

INTRODUCED: June 8, 2026

AN ORDINANCE No. 2026-151

To amend City Code § 26-610, concerning the evaluation and expiration of the partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation, for the purpose of extending the expiration date from June 30, 2026, to June 30, 2027.

\_\_\_\_\_  
Patron – Mayor Avula

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

PUBLIC HEARING: JUN 22 2026 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That section 26-610 of the Code of the City of Richmond (2020) be and is hereby **amended** as follows:

**Sec. 26-610. Evaluation of exemption program; expiration of division.**

(a) The partial exemption program herein created shall be reevaluated, beginning on January 1, 2021, and every five years thereafter, by the Chief Administrative Officer, and the Chief Administrative Officer shall make a recommendation to the City Council as to whether or not the partial exemption program established by this division should continue in effect. The Chief Administrative Officer shall present the program evaluation results and recommendations to the

AYES: \_\_\_\_\_ NOES: \_\_\_\_\_ ABSTAIN: \_\_\_\_\_

ADOPTED: \_\_\_\_\_ REJECTED: \_\_\_\_\_ STRICKEN: \_\_\_\_\_

City Council concerning the continuation or termination of the program on February 15 of every fifth year, beginning with February 15, 2021, that the program established by this division is in effect.

- (b) The evaluation criteria shall include, but not necessarily be limited to:
  - (1) The number of applications submitted;
  - (2) The number of applications meeting the requirements of this division;
  - (3) The number, type, and description of properties qualifying for partial tax exemption under this division;
  - (4) The total dollar amount of the resulting assessment credit approved;
  - (5) The revenue impact on the City both with and without the existence of the program; and
  - (6) Any other quantifiable data that can be used to measure the overall effect of the program.
- (c) This division shall expire on June 30, [~~2026~~] 2027, unless the Council adopts an ordinance extending this expiration date.

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

# City of Richmond

## Intracity Correspondence

### O&R Transmittal

**DATE:** May 12, 2026  
**TO:** The Honorable Members of City Council  
**THROUGH:** The Honorable Dr. Danny Avula, Mayor  
**THROUGH:** Odie Donald II, Chief Administrative Officer  
**THROUGH:** Tanikia Jackson, DCAO Finance and Administration  
**THROUGH:** Letitia Shelton, Director, Department of Finance  
**THROUGH:** Meghan Brown, Director, Budget  
**THROUGH:** Sharon Ebert, DCAO Economic Development & Planning  
**FROM:** Angie Rodgers, Director, Department of Economic Development  
**RE:** Extension of partial commercial real estate exemption program  
**ORD. OR RES. No.**

**PURPOSE:** To amend City Code §§ 26-610, concerning the expiration of the division, for the purpose of extending the expiration date of the partial exemption of rehabilitated commercial, or industrial structures from real estate taxation from June 30, 2026, to June 30, 2027.

**BACKGROUND:** Chapter 26, Division 11 of the Richmond VA Code of Ordinances lays out the conditions in which certain commercial properties (i.e., retail, office, flex/industrial), or the commercial portions of mixed-use properties, receive a temporary partial exemption from new, incremental property taxes resulting from rehabilitation. Per the code, the program must be evaluated and extended every five years, or it will expire on June 30, 2026. The program is administered through joint efforts between the Dept of Economic Development (DED), the City Assessor's Office, and the Dept of Finance.

The City hired the consulting firm HR&A to evaluate the program in accordance with the code's criteria. The report is attached. Findings include the following:

- Thirty-four applications have been submitted through the Department of Economic Development since 2021, of which 19 have been completed, 12 are within their rehabilitation period, and three have expired.
- While buildings must be 20 years or older to be eligible for the program, the median year of rehabbed properties was considerably older - built in 1923.
- One-third of the applicants were located in downtown Richmond.
- Most participating properties were small to mid-sized buildings, with a median property size of 5,700 gross square feet (GSF). The program has more recently been used to encourage the adaptive reuse of large downtown vacant office buildings.
- Property values have increased by \$11.4M in the renovated properties.
- While the abatement temporarily reduces tax collections on new improvements, property tax revenues grow over time, with an estimated net present value of \$10.1M<sup>1</sup> in incremental property taxes generated compared to the baseline over the next 30 years. When combined with additional sales, meals, and hotel tax revenue associated with the renovated properties, tax revenue is estimated to have a net present value of \$63.1MM<sup>2</sup> over the next 30 years.

The program is an important tool to encourage redevelopment and adaptive reuse. The continuation of the division will be an essential component of the City's commercial corridor strategy. The City is requesting a one-year, instead of a five-year, extension because it intends to bring for Council consideration additional updates to further tailor the program to encourage the redevelopment of small mixed-use buildings and properties on the City's derelict building list, support the inclusion of affordable housing in mixed-use projects, and improve program efficiency.

**STRATEGIC INITIATIVES AND OTHER GOVERNMENTAL:** Department of Economic Development, Department of Finance, and Real Estate Assessor's Office.

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<sup>1</sup> \$21.3M not discounted. Tax revenue projections do not include estimated property taxes from multi-family residential portions of mixed-use buildings, BPOL, or business tangible taxes.

<sup>2</sup> \$98M not discounted. Tax revenue projections do not include estimated property taxes from multi-family residential portions of mixed-use buildings, BPOL, or business tangible taxes.

**FISCAL IMPACT:** This program does not leverage any existing tax revenue. Parcels in the program will generate an estimated \$3.7M in net new property tax revenue and an additional \$14.9M in other commercial taxes over the next 15 years.<sup>3</sup>

**DESIRED EFFECTIVE DATE:** Upon Adoption.

**REQUESTED INTRODUCTION DATE:** June 8, 2026

**CITY COUNCIL PUBLIC HEARING DATE:** June 22, 2026

**REQUESTED AGENDA:** Consent

**RECOMMENDED COUNCIL COMMITTEE:** Finance and Economic Development Standing Committee

**AFFECTED AGENCIES:** Department of Economic Development, Department of Finance; City Assessor's Office

**RELATIONSHIP TO EXISTING ORD. OR RES.:** ORD. No. 2022-238, ORD. No. 2020-148

**ATTACHMENTS:** HR&A Analysis of Partial Exemption Program

**STAFF:** Katie McConnell, Department of Economic Development  
Jessica Singer, Senior Policy Advisor, Office of the Senior Deputy Chief Administrative Officer for Finance and Administration

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<sup>3</sup> Tax revenue projections do not include estimated property taxes from multi-family residential portions of mixed-use buildings, BPOL, or business tangible taxes.

HR&A

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# Commercial Real Estate Tax Abatement Program

## Program Evaluation

March 2026

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## STUDY INTRODUCTION

HR&A was engaged to **evaluate the effectiveness** of Richmond’s Commercial Real Estate Tax Abatement Program at the conclusion of its initial 5-year term.

*This study fulfills the five-year evaluation requirement outlined in City Code Sec. 26-610 and supports the Chief Administrative Officer’s obligation to recommend whether the program should continue.*

Data Collection and Evaluation Criteria	Analysis	Findings and Recommendations
<p>HR&amp;A collaborated with City staff to compile and refine data points relating to Code-defined performance criteria since program creation in 2021, including:</p> <ul style="list-style-type: none"><li>• <b>Applications</b> submitted</li><li>• <b>Properties</b> meeting requirements</li><li>• <b>Assessment credits</b> awarded</li><li>• <b>Fiscal impacts</b></li><li>• <b>Other indicators</b> of program performance</li></ul>	<p>As part of this process, HR&amp;A:</p> <ul style="list-style-type: none"><li>• Quantified and summarized <b>program performance</b> for each criterion</li><li>• Conducted interviews with City staff and past program recipients to understand <b>on-the-ground impacts and considerations</b></li><li>• Projected <b>taxes and abatements</b> associated with current and pending abatement recipient properties</li></ul>	<p>This report’s findings are intended to support the City’s informed decision-making regarding the program’s future, ahead of its potential expiration on June 30, 2026.</p>

## OVERVIEW OF THE COMMERCIAL ABATEMENT PROGRAM

The program incentivizes reinvestment in aging commercial and industrial buildings by **temporarily reducing taxes on the value added through rehabilitation** and is intended to activate underused properties and stimulate economic growth.

### Program Goals

- **Promote reinvestment in aging commercial buildings** by reducing taxes on the added assessed value of improvements
- **Support corridor revitalization** by lowering rehabilitation costs and activating underutilized properties
- **Enable adaptive reuse and modernization** through required substantial improvements, including at least a 40% increase in improvement value
- **Contribute to broader economic growth** as reinvested properties attract businesses, residents, and visitors



Curio  
201 N 2<sup>nd</sup> St

## OVERVIEW OF THE COMMERCIAL ABATEMENT PROGRAM

Commercial properties that are at least 20 years old are eligible for the abatement. Renovations must be completed within 3-years of application submission and increase building value post-rehabilitation by at least 40%.

### PRINCIPAL REQUIREMENTS

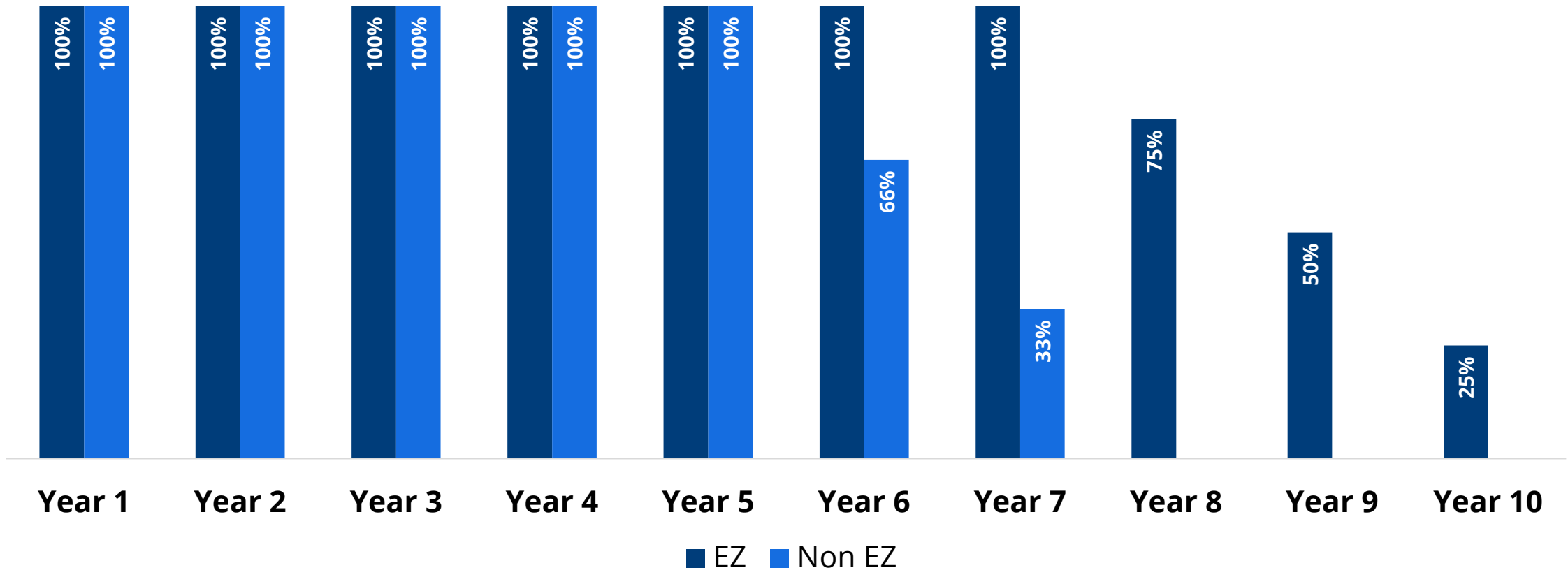
1. **Eligible Uses:** Only **commercial** (e.g., office, retail) and **industrial buildings** or the commercial portions of mixed-use buildings that qualify for tax abatement.
2. **Minimum Building Age:** The program is open to buildings that are **at least 20 years old** whose owners are pursuing rehabilitation.
3. **Minimum Building Value:** Eligible rehabilitation must **increase building value by at least 40%**
4. **Minimum Duration of Rehabilitation:** Improvements must be completed **within three years** of application submission in order to qualify for abatement
5. **Maximum Share of New Building:** New structural additions **cannot exceed 100% of the size** of the qualifying building.



## INCREMENTAL PROPERTY VALUES

Properties within an Enterprise Zone (EZ) benefit from the abatement for longer than properties outside of an Enterprise Zone.

**Abated Share of Property Taxes on Improvements**  
*Within Enterprise Zones vs. Outside of Enterprise Zones*



An aerial view of a city skyline, likely Pittsburgh, featuring a prominent skyscraper and a bridge over a river. A train is visible on the bridge. The image is overlaid with a dark blue semi-transparent rectangle containing the text.

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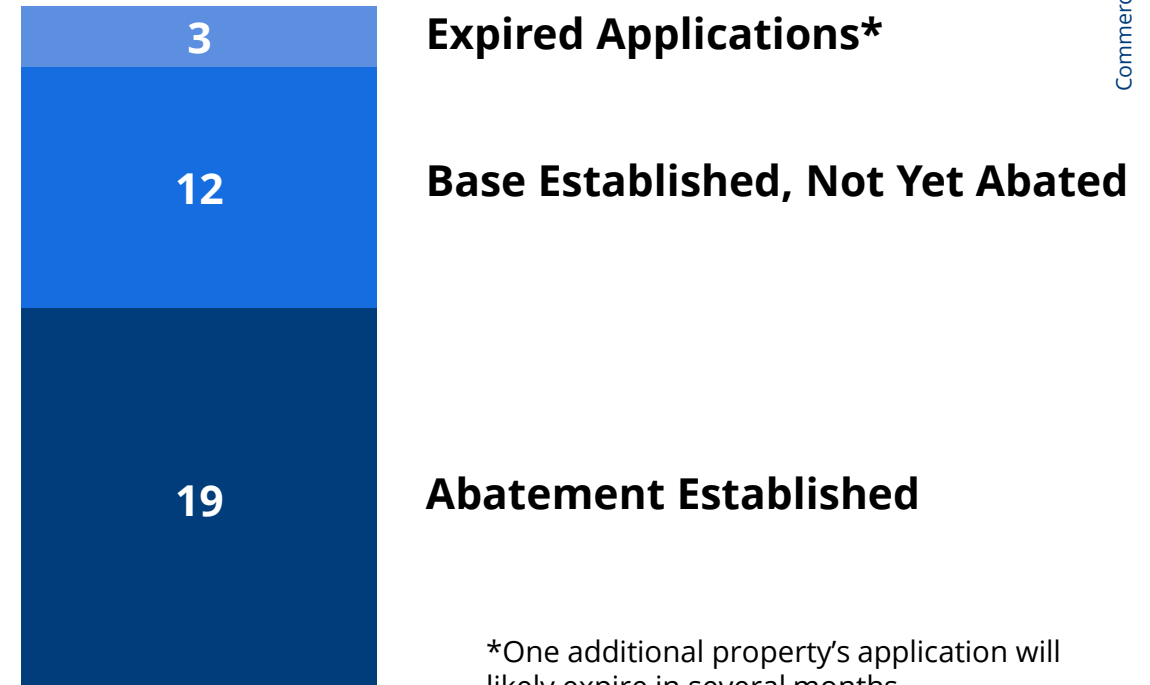
# Overview of Properties

## STATUS OF APPLICANT PROJECTS

Of 34 applications, 19 renovations have been completed, 12 are pending, and 3 have exceeded the 3-year renovation time constraint and have therefore expired.



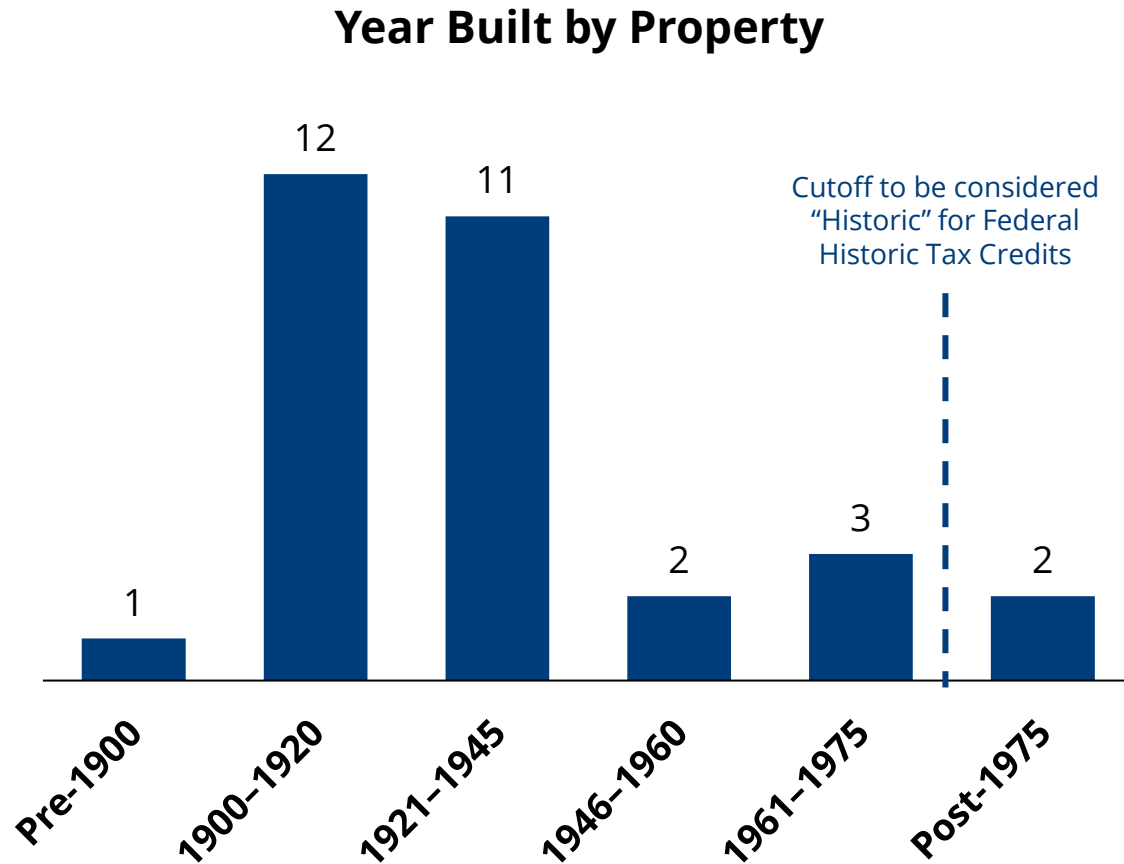
**Only 3 out of the 34 applications to date have expired**, with the rest completed or in progress.



\*One additional property's application will likely expire in several months

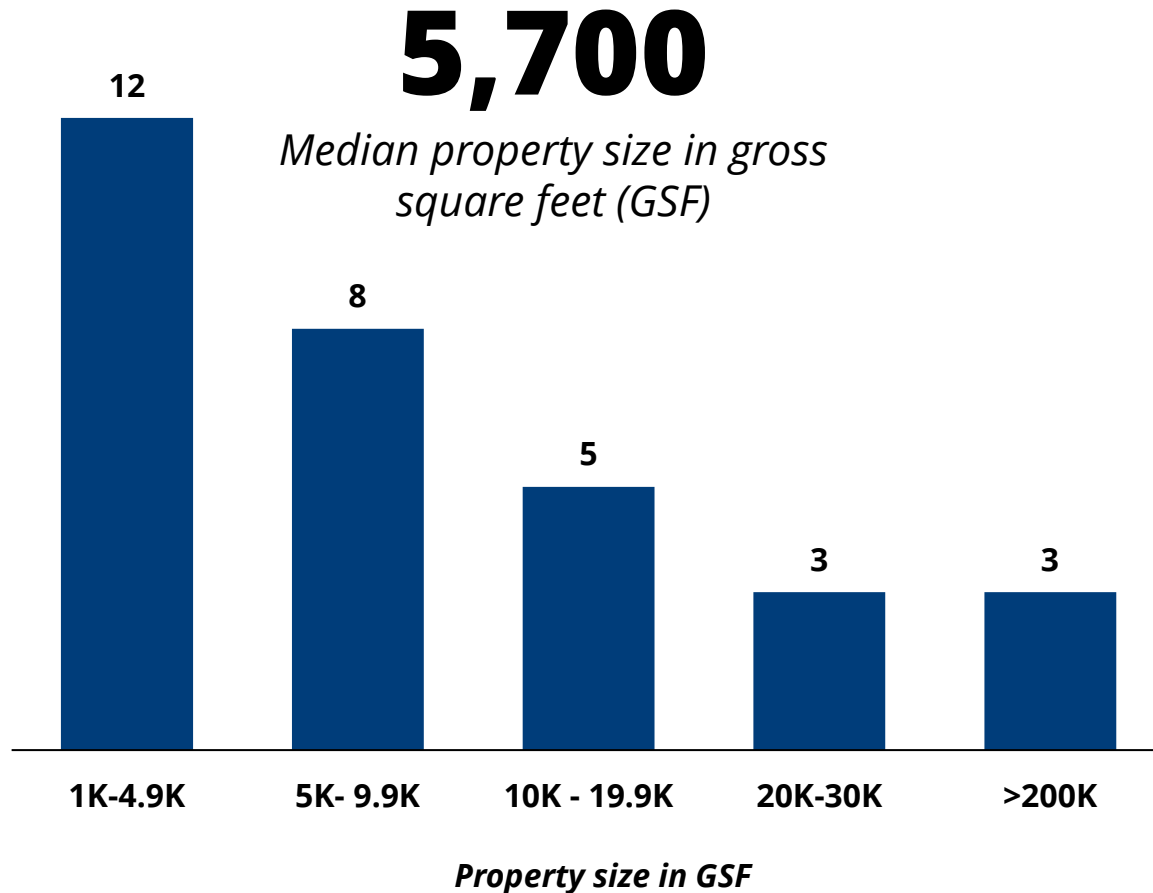
## AGE OF COMPLETED AND PENDING PROJECTS

The abatement aims to **incentivize reinvestment in aging properties**. The median initial construction year for the 31 applications that have received an abatement or are on track to receive it is 1923.

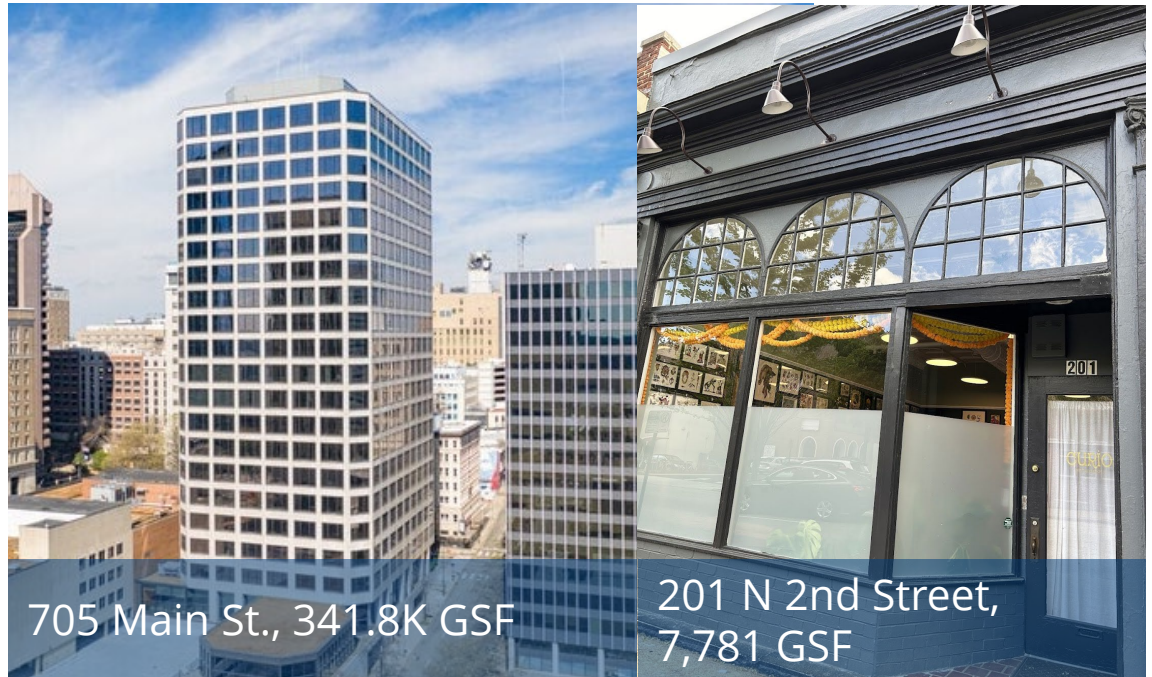


## SIZE OF COMPLETED AND PENDING PROJECTS

Most participating properties are small to mid-sized buildings, reinforcing the program's accessibility to neighborhood-scale redevelopment.



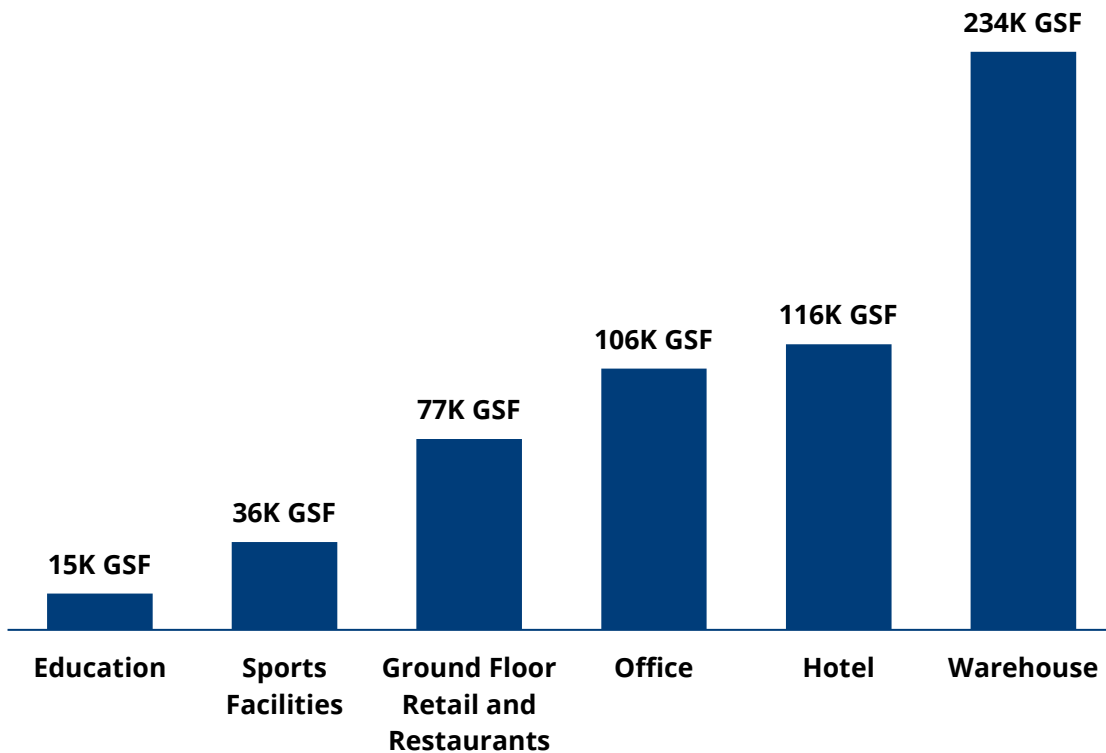
Application data demonstrates that the program primarily supports reinvestment in smaller commercial buildings, while also accommodating select large-scale redevelopment projects.



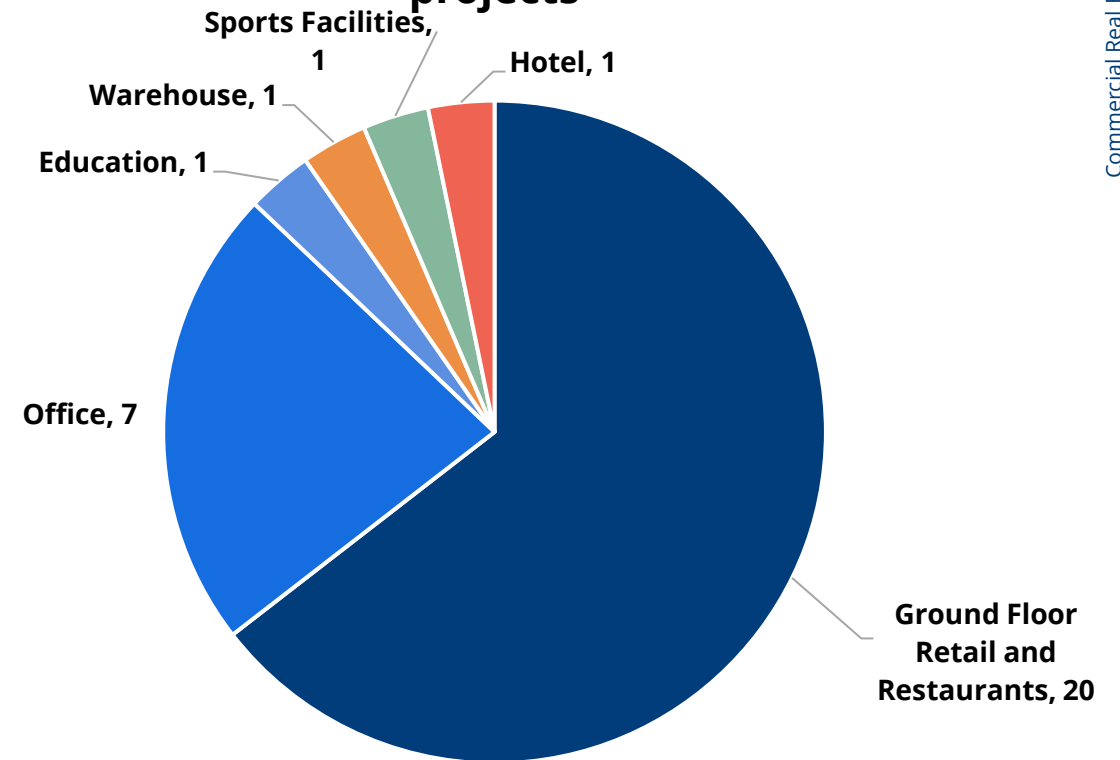
## USES OF COMPLETED AND PENDING PROJECTS

The renovation of these properties has made obsolete commercial space productive and expanded the range of commercial uses to the community, ranging from warehouse space to sports uses.

**Distribution of uses across all pending or approved applications, by GSF**



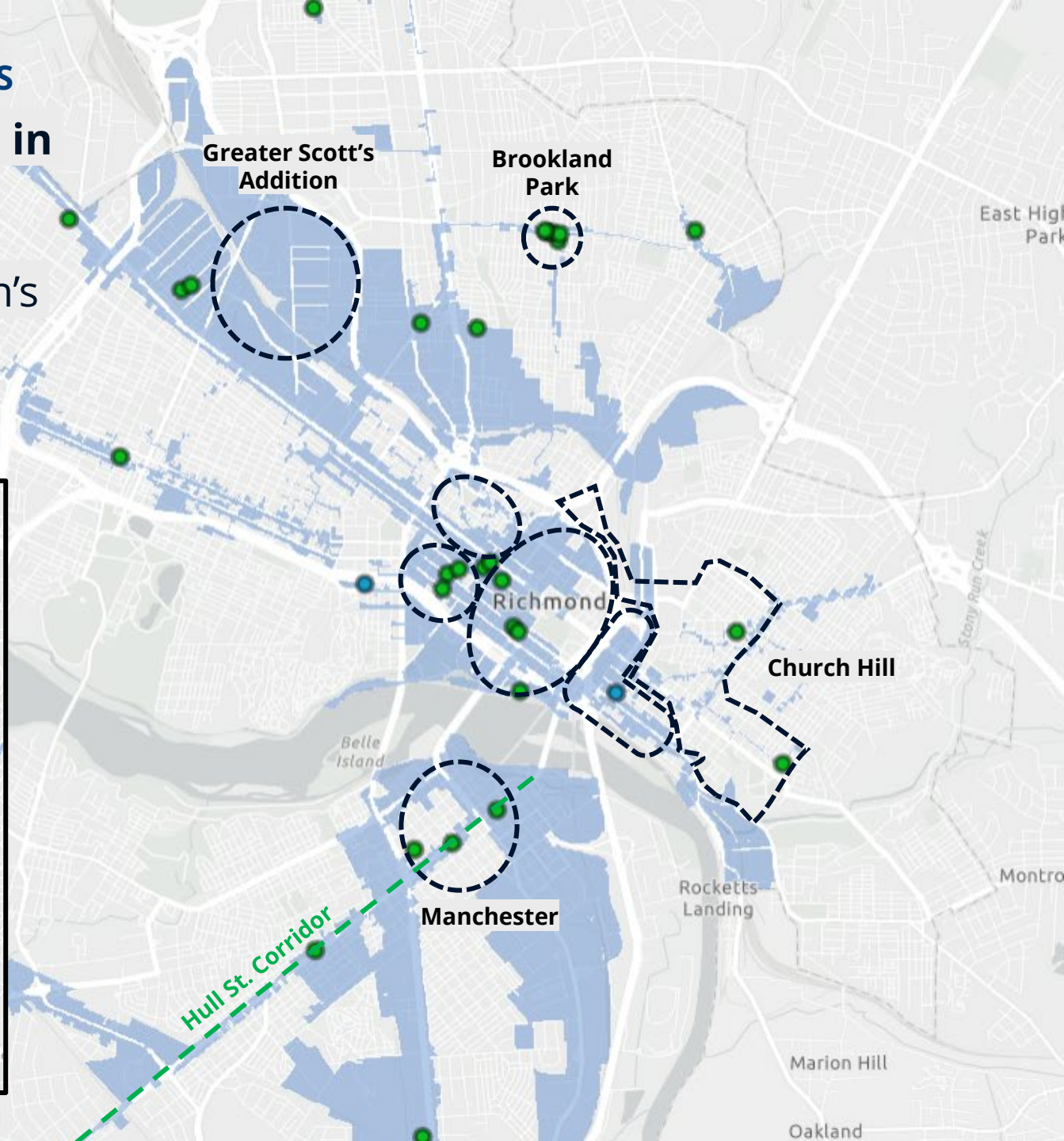
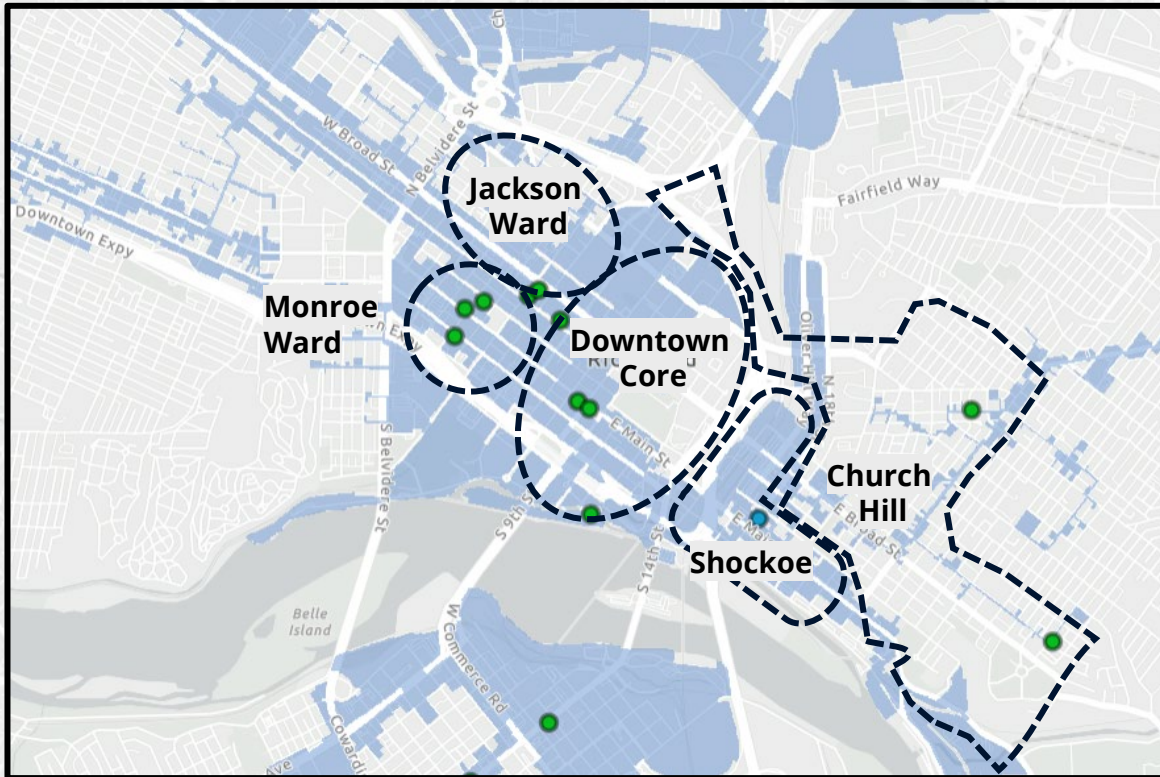
**Distribution of uses across all ongoing renovations or approved applications, total projects**



## LOCATION OF COMPLETED AND PENDING PROJECTS

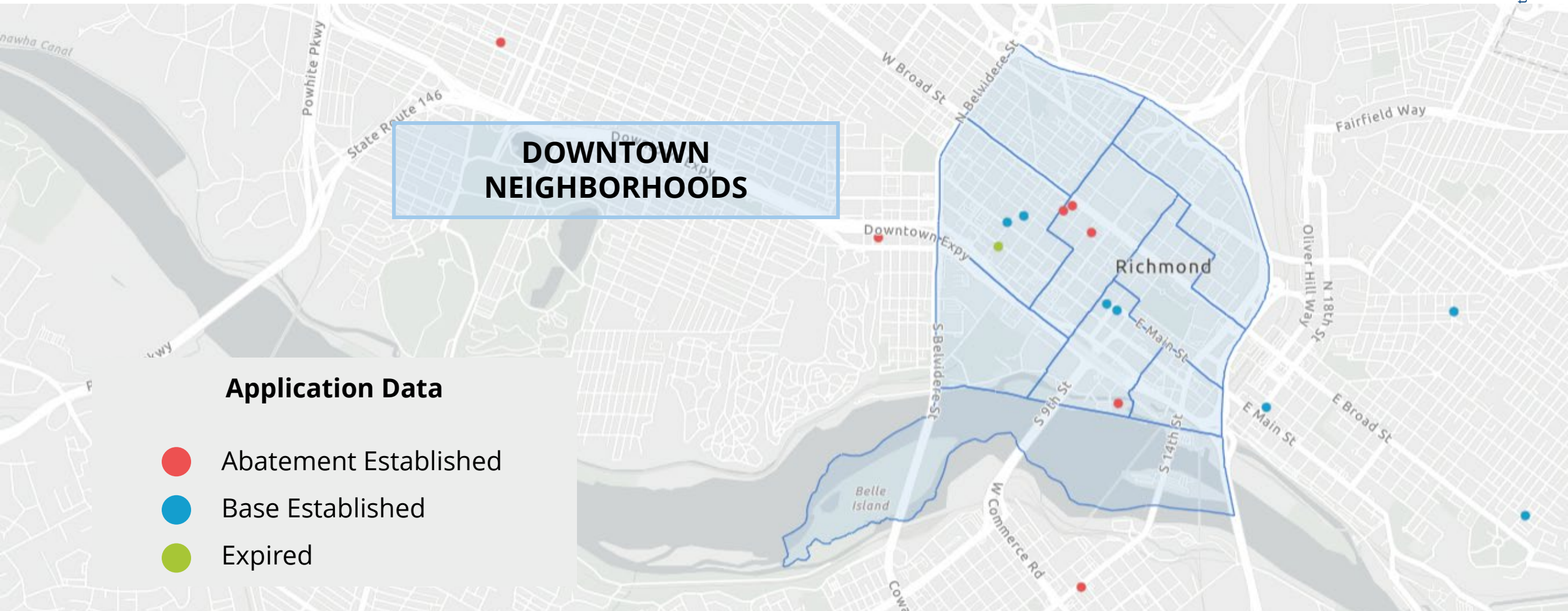
**28 out of the 34 applications are located in Enterprise Zones** and clustered around Downtown and key older commercial corridors, also in alignment with Downtown's Priority Growth Nodes.

### Alignment with Richmond 300's Priority Growth Nodes



## DOWNTOWN RICHMOND PROJECTS

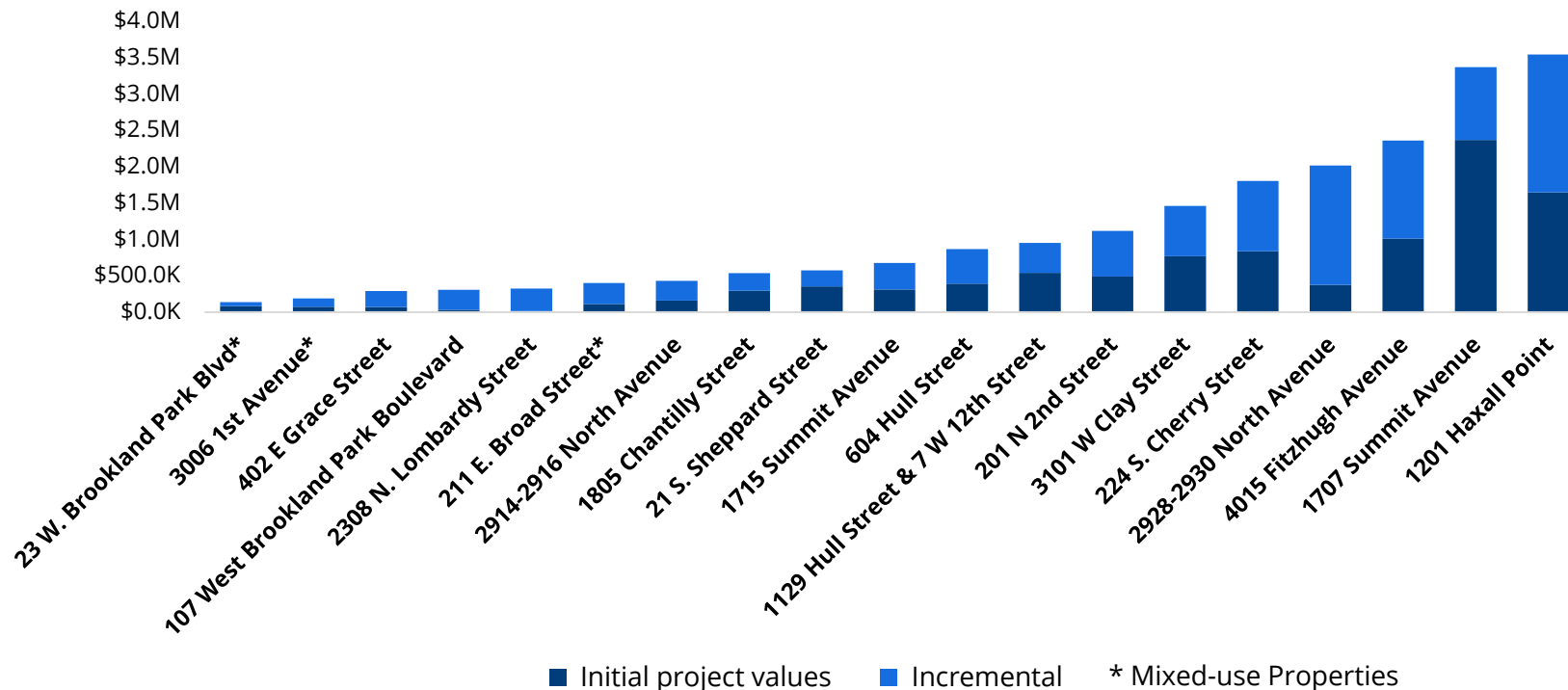
Approximately **one-third** of program applications are **located in Downtown Richmond**, with several more projects located in adjacent neighborhoods.



## INCREMENTAL PROPERTY VALUES

For completed projects with active abatements, **property values have increased** over initial values by a combined **\$11.4M**. For applicant properties with renovation ongoing, property values are expected to **increase by a combined \$39.3M**.

**Impact of renovation on property values\***  
*For Completed Projects*



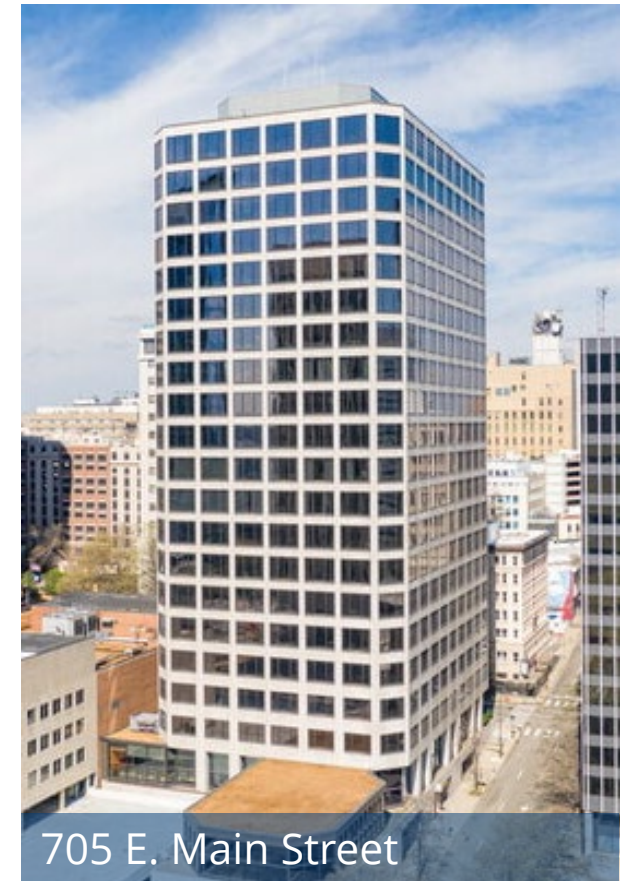
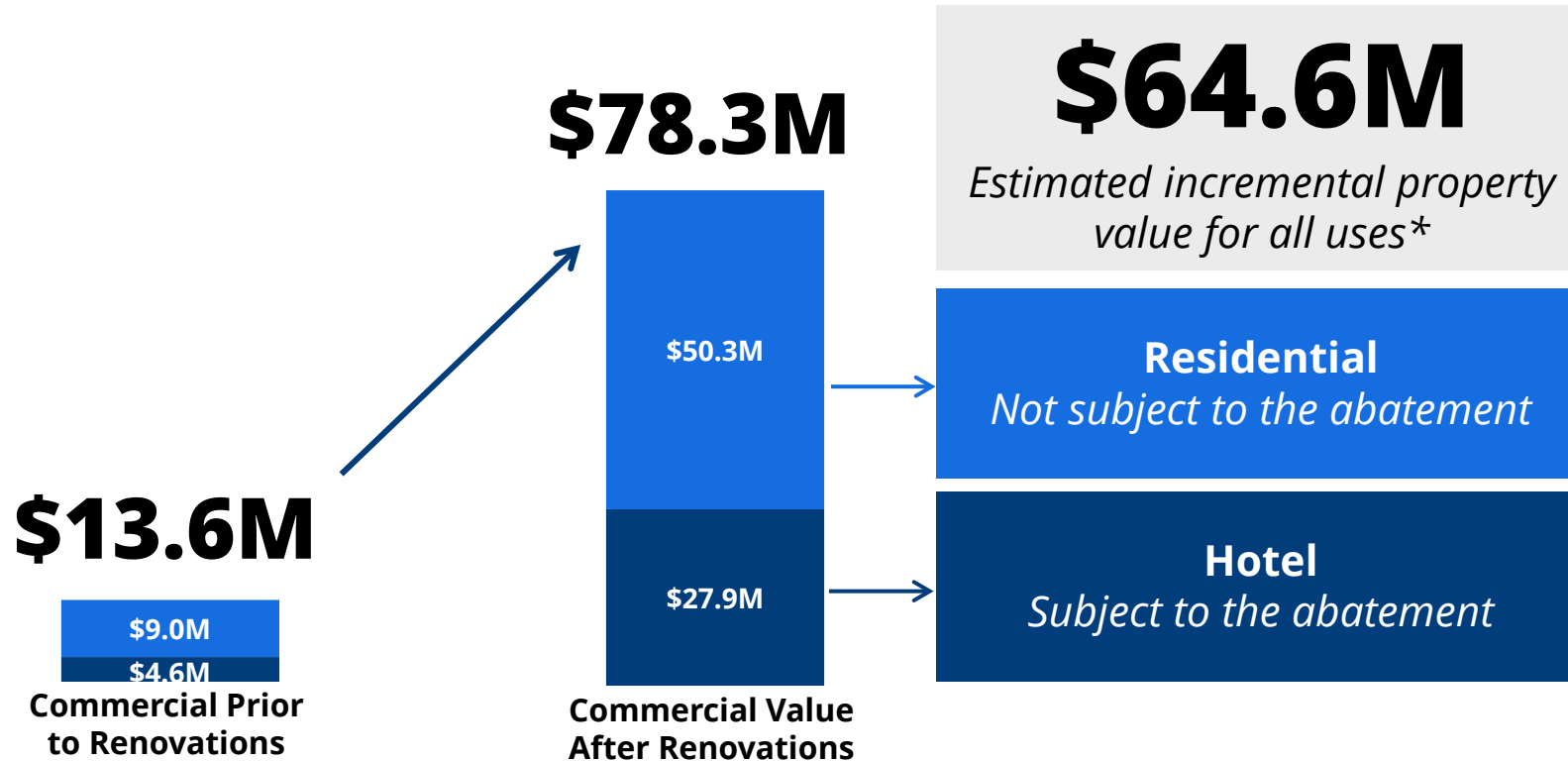
**\$11.4 M**  
*Incremental Property Values  
(Pre- vs. Post-Renovation)*

\* Property values shown are only inclusive of the commercial portion of each property. Properties marked with an asterisk are mixed-used properties, for which the total value of other uses that don't qualify for the abatement (such as residential) are not shown.

## CONVERSION OF VACANT OFFICE TOWER

For mixed-use properties such as 705 E. Main St., the developer receives the abatement on the commercial (hotel) portion of the property, while the residential portion will be subject to full real estate taxes.

Property values for 705 E Main Street,  
before and after renovation



\*Estimated based on comparable assessed values for component uses

## UPCOMING LARGE PROJECTS

Haleon North America is investing \$54 million to upgrade its Sherwood Avenue facility, following a competitive site selection process. The program allowed the City to collaborate with the Commonwealth to win the project. The State will be providing a discretionary cash grant to support this project.



An aerial photograph of a city skyline, likely Pittsburgh, featuring several prominent skyscrapers and a river with a bridge. The image is overlaid with a dark blue semi-transparent rectangle containing text.

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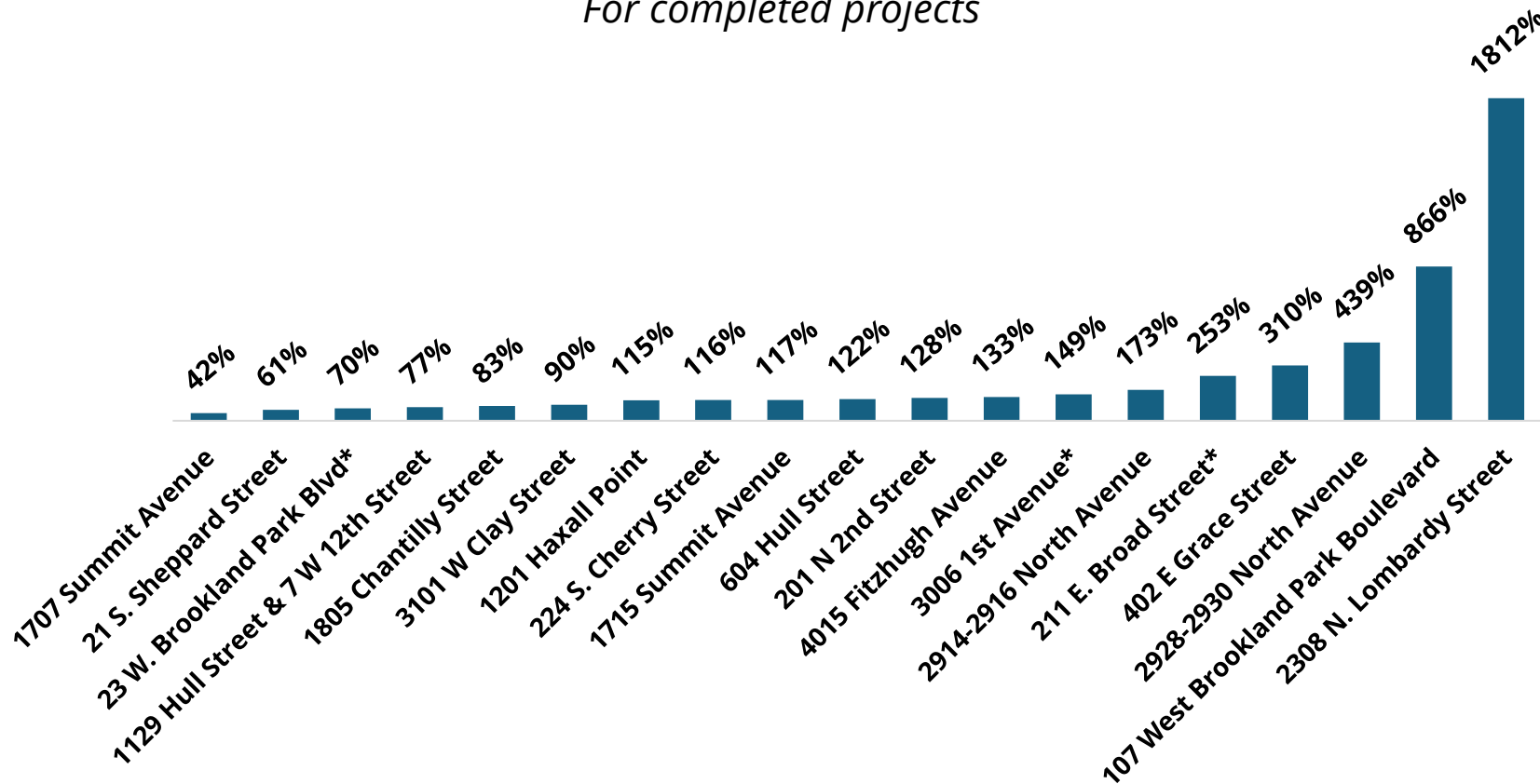
# Fiscal Impact of Abatement

## INCREASE IN PROPERTY VALUES

To qualify for the abatement, property values after renovations must increase by at least 40%. **Most renovations greatly exceeded the required increase** in property values. For completed projects, the expected median increase in property values is 122%.

### Property value increase after renovations

*For completed projects*

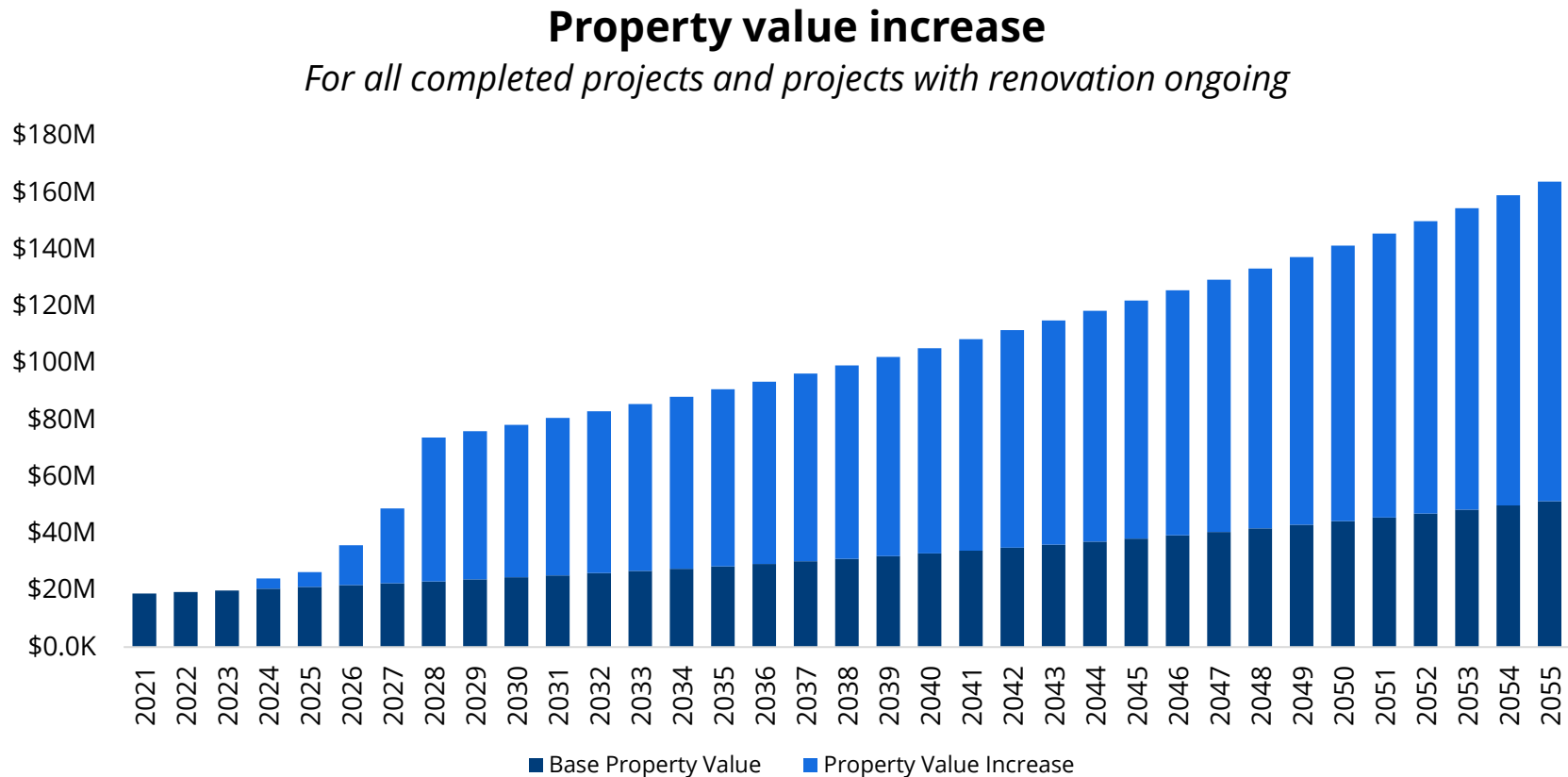


**122%**  
*Median Increase In  
Property Values*

\*Properties marked with an asterisk are mixed-used properties.

## INCREMENTAL PROPERTY VALUES

By 2028, property values for completed projects and projects with renovations ongoing are expected to increase over 2021 values by **nearly \$50M**.



**\$49.4M**  
*Incremental Property Values  
(by 2028)\**

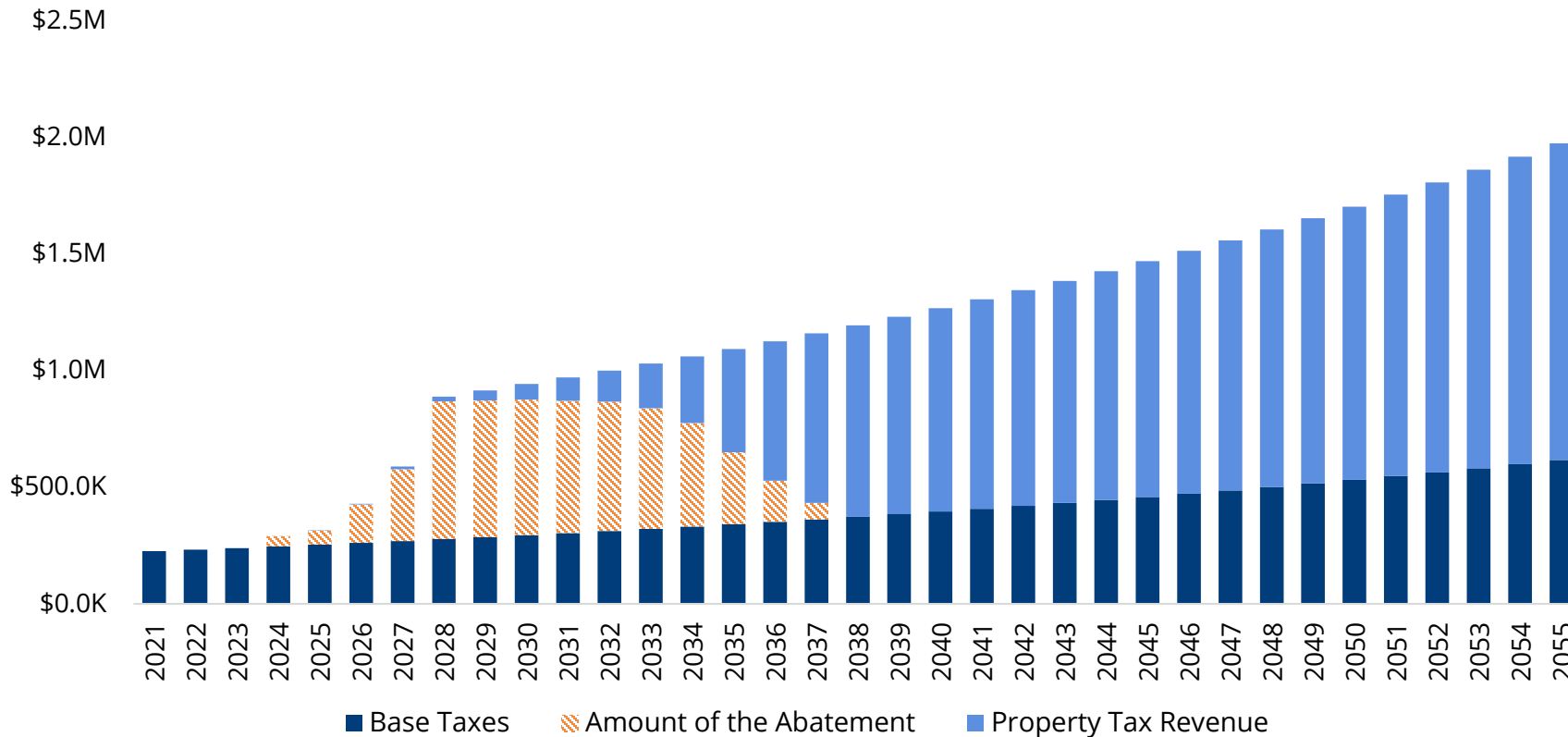
\* 2028 represents the latest estimated abatement start year for all active applications.

## PROPERTY TAX REVENUES

While the abatement temporarily reduces tax collections on new improvements, property tax revenues grow over time.

### Property Tax Revenues and Amount of the Abatement

*For all non-expired applications and completed projects*



**\$10.1M**  
*Net present value\* of incremental property taxes, after abatement, compared to baseline property taxes*

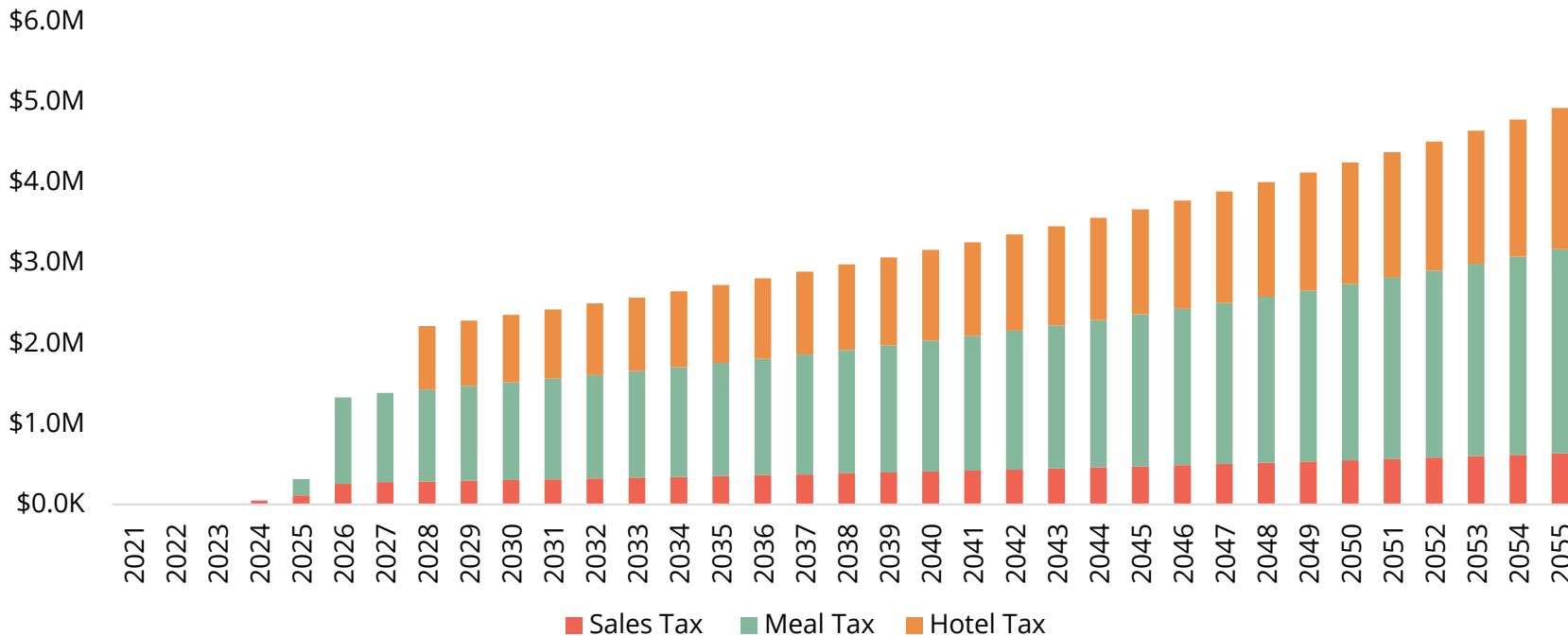
\*Net Present Value (NPV) is a measure of revenues over time, expressed in terms of their value at present. In this case, it is equal to the sum of tax revenues for the next 30 years, discounted. i.e., deflated, by the City's cost of borrowing as a means of estimating the current value of multiple years of revenues.

## ADDITIONAL TAX REVENUE

In addition to property taxes, some properties that were previously vacant and now contain commercial uses and active tenants, generate additional tax revenue in the form of meal taxes, sales taxes, and/or hotel tax from spending within the buildings.

### Additional Revenue from Other Taxes

Estimated for all non-expired applications and renovation ongoing projects



**\$53.1M**

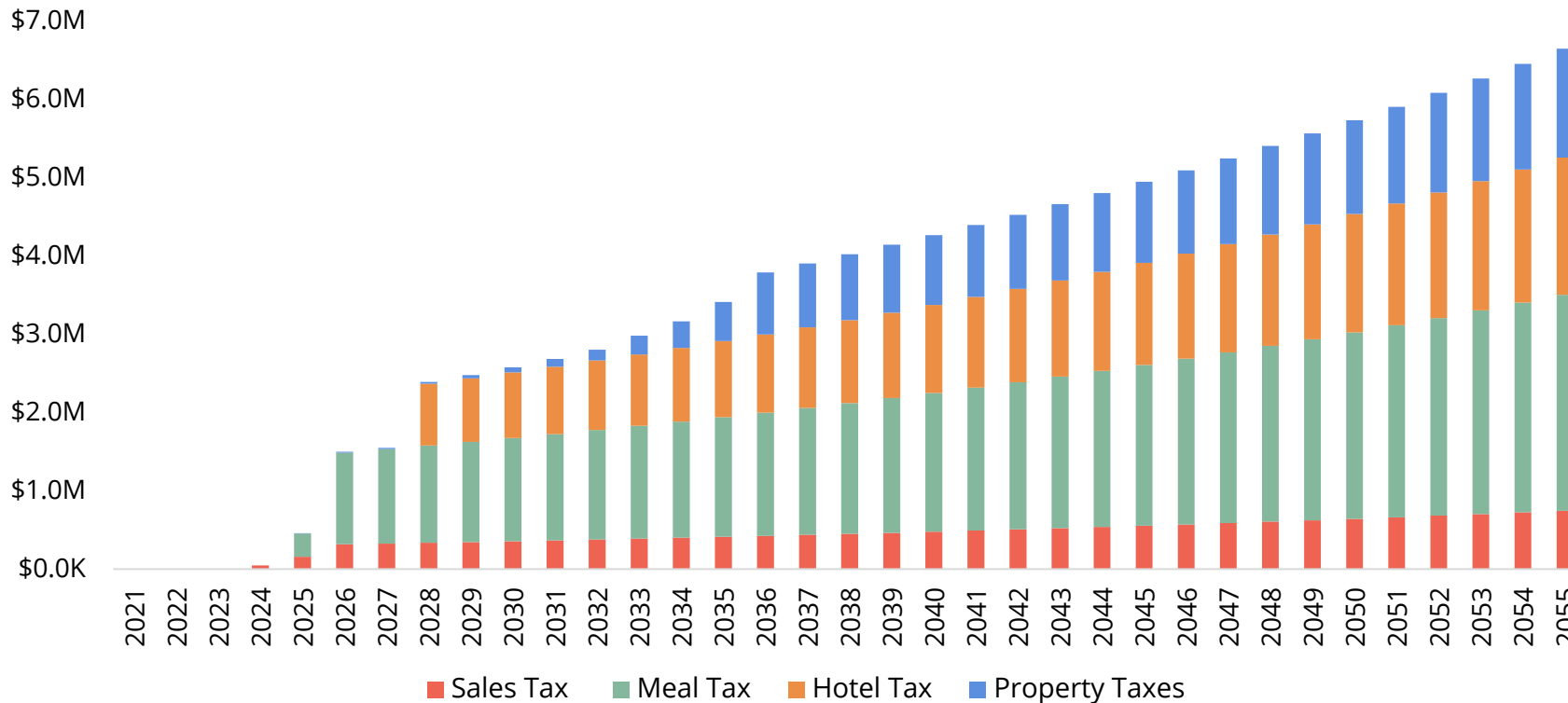
*Net present value of hotel, meal, and sales tax revenues from abated properties*

\*Per City code, Richmond businesses are also required to pay business tangible personal property (BTTP) taxes and business professional, occupational, and license tax (BPOL). Due to sector, size, and depreciation factors, revenue from those tax sources is not included in this analysis, but would generate additional revenue for the City.

## TOTAL TAX REVENUE

While property tax revenues are the most direct benefit from this program, other taxes have the potential to have a greater impact in terms of revenue generation compared to just property taxes alone.

**Total Projected Tax Revenues**  
*Property taxes, sales tax, hotel tax and meal tax*



**\$63.1M**  
*Net present value of property, hotel, meal, and sales tax revenues from abated properties*

\*Per City code, Richmond businesses are also required to pay business tangible personal property (BTTP) taxes and business professional, occupational, and license tax (BPOL). Due to sector, size, and depreciation factors, revenue from those tax sources is not included in this analysis, but would generate additional revenue for the City.

## COMPARISON OF ABATED AND UNABATED PROPERTY AND OTHER TAXES

Incremental taxes on commercial uses will far exceed abated taxes over time.

	Abated Property Taxes	Incremental Property Taxes	Total Tax Revenues (Base + Incremental)	Other Taxes from Commercial Uses
<b>2021-2025</b>	\$105,000	\$	\$1,195,000	\$360,000
<b>2026-2030</b>	\$2,160,000	\$140,000	\$1,525,000	\$9,590,000
<b>2031-2035</b>	\$2,345,000	\$1,120,000	\$2,725,000	\$12,885,000
<b>2036-2040</b>	\$245,000	\$3,765,000	\$5,625,000	\$14,935,000
<b>2041-2045</b>	-	\$4,650,000	\$6,810,000	\$17,315,000
<b>2046-2050</b>	-	\$5,395,000	\$7,895,000	\$20,075,000
<b>2051-2055</b>	-	\$6,250,000	\$9,150,000	\$23,270,000
<b>Total</b>	<b>\$4,855,000</b>	<b>\$21,320,000</b>	<b>\$34,920,000</b>	<b>\$98,435,000</b>
<b>NPV (2026-2055)</b>	<b>\$3,920,000</b>	<b>\$10,065,000</b>	<b>\$16,860,000</b>	<b>\$53,065,000</b>

\*Figures are rounded to nearest \$5,000, including totals.

An aerial view of a city skyline, likely Pittsburgh, featuring a prominent skyscraper and a bridge over a river. The image is overlaid with a dark blue semi-transparent banner.

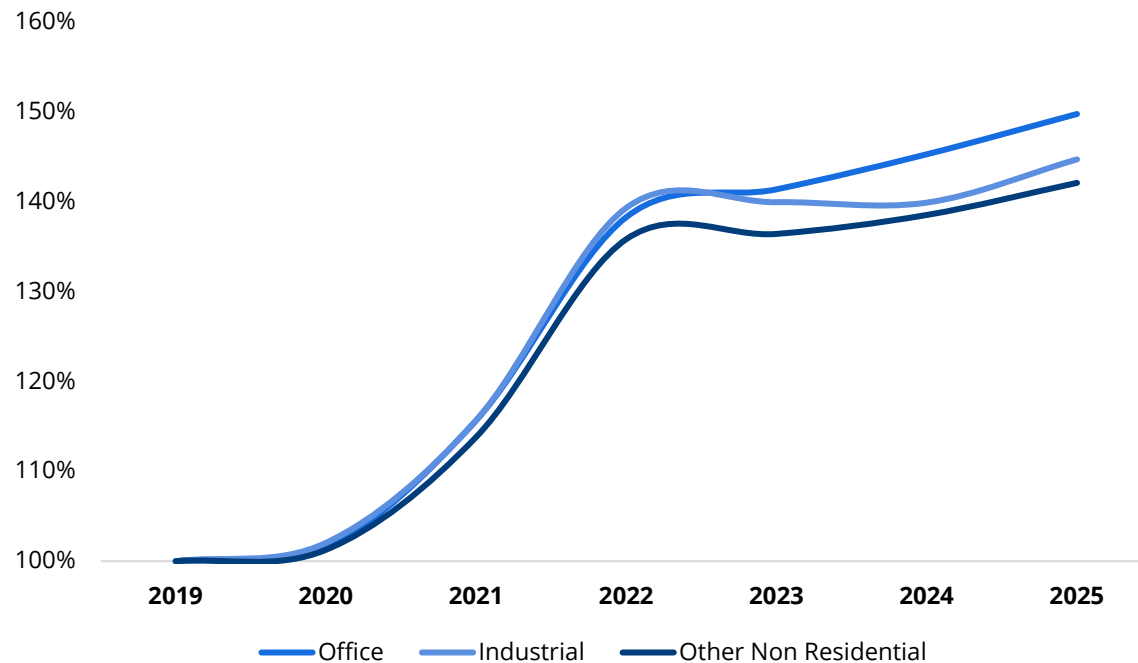
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# Additional Benefits

## DEVELOPMENT BARRIERS

Construction costs across the U.S. have risen by 40-50% over the past five years. The abatement has helped local developers **close financing gaps** and make projects financially feasible that might not otherwise have been.

**Producer Price Index for Construction**  
*2019-2025*



\*Source: Gordian Construction Cost Insights Report: Q4 2025

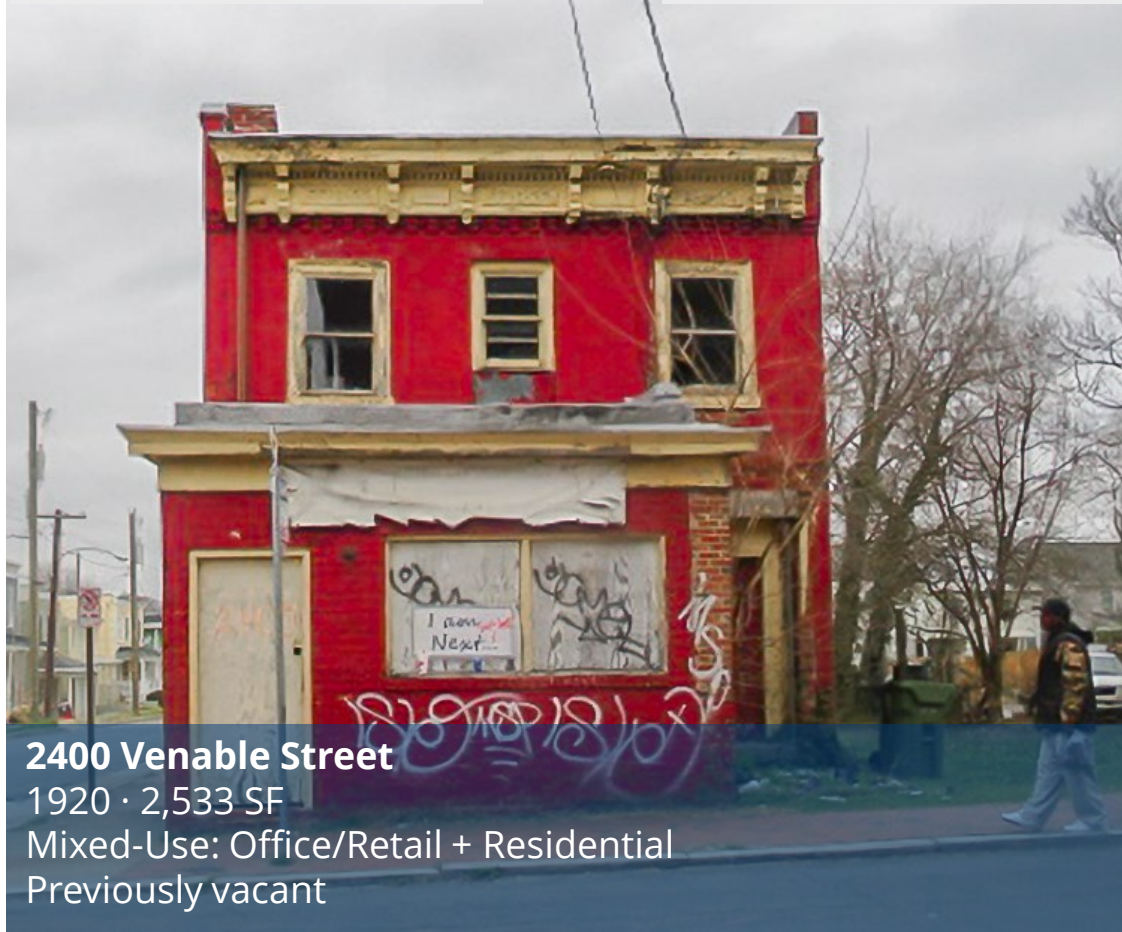
\*\* U.S Bureau of Labor Statistics, PPI industry data for New industrial and office building construction, not seasonally adjusted.

## REVITALIZATION

The abatement program is **bringing unique older properties back to life**, strengthening Richmond's character and widening the range of available retail and office space.

**2400 Venable Street**

**Prior to Renovation**



**After Renovation**



## REVITALIZATION

This program drives revitalization across Richmond by transforming underutilized properties into **vibrant new gathering spaces** for residents.



## REVITALIZATION

The abatement has helped transform previously industrial properties, **broadening Richmond's community and sports offerings**, including the new Padel Plant.

1201 Haxall Point

Prior to Renovation



1201 Haxall Point

1900 · 21,858 SF

Sports Facility and Restaurant Space

Previously vacant

After Renovation



## REVITALIZATION

The program has **unlocked new office and small-business space**, helping generate jobs and broaden the space options available to businesses in Richmond.



## REVITALIZATION

This program supports revitalization efforts across Richmond by reactivating previously vacant properties and **encouraging the renovation of ground floor commercial space.**

4028 MacArthur

Prior to Renovation



4028 MacArthur

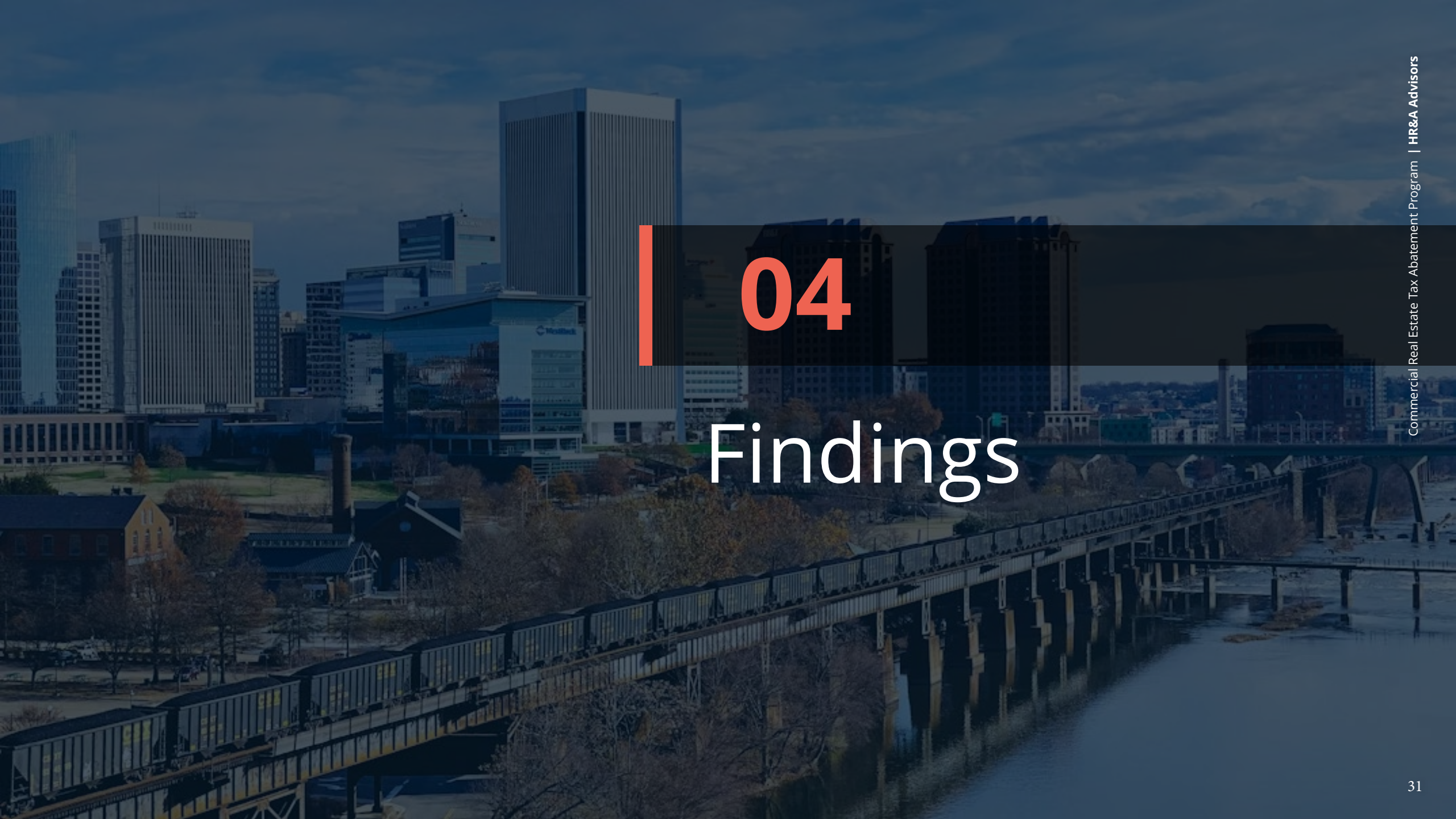
1937 · 14,256 SF

Mixed Use: Residential and Ground Floor Retail

Previously vacant

After Renovation





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# Findings

## SUMMARY OF FINDINGS: ENABLING COMMERCIAL REHABILITATION

The Commercial Abatement Program helped project developers to obtain **sufficient project construction financing**, enabling projects to move forward that might otherwise have been infeasible.

- **Addressing Market Challenges:** The Commercial Abatement Program helped property owners move forward with renovation projects despite market challenges including high **construction cost escalation**, nationwide post-pandemic **commercial real estate challenges**, and **increased interest rates**.
- **Supporting Project Financing:** The most frequently cited benefit to project feasibility among interviewed applicants was the role that a temporarily increased project cash flow plays in **securing sufficient financing** (loans) to allow the project to move forward. This allows property owners to **use less of their own funds** and thereby achieve **market rates of return** on their investments.

604 Hull St



## SUMMARY OF FINDINGS: PROGRAM IMPACTS

Over the last five years, the Abatement Program has supported dozens of projects throughout the city that have generated **substantial economic and fiscal benefits**.

- **Reach of Program: 34 applications** have led to **19 completed** redevelopment projects and **12 additional pending** projects, consisting mostly of **older, smaller**, and **retail-oriented** projects located in Enterprise Zones.
- **Value Creation:** Completed and pending projects will add nearly **\$50M** in new assessed value to Richmond's tax rolls.
- **Tax Impact:** Completed and pending projects will generate a present value of **\$63M** from 30 years of new property, hotel, meal and sales taxes, compared to a present value of **\$4M** in abated property taxes, a **16X ROI**.\*
  - Even during initial years, incremental revenue gains from business taxes and unabated commercial property taxes will generate **\$10M** for the City by 2030, plus taxes from residential portions of mixed-use buildings.
- **Economic and Community Impact:** Completed and pending projects have:
  - Brought **revitalization to downtown** and historic **commercial corridors** throughout Richmond
  - **Reactivated aging office spaces**
  - Created **new spaces for local businesses**

\*Equal to \$127.0M in total taxes and \$4.9M in property tax abatements in undiscounted terms

## RECIPIENT FEEDBACK

Conversations with abatement recipients suggested a set of potential adjustments to the program.

- The abatement program could benefit a wider range of potential rehabilitation projects through one or more of the following potential adjustments suggested by stakeholders:
  - Relaxing **limitations** on abatement support for **residential** uses, especially with regard to **upper story apartment** units in smaller mixed-use buildings within targeted commercial corridors.
  - Relaxing **limitations on building envelope expansions** to allow for a greater share of new construction to be paired with the original older structure.