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# **IMPACT OF A REAL ESTATE TAX RATE REDUCTION**

**FINANCE AND ECONOMIC DEVELOPMENT COMMITTEE**

**OCTOBER 10, 2024**

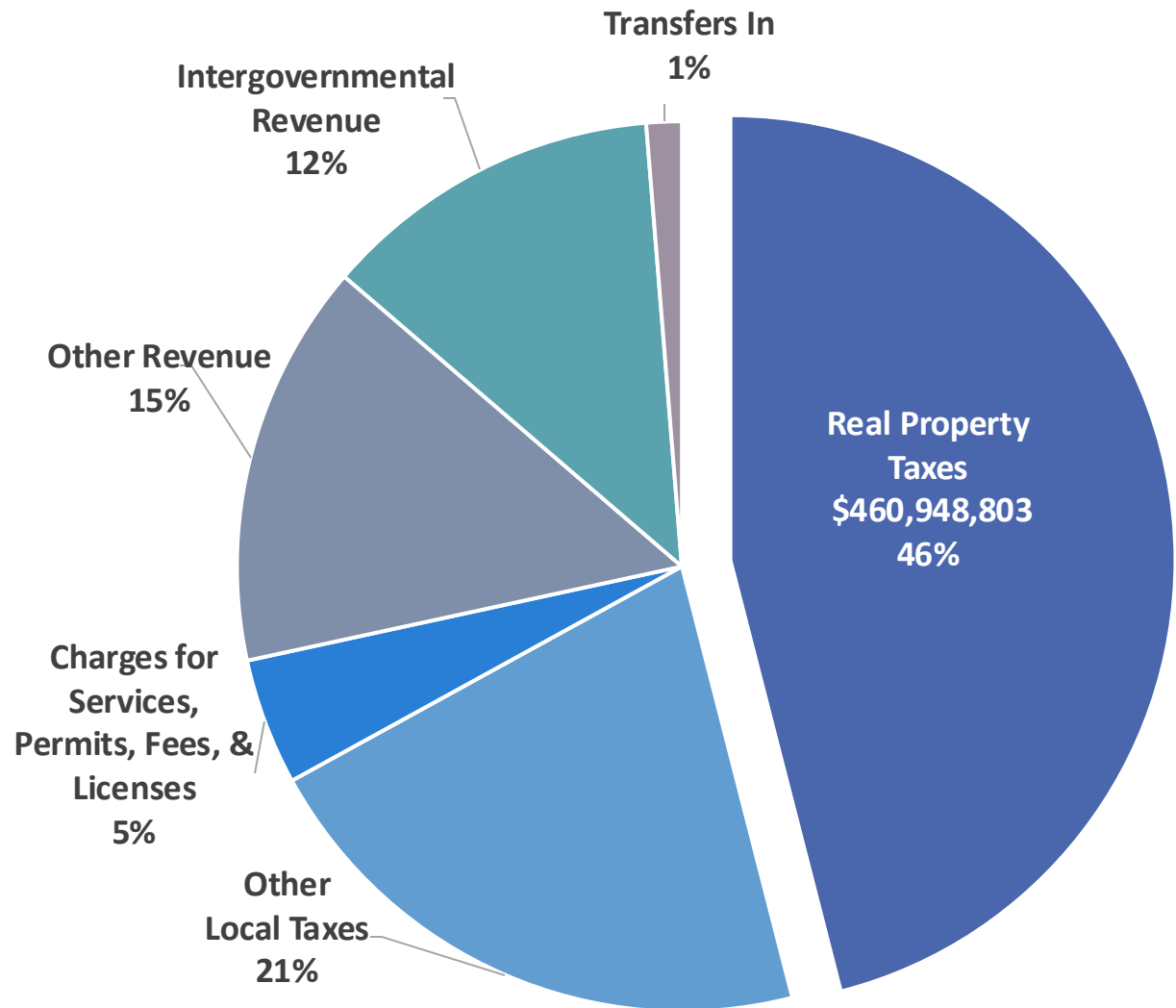
# REAL PROPERTY TAX IS THE LARGEST LOCAL REVENUE SOURCE

- Real Estate Tax Revenue comprises the *single largest source* of local revenue in the General Fund
- A reduction in Real Estate Tax Revenues will have an impact on the city budget, including, but not limited to:
  - Funding for Richmond Public Schools
  - Department's General Fund operating budgets
  - Capital Improvement Program



# IT MAKES UP ALMOST HALF OF THE GENERAL FUND

- Real Estate Tax Revenue is the single largest source of local revenue in the General Fund
- A reduction in Real Estate Tax revenues has an impact on the budget, including, but not limited to:
  - General Fund operating budgets
  - Funding for Richmond Public Schools
  - Capital Improvement Program
  - Debt Capacity because it is measured on the amount of General Fund Revenue



# THE VALUE OF ONE-CENT OF REAL ESTATE TAX IN FY 2025



**\$4.0 million in revenue**

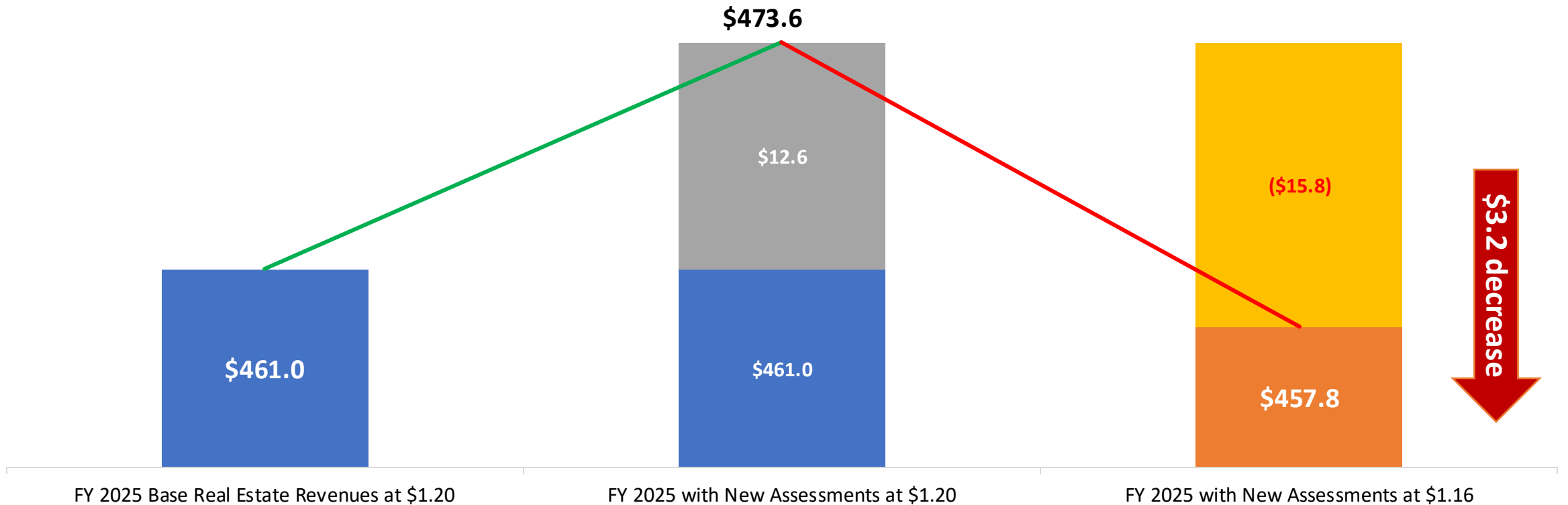


**\$50.0 million capital projects support**

**Reductions to the General Fund Revenue will also impact the amount of capital projects the city can support.**

# A 4-CENT TAX RATE REDUCTION LOWERS FY 2025 BUDGET BY \$3.2 MILLION

FY 2025 Impact of a 4-Cent Real Estate Tax Rate Reduction (in millions)



# \$1.16 TAX RATE = \$3.2 MILLION REDUCTION TO FY 2025

	A	B	C	D
1.	<b>FY 2025 Budget</b>	<b>Adopted</b>	<b>Updated Projection</b>	<b>Tax Rate = \$1.16</b>
2.	Estimated January 1 Land Book Value	\$40,216,347,000	\$41,288,690,000	\$41,288,690,000
3.	Tax Rate	<b>\$1.20</b>	<b>\$1.20</b>	<b>\$1.16</b>
4.	Revenue Base	\$482,596,164	\$495,464,280	\$478,948,804
5.	<b>Adjustments:</b>			
6.	Rehab credits for tax abatements	(\$12,240,243)	(\$12,240,243)	(\$11,832,235)
7.	Delinquent taxes (2%)	(\$9,407,118)	(\$9,664,481)	(\$9,342,331)
8.	<b>Projected Real Estate Current Revenue</b>	<b>\$460,948,803</b>	<b>\$473,559,556</b>	<b>\$457,774,238</b>
9.		<b>Variance</b>	<b>\$12,610,753</b>	<b>(\$3,174,565)</b>

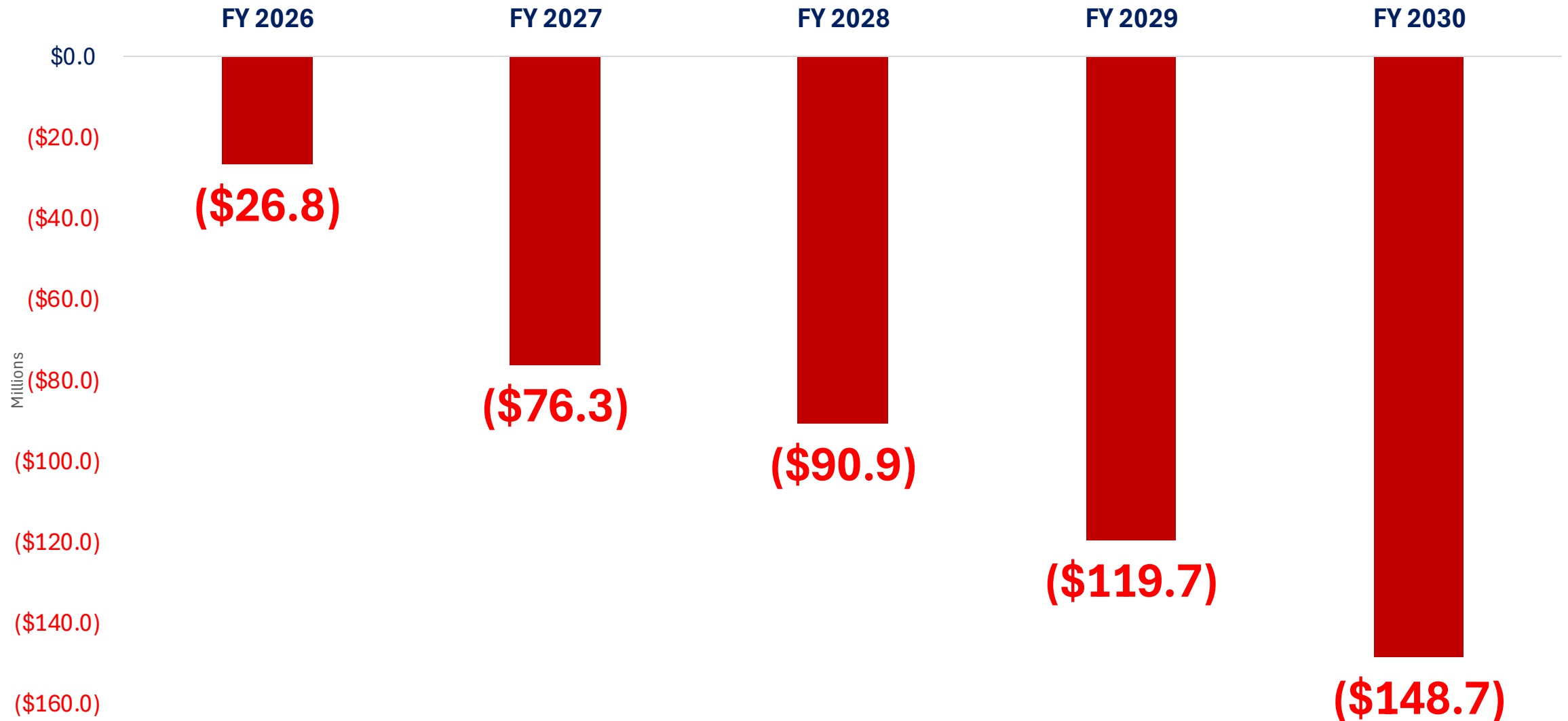
↑  
Increase FY 2025 Budget

↑  
Reduce FY 2025 Budget



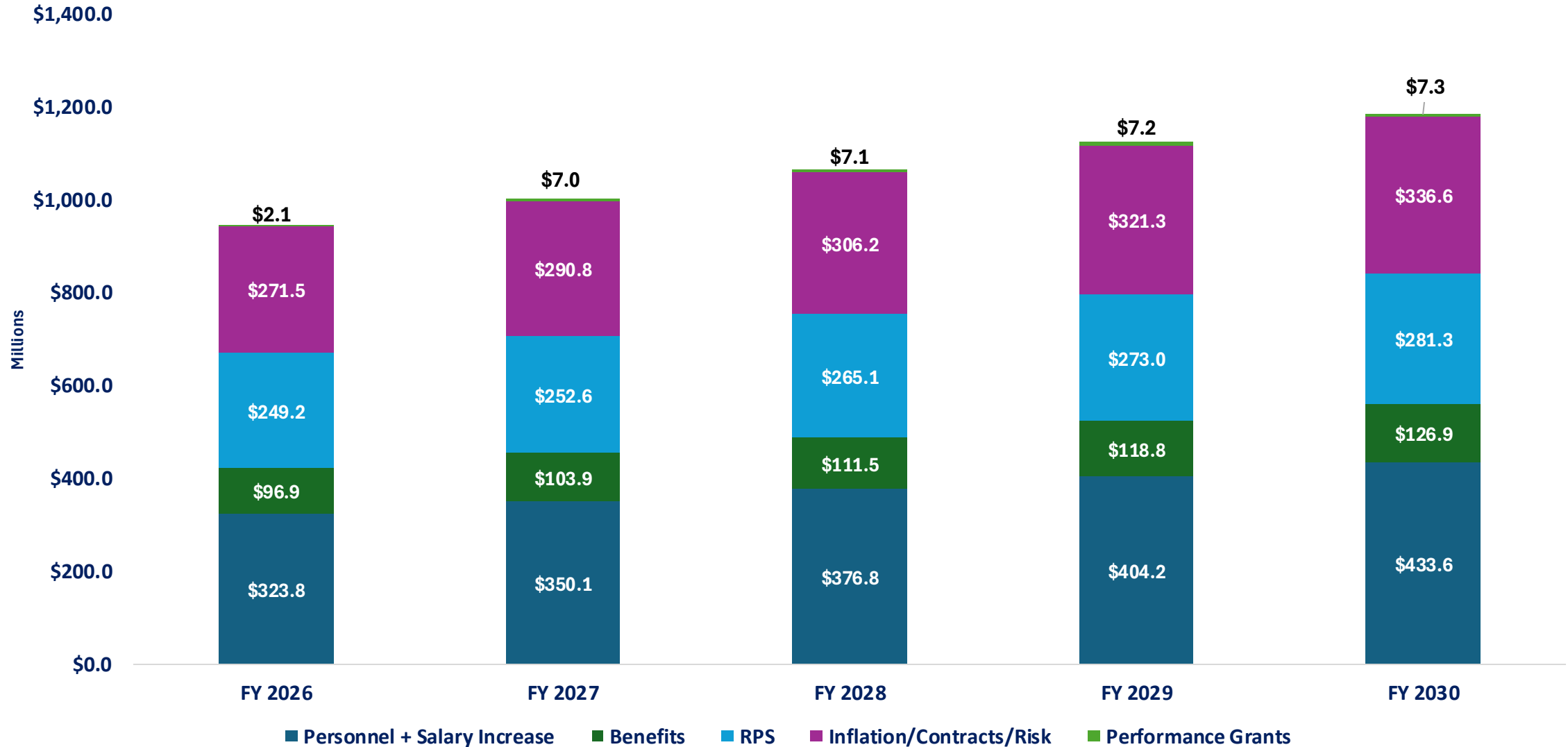
# EVEN AT THE \$1.20 TAX RATE – OUT YEARS ARE AT A DEFICIT

## FY 2026 - FY 2030 (5-Year Forecast)



# BUDGET DRIVERS ARE ALMOST 90% OF EXPENDITURES

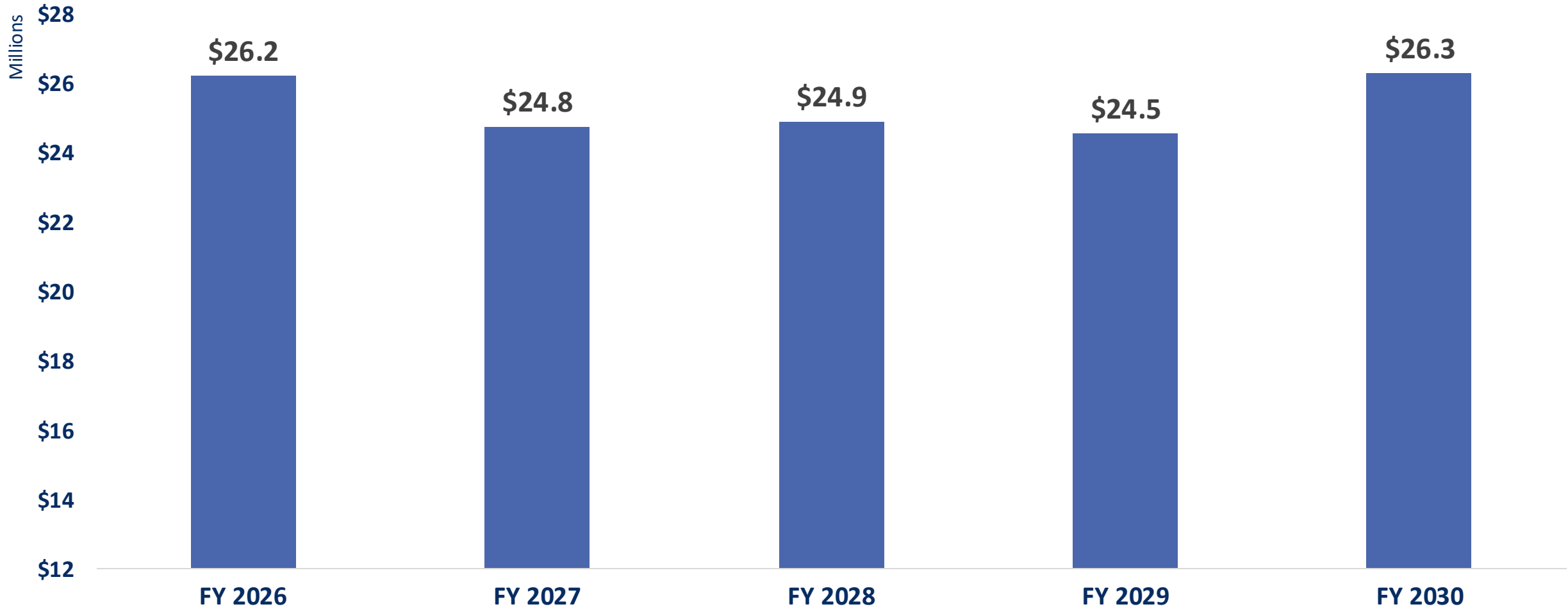
FY 2026 - 2030 Cost Drivers





# COLLECTIVE BARGAINING AVERAGE YEARLY COST ABOUT \$25 MILLION

## 5-Year Incremental Collective Bargaining Costs

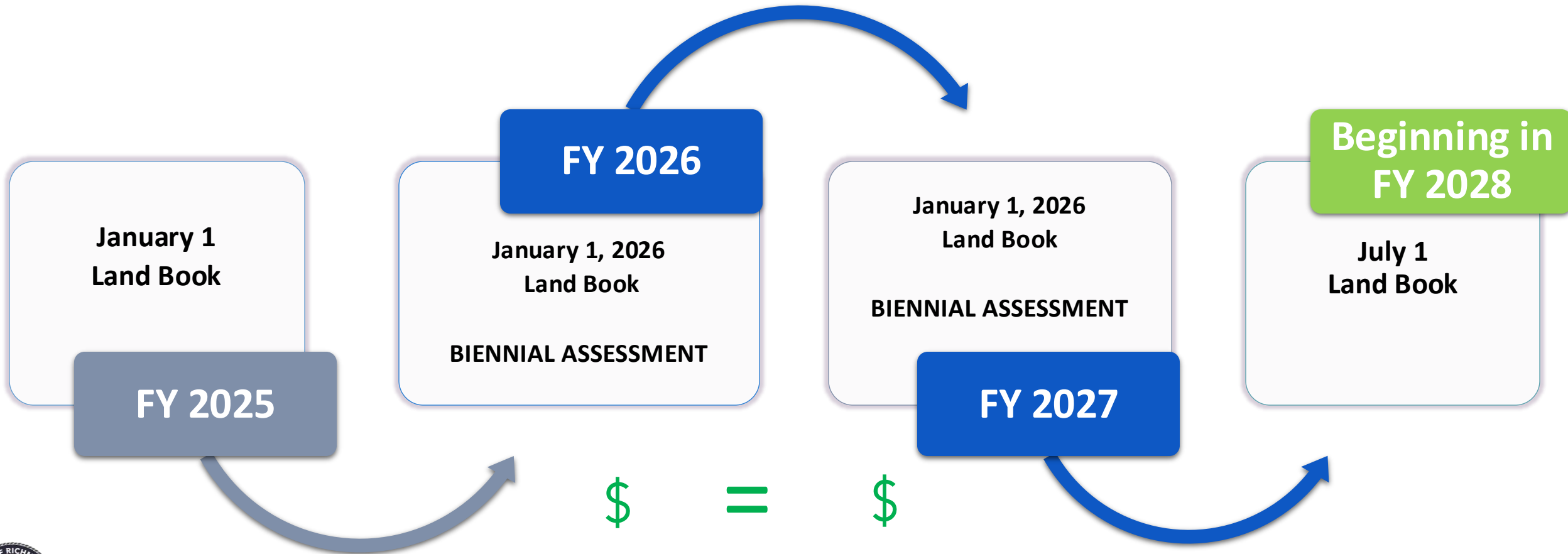


Amounts in Millions



# ASSESSMENT FREEZE IS COMING

JANUARY 1, 2026, LAND BOOK VALUES IN EFFECT FOR  
TAX YEAR 2026 AND TAX YEAR 2027 BILLING



\$ are for illustrative purposes



# ALTERNATIVE REVENUE SOURCE MUST BE IDENTIFIED

## RESOLUTION 2013-R8-084

To establish a policy that (i) the patrons, whether the Mayor or one or more members of the Council, of **a proposal that would result in the reduction of an existing revenue source must also identify an alternative revenue source to offset the proposed reduction** and (ii) any proposal that would result in the reduction of an existing revenue source must have an effective date no earlier than the first July 1 falling at least 120 calendar days after the adoption of such proposal. (As Amended).



# THE CITY'S FINANCIAL ADVISORS RECOMMEND AGAINST A TAX RATE REDUCTION

Davenport & Co.:

*“Based on the analysis herein, we do not recommend reducing the \$1.20 (per \$100 of assessed valuation) Real Estate Tax Rate. We recognize that not every district is the same, however, when blended together as “One City” the data clearly demonstrates that over time the relative burden on City taxpayers has simply mirrored inflation.”*

Reduction of the tax rate would result in less revenues to support growth

Ability to provide essential services, reduce poverty, and invest in infrastructure and facilities would be hindered

Would not be viewed favorably by credit rating agencies absent a known and sustainable new source of revenue to offset the reduction



# A LOWER TAX RATE DOES NOT SUPPORT EXISTING SERVICES

- While a tax rate reduction seems appealing, this is not the time
- Undermines Essential Services
  - Reduced funding for education, public safety, and collective bargaining
  - Potential elimination of positions
  - Reduce services to the community
- Impacts Long-Term Growth
  - Insufficient resources for sustainable development and community programs
  - Hinders investment in critical infrastructure
  - Risk of a credit rating downgrade and the city's reputation



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# TAX RATE REDUCTION ALTERNATIVES: *RVA STAY*

**HOUSING RELIEF PROGRAMS TO KEEP RESIDENTS IN RICHMOND**

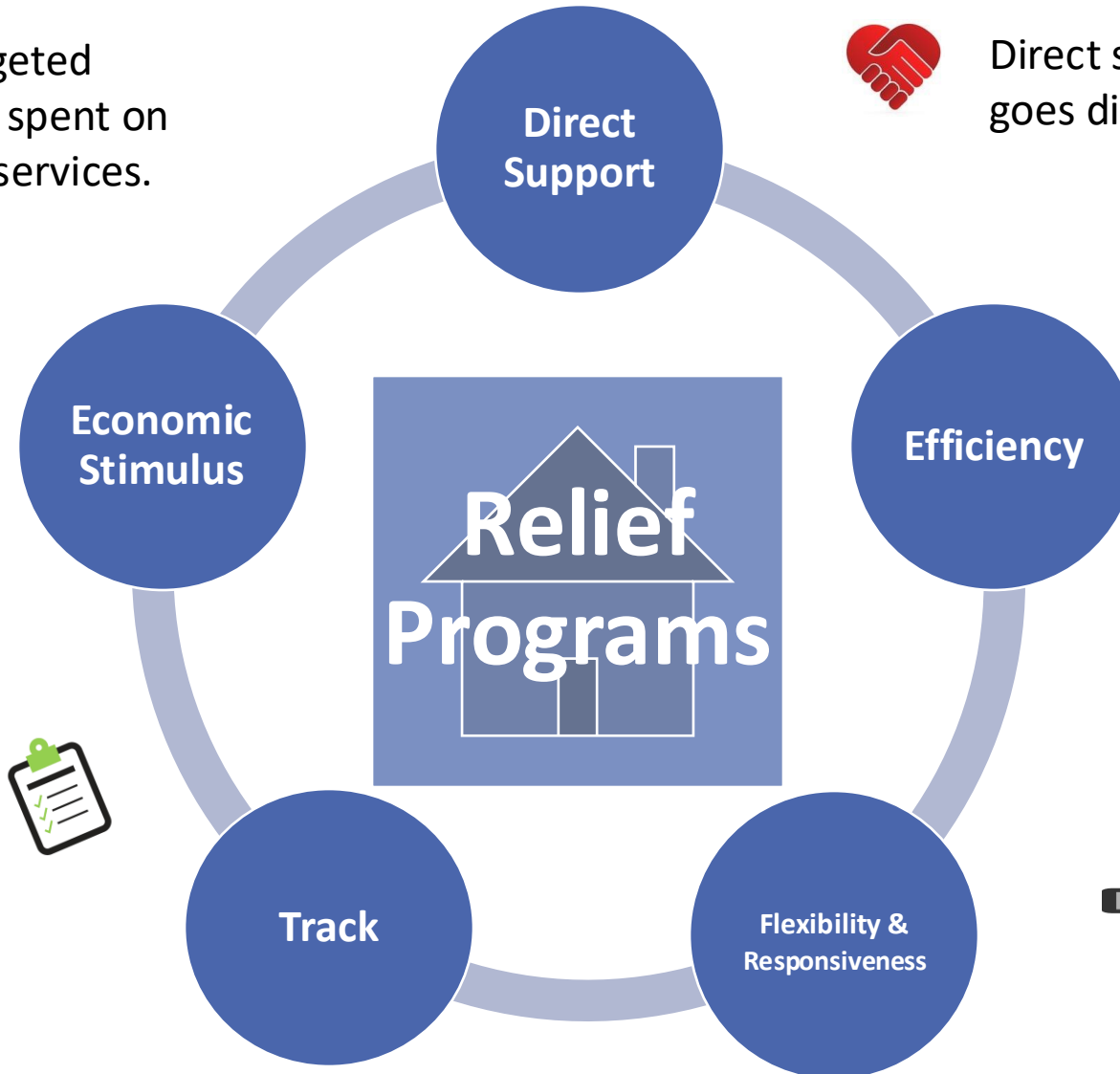
# THE IMPORTANCE OF FOCUSING ON RELIEF PROGRAMS



Support through targeted programs tend to be spent on essential goods and services.



Direct support ensured that assistance goes directly to those who are in need.



Targeted relief has a higher economic impact.



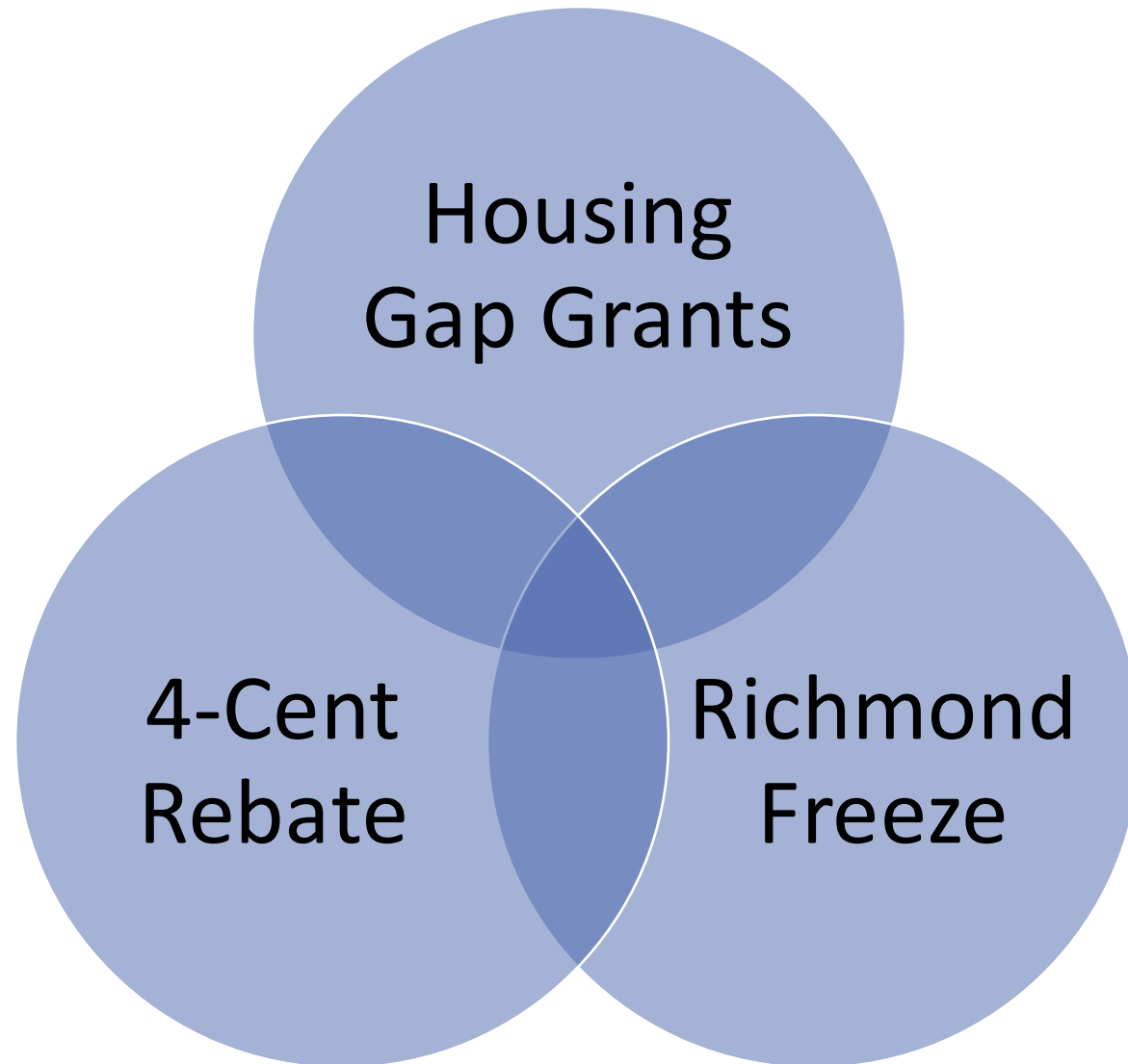
Targeted relief has measurable outcomes and allows for better monitoring and evaluation of their impact.



Direct support programs allow policymakers to respond more effectively to changing circumstances.



# ALTERNATIVE RELIEF PROPOSAL : RVA STAY





# RVA STAY HOUSING ASSISTANCE PROGRAMS

Available Programs in 2025		Relief
1.	<b>Gap Grants Program (NEW in 2025!)*</b>	\$1,200 grant toward housing costs
2.	Older Adults and Persons with Disabilities Tax Exemption	Up to 100% exemption on real estate taxes
3.	<b>Richmond Freeze Program (NEW in 2025!)*</b>	Freeze (exempt on increases) on real estate taxes
4.	Eviction Diversion Program	Zero rent balance within three months
5.	Family Crisis Fund	One-time payment of up to \$2,500
6.	Energy Assistance Programs	Supplement to home energy costs
7.	Community Development Block Grants for Critical Home Repairs	Critical home repairs



**\*Implementation of new programs is contingent on the real estate tax rate remaining at \$1.20.**



# HOUSING ASSISTANCE GAP GRANTS: \$3.9 MILLION

More than 30%  
Housing Burden

Up to \$200 for  
6-months

Uses HUD 80%  
Income limits

Homeowners  
and Renters

Administered by  
the Local Social  
Services Board

First Come  
First Served

Requires  
Workforce  
Development

Requires  
Financial  
Planning Sessions



# HOUSING GAP GRANTS THROUGH SOCIAL SERVICES

**The Director of Social Services is designated  
as the local board of social services  
(City Code § 2-570):**

*Designation as Social Services Board.* The Director of Social Services, pursuant to Code of Virginia, § 63.2-304, is designated as and shall constitute the City's Social Services Board, and the Director is authorized to exercise all the rights and powers set out in Code of Virginia, § 63.2-304.



# PILOT HOUSING GAP GRANTS ELIGIBILITY CRITERIA

## HUD 80% AMI Income

#	Income Limit
1	\$61,800
2	\$70,600
3	\$79,450
4	\$88,250
5	\$95,350
6	\$102,400
7	\$109,450
8	\$116,500

Limits by Persons in Household



### Residency

Current City of Richmond resident



### Rent or Own

Renter/home owner  
Lease or deed in your name



### Income Limit

Does not exceed the annual income limit for household size



### Housing Costs

More than 30% of annual household income is dedicated to housing

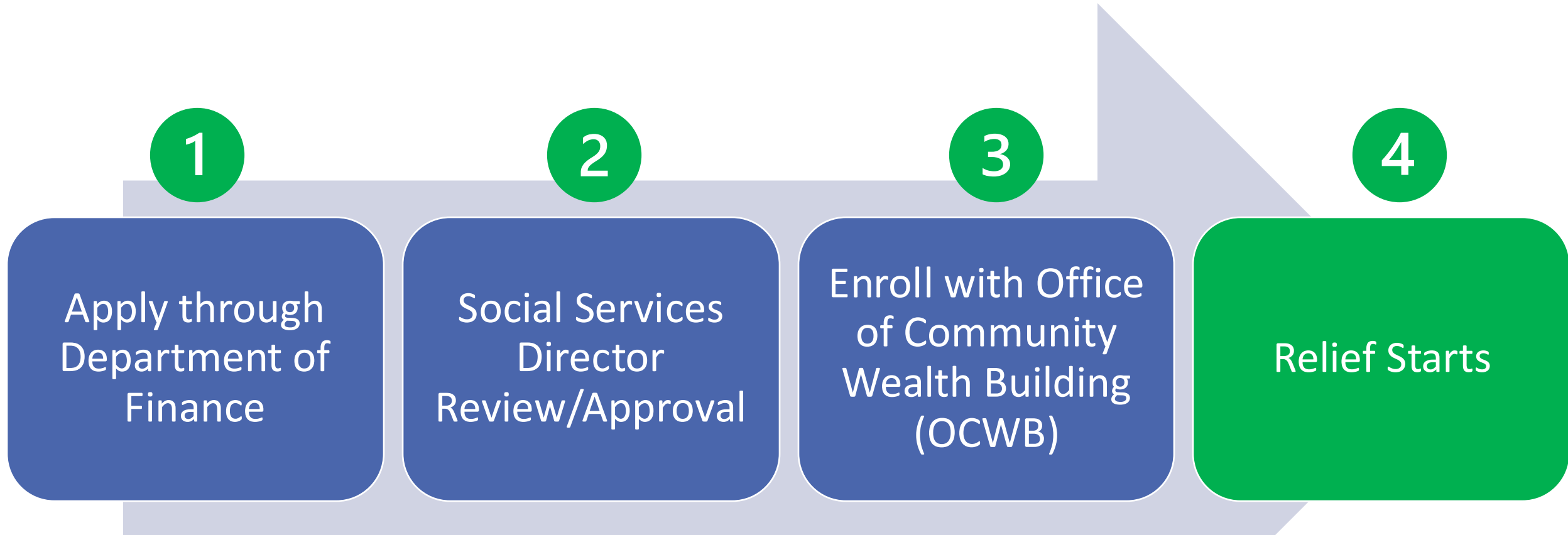


### Other Assistance

Not receiving other types of real estate/housing relief



# GETTING TO THE ASSISTANCE



**Cross collaboration and coordination with the new Department of Neighborhood and Community Services for community engagement and outreach**



# POSITIONING OUR RESIDENTS TO THRIVE

*Every Richmond resident and family should have the tools, resources, and opportunities to thrive.*

Career  
Exploration  
and  
Preparedness

Career  
Counseling  
and Coaching

Job  
Readiness/  
Soft Skills  
Development

Pre-  
Employment  
Training

Adult  
Education

Vocational  
Training

Support  
Services

Community  
Referrals

Financial  
Empowerment  
Workshop  
Series



# OLDER ADULTS AND PERSONS WITH DISABILITIES TAX RELIEF

(FORMERLY KNOWN AS THE ELDERLY/DISABLED REAL ESTATE TAX RELIEF PROGRAM)

## Establish New Freeze Program: \$200,000

### Exemption

- Current exemption program provide relief to 2,332 participants
- **FY 2025 Cost = \$5.75 million**
- At least 65 years or disabled
- Tiered approach to relief

### Freeze (NEW)

- At least 65 years or disabled
- Caps the amount of taxes paid to the prior year of the application.
- Income limit = \$125,000
- Net Worth = \$750,000



# OAPD: RICHMOND FREEZE PROGRAM

## Thresholds

Income Limit = \$70,000

Asset Limit = \$450,000



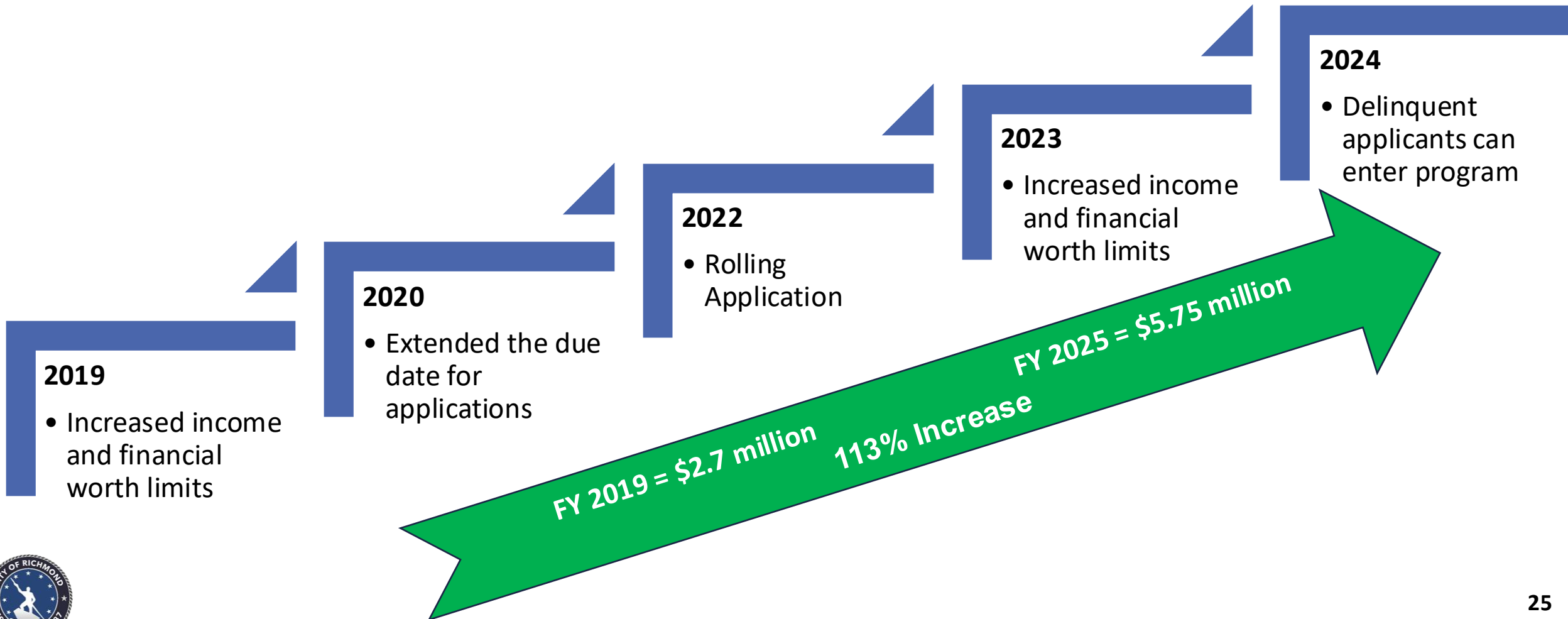
Income Limit = \$125,000

Asset Limit = \$750,000



# IMPACT OF RECENT CHANGES TO OAPD ARE NOT KNOWN YET

2023 legislation included an agreement that the administration will evaluate the program every three years beginning January 1, 2025, and provide a recommendation to City Council as to the need for program changes.



# OAPD ENHANCED OUTREACH WILL INCORPORATE NEW PROGRAMS

## 2024

Enhanced, dedicated webpage  
[rva.gov/finance/OAPD-relief](http://rva.gov/finance/OAPD-relief)

New program literature (pamphlets,  
flyers, posters, etc.)

10+ outreach events across the City

## 2025

Incorporate new Richmond Freeze  
Program and Gap Grant Communication

Continuing 2024 outreach efforts

Traditional and social media  
advertisement campaign

Online application pre-screening to  
better capture and serve applicants



# THAT WAS THEN ... THIS IS NOW

## Process Improvements

All customer service activities are tracked through 311

Personal Property Taxes through RVA Pay

Enhanced 311 for self-service options:

- Penalty and Interest Waiver
- Business Address Changes
- Payment Research

Standard Operating Procedures (SOPs) developed for work distribution and processing in effect

Training videos developed for staff

## Customer Focus

Inquiry to Response to Resolution is now within 5 days, which is down from 60 days

Customer satisfaction surveys are now being used for performance management

Celebrate 5-star ratings and investigating 1-star for process improvement

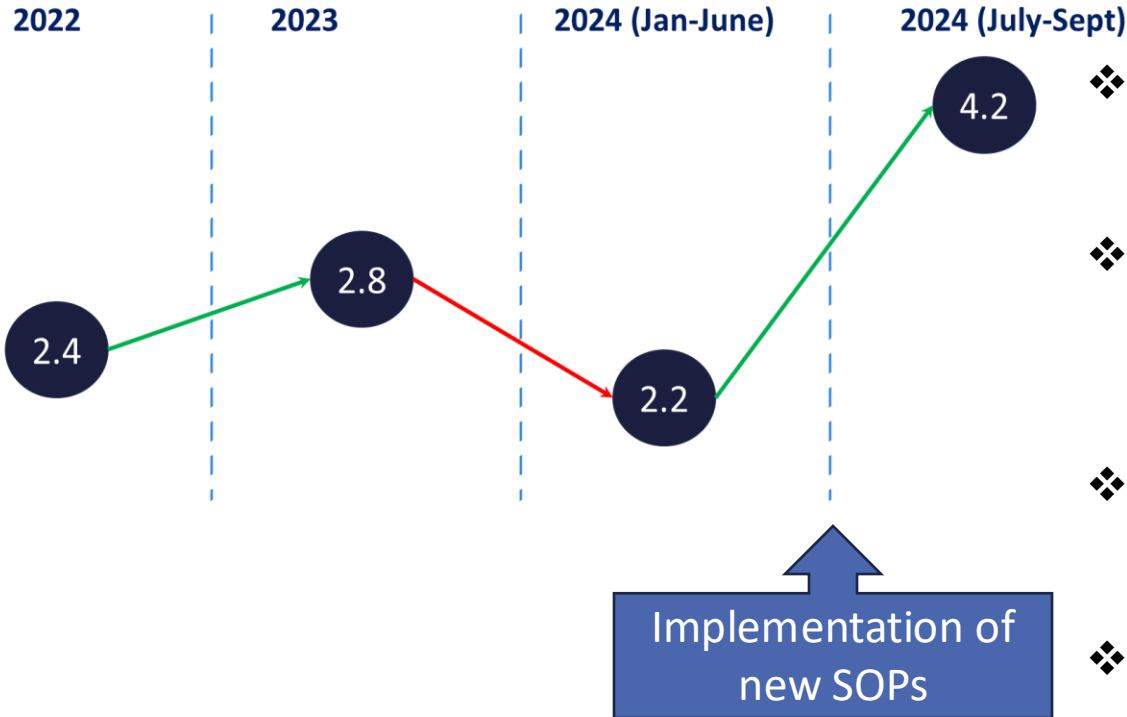
All work/submissions are now trackable, traceable, and measurable

All documents are scanned and logged for process tracking

One-On-One Business assistance beginning mid-October



# FINANCE CUSTOMER SATISFACTION UP FROM AN AVERAGE RATING OF 2.2 TO 4.2 IN SIX MONTHS



- ❖ "Response was prompt and fair, I really appreciated the consideration of my circumstances."
- ❖ "The staff is always polite and patient when ever I have to call them for anything."
- ❖ "Thank you so much for your help! Your efforts and time are very much appreciated! I wish every trip to city hall could be as easy and quick as this!"
- ❖ "Thank you, all, so very much. Your kindness and attention to constituent concerns are greatly appreciated."
- ❖ "She treated with dignity and respect, and I was comforted knowing she would ensure this matter was handled."
- ❖ "I was very impressed!"
- ❖ "All the reps I talked to were very professional and answered all my questions to my satisfaction"



# ONE-TIME 4-CENT RELIEF WITH FY 2024 SURPLUS FUNDS

- All properties will receive an equivalent 4-cent rebate.
- Similar, to 2023, rebates will be distributed in February.

Impact of 1-Cent Relief at Low, Average, and High 2024 Land Book Values

	% of Taxable Parcels	Low*		Average		High*	
		Assessed Value	\$0.01 Relief	Assessed Value	\$0.01 Relief	Assessed Value	\$0.01 Relief
Residential	84.1%	\$1,000	\$0.10	\$366,163	\$36.62	\$6,906,200	\$691
Condo	5.7%	\$8,800	\$0.88	\$260,766	\$26.08	\$1,822,000	\$182
Multi-Fam	1.9%	\$2,000	\$0.20	\$5,125,092	\$512.51	\$81,665,200	\$8,167
Commercial	6.1%	\$1,000	\$0.10	\$1,352,202	\$135.22	\$175,101,200	\$17,510
Industrial	2.1%	\$1,400	\$0.14	\$1,695,584	\$169.56	\$155,922,800	\$15,592
<b>Overall</b>	<b>100%</b>	<b>\$1,000</b>	<b>\$0.10</b>	<b>\$539,934</b>	<b>\$53.99</b>	<b>\$230,590,400</b>	<b>\$23,059</b>

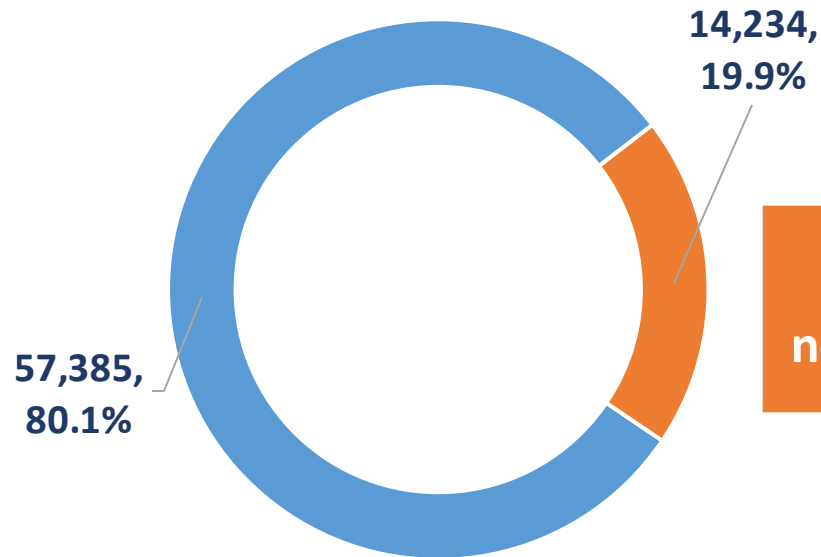
*\*Based on the average lowest and highest five values.*

*Note: Office of the Assessor of Real Estate 2024 Land Book. Amounts will be updated when the 2025 Land Book is finalized.*



# ALMOST TWO-THIRDS OF THE REBATE WOULD GO TO THE TOP 20% (WITH HIGHER-THAN-AVERAGE ASSESSED VALUE)

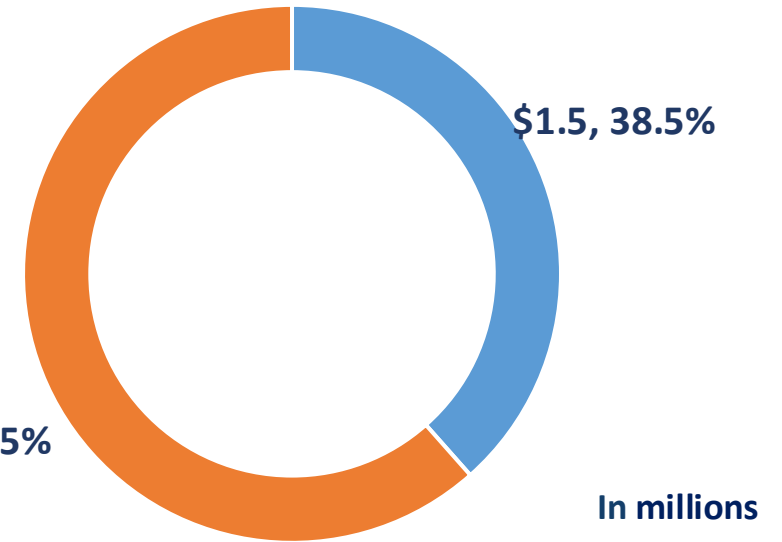
Chart 1: Count of Taxable Parcels\* Above vs. Below the Average Assessed Value of \$539,934



- Parcels Below Average Assessed Value
- Parcels Above Average Assessed Value

Chart 2: Share of \$0.01 Relief of Taxable Parcels\* Above vs. Below the Average Assessed Value of \$539,934

20% of parcels receive nearly two-thirds of relief



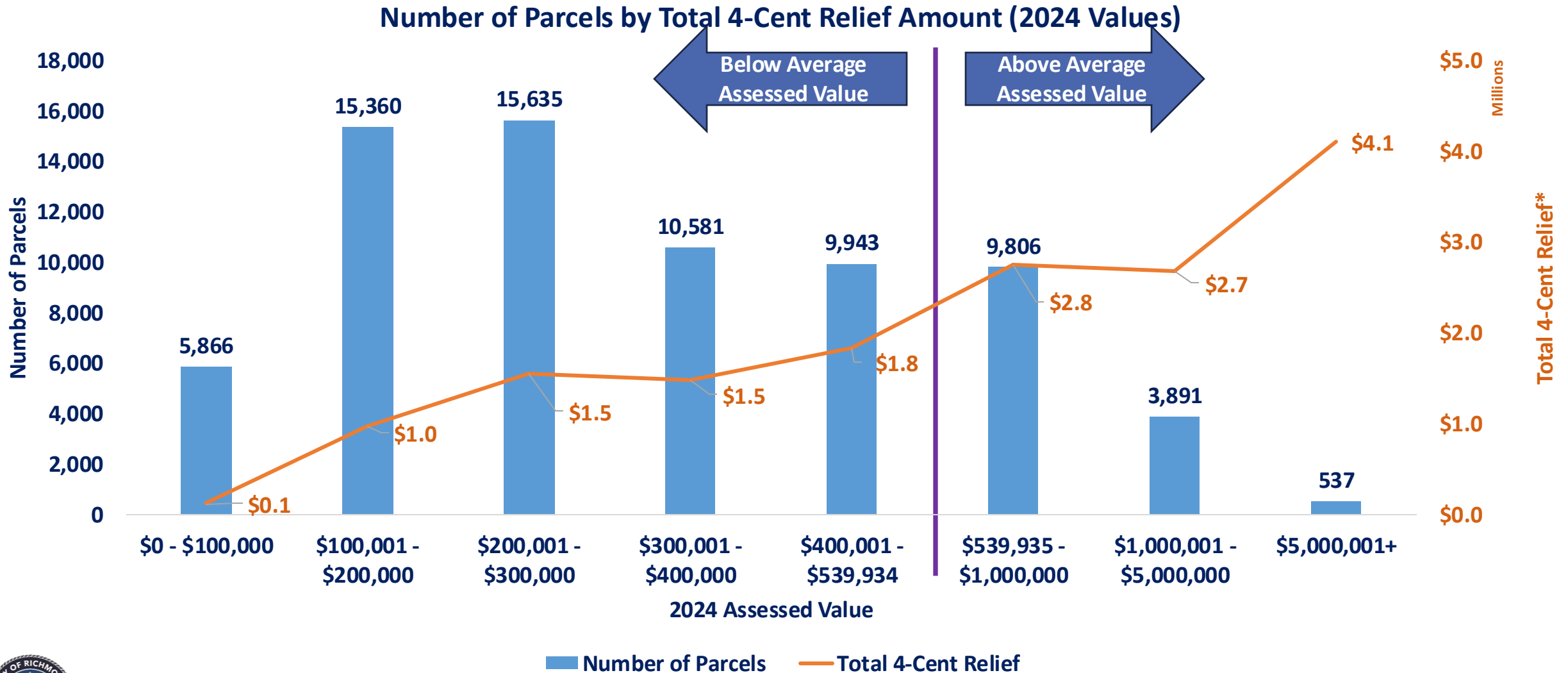
- Parcels Below Average Assessed Value
- Parcels Above Average Assessed Value

\*Excludes area tax parcels.

Note: Office of the Assessor of Real Estate 2024 Land Book. Amounts will be updated when the 2025 Land Book is finalized.



# 80% OF PARCELS ARE BELOW THE 2024 AVERAGE ASSESSED VALUE OF \$539,934, WHILE 20% ARE ABOVE



Note: Office of the Assessor of Real Estate 2024 Land Book. \*4-Cent relief is for example only using 2024 values. Amounts will be updated when the 2025 Land Book is finalized.



# RELIEF IS NOT TARGETED WITH A PER-CENT REDUCTION OR REBATE

537 high-value properties = \$4 million in relief

30,000 low/mid-value properties = \$2.5 million in relief





# GAP GRANT VS. 4-CENT RELIEF FOR TWO-PERSON HOUSEHOLD WITH \$50,000 ANNUAL INCOME

14% monthly rent  
Or 86% of one rent payment



Renter

Gap Grant

4-Cent Relief

- Rent is \$1,400/month (\$16,800/year)
- Housing costs: 34% of annual income

No relief unless landlord passes on rebate or tax reduction through reduced rent

12.5% monthly housing costs  
Or 40% of real estate taxes



Homeowner

Gap Grant

4-Cent Relief

- Assessed value = \$250,000
- Tax is \$3,000
- Monthly housing costs are \$1,600
- Housing costs: 38% of annual income

\$100/year savings  
Or 3% of real estate taxes

# RECOMMENDATION

Instead of permanently lowering the real estate tax rate, take a three-pronged approach in 2025:

1. Establish the Gap Grants program
2. Create the Richmond Freeze program
3. Provide real estate taxpayers a one-time tax rebate equivalent to 4-cents.





# DISCUSSION