

INTRODUCED: November 9, 2015

AN ORDINANCE No. 2015-233

As Amended

To amend and reordain City Code §§ [~~98-263~~] 26-582, concerning the eligibility of residential real property in redevelopment and conservation areas and rehabilitation districts for partial tax exemption, [~~98-264~~] 26-583, concerning the application requirements for such partial tax exemption, and [~~98-265~~] 26-584, concerning the amount of such exemption and the basis for taxes during construction, for the purposes of adjusting applicable threshold requirements to qualify for such exemption, adding maximum rent limits for certain dwelling units, authorizing an additional exemption period for certain structures and requiring that property owners file annual renewal applications with the City Assessor.

\_\_\_\_\_  
Patron – Mrs. Robertson

\_\_\_\_\_  
Approved as to form and legality  
by the City Attorney  
\_\_\_\_\_

PUBLIC HEARING: DEC 14 2015 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That sections [~~98-263, 98-264, and 98-265~~] 26-582, 26-583, and 26-584 of the Code of the City of Richmond [~~(2004)~~] (2015) be and are hereby amended and reordained as follows:

**Sec. [~~98-263~~] 26-582. Eligibility of residential real property; annual renewal application.**

(a) In order to qualify for the partial exemption from real property taxation for real property constructed for residential use, throughout the exemption period established by section

AYES:                    9                    NOES:                    0                    ABSTAIN: \_\_\_\_\_

ADOPTED:            FEB 8 2016            REJECTED: \_\_\_\_\_            STRICKEN: \_\_\_\_\_

~~[98-265(a)]~~ 26-584(a), (1) the new structure must be (i) an owner occupied dwelling used as a single-family residential structure, (ii) rental property used as a single-family dwelling with a fully executed lease agreement containing a rent to buy option, (iii) a structure used as commercial space only on the street level and residential space, a minimum of 30 percent ~~[to a maximum of 50 percent]~~ of which provides housing restricted to individuals or families making up to 60 percent of the area median income for the Richmond-Petersburg Metropolitan Statistical Area with a maximum rent, calculated annually, no greater than 30 percent of the income of ~~[a]~~ any such individual or family ~~[whose annual income equals 60 percent of the median income for the Richmond-Petersburg Metropolitan Statistical Area]~~, on the upper remaining levels~~;~~ or (iv) a multifamily dwelling ~~[of up to eight units or (v) a multifamily dwelling of more than eight units]~~, a minimum of ~~[15]~~ 30 percent ~~[to a maximum of 50 percent]~~ of which provides housing restricted to individuals or families making up to ~~[80]~~ 60 percent of the area median income for the Richmond-Petersburg Metropolitan Statistical Area with a maximum rent, calculated annually, no greater than 30 percent of the income of ~~[a]~~ any such individual or family ~~[whose annual income equals 60 percent of the median income for the Richmond-Petersburg Metropolitan Statistical Area]~~; and ~~[(vi)]~~ (2) the other improvement, if any, must be designed for the accessory use of such new structure; improvements such as garages, swimming pools, patios and similar facilities that are not used as living areas for the structure shall not be eligible for this exemption. Any portion of the structure that is commercial space, including, but not limited to, the commercial space identified in numeral (iii) above, shall not be eligible for the exemption. Any residential space identified in numeral (iii) above or multifamily dwelling identified in numeral ~~[(v)]~~ (iv) above that does not meet the minimum percentage set forth in ~~[numeral (v)]~~

numerals (iii) or (iv) above [or], that exceeds the [maximum percentage or] maximum rent set forth in [numeral (v)] numerals (iii) or (iv) above or that does not have the dwelling units in such residential space or the dwelling units in such multifamily dwelling interspersed among dwelling units offered for rent to individuals or families making more than 60 percent of the area median income for the Richmond-Petersburg Metropolitan Statistical Area shall not be eligible for this exemption. In addition, the new structure and other improvement, if any, must be built on a lot that has been vacant for at least two years prior to the date upon which an application for the partial tax exemption established by this division is filed. However, a new structure or other improvement built on a lot that has become vacant as a result of the demolition of a structure or other improvement at the expense of the City shall be exempted from the requirement that such lot be vacant for at least two years prior to the date upon which an application for the partial tax exemption established by this division is filed.

(b) In order for the partial exemption for a property to continue in effect, such property shall be maintained in compliance with the provisions of the Virginia Uniform Statewide Building Code. If, after receiving notice of a violation of this section, the owner of the property fails or refuses to complete the necessary corrections within the time required for such action, or refuses city inspectors or city appraisers access to such property for the purpose of determining continued eligibility under this section, then such eligibility shall terminate.

(c) The new structure and other improvements, if any, must be completed within two years after the date the building permit applied for in accordance with this division has been issued.

(d) The new structure and other improvements, if any, must be in conformity with the general character and quality of the existing structures in the surrounding community, as determined by the City Assessor.

(e) In order for a partial exemption granted for a rental property used as a single-family dwelling with a fully executed lease agreement containing a rent to buy option to remain in effect, the property must be purchased within the first three years of the exemption by an individual who will occupy the property. If a rental property used as a single-family dwelling with a fully executed lease agreement containing a rent to buy option is not purchased within the first three years of the exemption by an individual who will occupy the property, the partial exemption for the property will terminate after the third year. It shall be the responsibility of the purchaser to provide proof of the closing date and the purchaser's ownership to the City Assessor so that the Assessor can note the continuation of the partial exemption on the land book. Absent any evidence submitted by a purchaser showing that a rental property used as a single-family dwelling with a fully executed lease agreement containing a rent to buy option has been purchased within the first three years of the exemption by an individual that will occupy the property, the City Assessor shall remove the partial exemption from the land book after the third year.

(f) In order to retain the partial exemption for which this division provides, each owner of real property which has qualified for partial exemption of real estate taxes under this division shall file a renewal application with the City Assessor on forms to be prescribed by the City Assessor, and any other documentation as may be required by the City Assessor, by no later than ~~December 1~~ January 1 of each year of the exemption period until such partial exemption

expires or is otherwise terminated for failure to comply with the requirements of this division or other applicable law. The partial exemption for which this division provides shall terminate if any owner of real property fails to comply with the requirements of this subsection. In the case of any such termination of the partial exemption for which this division provides, the partial exemption for the tax year [~~immediately following the tax year~~] in which the date upon which the renewal application is due falls and for all subsequent tax years remaining in the exemption period for such real property shall be forfeited and the credit for the tax year [~~immediately following the tax year~~] in which the date upon which the renewal application is due falls and for all subsequent tax years remaining in the exemption period shall be canceled and shall be of no effect.

**Sec. [~~98-264~~] 26-583. Application.**

(a) There shall be no order of partial exemption from real property tax under this division for real property (i) whose owner or such owner's agent has not submitted an application to the City Assessor for partial tax exemption in accordance with this division prior to construction, (ii) whose owner has failed to pay any amount of nonexempt real estate taxes, (iii) that is not within a redevelopment or conservation area or rehabilitation district established in the city, (iv) whose owner has failed to submit design plans to the City Assessor[;] or (v) that is receiving any other real estate tax exemption authorized by this Code [~~or (vi) that has qualified for an IRS-42 low income housing tax credit~~].

(b) As a prerequisite for qualifying for partial tax exemption under this division, the owner or agent of the owner of such property shall file an application for partial exemption of real property from taxation with the City Assessor simultaneously with making application for a

building permit and prior to any work being started on the subject property. Each application for such exemption shall be accompanied by a processing fee in the amount of \$125.00. No property shall be eligible for such exemption unless all appropriate building permits have been acquired and the City Assessor has verified that the new structure or other improvements indicated on the application has been completed and a certificate of occupancy has been issued. Furthermore, no property shall be eligible for such exemption if the City Assessor has been denied access to the entire premises before, during or after the work for which a partial exemption has been applied, for purposes of determining whether the new structure or other improvements have been completed and for appraising the property.

(c) The applicant shall bear the burden of proof to show that the property for which a partial exemption has been applied complies with all requirements established by this division. The City Assessor may require documented proof of eligibility and compliance with the requirements of this division, and, in such cases, the applicant shall present documentation satisfactory to the City Assessor.

**Sec. ~~98-265~~ 26-584. Amount of exemption; basis for taxes during construction.**

(a) ~~[With the exception of the phase-out period provided herein, the]~~ The amount of the partial exemption from real property taxation provided for by this division shall be an amount equal to the increase in assessed value resulting from the completed construction of the new structure or other improvement to the real property as determined by the City Assessor. This amount only, on a fixed basis, shall constitute the exemption, notwithstanding subsequent market appreciation or depreciation, assessment, reassessment or future improvements. In no event shall the exemption exceed the increase in assessed value ~~[or the percentage of such increase]~~

resulting from the construction of the new structure or other improvement to the real estate as determined by the City Assessor. The exemption shall commence on January 1 of the year following completion of the new construction or improvements[;] and shall run with the real estate [~~and phase out as follows~~] for ten years. [~~For the first five years following January 1 of the year following completion of the new construction or improvements the exemption will remain at 100 percent; in years six through ten following January 1 of the year following completion of the new construction or improvements the exemption shall phase out by 20 percent each year as illustrated below until year ten when the exemption shall end:~~

| Year          | Portion of Exemption Received (%) |
|---------------|-----------------------------------|
| <del>6</del>  | <del>80</del>                     |
| <del>7</del>  | <del>60</del>                     |
| <del>8</del>  | <del>40</del>                     |
| <del>9</del>  | <del>20</del>                     |
| <del>10</del> | <del>0</del>                      |

(b) No partial exemption under this division shall be ordered during the construction phase of the new structure or other improvements. Prior to completion of the new structure or other improvements, taxes shall be based upon the full assessed value of the property when assessed.

§ 2. This ordinance shall be in force and effect upon adoption.



# Richmond City Council

The Voice of the People

Richmond, Virginia

## Office of the Council Chief of Staff

### Ordinance/Resolution Request

**TO** Allen Jackson, Richmond City Attorney  
Richmond Office of the City Attorney

**THROUGH** Lou Brown Ali *LB*  
Council Chief of Staff

**FROM** Meghan Brown, Council Budget Analyst *MCB*

**COPY** Ms. Ellen F. Robertson, 6<sup>th</sup> District Council Member  
Kiya A. Stokes, 6<sup>th</sup> District Liaison  
Vincent Jones, Deputy Council Chief of Staff *V Jones*  
James D. Hester, City Assessor

**DATE** October 27, 2015

**PAGE/s** 1 of 3

**TITLE** Amendment to the Exemption in Redevelopment or Conservation Areas or Rehabilitation Districts Program

RECEIVED

OCT 28 2015

OFFICE OF CITY ATTORNEY

This is a request for the drafting of an **Ordinance**  **Resolution**

**REQUESTING COUNCILMEMBER/PATRON**

Councilwoman Robertson

**SUGGESTED STANDING COMMITTEE**

Finance & Economic Development

**ORDINANCE/RESOLUTION SUMMARY**

The patron requests an ordinance to amend City Code § 98-263 to modify the eligibility of residential real property for partial tax exemption, the application requirements for such exemption, the amount of such exemption, adjusting applicable threshold requirements, adding maximum rent limits for certain dwelling units, and providing the City Assessor authority to create and administer an annual verification process.

**BACKGROUND**

Under current City Code the Partial Tax Exemption in Redevelopment and Conservation Areas and Rehabilitation Districts, developers of multi-family dwelling units could receive partial tax exemption on construction of all units that exceed 8 units so long as the requirements under numeral (v) are met. Currently, to qualify the developer, a minimum of 15 percent to a maximum of 50 percent of the units, shall provide housing restricted to individuals or families making up to 80 percent of the area median income for the Richmond-Petersburg Metropolitan Statistical Area (MSA).

The patron believes that the proposed amendments below will provided more incentive to build affordable dwelling units and increase mixed income development.

The patron wishes to amend the City Code to reflect the below changes:

- City Code Sec. 98-263: (iii) a structure used a commercial space only on the street level and residential space on the upper remaining levels, ~~(iv) or a multifamily dwelling of up to eight units or (v) a multi-family dwelling of more than eight units~~, a minimum of ~~15~~ 30 percent to a maximum of 50 percent of which provides housing restricted to individuals or families making up to ~~80~~ 60 percent of the area median income for the Richmond-Petersburg Metropolitan Statistical Area.
  - The threshold requirements and income restrictions are to apply to both mixed use development as indicated in (iii) and to all multifamily dwelling development regardless of the number of units.
  - The change to a minimum of 30 percent of the housing units designated as affordable housing is to encourage developer commitment to affordable housing and allow for the developers to receive full ordinance benefits on all housing units, including those not designated as affordable housing units.
  - The change to 60 percent of the area median income is because the 60 percent AMI rent level is most consistent with HUD/VHDA rental program requirements for affordable housing.
- Establishing a maximum rent limit for the restricted units whereas the maximum rent to be charged is:
  - 1.) A rent that does not exceed 30 percent of the income of a family whose annual income equals 60 percent of the median income for the Richmond-Petersburg Metropolitan area.
- Add a requirement that the restricted units must be dispersed throughout the building.
- The amount of exemption shall be a full ten years at 100% exemption.

|         | Current Code                      | Amendment                         |
|---------|-----------------------------------|-----------------------------------|
| Year    | Portion of Exemption Received (%) | Portion of Exemption Received (%) |
| Year 1  | 100                               | 100                               |
| Year 2  | 100                               | 100                               |
| Year 3  | 100                               | 100                               |
| Year 4  | 100                               | 100                               |
| Year 5  | 100                               | 100                               |
| Year 6  | 80                                | 100                               |
| Year 7  | 60                                | 100                               |
| Year 8  | 40                                | 100                               |
| Year 9  | 20                                | 100                               |
| Year 10 | 0                                 | 100                               |

- Provide the City Assessor authority to create and administer an annual verification process. This would be to allow the City Assessor to annually verify adherence to the requirements for the units.
- Eliminate City Code § 98-264(a)(vi), "that has qualified for an IRS-42 low income housing tax credit."

