

The seal of the City of Richmond is a circular emblem. It features a central figure of a person standing on a globe, holding a staff. The figure is surrounded by a ring of stars. The outer border of the seal contains the text "CITY OF RICHMOND" at the top and "ESTABLISHED 1737" at the bottom. The seal is rendered in a light gray, semi-transparent style.

# IMPACT OF A REAL ESTATE TAX RATE REDUCTION

**LINCOLN SAUNDERS**

CHIEF ADMINISTRATIVE OFFICER

OCTOBER 7, 2024

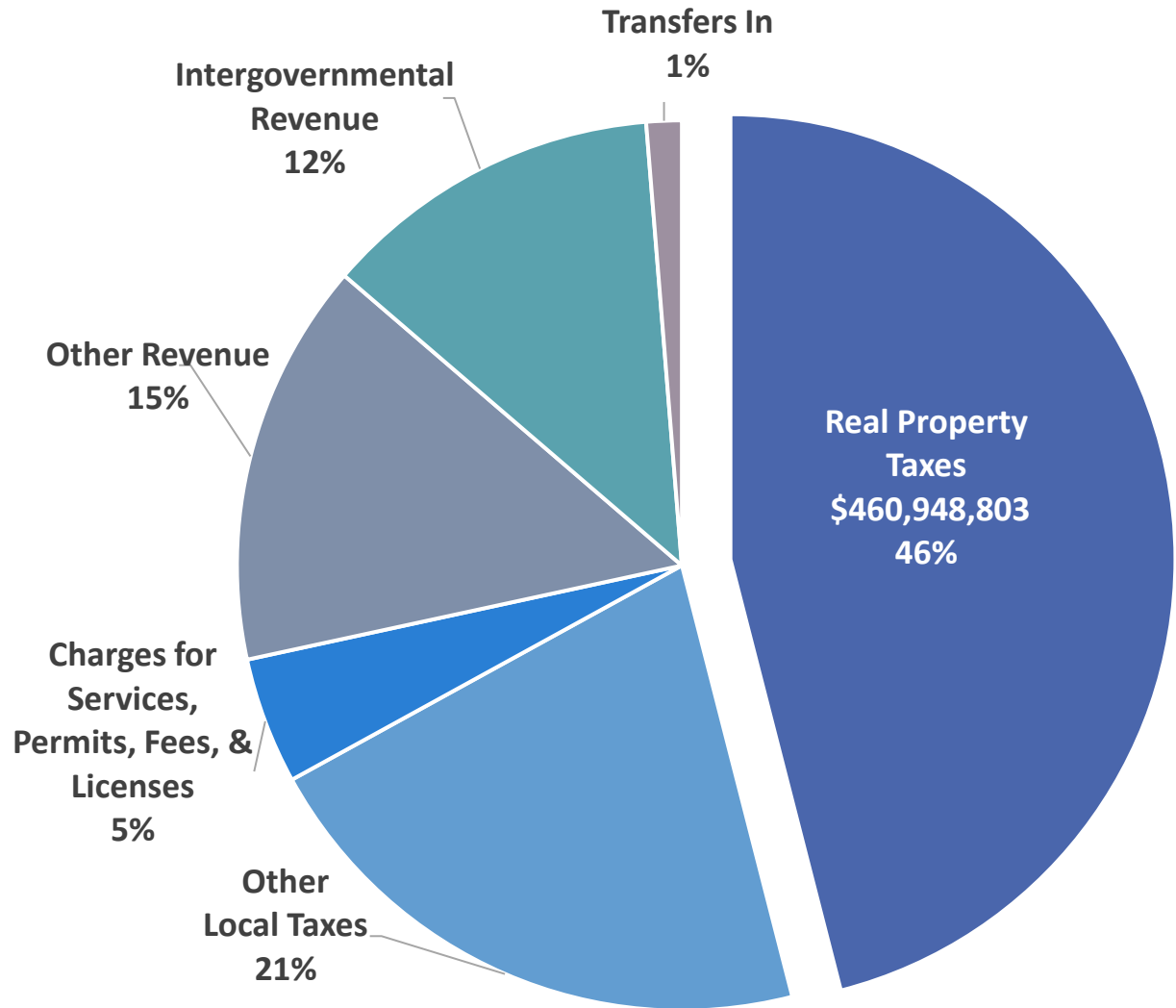
# REAL PROPERTY TAX IS THE LARGEST LOCAL REVENUE SOURCE

- 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**

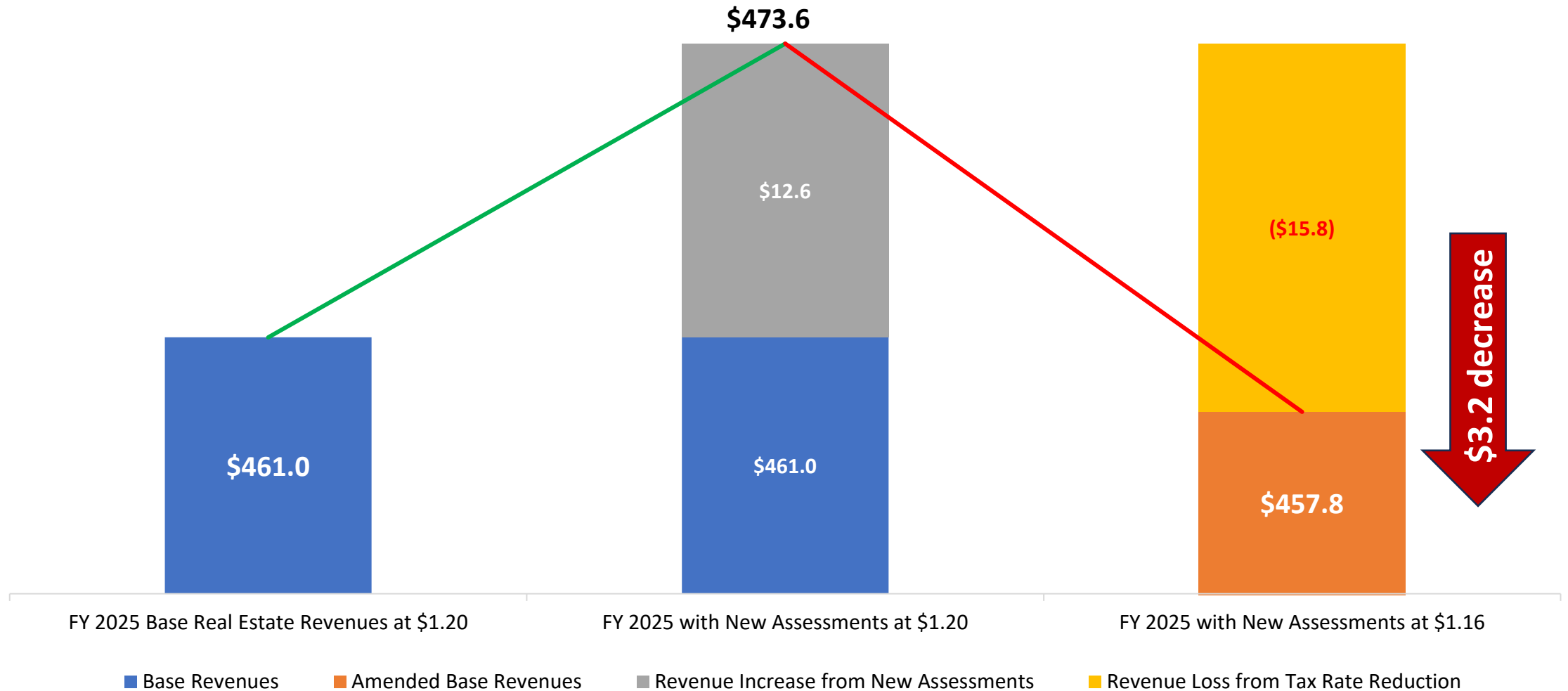


**\$50.0 million capital projects support**

**Reductions to the General Fund Revenue will also impact the amount of capital project 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>

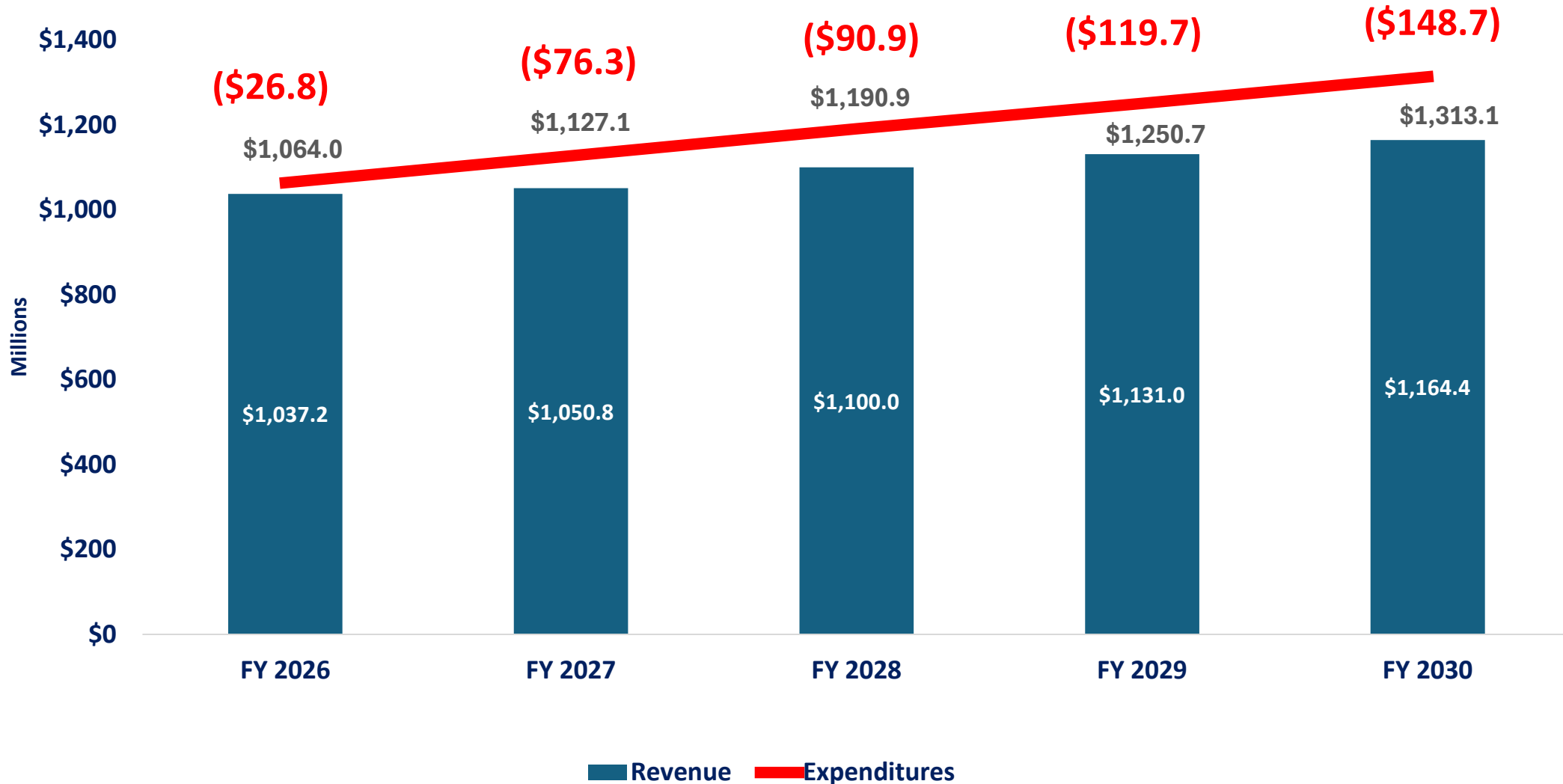
↑  
Increase FY 2025 Budget

↑  
Reduce FY 2025 Budget



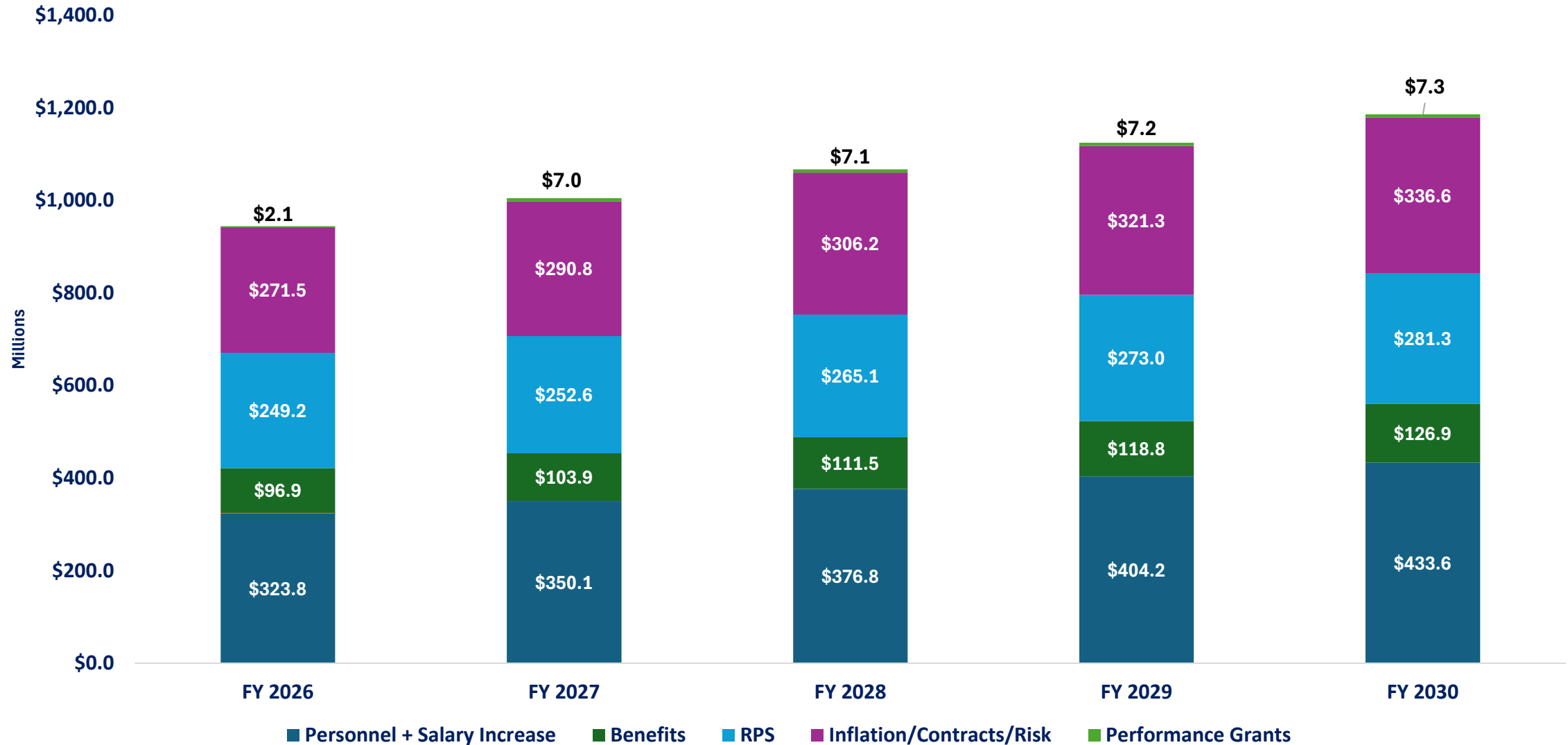
# EVEN AT THE \$1.20 TAX RATE – OUT YEARS ARE AT A DEFICIT

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



# BUDGET DRIVERS ARE ALMOST 90% OF EXPENDITURES

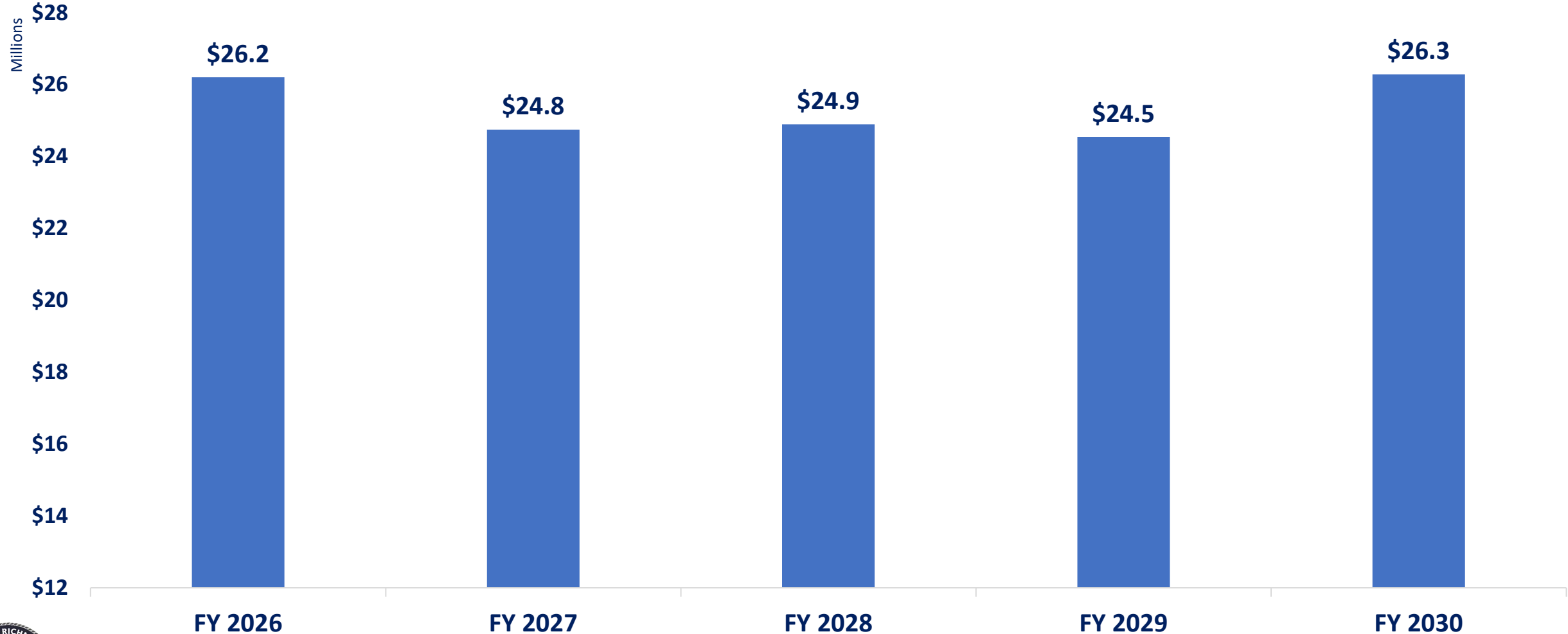
FY 2026 - 2030 Cost Drivers





# COLLECTIVE BARGAINING AVERAGE YEARLY COST ABOUT \$25 MILLION

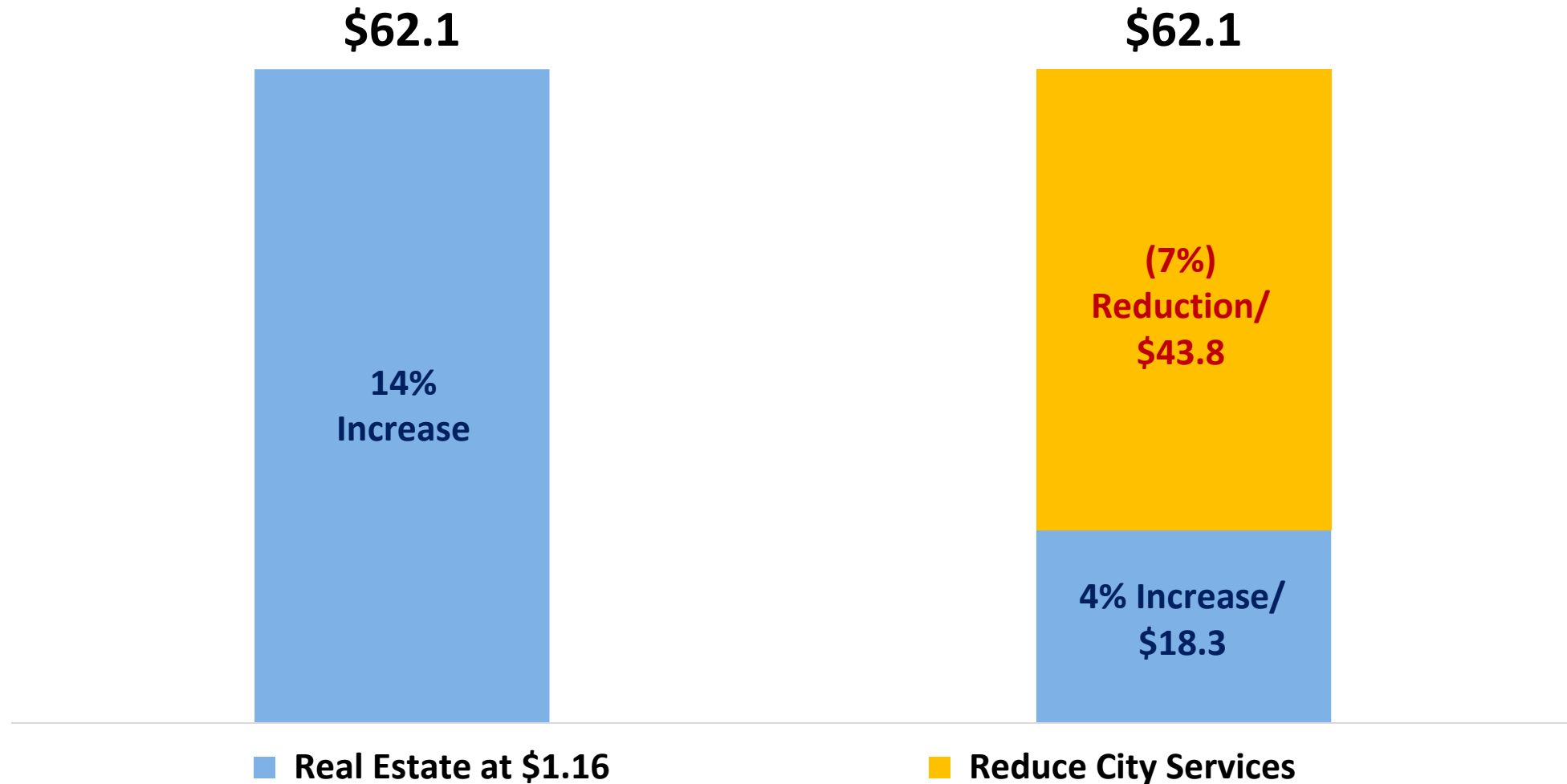
## 5-Year Incremental Collective Bargaining Costs Title



Amounts in Millions



# WE CAN REDUCE THE TAX RATE, BUT IT MEANS SERVICE REDUCTIONS



Amounts shown in millions. Amounts are rounded.



# 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**

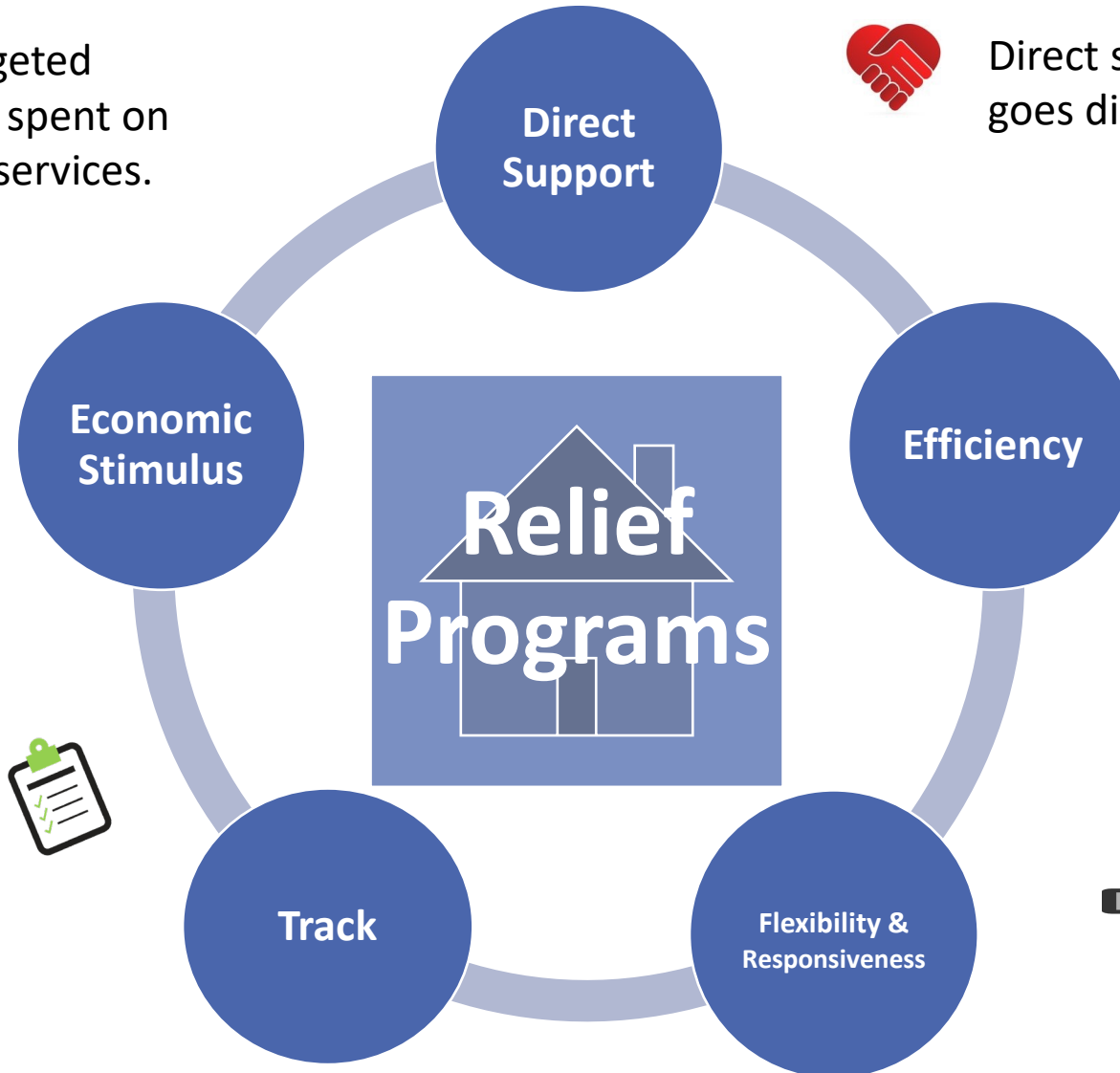
# THE IMPORTANCE OF FOCUSING ON RELIEF PROGRAMS



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.



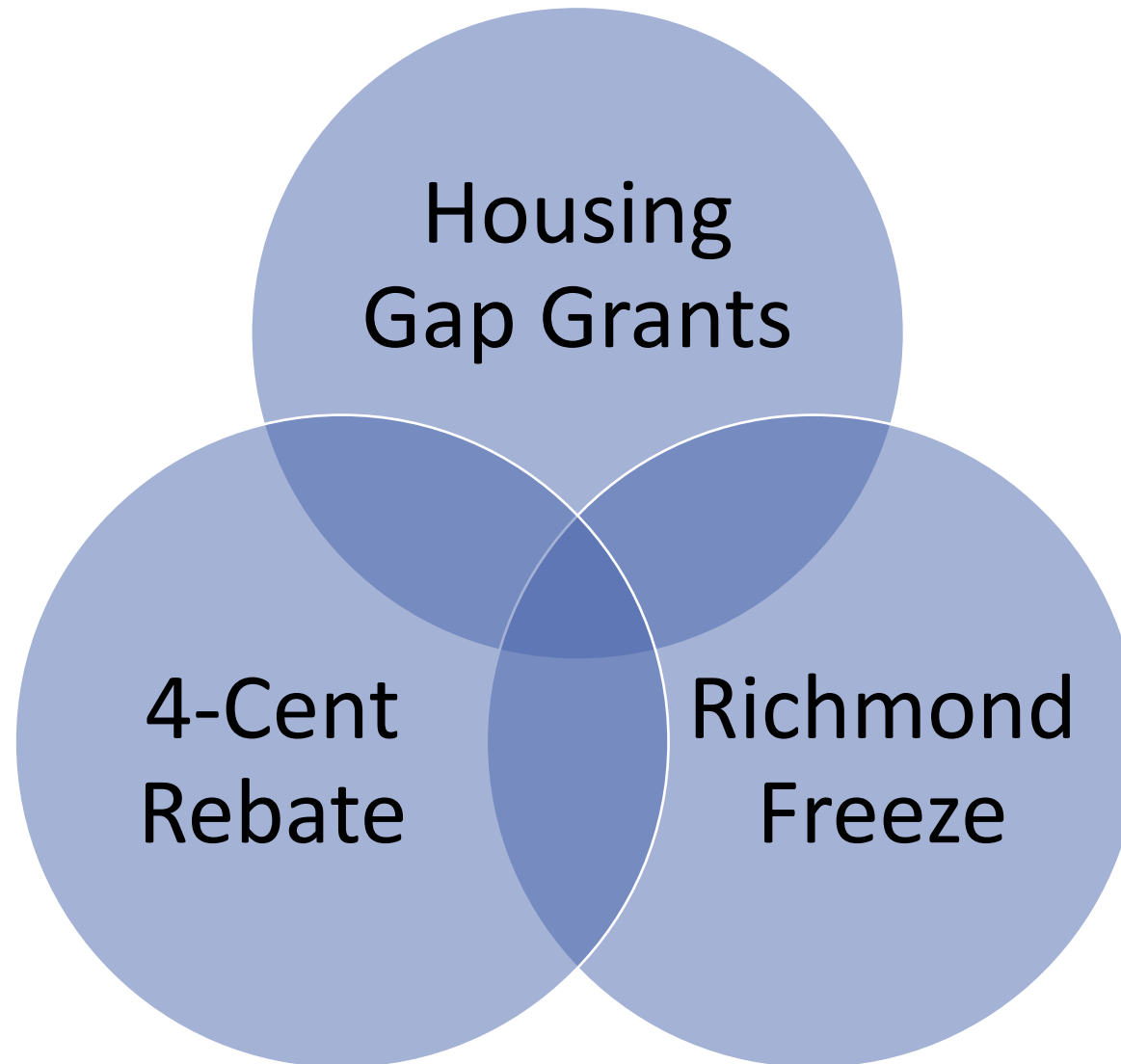
Targeted relief has measurable outcomes and allows for better monitoring and evaluation of their impact.



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  
Section 8 Income  
limits

Homeowners  
and Renters

Administered by  
the Local Social  
Services Board

First Come  
First Served

Requires  
Workforce  
Development

Requires  
Financial  
Planning Sessions



# 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 2,330 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



# 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>

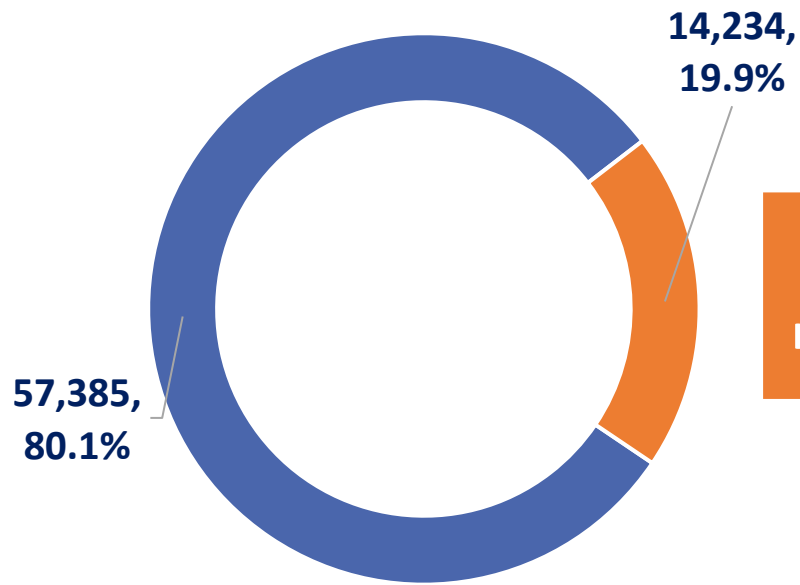
*\*Based on the average lowest and highest five values.*

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



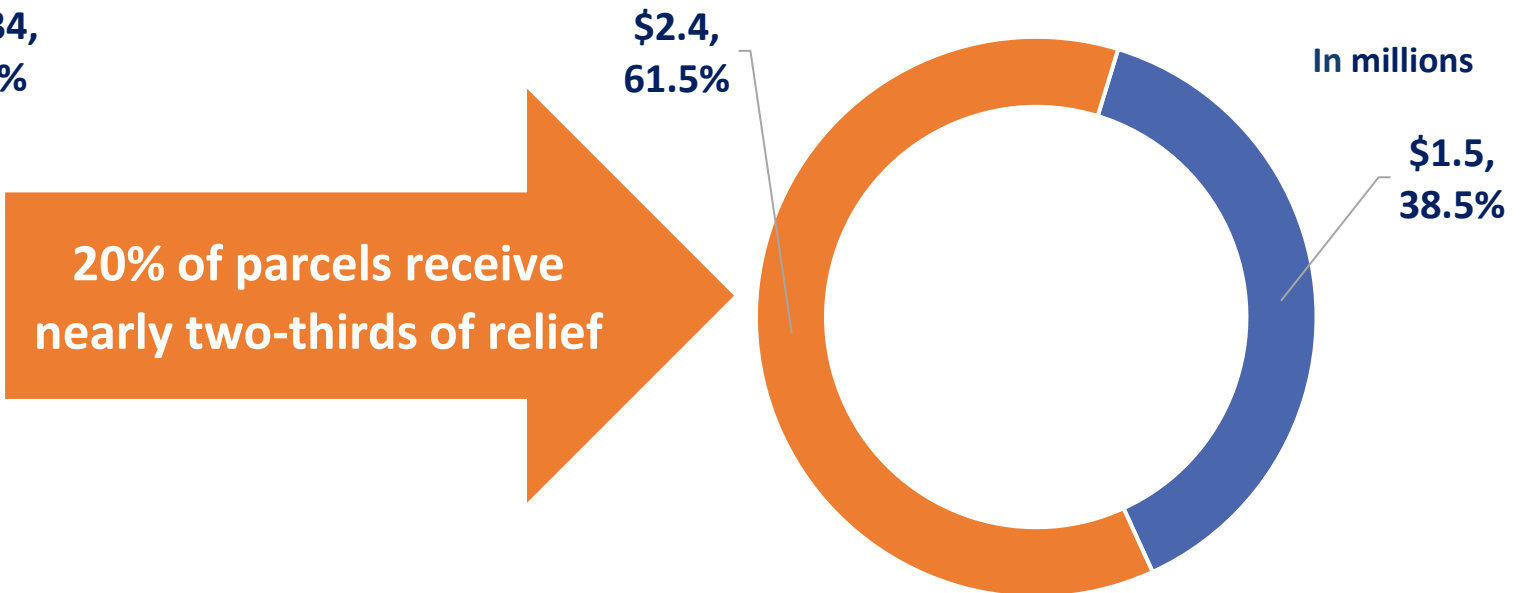
# ALMOST TWO-THIRDS OF THE REBATE WOULD GO TO THE TOP 20% (WITH HIGHER-THAN-AVERAGE ASSESSED VALUE)

**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**



- 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.*



# 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.



The background features three overlapping circles in shades of blue. A horizontal light blue band spans the width of the image, containing the word "DISCUSSION" in a dark blue, bold, sans-serif font.

# DISCUSSION