include tiny homes and accessory dwelling units ([HB2533 - 2025](#))
- Expedited subdivision plan/plat review processes ([SB974 - 2025](#))
- Added the City of Falls Church to the list of localities authorized to establish an affordable dwelling unit program ([HB2137 - 2025](#))

## DHCD Efforts

DHCD notes other efforts and directives from the General Assembly, summarized below, that provide information and data to support the development of affordable housing.

## Statewide Affordable Housing Study

[House Bill 854](#) (2020) directed DHCD to publish the [Virginia Statewide Affordable Housing Study](#), to assess ways to incentivize development of housing across the Commonwealth. A joint effort between DHCD and Virginia Housing, an external stakeholder advisory group convened to assess 1) the quantity and quality of affordable and workforce housing in Virginia, 2) current programs and policies to determine the effectiveness of current housing policy efforts, 3) projection of future housing needs and priorities, and 4) make recommendations for the improvement of housing policy in the Commonwealth.

## DHCD Residential Construction Fees Survey

[House Bill 1671](#) (2023) directed localities with populations greater than 3,500 to annually provide information on fees for processing, reviewing, and permitting applications for residential land development and construction activities, including fees connected to individual residential developments that were approved, under construction, or completed during the preceding calendar year. DHCD utilizes a survey to collect this data and compiles the information for each locality. The survey results are then published on DHCD's website. The survey results provide the number of building permits issued for each housing type, the number of new units constructed, the number of certificates of occupancy issued, and the review times for plans/applications.

## DHCD Local Housing Policies Survey

[House Bill 2494](#) (2023) directed DHCD to annually collect housing policy reports from localities with a population greater than 3,500. The reports summarize the adoption or amendment of any local policies, ordinances, or processes affecting the development and construction of housing during the preceding fiscal year. DHCD uses a survey tool to assist localities in the preparation and submission of this required report. The survey results are displayed in a [live dashboard](#) on the DHCD website.

## VA DHCD Residential Sites & Structures Database (DRSS)

[Senate Bill 1114](#) (2023) directed DHCD to develop and maintain a [Virginia Residential Sites and Structures Locator database](#) (referred to as DRSS). DRSS is a marketing tool for local governments to advertise sites and structures suitable for future residential or mixed-use development or

redevelopment. Properties listed within the database are submitted by local governments and may be either publicly owned or privately owned, so long as the respective local government is supportive of the property being developed for residential or mixed-use development.

The options contained in this document are existing tools (as of the time of the document's publication) that a locality may implement to incentivize residential housing development. The workgroup noted that localities should prioritize projects that have conducted adequate planning for increased housing development. The workgroup noted the programs a locality chooses to implement and prioritize should be determined based on identified needs of the community to meet housing needs, rather than a one-size-fits-all approach.

The next sections list and describe the available tools and strategies a locality may implement to incentivize housing development.

## Tools for Stimulating Affordable Housing

### Administrative Decisions and Processes

Localities have the authority to implement local laws and regulations. The workgroup discussed several tools available to update processes and structures that local governments use to carry out certain activities. Table 2 outlines the administrative decisions localities can make to simulate affordable housing development.

**Table 2. Administrative Decisions and Processes**

Administrative Decision and/or Process	Summary
<b>Affordable Housing Coordinator Staff Position</b>	<ul style="list-style-type: none"> <li>• Helps clients navigate housing programs in their community</li> <li>• Guides housing projects through the review process (involves cross-departmental collaboration)</li> </ul>
<b>Expedited Land Development Review Processes</b>	<ul style="list-style-type: none"> <li>• Fast-track review process for eligible projects</li> <li>• Streamlined application (including one application for multiple funding sources)</li> <li>• Utilize third-party reviewers</li> </ul>
<b>Extend Affordability Terms for Affordable Rental Developments</b>	<ul style="list-style-type: none"> <li>• Special financing subsidies</li> <li>• Fee waivers, reductions</li> <li>• Accelerated permitting</li> </ul>

### Affordable Housing Coordinator Staff Position

Many localities are creating positions like Affordable Housing Coordinator to manage and implement affordable housing initiatives. An affordable housing coordinator can either a) provide support to individuals and families to find and secure affordable housing, or b) be responsible for managing the various aspects of affordable housing proposals submitted to that locality. The latter role will be familiar with the housing development process of that locality and coordinate across multiple departments to assist a developer or nonprofit with getting an affordable housing project approved.

- **Client assistance:** Guides clients through the process of applying for housing programs, such as the Housing Choice Voucher program.
- **Housing development:** Oversees the logistics of a housing development project; coordinates with housing developers/nonprofit organizations; liaises between developers/nonprofits and the locality.

#### *Considerations*

A staff position dedicated specifically to affordable housing may increase a locality's human resource costs. Larger and more populous localities may have the resources to dedicate a staff position to affordable housing efforts, but smaller localities may not have the resources. The workgroup emphasized strategic regional partnerships that enable smaller localities with smaller

budget to share affordable housing coordinators that work on client assistance and housing development projects.

### *Virginia Examples*

Localities in the Richmond region collaborate with the nonprofit organization Partnership for Housing Affordability, which provides a regional Housing Resource Line to connect residents to various housing resources. Several Virginia localities already have Affordable Housing Coordinator positions including the Cities of Manassas, Charlottesville, and Richmond and Henrico and Chesterfield counties (*Appendix 3a*). The City of Fairfax has a Housing Program Manager that leads the City's efforts to advance affordable housing and address homelessness (*Appendix 3b*).

## Expedited Site Plan Review Processes

Expedited site plan reviews can significantly speed up the review process by helping developers prepare a strong application for an easier/faster review by the locality. Additionally, localities may charge a premium fee to the developer for an expedited review.

- **Utilize third-party reviewers:** Developers hire a certified peer reviewer (professional engineer or architect) to review the plans for code compliance. The reviewer certifies and submits them for faster review by the locality.
- **Collaborative meeting** of a team of reviewers from multiple departments and applicant's design team to resolve issues and make on-the-spot decisions.
- **Fast-tracking permit applications** that increase the supply of affordable housing by either:
  - a. Having a dedicated staff person to review those applications, or
  - b. Giving priority consideration for qualifying applications and guaranteeing a permit decision within a specified number of days.

### *Authorization*

[§ 15.2-2263](#) of the Code of Virginia allows certain localities to adopt an expedited review process for land development plans that are certified by licensed professionals and recommended by specially trained individuals. It outlines qualifications for participants, establishes an advisory board to oversee the program, and mandates educational components while maintaining the legal responsibilities of both plan preparers and the locality.

### *Considerations*

How a locality decides what kind of expedited review process to implement will depend on the capacity of the locality. Allowing a developer to hire a third-party reviewer will require the certified professional to have a deep understanding of the locality's zoning and building codes as well as the review process. . Providing the option of a cross-departmental review team will require time and coordination. For localities with limited staff capacity, hiring a dedicated staff person for these reviews will require extra time and resources

### *Virginia Example*

Henrico County can fast-track development reviews for projects that offer strong benefits to the community. Projects with major economic impact may qualify for the “gold” fast-track process, while those with significant redevelopment or other community benefits may qualify for the “silver” fast-track process. Eligibility is determined by the County Manager’s office (*Appendix 3c*).

## Extend Affordability Terms for Affordable Rental Developments (*assisted with LIHTC*) with Expiring Subsidies or Use Restrictions

When a development is nearing its defined affordability term limit (usually 15 or 30 years after completion) and an owner wants to either sell the property or convert it to market rate, a locality can offer incentives with special financing subsidies and fee waivers, fee reductions, or accelerated permitting to preserve long-term affordability of the property. Once identified, localities can become partners in the rehabilitation of these properties by entering into memorandums of understanding with the new owners. New owners can be nonprofit or for-profit organizations. Localities can also create leverage with developers because of the requirement that localities sign off on tax-exempt bond financing (4% tax credits are popular with developers for preservation of affordable units). The workgroup discussed the framework outlined by the Partnership for Housing Affordability (*Appendix 3d*). These options are discussed in more detail in the following sections.

### *Authorization*

[Chapter 50 of Title 15.2 of the Code of Virginia](#) outlines the framework for allocating private activity bonds, which includes provisions for local housing authorities and other local issuers to finance eligible projects using tax-exempt bonds.

### *Considerations*

Properties positioned for conversion into market-rate housing will have high acquisition costs. The cost will make preservation of affordable housing more financially difficult, so additional funding sources will likely be needed to pay the acquisition costs. Additionally, sometimes the conversion of affordable to market-rate will occur under the radar or without changing hands in ownership. To combat this issue, strong partnerships with existing owners of affordable housing and with the local housing authority will be valuable.

### *Virginia Example*

The City of Falls Church has identified affordable housing units that are at risk of being lost when their affordability commitments expire (*Appendix 3e*). One example of how they addressed this is the extension of a 10-year affordability covenant for nine Teacher Workforce Units, ensuring they remain affordable (down to 60% AMI) and available to teachers working in the City (*Appendix 3f*).

## Financial Incentives

The workgroup discussed several programs that can help localities stimulate affordable housing development through financial incentives. Table 3 outlines tools localities can use to financially incentivize developers and nonprofits to develop housing, preserve naturally affordable housing, and diversify the housing supply.

**Table 3. Financial Incentives**

Financial Incentive	Summary
Fee Waivers/Reductions	<ul style="list-style-type: none"> <li>• Application fees for eligible housing projects</li> <li>• Land development fees</li> <li>• Deferred fees</li> </ul>
Local Tax Incentive Programs	<ul style="list-style-type: none"> <li>• Real estate tax rebate</li> <li>• Real estate tax exemption (full/partial)</li> <li>• Layering of multiple incentive programs</li> <li>• Regional collaboration</li> </ul>
Low Income Housing Tax Credit (LIHTC)	<ul style="list-style-type: none"> <li>• Federal/state tax credit program for construction/rehabilitation of affordable housing (competitive)</li> </ul>
Virginia Housing Opportunity Tax Credit (HOTC)	<ul style="list-style-type: none"> <li>• State tax credit to encourage private investment in rental housing</li> <li>• Complements LIHTC program</li> </ul>
Local/Regional Housing Trust Funds (HTF)	<ul style="list-style-type: none"> <li>• Dedicated, flexible source of funds</li> <li>• Can be tailored to meet specific housing goals</li> </ul>

### Fee Waivers/Reductions

**Application fees** - A locality can waive certain fees typically imposed by the locality for developers building affordable housing: planning and zoning fees, building permit application fees, site plan review fees, etc.

**Land development fees** - Land development fees are expenditures required to develop or improve real property, or “hard” costs, and can include building permit fees, legal fees, utility connection fees, stormwater management fees, site preparation/grading fees, etc.

**Deferred fees** – Instead of waiving fees, a jurisdiction can allow payments on a deferred basis. This allows a developer to make payments after securing long-term, low-cost financing while the locality still collects the expected revenues. This option is attractive to developers because it makes the development process more transparent and predictable and allows them to develop an accurate project budget.

#### *Authorization*

[§ 15.2-958.4](#) of the Code of Virginia authorizes localities to adopt ordinances waiving building permit and other local fees for affordable housing projects developed by qualified nonprofits or private-sector entities.

[§ 15.2-2119\(C\)](#) of the Code of Virginia authorizes localities to waive or adjust certain water- and sewer-related fees, specifically providing full or partial reimbursement of connection fees, capital recovery charges, and availability fees for new residential developments through ordinance or some other policy.

### *Considerations*

When implementing a policy around fee waivers that support affordable housing developments, a locality may consider completing a fee impact analysis to determine how different unit sizes or housing types impact local infrastructure. A locality may also decide the types of housing projects that qualify for fee waivers, such as new construction, rehabilitation, or specific types of development (i.e. mixed-use, multi-family, etc.). Next, a locality may determine which fees are subject to waivers or reductions. Lastly, a locality will need to consider structuring the program to waive or reduce fees in a way that stimulates affordable housing while minimizing adverse impacts on the locality's budget.

### *Virginia Example*

Alexandria Redevelopment and Housing Authority-owned units receive fee relief from the City of Alexandria. In most cases involving affordable housing where the City helps sponsor development, the City's housing loan is sized to include payment of these fees (*Appendix 3g*). The City of Charlottesville allows reduced fees for water and sewer connections for affordable units (*Appendix 3h*). Loudoun County implemented a fee waiver policy for land development in 2023 to encourage nonprofits developing affordable units. The fee waiver allows up to \$100,000 to be waived from land development fees (*Appendix 3i*).

## Local Tax Incentives

A locality may use different tax incentive programs to maintain affordability, encourage homeowners to rehabilitate or make necessary improvements to housing units, or limit real estate tax assessments for certain housing units. The following are real estate tax abatement programs or incentives a locality may implement to encourage and preserve affordable housing:

- Limit the rate by which real estate tax liability can increase. Communities where housing prices rapidly increase often result in increased property taxes. Tax relief programs for the elderly and disabled can help prevent lower income households from being displaced. For such programs, the locality freezes the assessed value of a home or freezes the real estate property tax bill altogether, thus reducing dramatically high tax bills.
- Limit real estate tax assessments on rent- or resale-restricted properties. This would allow owners of affordable housing to keep rents affordable for low-income renters even in an area where housing prices are increasing. Localities may offer tax abatement programs that reduce assessments and real estate tax rates to owners of affordable rental housing.<sup>2</sup>
- Low-income housing tax credits (LIHTC): tax credits provided to developers who build or rehabilitate rental housing for low-income households.
- Historic rehabilitation tax credits (HTC/HRTC): a tax credit (20% for state HTC) on qualified expenses of rehabilitating certified historic structures, including rental housing.

- Tax exemptions – reduce the assessed value of a property or reduce the tax rate resulting in a lower tax bill on a property.
  - Property owners can receive a partial tax exemption (e.g., based on percentage of floor area of affordable housing in multifamily units or percentage of affordable units meeting certain area median income [AMI] thresholds).
  - Qualifying individuals or organizations may be eligible to apply for a full tax exemption. In this scenario, an eligible nonprofit entity would be entirely exempt from paying real estate property taxes.
- Developer fees: In exchange for the credits, developers agree to reserve a certain percentage of units for lower-income households and limit rents to a specific percentage of the AMI.

#### *Authorization*

[§ 58.1-3219.4](#) of the Code of Virginia allows localities to provide partial real estate tax exemptions for new structures or improvements in designated redevelopment, conservation, or rehabilitation areas with terms and conditions set by local ordinance and exemptions lasting up to 30 years.

[§ 58.1-3220](#) of the Code of Virginia allows localities to grant partial real estate tax exemptions for residential properties that are substantially rehabilitated, renovated, or replaced with terms and conditions, including duration up to 15 years, set by local ordinance.

[§ 58.1-3221](#) of the Code of Virginia authorizes historic rehabilitation tax credits allowing localities to grant partial real estate tax exemptions for substantially rehabilitated, renovated, or replaced commercial or industrial structures that are at least 20 years old (or 15 years in designated zones) with the exemption lasting up to 15 years and subject to local ordinance conditions.

[Article X, § 6](#) of the Constitution of Virginia outlines the categories of properties that are exempt from state and local taxation, including government-owned property, places of worship, cemeteries, educational institutions, and certain properties used for charitable or public purposes. It also allows localities to grant tax exemptions for elderly or disabled homeowners under conditions set by general law.

#### *Considerations*

To provide a fair tax incentive program, a locality will need to examine its jurisdiction's specific housing needs, define "affordable housing," determine income and sales/rental prices that are realistic for the local market, and structure the ordinance so that developers have a chance to recoup their project costs. A report from the National Multifamily Housing Council on the cost-benefit analysis of property tax-based programs across eight cities in the United States showed that those localities increased affordability and maintained supply and demand (*Appendix 3j*). Working with the local tax department will be necessary to ensure that a fair assessment method for affordable housing is implemented, such as assessing based on net income rather than market rates. A locality may coordinate any proposed tax incentive program with other policies such as zoning ordinances and comprehensive plans.

Additional considerations for implementing a tax program may include when a developer layers multiple tax incentives to build affordable housing (i.e., Opportunity Zone tax credits, Enterprise

Zone tax credits, Communities of Opportunity Tax Credit Program, federal/state LIHTC tax credits, Virginia Housing Opportunity Tax Credit, state/local historic tax credits, etc.). The locality may want to 1) create a uniformed application for multiple funding sources, 2) identify local incentives opportunities, 3) examine utilization of Industrial Development Authority/Economic Development Authority organizations for additional incentives, and 4) collaborate regionally for shared administrative burdens (*Appendix 3k*).

#### *Virginia Example*

The City of Winchester provides a tax relief program for the elderly or permanently disabled based on income and net worth (*Appendix 3l*). Albemarle County's Affordable Rental Housing Incentive Program provides rebates equal to 15% of the subject property's total annual real property tax bill for a 30-year period for eligible affordable housing (*Appendix 3m*).

### Low Income Housing Tax Credit (Federal/State)

The Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. The federal government issues tax credits to state and territorial governments. State housing agencies then award the credits to private developers of affordable rental housing projects through a competitive process. Developers generally sell the credits to private investors to obtain funding. Once the housing project is placed in service (essentially, made available to tenants), investors can claim the LIHTC over a 10-year period.

#### *Authorization*

26 U.S.C § 42 establishes the LIHTC, providing a federal income tax credit to incentivize the development and rehabilitation of affordable rental housing for low-income households.

[§ 58.1-3295](#) of the Code of Virginia ensures that localities fairly assess the value of affordable rental housing by requiring consideration of rent restrictions, title transfer limitations, and actual operating expenses.

#### *Considerations*

LIHTC projects often require a complex array of subsidies and financing sources, which can lengthen development timelines and increase costs. Because mixed-income housing developments with market-rate components are subject to the volatility of the housing market, there is the added risk of market-rate units remaining unoccupied. Because LIHTC is one of the primary resources to build affordable housing, it is often layered with other federal/state/local financing sources such as HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), Housing Trust Fund, and the Housing Choice Voucher Program.

An additional consideration is that because LIHTC has a 30-year affordability period and the initial compliance period lasts only for the first 15 years of the compliance period, some investors may want to sell or transfer the building before the end of the affordability requirement (*Appendix 3n*). This creates the opportunity for localities to have strong partnerships with affordable housing developers and to monitor properties that have expiring affordability terms/leases.

### *Virginia Example*

In the Town of South Boston (Halifax County), Southside Outreach Group has developed two LIHTC communities: Miller Homes (46 units) and Poplar Creek Homes (32 duplex units). Both properties were financed using LIHTC and provide a mix of one-, two-, and three-bedroom apartments, including Americans with Disability Act-accessible units (*Appendix 3o*).

## Virginia Housing Opportunity Tax Credit

Administered by Virginia Housing, the Virginia Housing Opportunity Tax Credit (HOTC) is a state tax credit program designed to encourage developers and private investors to finance affordable rental housing. The program can work in tandem with the LIHTC program to reduce the overall project costs.

### *Authorization*

[§ 58.1-439.30](#) of the Code of Virginia establishes the Virginia HOTC, which allows qualified taxpayers to claim a state tax credit equal to the amount of the federal LIHTC allocated to a project, distributed over a 10-year period. The credit can be claimed by individuals or pass-through entities and may be transferred or allocated among partners, members, or shareholders regardless of their federal tax credit participation.

### *Considerations*

To qualify for the tax credit, the building must meet the definition of a low-income building provided in § 42(c) of the Internal Revenue Code. Virginia Housing, the agency administering the program, can issue no more than \$60 million in HOTCs per year. The program is most effective in leveraging private funding and attracting private investors. However, it may be noted that the demand for affordable housing tax credits far exceeds the available supply, so applying for tax credits is generally a competitive process. A portion of the tax credits is set aside for projects in less populated areas (towns with populations under 35,000).

### *Virginia Example*

The 1030 Alston Court development in the City of Waynesboro has received a \$560,000 grant through the Central Shenandoah Planning District Commission's Regional Housing Development Program to bring 96 new rental homes to the region serving households at 30% to 80% of AMI (*Appendix 3p*).

## Local/Regional Housing Trust Funds

A local housing trust fund, or local housing fund, is a dedicated, flexible source of funds established by a local government to provide public investment to support affordable housing. Determined by the locality's needs and priorities, the funds can be used to create, preserve, and rehabilitate affordable housing through methods such as through grants or loans for rental and homeownership projects.

### *Authorization*

[§ 15.2-958](#) of the Code of Virginia allows local governments to use public funds to support the repair or production of housing for low- and moderate-income residents.

[§ 15.2-2305.1](#) of the Code of Virginia allows localities (except those governed by [§ 15.2-2304](#)) to adopt zoning ordinances that promote affordable housing by offering incentives—such as increased density or fee waivers—to developers who voluntarily include affordable units in their projects.

[§ 15.2-2304](#) of the Code of Virginia authorizes certain localities, specifically those with urban county executive or county manager forms of government, and a few named cities and counties to adopt zoning ordinances that establish affordable dwelling unit programs, allowing increased density to reduce land costs and promote moderately priced housing.

[§ 15.2-735](#) of the Code of Virginia allows counties with a county manager form of government to establish a local housing fund to support the development or preservation of affordable housing, and to designate voluntary coordinated housing preservation and development districts where public-private efforts can improve housing conditions for low- and moderate-income residents

### *Considerations*

Because funds are typically capitalized by a dedicated source of public revenue, such as local taxes, developer fees, or application fees, the locality will need to be transparent with the community about where the funds are coming from. Due to the flexible nature of this funding mechanism, a locality can set housing priorities to meet a community's specific needs. Housing trust funds can also leverage other public and private funds and can help jumpstart projects or address historical underinvestment in specific communities.

### *Virginia Example*

Henrico County's new Affordable Housing Trust Fund, capitalized with \$60 million in data center revenues, is supporting multiple mixed-income homeownership projects by buying down sales prices on specific units for first-time buyers. At Discovery Ridge in the Tuckahoe District of Henrico County, the fund helped finance seven affordable townhomes within a 24-unit development, lowering the trust-fund sales price to about \$318,000 compared with a \$460,000 market price and reserving the homes for buyers earning up to 120% of AMI for 10 years (*Appendix 3q*).

## External & Community Partnerships

The workgroup discussed a variety of external and community partnerships localities may use to stimulate affordable housing. Table 4 shows some of the different types of partnerships between localities, developers, nonprofit organizations, and other community organizations that can be capitalized on to develop affordable housing and provide community services alongside those efforts. Each unique partnership plays a key role in leading to a community-specific activity that supports affordable housing development.

**Table 4. External and Community Partnerships**

External & Community Partnership	Summary
<b>Community Land Trust (CLT)</b>	<ul style="list-style-type: none"> <li>• Nonprofit that owns and manages land to create permanent affordable housing</li> </ul>
<b>Opportunity Lending</b>	<ul style="list-style-type: none"> <li>• Flexible financing options for low-income individuals to access affordable housing/developers to build</li> <li>• Often run by nonprofits</li> </ul>
<b>Community Development Financial Institutions (CDFI)</b>	<ul style="list-style-type: none"> <li>• Certified financial institution that provides financial services and investment in communities</li> <li>• Banks, credit unions, loan funds, community development organizations, etc. (can be nonprofit)</li> <li>• Economic opportunities-focused mission</li> </ul>
<b>Land Banking</b>	<ul style="list-style-type: none"> <li>• Acquiring land and holding it for future use or development</li> <li>• Often converts vacant, underutilized land into affordable housing or public infrastructure</li> <li>• For developers/investors or community organizations</li> <li>• Funding can come from government sources, grants, or property sales revenue</li> </ul>
<b>Manufactured Home Parks (ownership/management)</b>	<ul style="list-style-type: none"> <li>• Nonprofits can serve as property owners/managers</li> <li>• Resident-Owned Communities</li> <li>• Housing support and community services</li> <li>• CLTs can hold the land, residents own the home</li> </ul>
<b>Colleges/Universities/Historically Black Colleges and Universities</b>	<ul style="list-style-type: none"> <li>• Land sharing</li> <li>• Direct support (funding)</li> <li>• Provide vouchers</li> <li>• Renovate existing facilities into affordable housing</li> <li>• Provide homeownership opportunities</li> </ul>
<b>Hospitals/Health Systems</b>	<ul style="list-style-type: none"> <li>• Connects social determinants of health to housing</li> <li>• Often includes workforce/economic development</li> <li>• Can fill gap from lack of financial investment in communities</li> </ul>

<b>Economic Development Authority /Industrial Development Authority</b>	<ul style="list-style-type: none"> <li>• Serve as financial conduit between localities and nonprofits/developers</li> <li>• Flexible options to acquire, finance, and lease property</li> <li>• Tax-exempt bonds</li> </ul>
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## Community Land Trusts

A community land trust (CLT) is a nonprofit organization that acquires and holds lands to provide permanently affordable housing and other community services in association with affordable housing developments. With this structure, the CLT operates as a nonprofit that owns the land, an individual or family buys the home (not the land) at an affordable price, and the CLT leases the land for a long-term, renewable period, often 99 years. CLTs create and preserve permanently affordable housing for low- to moderate-income families while providing wealth-building opportunities to homeowners through mortgages and home appreciation values.

### *Authorization*

[§ 55.1-1200](#) of the Code of Virginia defines a CLT as a nonprofit organization that acquires land and holds it in perpetuity, conveys structural improvements on that land to tenants, and retains a preemptive option to repurchase the improvements at a formula-based price to ensure continued affordability.

[§ 58.1-3295.2](#) of the Code of Virginia directs real estate assessors to use the income approach to determine the fair market value of certain CLT properties. When calculating this value, assessors must consider income restrictions, contract rent, and provisions of any arm's-length contracts.

### *Considerations*

In addition to providing affordable homes, CLTs will often provide community services such as housing counseling, mixed-use/commercial spaces, or land conservation. A CLT enjoys tax-exempt status, but when a community is considering starting a new CLT, they may consider operational costs (which will require significant resources) in addition to the costs associated with housing development (which can be covered through fundraising, grants, and loans).

### *Virginia Example*

The Maggie Walker Community Land Trust in the Richmond region has sold nearly 100 homes (*Appendix 3r*). The Piedmont Community Land Trust in Charlottesville creates and preserves a supply of affordable homes in Central Virginia (*Appendix 3s*).

## Opportunity Lending

Opportunity lending is a broad term that refers to financing options, often from nonprofits, designed to help low-to-moderate income individuals or developers build and access affordable housing. Opportunity lending can present itself in myriad ways. Examples include low-interest loans that would otherwise be difficult for which to qualify or downpayment assistance.

### *Considerations*

These low-interest rate loans are stable investments even during economic downturns because the demand for affordable housing remains high. Investments in affordable housing financing create a consistent return on investment and remain strong against volatility in the housing market as well as increasing housing stability for low-income households. However, due to the limited availability of opportunity lending, there are challenges securing these types of financing options.

### *Virginia Example*

Urban Hope, a Richmond-based nonprofit developer, operates an innovative opportunity lending program that enables mission-aligned investors to support affordable housing creation through flexible, low-cost capital. The loan structure includes 0% interest for the first several years, followed by a modest 2.5% rate in the final five years, allowing Urban Hope to acquire or renovate properties and stabilize rental income before interest costs begin. Lenders may also choose to convert their interest into a charitable donation, further strengthening the financial feasibility of deeply affordable housing for households most at risk of instability (*Appendix 3t*).

## Community Development Financial Institutions

A Community Development Financial Institution (CDFI) is a community-focused organization that provides financial services, loans, and investments to underserved communities and individuals who may lack access to traditional banking. These organizations can include banks, credit unions, and venture capital funds and are certified by the U.S. Department of Treasury's CDFI Fund.

[House Bill 1411](#) (2023) codified the Virginia Community Development Financial Institutions Fund and created the CDFI program. The program provides grants and loans to CDFIs to fund small businesses, housing development and rehabilitation projects, and community revitalization real estate projects.

### *Authorization*

[§ 36-140.01](#) establishes the Virginia CDFI Fund and Program, providing grants and loans to certified CDFIs to support small businesses, affordable housing, and community revitalization projects. The Fund is a non-reverting state treasury account used exclusively to finance these efforts through qualifying institutions that meet federal and state standards.

### *Considerations*

CDFIs have worked to increase affordable rental housing and help first-time homebuyers through downpayment assistance, homebuyer counseling, and affordable mortgage products. CDFIs often partner with nonprofit organizations to finance and develop affordable housing as well as provide technical assistance and training to help nonprofits enhance their capacity.

### *Virginia Example*

As certified CDFIs, Locus and Capital Impact Partners finance affordable housing across Virginia and Northern Virginia (*Appendix 3u*).

## Land Banking

Under state enabling legislation, localities may form land banks by one of three ways:

1. Creating a land bank authority — a department of local government;
2. Creating a corporation — a standalone nonprofit; or
3. Designating an existing nonprofit to serve as the land bank.

Land banks can be incorporated into existing public agencies (i.e., redevelopment authorities, municipal housing departments, planning departments, etc.) or established as single-purpose agencies (e.g., Maggie Walker CLT in Richmond is the designated local nonprofit).

#### *Authorization*

[Chapter 75 of Title 15.2](#) of the Code of Virginia, the Land Bank Entities Act, authorizes localities to create or designate land bank entities (authorities, nonprofit organizations, or planning district commissions) to acquire, manage, and repurpose vacant, abandoned, and tax-delinquent properties.

#### *Considerations*

Land banks have a variety of abilities to return the vacant, underutilized, and tax delinquent properties into productive use, which may include:

- Holding land as tax exempt
- Low or no cost of transfer from locality
- Ability to clear title and extinguish back taxes
- Ability to set priorities for transfer to end users
- Funding through tax recapture

By forming a land bank to support affordable housing, a locality is using a valuable land use tool to convert public property into land that can be used to create or preserve affordable housing.

#### *Virginia Examples*

The Center for Community Progress [National Land Bank map](#) shows the three land banks in Virginia: the Cities of Chesapeake, Danville, and Richmond. The Chesapeake Land Bank Authority was created to assist the City of Chesapeake in addressing vacant, abandoned, and tax delinquent properties (*Appendix 3v*). The City of Danville established the Danville Neighborhood Development Corporation to oversee Danville’s Land Bank program to revitalize properties and neighborhoods in the City (*Appendix 3w*). The Richmond Land Bank (operated by Maggie Walker CLT) receives surplus city parcels and conveys those for affordable residential development (*Appendix 3x*).

### **Manufactured Home Parks (Ownership/Management)**

A manufactured home refers to a factory-built home that is fully built on a chassis. These homes are built to meet standards promulgated by the U.S. Department of Housing and Urban Development (the “HUD Code”). Nonprofit organizations can own and manage manufactured homes to provide affordable housing through various models:

- Serve as property owners/managers
- Resident-Owned Communities-- assist residents to collectively purchase and manage their manufactured home park
- Provide affordable homeownership opportunities

- Provide housing support and community services through financing and housing education
- Use CLTs to acquire and hold the land while residents own the individual homes on the land

#### *Authorization*

[Budget Item 102.M](#) (2024) authorized DHCD to use a portion of unobligated balances in the Low-Income Energy Efficiency Program Fund for the purpose of establishing a pilot program to assist residents of a manufacturing home park or nonprofits with acquiring manufactured home parks in Virginia.

#### *Considerations*

In some circumstances, when a manufactured home park comes up for sale, the residents of the park would have the option to purchase manufactured housing units or parks or work with chosen partners (such as a nonprofit entity) to purchase. Nonprofit organizations may act as property managers focused on maintaining affordable rates to low-income tenants and providing support services to residents.

#### *Virginia Example*

The City of Charlottesville provided a loan to Piedmont Community Alliance to purchase a manufactured home park to preserve naturally occurring affordable housing (*Appendix 3y*).

### Universities/Colleges/Historically Black Colleges and Universities

Institutions of higher education, including public/private colleges and universities, and historically black colleges and universities partner with external organizations such as local governments and housing developers to create affordable housing through strategies like providing land, offering financial assistance, co-developing properties, and providing support services to students and employees.

- **Direct support:** Institutions can provide direct financing or work with financial organizations (such as CLTs) and social impact funds to support housing development. Many educational institutions establish local/regional philanthropic foundations that operate like a nonprofit organization to invest in their community and can include housing development projects.
- **Land sharing:** Universities can provide land, either through donations or low-cost ground leases, for the development of affordable housing projects that serve the broader community, including students, faculty, and staff.
- **Vouchers:** Many colleges partner with their local housing authority or other housing organizations to provide housing vouchers to their students.
- **Renovating existing facilities:** Some institutions contribute land for affordable housing projects or renovate existing facilities in conjunction with affordable housing.
- **Homeownership support:** Institutions can support their employees by providing downpayment assistance to help low-income employees qualify for homeownership.

#### *Considerations*

Because there are a number of ways that colleges and universities can support affordable housing development, there is no one-size-fits-all approach. Partnerships should be formed through

conversations and creating boards and commissions focused on addressing the housing needs of their community. A locality may also work with colleges and universities to regularly examine land use around campuses or use of excess land owned by the college/university.

#### *Virginia Example*

Through its President's Council on UVA-Community Partnerships, the University of Virginia established a goal to support the development of 1,000 to 1,500 affordable homes on land owned by the university or its foundation (*Appendix 3z*).

## Hospitals/Health Systems

Hospitals and health systems have a stake in community well-being because they serve as community anchors and are often a community's largest employer, especially in rural areas. Many anchor institutions support their communities through charitable contributions, procurement, and recruitment and will invest in affordable housing because of the direct link of how social determinants of health shape health disparities. Also, due to the rising costs of housing nationwide, hospitals/health systems invest in affordable workforce housing to support their employees and continue to attract high-quality workers.

- **Direct support:** health systems can provide capital for construction through direct investment, land donation, or low-interest loans to housing developers.
- **Partnerships:** health systems can collaborate with experienced affordable housing developers, Community Development Corporations (CDCs), and community development financial institutions to leverage their expertise and resources.
- **Clinical services:** health systems often partner with Medicaid agencies or other healthcare providers at affordable housing locations to offer on-site medical services, such as medical care, food assistance, and social services. These are often considered "wraparound services" that a community health partner may provide to residents as part of an affordable housing development project.
- **Workforce housing:** health systems invest in housing to attract and retain a stable workforce, especially in areas where housing shortages impact staffing.

#### *Considerations*

In 2018, the Accelerating Investments for Healthy Communities (AIHC) was created, which includes a cohort of six nonprofit hospitals and health systems that are using their assets to invest in affordable housing. AIHC has shown that hospitals and health systems are motivated by economic drivers such as return on investment, initiatives that target high-need populations, strengthened public-sector relationships, enhanced relationships with residents, and enhanced reputation and competitiveness (*Appendix 3aa*). Localities can partner with hospitals and health systems to form partnerships with other investors, such as banks, local employers, foundations, and individuals, to invest in different types of affordable housing (e.g., family housing, permanent supportive housing, workforce housing, senior housing, employee housing).

#### *Virginia Example*

Sentara Healthcare invested \$11 million in the Marshall-Ridley Choice Neighborhood Initiative in the City of Newport News to support the redevelopment of the former Ridley Place public housing

site into a mixed-income community. The project includes affordable housing, retail space, a wellness trail, and an early childhood development center to improve health outcomes by addressing social determinants of health (*Appendix 3bb*).

## Economic Development Authorities/Industrial Development Authorities

Localities may create Economic Development Authorities (EDAs) and Industrial Development Authorities (IDAs) to support affordable housing, primarily through grants and financing. These authorities operate as nonprofit entities and have broad powers to acquire, lease, and finance property, with their bonds exempt from taxation and not constituting a debt of the Commonwealth or its political subdivisions. The authority of these entities may change if a housing authority already exists in the region.

### *Authorization*

[Chapter 49 of Title 15.2](#) of the Code of Virginia, the Industrial Development and Revenue Bond Act, authorizes localities to create IDAs that can issue bonds to finance projects promoting economic development, including manufacturing, commercial, and nonprofit facilities.

### *Considerations*

EDAs can serve as the conduit of some of the project costs that a locality cannot cover either due to limited budgets, capacities, or strict regulations of how money can be spent. A locality is not typically allowed to transfer funds directly to a private developer, so the EDA can be a more flexible option for transferring funds from the locality through the EDA to fund an affordable housing development project. An update to an EDA's bylaws may be necessary for the EDA to act as a lender if a locality already has a housing authority; this will vary by locality.

### *Virginia Example*

The Town of Marion partnered with the Marion EDA, the Smyth County EDA, and the Mount Rogers Planning District Commission to address affordable housing through its Blighted, Abandoned, Underutilized, and Derelict Properties program (*Appendix 3cc*). The EDA works with local partners to buy and repurpose substandard and unsafe properties into safe, sustainable housing.

## Zoning/Code Changes

The workgroup discussed several changes to codes/ordinances that localities may adopt to stimulate affordable housing development. A locality may decide to undergo a zoning code change, a zoning overhaul, or zoning amendments for several reasons: to align with community plans, to update local zoning to comply with new regulations, or allow for new development. Zoning changes typically require more time and effort on the locality's part because the process includes staff and planning commission review, public hearings, governing body approval, and public notice to affected property owners. Table 5 outlines local zoning and/or code changes that a locality has the authority to take.

**Table 5. Zoning/Code Changes**

Zoning/Code Change	Summary
<b>Accessory Dwelling Unit (ADU) Ordinance</b>	<ul style="list-style-type: none"> <li>• Standalone residential unit on same lot as primary unit</li> </ul>
<b>Affordable Dwelling Unit Ordinance</b>	<ul style="list-style-type: none"> <li>• Unit meeting income requirements for affordability</li> <li>• Tool to guarantee affordable units in high-growth areas</li> </ul>
<b>By-Right Development</b>	<ul style="list-style-type: none"> <li>• Allow lower-cost home construction alternatives</li> <li>• Allow multifamily units in all residential districts</li> <li>• Allow ADUs in all residential districts</li> <li>• Allow for multiple units on a single lot</li> <li>• Increase the amount of land available for multifamily housing</li> </ul>
<b>Minimum Lot Sizes</b>	<ul style="list-style-type: none"> <li>• Smallest amount of land available to build on a lot</li> <li>• Increased density as key to land use</li> </ul>
<b>Lot Divisions/Subdivisions</b>	<ul style="list-style-type: none"> <li>• Localities determine lot division requirements</li> <li>• Lot sizes, setbacks, environmental requirements vary</li> </ul>
<b>Parking Minimums/Maximums/Waivers</b>	<ul style="list-style-type: none"> <li>• Localities determine parking requirements for developments</li> <li>• Reducing/eliminating min/max number can increase densities</li> </ul>
<b>Density Bonuses</b>	<ul style="list-style-type: none"> <li>• Incentive for developers to build more than what is normally allowed</li> <li>• Can be number of units, Floor Area Ratio, or height bonuses</li> </ul>
<b>Development Standard Modifications</b>	<ul style="list-style-type: none"> <li>• Ease zoning regulations to allow for more housing</li> <li>• Examples: increased density, allow more types of units, ease setback requirements, etc.</li> </ul>
<b>Update Comprehensive Plans</b>	<ul style="list-style-type: none"> <li>• Sets vision for future land use for community</li> <li>• Sets goals and strategies such as affordable housing</li> <li>• Can be updated in whole or in part</li> <li>• Advisable to update with zoning changes</li> </ul>
<b>Manufactured Homes and Modular Homes</b>	<ul style="list-style-type: none"> <li>• Allow to be built by-right or in more zoning districts</li> <li>• Dedicate funds to build/conservate units</li> <li>• Set aside/prepare land for development of units</li> </ul>

### Accessory Dwelling Unit Ordinances

An accessory dwelling unit (ADU) is a self-contained residential dwelling unit located on the same lot as a standalone or detached single-family home. Virginia Code allows localities to permit ADUs in single-family residential zones. However, the specific requirements for ADUs, such as size limits, setbacks, and owner-occupancy, are determined by each locality's zoning ordinances.

### *Authorization*

[§ 15.2-2223](#) of the Code of Virginia authorizes localities to include certain types of housing, including ADUs, in their recommendations for long-range development plans.

[§ 15.2-2280](#) of the Code of Virginia grants local governments the authority to regulate land use and development characteristics within zoning districts, including the development of ADUs.

### *Considerations*

There are a few challenges for a locality to consider when adopting an ADU ordinance. Localities may consider whether an occupant owner is required to live in the primary living unit. An occupant owner could allow a middle income or senior tenant to live in their accessory unit. The ordinance may also align with the locality's zoning ordinance in terms of what types of units may be built (attached or detached) and could provide a process for if or when an accessory unit increases the allowable density for the existing home. Parking is often a concern in many existing communities where higher density is proposed, and the ordinance may consider this a factor in the process.

### *Virginia Example*

In 2023, The City of Richmond legalized one ADU by right on all single-family lots (*Appendix 3dd*)

## Affordable Dwelling Unit Ordinances

In Virginia, "affordable housing" means a dwelling for which the rent is no greater than 30% of the total household income of a household earning 80% of the AMI and is held available for persons or families that have a household income no greater than 80% of the AMI.

### *Authorization*

[§ 15.2-2304](#) of the Code of Virginia authorizes certain localities to adopt mandatory affordable dwelling unit ordinances that allow increased density to reduce land costs and promote moderately priced housing, without requiring additional housing fund contributions.

[§ 15.2-2305](#) of the Code of Virginia authorizes localities not covered by [§ 15.2-2304](#) to adopt affordable dwelling unit ordinances that offer density bonuses and other incentives in exchange for voluntary inclusion of affordable housing in new developments.

[§ 15.2-2305.1](#) of the Code of Virginia authorizes localities to adopt zoning ordinances that provide voluntary incentives (such as density increases or fee waivers) for developers who include affordable housing.

### *Considerations*

It is important to note that by adopting an affordable dwelling unit ordinance, a locality will not automatically generate a large number of deeply affordable units; however, it is a tool localities can use to guarantee that some affordable homes are included in high-growth, high-opportunity areas. Inclusionary zoning to include affordable dwelling units work best in areas with high development and active amounts of new construction. Additionally, developers and builders may be hesitant to build according to new requirements. Both of these challenges can be addressed through well-designed programs that offer substantial incentives to developers to offset costs associated with building affordable units.

### *Virginia Example*

Prince William County implemented an affordable dwelling unit ordinance that provides density bonuses for construction of housing available to households earning less than the area's median income and no more than 30% of their gross income (*Appendix 3ee*).

## By-Right Development

Virginia Code authorizes localities to adopt zoning ordinances in which they specify zoning districts and their uses of land, buildings, and structures. By-right development refers to what kind of development can occur in a particular zoning district. § 15.2-2288 of the Code of Virginia prevents a locality from requiring a special exception, special use, or conditional use permit for residential uses that are allowed by right under the local zoning ordinance. By allowing diverse types of housing, densities, and heights in more zoning districts, a locality can strategically increase where affordable housing can be built. Below are some examples of allowing more by-right development:

- Allow lower-cost home construction alternatives, such as modular, 3-D printed, and prefabricated housing
- Allow development of multifamily housing in zones designated for single-family residential use
- Allow for the construction of accessory dwelling units in single-family zones that can be legally inhabited by individuals who are not relatives of the primary homeowner
- Allow for multiple units on a single lot
- Increase the amount of land available for multifamily housing development in commercial and residential zones, especially in “communities of opportunity”

### *Authorization*

[§ 15.2-2280](#) of the Code of Virginia authorizes localities to adopt zoning ordinances that divide their territory into districts and regulate land use, building size, density, and other development characteristics within those districts.

[§ 15.2-2288.1](#) of the Code of Virginia prohibits special use permits for residential developments that comply with by-right zoning standards (with some exemptions) when such development is permitted by right under the local zoning ordinance.

[§ 15.2-2316.2](#) of the Code of Virginia authorizes localities to adopt ordinances that establish procedures for transferring development rights from one property to another, including requirements for severance, conveyance, mapping of sending and receiving areas, and infrastructure assessments to support increased density in designated zones.

### *Considerations*

Existing residents may have concerns over the impact that higher density housing will have on the quality of life in the community (parking, traffic, etc.), as well as the demand on public services (schools, public safety, etc.). Educational and outreach efforts could be part of the process to address concerns associated with higher density development.

By allowing multiple units to be constructed on a lot (e.g., adding an ADU where there is an existing single family home, duplex, four-plex, eight-plex, etc.), the overall costs are reduced, smaller units allow for more types of households able to find an affordable home, and more units on a lot tend to generate more tax revenue thus reducing the tax burden across the locality.

#### *Virginia Example*

Arlington County's "Expanded Housing Options" was adopted in 2023 and enabled up to four to six units per lot with caps by frontage and parking/location criteria (*Appendix 3ff*).

## Minimum Lot Sizes

Minimum lot size refers to the smallest area of land that is legally permissible for constructing a building or structure. Different zoning designations have different requirements and can also vary based on available utilities and type of subdivision.

#### *Authorization*

[§ 15.2-2240](#) of the Code of Virginia directs localities to adopt ordinances regulating the subdivision and development of land.

#### *Considerations*

When zoning requires excess land, minimum lot sizes may be a barrier to housing affordability and density. Minimum lot size is influenced by the availability and capacity of infrastructure such as water, sewer systems, roads, and public services. Larger lots may be required in areas with limited infrastructure, so a locality may need to consider their infrastructure demand, capacity, and long-term maintenance operations when deciding whether to reduce or eliminate minimum lot sizes.

#### *Virginia Example*

The Town of Blacksburg adopted a small lot ordinance that allows development on lots as small as 3,000 square feet and as large as 7,499 square feet. The ordinance also allows the development of duplexes on these lots if they have alley access (*Appendix 3gg*).

## Lot Divisions/Subdivisions

Virginia Code for lot divisions requires local approval, involves platting and recording, and can have special provisions for family subdivisions or restrictions in flood-prone areas. State law provides a framework, but local ordinances dictate the specific rules for subdividing land, such as lot size, width, and the need for a Chesapeake Bay Site Plan in designated areas.

#### *Authorization*

[§ 15.2-2244](#) of the Code of Virginia requires local subdivision ordinances to allow a one-time division of a lot for sale or gift to an immediate family member, with specific access and frontage requirements depending on the locality.

#### *Considerations*

Localities have the authority to regulate lot sizes and divisions. If a locality is considering implementing an ordinance to allow lot divisions, that ordinance could align with the local zoning code and comprehensive plan.

### *Virginia Example*

The City of Norfolk allows the creation of lots for single family development that do not meet the minimum lot width or lot area requirements through the conditional use permit process so long as they are greater than 25 feet wide or 2,500 square feet (*Appendix 3hh*).

## Parking Waivers

Virginia Code authorizes localities to establish ordinances regulating parking requirements. This refers to the locality-set requirements for a developer to include a minimum (or maximum) number of off-street or structured parking spaces. ADU ordinances can reduce or eliminate parking minimums and/or maximums. A locality can, instead of a blanket elimination or reduction of parking minimums, choose to allow developers of affordable units a waiver to the parking requirement.

### *Authorization*

[§ 15.2-2280](#) of the Code of Virginia grants local governments the authority to regulate land use and development characteristics within zoning districts, including applying parking ratios through their zoning ordinances. This zoning authority includes the ability to set minimum or maximum parking requirements as part of regulating the use and intensity of land.

[§ 15.2-2305.1](#) of the Code of Virginia outlines a process where parking minimums can be waived when density bonuses are given as an incentive to a developer participating in an affordable dwelling unit program.

### *Considerations*

Parking minimums increase the cost of development by increasing the land area required for the project and cost of construction. Reducing or eliminating parking minimums could potentially free up land for additional homes and encourage a variety of other land uses. If a locality is interested in reducing or eliminating parking minimums/maximums, they may consider their current availability of land, accessibility of services, and available modes of transportation.

### *Virginia Example*

The Prince William County Draft Affordable Dwelling Unit ordinance allows parking ratio waivers (*Appendix 3ii*). The City of Richmond eliminated parking minimums in 2023 (*Appendix 3jj*).

## Density Bonuses

Virginia Code provides the authority for local governments to provide density bonus incentives to developers. A density bonus allows developers to build more housing units than permitted by the local zoning ordinance. Virginia Code outlines the density bonus incentive for projects that include a certain percentage of affordable housing units and lays out those percentages and their associated density bonuses. A density bonus can also include floor area ratio or height bonuses.

### *Authorization*

§ [15.2-2304](#), [15.2-2305](#), and [15.2-2305.1](#) of the Code of Virginia authorize different localities to adopt affordable dwelling unit ordinances which can incentivize development using density bonuses to reduce land costs and promote affordable and moderately priced housing.

### *Considerations*

Density bonuses that allow more units to be built will add value to a real estate project but will increase the overall costs of the building. The added income of more units may or may not offset the costs to build higher/more units. Many inclusionary zoning programs rely on density bonuses to stimulate more affordable housing but use it in conjunction with other valuable incentives (*Appendix 3kk*).

### *Virginia Example*

The City of Charlottesville allows density bonuses if any new construction, rehabilitation, conversion, or renovation of existing buildings includes only units affordable to households at or below 80% AMI. In the City's R-C (Residential-Core or High-Density Residential District) zoning district where up to 8 units are allowed, if the project meets the 80% AMI requirement, then that project can include up to 16 units total. The City also allows an optional height-based bonus density that applies to all mixed-use districts: two additional stories in height are allowed if 10% of units are affordable to households at or below 50% AMI (*Appendix 3ll*).

## Development Standard Modifications

Development standard modifications for affordable housing include easing certain zoning regulations in exchange for a larger number of affordable units to be built. A locality can increase the developable density of a site; allow more alternative housing types; eliminate or reduce minimum lot sizes, buffer requirements, square footage and setback requirements, and restrictions on the number of units in a single building; and eliminate septic/wetland requirements that are more restrictive than federal and state regulations.

### *Authorization*

[§ 15.2-2280](#) of the Code of Virginia grants local governments the authority to regulate land use and development characteristics within zoning districts, including modifications to development standards through their zoning ordinance.

§ [15.2-2304](#), [15.2-2305](#), and [15.2-2305.1](#) of the Code of Virginia authorize different localities to adopt affordable dwelling unit ordinances which can incentivize developers using tools such as development standard modifications.

### *Considerations*

Allowing flexibility and modifications to development requirements reduces costs of building and encourages more efficient use of the land. Additionally, diversifying the housing stock creates units affordable to households at a range of incomes. When a locality waives or reduces certain development requirements, no additional funding is required by the locality; however, zoning changes may require a lengthy approval process.

### *Virginia Example*

The Prince William County Draft Affordable Dwelling Unit ordinance enables reductions/waivers of local development standards and parking when granting density bonuses (*Appendix 3mm*).

## Update Comprehensive Plans

Virginia Code requires a locality to prepare a long-range plan adopted by the local governing body establishing a vision and strategy for future land use development. Broad in scope, the plan needs to include aspects addressing issues such as affordable housing, transportation, and infrastructure. Virginia Code also requires comprehensive plans to be updated every five years. A locality may choose to update certain aspects of its comprehensive plan, such as the chapter on affordable housing or zoning, sooner to reflect local zoning changes.

### *Authorization*

[§ 15.2-2223](#) of the Code of Virginia requires each locality to adopt a comprehensive plan that guides the physical development of its territory through coordinated planning based on studies of current conditions and future needs, with the goal of promoting public welfare. [§ 15.2-2230](#) of the Code of Virginia requires this plan to be reviewed at least once every five years.

### *Considerations*

A locality may consider a zoning code overhaul in tandem with updating the comprehensive plan. If a zoning ordinance was recently updated, the comprehensive plan may include any of the new zoning changes, especially when updating the Future Land Use map. Any major changes should include extensive and transparent community engagement early.

### *Virginia Example*

To illustrate an example of the need for a locality to make an update to their comprehensive plan, [Prince William County](#) is undergoing a process to amend its comprehensive plan to align with a recent zoning ordinance change allowing housing to be built on property owned by a faith-based organization, which was not previously allowed. Similarly, the plan will be amended to include duplexes in certain zoning designations allowing for higher density housing.

The Town of Pulaski's updated comprehensive plan included a housing section with a focus on affordable housing (*Appendix 3nn*). This resulted in implementation strategies outlined to leverage the plan update to implement policies that explore density options and expand housing education efforts (*Appendix 3oo*).

## Manufactured Homes and Modular Homes (Development)

Manufactured homes refer to a factory-built unit constructed to HUD's federal building code that is then transferred to its permanent site. A modular home is a prefabricated unit built in a factory and transported to its permanent site to be assembled on a foundation. Both types of units have reduced building costs, making them affordable options for homebuyers.

### *Considerations*

Local zoning ordinances may pose an obstacle to where manufactured homes and home parks may be built. Additionally, home loans for manufactured homes can be more difficult to obtain than traditional mortgages and have higher interest rates.

Manufactured homes are an affordable alternative to traditional site-built homes, however, they carry a stigma of undesirable housing and local zoning can limit where they can be built. Depending on the ownership structure of the manufactured home community, landlords might not provide

investment to make necessary repairs and upgrades or may charge high costs to the residents. Localities have some tools that can address these issues: update their zoning ordinance to allow manufactured homes to be built by right or in more zoning districts, dedicate a portion of a local housing trust fund to support the construction and preservation of manufactured homes, and identify and prepare land for the development of affordable housing.

#### *Authorization*

[§ 15.2-2280](#) of the Code of Virginia grants local governments the authority to regulate land use and development characteristics within zoning districts, including the development of manufactured and modular homes.

#### *Virginia Example*

Fairfax County is in the process of modernizing its manufactured home ordinance to allow for more flexibility and modernization (*Appendix 3pp*).

## Strategies for Property Owned by Property-Tax-Exempt Nonprofit Organizations

Nonprofit organizations contribute to affordable housing in a wide range of ways: they develop and own affordable units, provide long-term stewardship as property managers, offer supportive services, administer housing programs, and partner with local governments and private developers. Earlier sections of this document identified strategies available to many nonprofits, municipalities, and private developers seeking to expand the affordable housing supply—such as land donations, zoning flexibility, financing tools, and cross-sector partnerships.

However, not all nonprofits have the same assets or opportunities. A distinct subset—property-tax-exempt organizations, the majority of which are religious institutions pursuant to *Virginia Code Title 58.1, Chapter 36 (Tax Exemption for Property Used for Religious, Charitable, Cultural, or Educational Purposes)*—possess unique characteristics that create additional pathways for producing or supporting affordable housing. These organizations often have long-held land, underutilized buildings, excess parking areas, or transitional properties that can be repurposed for community benefit. Their tax-exempt status and community-serving mission also frequently provide strong alignment with local housing goals.

This section focuses on those additional opportunities specific to property-tax-exempt landholders, especially faith-based organizations, and highlights examples in Virginia that demonstrate how these entities can transform surplus property into affordable housing and community assets. Table 6 lays out these specific strategies.

**Table 6. Strategies for Property Owned by Property-tax-exempt Nonprofit Organizations**

Strategies for Localities	Strategies for Property-Tax-Exempt Nonprofit Organizations
<ul style="list-style-type: none"> <li>• Strengthen partnerships with nonprofit organizations</li> <li>• Provide tax exemptions and abatements</li> <li>• Provide technical assistance/training</li> <li>• Provide funding support</li> </ul>	<ul style="list-style-type: none"> <li>• Donate/convert/co-develop land for affordable housing purposes</li> <li>• Adaptive reuse of historic buildings</li> <li>• Long-term lease land/buildings</li> <li>• Provide community services in tandem with housing development</li> <li>• Participate in local planning efforts</li> <li>• Host community meetings</li> <li>• Use local incentives and zoning tools as developers</li> <li>• Serve as property owners/managers</li> <li>• Serve as partner with housing developments</li> </ul>

## **Strategies for Localities**

### **1. Strengthen partnerships with nonprofit and tax-exempt organizations**

Localities can play a pivotal role by building strong, ongoing partnerships with nonprofit and faith-based landowners. This includes establishing designated staff liaisons, convening regular coordination meetings, and forming interdepartmental teams to help nonprofits understand zoning requirements, infrastructure needs, environmental considerations, and development timelines. These relationships ensure that nonprofit landowners, especially those unfamiliar with real estate development, receive early guidance that aligns their aspirations with local housing strategies and regulatory frameworks.

### **2. Provide tax exemptions or targeted abatements to support affordability**

While many religious or charitable properties already qualify for exemption under Virginia Code Chapter 36, localities may use additional tax tools to support nonprofit-led housing projects on tax-exempt land. For example, targeted abatements or structured exemptions can apply to newly developed affordable housing components, helping reduce operating costs or offset the inclusion of deeper affordability levels. These tools can make financially challenging projects viable, particularly when nonprofits commit to long-term affordability or provide significant community benefits.

### **3. Offer technical assistance, training, and early-stage development support**

Local governments can enhance nonprofit capacity by offering technical assistance and training on development processes, zoning pathways, financing tools, infrastructure coordination, and site feasibility. This support is especially important for congregations and community organizations new to development. Localities can provide checklists, briefings, office hours, or workshops that help nonprofit landowners understand each stage—from conceptual planning through site plan review and permitting—reducing delays and increasing the likelihood of project success.

### **4. Provide financial support through grants, infrastructure assistance, or trust fund contributions**

Localities can directly improve project feasibility by offering financial assistance for predevelopment activities, infrastructure upgrades, or the integration of community services within housing developments. Early-stage support—such as funding for surveys, environmental studies, architectural concepts, or utility extensions—can bridge gaps that often prevent nonprofit-led projects from advancing. Local housing trust funds, American Rescue Plan Act-derived local programs, and capital investment strategies can be used strategically to help tax-exempt organizations leverage their land contributions and bring more affordable units to fruition.

## **Strategies for Property-Tax-Exempt Nonprofit Organizations**

### **1. Convert or co-develop underutilized land**

Religious organizations and other tax-exempt nonprofits can repurpose surplus land—such as oversized parking lots, vacant parcels, or unused auxiliary structures—into affordable or mixed-income housing. Local governments strengthen these efforts by forming proactive partnerships, offering early coordination meetings, and helping nonprofit landowners navigate zoning, utilities,

and infrastructure considerations. Technical assistance from planning or housing departments can be especially valuable for organizations new to the development process.

## **2. Adaptive reuse of historic buildings**

Historic sanctuaries, schools, convents, and administrative buildings can be converted into apartments, community facilities, or mixed-use spaces, often with local incentives or historic rehabilitation tax credits. Localities can facilitate these conversions by providing training on adaptive reuse feasibility, aligning zoning classifications, and supporting access to historic tax credit programs. When combined with the community trust that faith institutions often hold, adaptive reuse can preserve cultural assets while expanding housing options.

## **3. Ground lease or contribute land value to reduce development costs**

Instead of selling their property outright, many tax-exempt organizations choose to retain ownership through a long-term ground lease to an experienced affordable housing developer (a ground lease is a long-term agreement where a tenant leases a parcel of unimproved land from the property owner to construct their own building). Ground leases reduce upfront land costs and help ensure affordability over time, while still allowing organizations to continue their mission on-site. Local governments can reinforce these models by offering targeted tax abatements or financial support for predevelopment activities.

## **4. Integrate housing with mission-aligned community services**

Tax-exempt organizations frequently operate childcare programs, food pantries, community kitchens, senior support services, or health programs that complement affordable housing. Integrating these services within or adjacent to new housing can create strong community anchors that support residents' long-term stability. Localities can enhance these integrated models by providing grants for service space build-out, supporting co-location through zoning tools, or coordinating referrals through local community service agencies.

## **5. Participate in planning processes and shape local housing priorities**

Because they are deeply embedded in their communities, tax-exempt organizations can play a meaningful role in local planning processes, including comprehensive plan updates, small area plans, and local housing strategies. Their participation helps localities understand the potential of tax-exempt land, anticipate partnership opportunities, and integrate nonprofit-led development into broader land-use frameworks. When nonprofits engage early in planning, they can align their long-term vision with community goals and better position their property for future development.

## **6. Host community meetings and convene neighborhood dialogue**

Faith-based and nonprofit landowners often serve as trusted neighborhood conveners. Hosting informational meetings, listening sessions, and design workshops enables communities to participate meaningfully in shaping proposed housing developments on nonprofit-owned land. These engagement efforts help address concerns, refine project designs, and cultivate stronger long-term support, particularly when led collaboratively with local government partners or development teams.

### **7. Use local development incentives and zoning tools**

Tax-exempt organizations can make full use of local incentives such as density bonuses, parking reductions, expedited review processes, or access to local housing trust funds. These tools can significantly reduce development barriers when paired with a nonprofit's land contribution. Localities can assist by providing clear guidance on available incentives, offering technical assistance to navigate eligibility requirements, and ensuring zoning ordinances support institutional land reuse for housing.

### **8. Serve as affordable housing managers and long-term stewards**

Some tax-exempt organizations choose to operate or manage affordable housing themselves, particularly when the development is closely connected to community services already provided on-site. Serving as a housing manager allows nonprofits to ensure that affordability, resident services, and mission-aligned practices are maintained over the long term. Localities may support stewardship by offering training, connections to property management resources, or funding for resident-service programs.

### **9. Support affordable housing development financially as a partner**

Beyond providing land, many tax-exempt organizations can contribute financially to housing efforts through grants, fundraising campaigns, philanthropic partnerships, or investment capital. These contributions often complement funding from local governments, IDAs/EDAs, private developers, educational institutions, health systems, financial institutions, community foundations, and peer nonprofits. When combined, these diverse resources can reduce reliance on public dollars and accelerate development timelines while upholding deep affordability commitments.

#### *Considerations*

Federal tax-exempt status (such as 501(c)(3)) does not automatically grant a nonprofit organization tax exempt status in Virginia. [Chapter 36](#) of the Virginia Code specifies certain organizations as property-tax exempt. Localities have the authority to determine tax exemptions for specific properties and may require a local ordinance or application process. Even when a property is designated exempt from property taxes, the property must be used for the exempt purpose.

#### *Virginia Examples*

The Virginia Interfaith Center for Public Policy has identified more than 22,000 faith-owned parcels—about 74,000 acres statewide—and documented at least 14 congregations that have developed or are planning to develop affordable housing on their land, including projects like Gilliam Place (Arlington Presbyterian Church), The Spire (Episcopal Church of the Resurrection in Alexandria), The Waypoint at Fairlington (Fairlington Presbyterian), and Aspire at Church Street (First Baptist Church of Norfolk) (*Appendix 3qq*).

These projects typically pair a mission-driven landowner with experienced affordable housing developers and public funding streams, allowing congregations to contribute land and community leadership while partners bring development expertise.

Recent Virginia projects illustrate the range of opportunities on property-tax-exempt land:

- **Arlington Presbyterian Church (Arlington County)** sold its former church property to the Arlington Partnership for Affordable Housing to create Gilliam Place, a 173-unit affordable apartment community on the site of the old sanctuary. The decision emerged from a deliberate congregational discernment process focused on neighbors' difficulty finding affordable homes along Columbia Pike (*Appendix 3rr*).
- **The Spire at The Episcopal Church of the Resurrection (City of Alexandria)** is an eight-story, 113-unit family affordable building constructed on land donated by the church, coupled with a new worship space that shares a courtyard with the apartments. The project is designed to universal design standards and achieved EarthCraft Gold certification, showing how faith communities can pair accessibility and sustainability with long-term affordability (*Appendix 3ss*).
- **St. Elizabeth Catholic Church and Greenway Village (City of Richmond)** are developing 56 affordable units behind the church for households earning roughly 40% to 60 % of area median income, in partnership with Commonwealth Catholic Charities and the Richmond Redevelopment and Housing Authority. The project has been nearly a decade in the making and will include voucher units to reach the lowest-income residents (*Appendix 3tt*).
- **Village of Faith Ministries (Chesterfield County)** is working with a national homebuilder to convert a suburban church site and large parking lot into roughly 192 apartments and 40 townhomes, adding housing diversity near an existing grocery-anchored shopping center. The project illustrates how faith communities can replace excess parking with mixed-income housing while remaining financially stable and continuing their ministry (*Appendix 3uu*).
- **Belmont Lofts and other Roanoke church conversions (City of Roanoke)** demonstrate how historic rehabilitation and adaptive reuse can provide new affordable homes in older neighborhoods. In Southeast Roanoke, the former Belmont Baptist Church is being converted into 32 below-market apartments for residents earning less than 60% of area median income, using historic tax credits and preserving the sanctuary as a community gathering space. Additional projects at Trinity United Methodist and Calvary Baptist are also being planned or pursued (*Appendix 3vv*).
- **Jackson Ward Revitalization (City of Richmond)** shows how nonprofit developers can partner with public housing authorities on tax-exempt land. Enterprise Community Development, working with the Richmond Redevelopment and Housing Authority on a no-cost ground lease, created The Rosa and The Van de Vyver, a mixed-income, mixed-use development combining new construction and adaptive reuse of a former convent, including replacement public-housing units, workforce housing, and a grocery store (*Appendix 3ww*).

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2. List of Workgroup Stakeholders
3. Research and Analysis
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  - b. [Fairfax County Housing Department](#)
  - c. [Henrico County POD and Site Plan Review Process](#)
  - d. [Partnership For Housing Affordability – Extend affordability terms w/ expiring subsidies/use restrictions](#)
  - e. [City of Falls Church Affordable Living Policy](#)
  - f. [Patch News - Read Building in the City of Falls Church](#)
  - g. [City of Alexandria – FY26 Budget Q&A](#)
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  - v. [City of Chesapeake - Chesapeake Land Bank Authority](#)
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- rr. [Arlington Presbyterian – our vision](#)
- ss. [Cunningham Quill Architects – the Spire](#)
- tt. [WWBT - Over 50 affordable housing units under construction in Richmond church's backyard](#)
- uu. [Next City - A Virginia Church Plans to Convert Parking into Housing](#)
- vv. [Roanoke Rambler - Houses of the Holy: Plans Seek To Convert Historic Roanoke Churches into Apartments](#)
- ww. [Affordable Housing Finance - Developer Helps Revitalize Jackson Ward in Richmond, Virginia](#)

**VIRGINIA ACTS OF ASSEMBLY - 2025 RECONVENED SESSION**

**CHAPTER 653**

*An Act to direct the Department of Housing and Community Development to develop a document describing considerations that a locality may consider when implementing an ordinance to stimulate affordable housing and strategies on property owned by a property tax-exempt nonprofit organization.*

[H 2153]

Approved April 2, 2025

**Be it enacted by the General Assembly of Virginia:**

**1. § 1.** *The Department of Housing and Community Development (the Department) shall develop a document describing options for alteration or waiver of requirements for zoning permits, site plan application incentives, and other considerations that a locality may consider when implementing an ordinance to stimulate affordable housing and include strategies on property owned by a property tax-exempt nonprofit organization. The Department shall consult stakeholders, including local governments, nonprofit organizations, and other expert resources as determined by the Department, to develop the document. Such document shall be published on the Department's website no later than December 31, 2025.*

## Appendix 2

### Workgroup Members

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