

INTRODUCED: July 25, 2022

AN ORDINANCE No. 2022-238

To amend City Code §§ 26-601, concerning definitions, 26-604, concerning application for partial exemption of rehabilitated commercial or industrial structures, or other improvements, and 26-605, concerning the amount of exemption for rehabilitated commercial or industrial qualified structures, for the purpose of clarifying that residential property is not eligible for the partial real estate tax exemption for rehabilitated commercial or industrial structures and to increase the time period to qualify for the partial real estate tax exemption from two to three years.

Patron – Mayor Stoney

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: SEP 26 2022 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That sections 26-601, 26-604, and 26-605 of the Code of the City of Richmond (2020) be and are hereby **amended** and reordained as follows:

Sec. 26-601. Definitions.

The following words, terms and phrases, when used in this division, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

AYES: 7 NOES: 0 ABSTAIN: _____

ADOPTED: SEP 26 2022 REJECTED: _____ STRICKEN: _____

Addition means an increase in the square footage of a qualified structure that expands the utility of such structure.

Base value means the assessed value of real estate for which an application has been filed in accordance with this division, as set forth in the land book on January 1 of the tax year in which such application is filed.

Commercial or industrial real estate means land containing a structure or other improvement constructed or used (i) for nonresidential purposes in accordance with this Code and other applicable law or (ii) as nonresidential components of a mixed-use development.

Enterprise zone means a Council-designated enterprise zone established pursuant to the Enterprise Zone Act, Code of Virginia, § 59.1-279 et seq.

Linear feet means the shortest distance from one point to another, measured horizontally in feet, where one foot is equal to 12 inches.

Mixed-use development means a structure or other improvement constructed for both residential and commercial uses where at least ten percent of the total square footage of such structure or other improvement is comprised of commercial space.

Qualified structure means a structure or other improvement that has qualified for rehabilitation, renovation or replacement in accordance with this division.

Rehabilitation means the process of restoring a qualified structure through:

- (1) Renovation;
- (2) Replacement; or
- (3) Renovation and the construction of an addition.

Renovation means the process of updating the utility of a qualified structure, in whole or in part, including, but not limited to, the partial destruction and rebuilding of such structure.

Replacement means the process of demolishing a qualified structure for which an application has been filed in accordance with this division and subsequently replacing such structure by constructing a new structure on the same real estate upon which the qualified structure was situated.

Square footage means the area of a structure or other improvement measured in square feet.

Substantially rehabilitated means rehabilitation of a qualified structure so as to increase the assessed value over the base value of the qualified structure by no less than 40 percent of the base value.

Sec. 26-604. Application for partial exemption of rehabilitated commercial or industrial structures, or other improvements.

In order to qualify for the partial exemption provided for in Section 26-605, the owner, including the possessor of a leasehold interest in real estate as defined in Code of Virginia, § 58.1-3203, of commercial or industrial qualified structures shall, prior to commencement of rehabilitation and after making application for a building permit to rehabilitate such structure, file with the Director of Economic Development and a copy to the City Assessor, upon forms furnished by the Director of Economic Development, an application to qualify such structure or other improvement as a qualified structure rehabilitated for commercial or industrial use. Upon receipt of an application for tax exemption, the ~~[City Assessor]~~ Director of Economic Development shall provide written notification to the owner of such commercial or industrial qualified structure, or other improvement, of the base value of the qualified structure. Such notice shall also notify the property owner that such property owner may appeal the base value in accordance with the applicable provisions of this Code or State law, in which case the base value as subsequently determined by the City Assessor, the City of Richmond Board of ~~[Review]~~

Equalization of Real Estate Assessments, or a court of competent jurisdiction upon such appeal shall be the base value for purposes of this section. The application to qualify for tax exemption shall be effective until two years from the date on which the application is submitted. However, as of the date on which the ordinance adding this sentence to this section is adopted, the application to qualify for tax exemption shall be effective until three years from the date on which the application was submitted, provided that, for applications for properties for which the City Assessor has ascertained that the structure which is the subject of any such application has been substantially rehabilitated in accordance with this section, the City Assessor shall not make any further ascertainment except as otherwise provided in this section for a new application. If by ~~[such]~~ the applicable expiration date rehabilitation has not progressed to such a point that the qualified structure has been substantially rehabilitated to retain such eligibility, a new application to qualify for tax exemption must be filed. Upon such filing, the ~~[City Assessor]~~ Director of Economic Development shall, in accordance with the notice requirements of this section, provide the property owner with notification of the base value of the property as set forth in the land book on January 1 of the tax year in which ~~[such-new]~~ the initial application ~~[is]~~ was filed, provided that no property owner shall have more than three years from the date on which the initial application was filed to complete the rehabilitation. The initial application to qualify for the partial exemption and any subsequent application must be accompanied by the payment of a processing fee of \$250.00, which fee shall be applied to offset the cost of processing such application, making required assessments, and making an annual inspection to determine the progress of the work. During the period between the receipt of the application and the time at which the City Assessor ascertains that the structure has been substantially rehabilitated, the Director of Economic Development shall, at such time during the year as the Director of

Economic Development may fix by regulation, make an annual inspection of progress of the rehabilitation undertaken, and the owner, including the possessor of leasehold interest as defined in Code of Virginia, § 58.1-3203, of the property shall be subject to taxation upon the full value of the improvements to the property. An owner, as provided in this section, may, at any time prior to the expiration date of the application and once rehabilitation of a qualified structure is complete, submit a written request to the City Assessor to inspect the structure to determine if it then qualifies for the partial exemption from real estate taxation for which Section 26-605 provides. When the City Assessor determines that the minimum required increase in the assessed value has occurred (i.e., the base value is exceeded by 40 percent or more), the tax exemption shall become effective beginning on January 1 of the next calendar year. During the effective period of the partial exemption, no more than one additional application to qualify for partial exemption from real estate taxation for rehabilitated structures may be accepted for the same property. However, upon any approval of a partial exemption based on any such additional application for partial exemption, the owner of the commercial or industrial qualified structure shall waive all rights to and interest in any unexpired partial exemption existing at the time that an additional application to qualify for partial exemption from real estate taxation for rehabilitated structures for the same property is approved for partial exemption, and such unexpired partial exemption shall cease. If the owner of the commercial or industrial qualified structures fails or refuses to waive such rights or interest, the approval of the partial exemption based on the additional application for partial exemption shall be revoked, but the existing partial exemption shall continue in effect for the remainder of the applicable exemption period. In addition, no such application shall be for the:

- (1) Renovation of a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age;
- (2) Replacement of a qualified structure on which an existing partial exemption is based;
- (3) Construction of an addition to be attached to a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age; or
- (4) Any combination of Subsection (1), (2), or (3) of this section.

Sec. 26-605. Amount of exemption for rehabilitated commercial or industrial qualified structures.

Except as provided in Section 26-604 with regard to a property for which an additional application has been approved for partial exemption, the owner, including the possessor of a leasehold interest in real estate as defined in Code of Virginia, § 58.1-3203, of property qualifying for partial exemption of real estate taxes because of rehabilitation of a commercial or industrial qualified structure in accordance with this division shall be issued a credit in the amount of the difference in taxes computed upon the base value and the initial rehabilitated assessed value of the property for each year of the five-year period of partial exemption from real estate taxes and, in each year of a two-year period following the initial five years, a credit for the amount of the difference in taxes computed upon the base value and the initial rehabilitated assessed value of the property, at 66 percent in year six and 33 percent in year seven of the full amount of the partial exemption. Commercial or industrial qualified structures that are located within enterprise zones, are no less than 20 years old, and are otherwise qualified under this division shall be entitled to a seven-year period of exemption in the full amount of the difference in taxes computed upon the base value and the initial rehabilitated assessed value of the property for each year of the seven years and for the three-year period following the initial seven years, a

credit for 75 percent in year eight, 50 percent in year nine and 25 percent in year ten of the full amount of the partial exemption. No exemption shall be issued during the effective period of an exemption for any commercial or industrial rehabilitation on the same property for which an additional application has been filed for ~~[residential real estate in accordance with Section 26-604 that is achieved through the:~~

~~(1) — Renovation of a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age;~~

~~(2) — Replacement of a qualified structure on which an existing partial exemption is based;~~

~~(3) — Construction of an addition to be attached to a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age; or~~

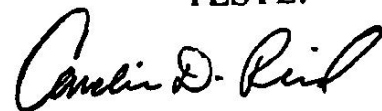
~~(4) — Any combination of Subsection (1), (2), or (3) of this section.]~~

a partial real estate tax exemption pursuant to Chapter 26, Article V, Division 4. In addition, no exemption shall be issued during the effective period of an exemption for any multifamily dwelling or single-family dwelling on the same property for which and application has been filed for a partial real estate tax exemption pursuant to this division 11.

An increase in assessment occurring after the first year of the partial exemption shall not qualify for an increase in such partial exemption. Such credit shall be applied towards the payment of the real estate taxes due and payable for the tax year for which such credit has been issued. Each credit shall be charged against an appropriation made by the Council for the purpose of honoring such tax rehabilitation exemptions.

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

**A TRUE COPY:
TESTE:**



City Clerk



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

O&R REQUEST

DATE: April 25, 2022

EDITION: 1

TO: The Honorable Members of City Council

THROUGH: The Honorable Levar M. Stoney, Mayor

Handwritten signature of Levar M. Stoney.

THROUGH: J. E. Lincoln Saunders, Chief Administrative Officer

Handwritten signature of J. E. Lincoln Saunders.

THROUGH: Richie McKeithen, City Assessor of Real Estate

Handwritten signature of Richie McKeithen.

THROUGH: Sharon L. Ebert, DCAO for Economic Development & Planning

Handwritten signature of Sharon L. Ebert.

FROM: Leonard L. Sledge, Director of Economic Development

Handwritten signature of Leonard L. Sledge.

RE: Amendment to City Code Sections 26-601, 26-604, 26-605, and 26-609 to remove residential housing from the partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation and to increase the time to qualify for the partial exemption from two years to three years.

ORD. OR RES. No. _____

PURPOSE:

This O&R request is to amend City Code Sections 26-201, 26-604, 26-605, and 26-609 to (1) remove residential housing from the partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation; and (2) to increase the time to qualify for the partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation from two years to three years to account for supply chain and labor market disruptions caused by the COVID-19 pandemic.

REASON:

A partial exemption of certain rehabilitated structures from real estate taxation for residential property is provided in Chapter 28 Article V Division 4 of the Code of the City of Richmond. The amendments clarify that residential improvements are not eligible for the partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation as provided in Chapter 28 Article V Division 11 of the Code of the City of Richmond.

The COVID-19 pandemic resulted in supply chain interruptions, labor market challenges, and delays to complete construction projects in a timely manner. Considering these factors, the pro-

posed amendments increase the amount of time for eligible projects to qualify for the partial exemption of real estate taxes allowed by City Code Sections 26-604 and 26-609. The proposed amendment is requested for all commercial and industrial projects that qualified for the partial exemption of real estate taxes during, through and after the declared local emergency in the City of Richmond due to the potential spread of the 2019 Novel Coronavirus known as "COVID-19" (Res. 2020-R025).

RECOMMENDATION: The City Administration recommends approval.

BACKGROUND:

Part 1 - City Code Sections 26-601 and 26-605 do not distinguish that residential improvements are not the intent of partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation as provided in Chapter 28 Article V Division 11 of the Code of the City of Richmond. Rather, a partial exemption of certain rehabilitated structures from real estate taxation for residential property is provided in Chapter 28 Article V Division 4 of the Code of the City of Richmond. The aforementioned section of the City Code advances affordable housing development in the City. The proposed amendments are to clarify the intent of the of nonresidential commercial and industrial development as the focus of the partial exemption of certain rehabilitated commercial or industrial structures.

Part 2 - City Council adopted Resolution 2020-R025 declaring a local state of emergency in the City of Richmond due to the potential spread of the 2019 Novel Coronavirus known as "COVID-19". The COVID-19 pandemic has had an adverse impact on the timely completion of construction projects due to supply chain interruption and labor market challenges. The result of the aforementioned is property owners not being in position to realize the potential benefits from the partial exemption of real estate taxes for commercial and industrial projects as currently allowed by City Code Sections 26-604 and 26-609.

FISCAL IMPACT / COST:

N/A

FISCAL IMPLICATIONS:

N/A

BUDGET AMENDMENT NECESSARY: N/A

REVENUE TO CITY: N/A

DESIRED EFFECTIVE DATE: Upon adoption

REQUESTED INTRODUCTION DATE: May 9, 2022

CITY COUNCIL PUBLIC HEARING DATE: May 23, 2022

REQUESTED AGENDA: Consent

RECOMMENDED COUNCIL COMMITTEE: Finance & Economic Development Standing Committee

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES: N/A

AFFECTED AGENCIES: Economic Development, Budget and Strategic Planning, Finance, Assessor of Real Estate

RELATIONSHIP TO EXISTING ORD. OR RES.: Ord. 2020-148; Res. 2020-R025

REQUIRED CHANGES TO WORK PROGRAM(S): None

ATTACHMENTS:

City Code Sections 26-601, 26-604, 26-605 and 26-609; Res. 2020-R025

STAFF:

Leonard L. Sledge, Director – Department of Economic Development
