Application Overview and Guidelines

Overview

The Virginia Beach Development Authority offers Attainable Workforce Housing Performance Grants in collaboration with the City of Virginia Beach to provide an incentive for the development of affordable rental housing on a continuous basis throughout the year. Applications will be accepted, reviewed, and evaluated by the VBDA and the City's Department of Housing and Neighborhood Preservation staff. Based on the evaluation, staff recommendations are provided to the VBDA Board members and Virginia Beach City Council for consideration and formal approval through their legislative processes. **The outcome of the evaluation and approval process is not guaranteed.**

Purpose of Program

The purpose of the City of Virginia Beach Attainable Workforce Housing Performance (AWHP) Grant is to provide an incentive for applicants to construct, own, and operate new affordable multi-family rental housing units in the City of Virginia Beach.

"Affordable housing" means, as a guideline, housing that is affordable to households with incomes at or below the area median income, provided that the occupant pays no more than 30% of their gross income for gross housing costs, including utilities.

Affordable housing units are those units that will be rented and affordable to households with an annual income at or below 80% of the Area Median Income (AMI), adjusted for household size, as established by the United States Department of Housing and Urban Development (HUD) for the Virginia Beach-Norfolk-Newport News, VA-NC HUD Metro FMR Area for the applicable year of the grant period.

Background

To combat the affordable housing shortage, to further economic development, and specifically to incentivize the development of affordable housing across the Commonwealth, the General Assembly passed HB 1194 during the 2022 Session, and it became effective on July 1, 2022. HB1194 amended Ch. 49, Title 15.2 of the Code of Virginia, known as the "Industrial Development and Revenue Bond Act," to allow local Development Authorities, in conjunction with their local governing bodies, the power to make grants associated with the construction of affordable housing.

On May 21, 2024, Virginia Beach City Council passed a resolution directing the City Manager to proceed with certain recommendations of the 2024 Housing Study that was released in January 2024. The resolution directed City staff to advance discussions with the Virginia Beach Development Authority to fund new large-scaled mixed use development projects, which was a strategy contained in the study. These discussions lead to a City Council ordinance, passed in April 2025, and a VBDA

resolution passed in May 2025, to create the Attainable Workforce Housing Performance Grant program. The Policy is attached as Attachment 1.

Submission Guidelines

Please read and carefully review all information contained in this application packet, including the associated attachments, before completing the application. Applications must be submitted at least 90 days before an anticipated response is required. Incomplete applications will not be evaluated or considered for decisions until all required information has been provided. Completed applications are defined as applications for which all required documentation has been submitted, along with the completed application form and required attachments.

Application materials (Attachment 2 and 3, maps, proformas, City Disclosure Statement) must be remitted to the Virginia Beach Development Authority through one of the following methods:

- In-person or by Mail
    - Virginia Beach Development Authority
        - Attention: Sharon Shoff
        - 4525 Main Street
        - Suite 700
        - Virginia Beach, VA 23462
- Email submission
    - Applications can be submitted via email to Sharon Shoff at sshoff@vbgov.com

Only applications that have been deemed complete will be considered. Please allow ninety (90) days for completed applications to be processed.

If an Attainable Workforce Housing Performance Grant is approved, awardees are responsible for an annual grant administrative fee equal to 1% of the annual grant value during the life of the grant.

The Virginia Beach Economic Development Authority and the City of Virginia Beach reserve the right to update this application packet, including the program guidelines, and any other information related to the Attainable Workforce Housing Performance Grant Program without notice.

Attachments included in this Application Packet:

- Attainable Workforce Housing Performance Grant Program Policy (Attachment 1)
- Attainable Workforce Housing Performance Grant Application Form (Attachment 2)
- Attainable Workforce Housing Performance Grant Program Calculation Form (Attachment 3). Applicants must submit form in excel format. Please e-mail sshoff@vbgov.com for a copy of the excel spreadsheet.
- City of Virginia Beach Disclosure Statement. Please e-mail sshoff@vbgov.com for a copy of this Statement.
- Sample Attainable Workforce Housing Performance Grant Agreement (Attachment 4). Please e-mail sshoff@vbgov.com for a copy of the Sample Grant Agreement.

Attachment 1: Attainable Workforce Housing Performance Grant Program Policy

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Eligible Projects

- Projects must be new construction.
- Projects must either 1) have all necessary re-zoning or Conditional Use Permit approvals or 2) have had a request for a re-zoning or Conditional Use Permit heard by the Planning Commission and scheduled for a City Council meeting. Any approval by City Council of an AWHP grant is not valid unless and until any necessary re-zoning or Conditional Use Permit for the project is approved by City Council.
- Projects must be developed by a for-profit entity.
- Only new multi-family affordable rental housing units that have not started construction as of the date the project is first presented to City Council in closed session are eligible for the AWHP Grant. Multi-family rental housing is defined as 5 or more separate living units that (a) are under common ownership and financing, and (b) are offered for rent.

Living units may be either in a single building, multiple contiguous buildings, or on contiguous parcels of land.

- Attainable Workforce Housing Performance Grant applicants must have a demonstrable gap in project financing, as evidenced by their development and operating pro forma.
- Eligible projects may be fully affordable or mixed-income, and may also be mixed-use (i.e., with commercial and residential components).
- Projects that involve the demolition of existing rental housing units only to build a minimum 20% additional affordable housing units.

Ineligible Projects

- Projects that involve only the purchase and/or rehabilitation of existing housing units.
- Projects that have already started construction as of the date the project is first presented to City Council in closed session.
- Projects that do not have a demonstrable gap in project financing as evidenced by their development and operating pro forma.
- Developments that are produced by a non-profit entity that is already exempt from paying real estate taxes.

Grant Award

Duration and Timing:
The Attainable Workforce Housing Performance Grant is for 15 years. The grant period may be extended another 15- year period for a total grant period of 30 years if the recipient complies with the capital reinvestment terms set forth below.

The Attainable Workforce Housing Performance Grant period commences on January 1st of the first real estate tax year following the applicant's completion of the project's construction, as evidenced by receipt of a temporary or permanent Certificate of Occupancy and ends on the last day of the 15th real estate tax year following the grant commencement date, or the 30th tax year, if the grant period is extended.

Amount and Payment:
The amount of the performance grant is capped at 100% of the amount of incremental new real estate taxes to be levied and collected for improvements on the Project Site as determined by the City's Real Estate Assessor, with an agreed upon not-to-exceed amount to be determined and to cover the 30-year period. The size and scope of the development will impact the annual grant estimate, with a baseline assumption of 3% annual increase in property value over the life of the agreement. Each annual grant award will be determined by actual assessment growth; however, the amount not to exceed shall be based upon the previously noted assumption and documented upon execution of the grant agreement. This amount may be adjusted to reflect the percentage of residential square footage to the total gross square footage of the structure(s)

and the percentage of the number of affordable rental housing units to the number of total residential rental units.

A Grant amount of two (2) times the Performance Grant Percentage, up to 100% of the incremental value, is available to a qualified property when twenty percent (20%) or more of the residential units are affordable at or below 50% of the Area Median Income. The amounts subject to this increase are not subject to the amount of incremental new real estate taxes.

The Attainable Workforce Housing Performance Grant is payable by the City of Virginia Beach Development Authority ("VBDA") upon proof of full and timely payment of the property's real estate tax levy for the applicable payment period and proof of compliance with all requirements of the grant agreement. The VBDA's obligations would be funded via and subject to a corresponding appropriation by the Virginia Beach City Council.

Terms/Conditions for Award

The recipient of an Attainable Workforce Housing Performance Grant will be required to sign a grant agreement outlining the terms and conditions of the award. The grant agreement must be signed within 30 days after approval of an award by City Council.

Recipients of an award must:

1. Adhere to the project construction timeline based on the effective date of the grant agreement by submitting a plan of development within 9 months, commencing project construction within 18 months, and completing construction within 3 years;
2. Strive for a goal of 50% small, woman, and minority (SWaM) business participation during the construction phase of development. The recipient is required to submit to the City's SWaM Office a report detailing all expenditures with minority business enterprises and emerging small businesses;
3. Provide detailed updates and verifications to the City of the applicant's progress regarding the completion of the project construction and, following Project construction, of recipient's continued control, maintenance, and operation of the Project throughout the 15-30 year grant period;
4. Restrict occupancy and rents of the Project throughout the 15-30 year grant period according to the schedule that will be outlined in the Grant Agreement and standards promulgated by Virginia Housing and Sections 42 and 142 of the Internal Revenue Code. The maximum income and rent limits are the Multifamily Tax Subsidy Program (MTSP) and Housing and Economic Recovery Act of 2008 (HERA) Special Rent Limits and the HUD Multifamily Tax Subsidy Program (MTSP) Income Limits for the Virginia Beach-Norfolk-Newport News, VA-NC HUD Metro Fair Market Rent (FMR) Area. Owners must include the cost of all resident-paid utilities, excluding phone, cable, and internet, in the gross rent charged to residents. Owners may use the utility allowances published by the City of Virginia Beach Department of Housing or may utilize an alternative utility allowance option approved by Virginia Housing or,

if not a Virginia Housing financed project, submitted to and approved by DHNP based on Virginia Housing's Utility Allowance Options and Procedures. Ongoing compliance monitoring and approvals by Virginia Housing provided to the City will serve as evidence of the recipient's compliance with the occupancy and rent restrictions. Projects that are not subject to compliance monitoring by Virginia Housing must provide an annual report in the form and format provided by the City evidencing compliance with rent and occupancy restrictions and will be subject to site inspections and file audit by the City or its subcontractors; and

5. Notify the VBDA and City of any material change in the project occurring after an award is made.

For projects with a 30-year performance period, the Project Owner will be required to make a reinvestment of $10,000/affordable unit in Capital Improvements to ensure the ongoing upkeep and livability of all affordable rental units prior to the 15th year of service. "Capital Improvements" are defined as expenses for systems and structures, which include the replacement and repair of HVAC, electrical, roofing, plumbing, windows, doors, elevators, and appliances. Expenses for systems and structures not listed will be approved at the discretion of the City.

Any restructure in the project's financing or change in the Attainable Workforce Housing Performance Grant Agreement after an award is approved may constitute a material change in the approved application. The VBDA and the City of Virginia Beach understand the fluidity in the current housing market and intend for this program to be as flexible as possible. However, a material or substantial change in the project's financing structure may negate the approved grant award and the submission of a new application may be needed. If a new application is required, it must follow the same approval process as all performance grant applications. There is no guarantee that an Attainable Workforce Housing Performance Grant will be approved.

Award Process

1. The Project Owner completes an application to include its project in the Attainable Workforce Housing Performance Grant Program. All completed applications to be submitted to Director of Housing and Neighborhood Preservation or their designee. After receipt of the application, City staff reviews internally to determine if project could qualify and to assess if additional information is needed from Project Owner. Staff could meet with Project Owner to discuss project to determine if project is eligible as a participant in the program.
2. If the project is eligible for inclusion in the program, the City Manager will brief City Council in closed session and, if directed to proceed, request the appointment of grant liaisons. Subsequently, the VBDA will be briefed in closed session on the project.
3. If not previously completed, the City will complete a study of the economic, fiscal and social impacts of the project.

4. A term sheet may be developed, in concert with the City Attorney, and presented to the City Council and VBDA for concurrence.
5. The project manager will undertake stakeholder and community input appropriate for the size and scope of the proposed project.
6. A grant agreement, setting forth all the terms and conditions of the proposed Attainable Workforce Housing Performance Grant is developed between the VBDA and the Project Owner. The grant agreement will require, among other things, that prior to the payment of any funds awarded, the property subject to the grant be encumbered with recorded restrictive covenants requiring the property be used for affordable housing to the extent set forth in the grant agreement for a period not to exceed 30 years.
7. On completion, the grant agreement will be presented to City Council and the VBDA for approval. Along with the grant agreement, a support agreement wherein the City agrees, subject to appropriation, to provide sufficient funds to the VBDA to meet its obligations under the grant agreement.