

INTRODUCED: September 10, 2018

AN ORDINANCE No. 2018-236

To amend ch. 26, art. V, div. 2 of the City Code by adding therein new sections 26-370—26-374, concerning a real estate tax deferral program for real estate owned and occupied as a sole dwelling, for the purpose of establishing a new real estate tax deferral program for real estate owned and occupied as a sole dwelling.

Patron – Ms. Gray

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: SEPT 24 2018 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That Chapter 26, Article V, Division 2 of the Code of the City of Richmond (2015) be and is hereby amended by **adding therein new** sections 26-370 through 26-374 as follows:

Sec. 26-370. Real estate tax deferral program for real estate owned and occupied as a sole dwelling.

There is hereby established a real estate tax deferral program for real estate owned and occupied as a sole dwelling in accordance with Code of Virginia, § 58.1-3219. Any owner may defer all or any portion of such owner’s real estate tax that exceeds 110 percent of the real estate

AYES: _____ NOES: _____ ABSTAIN: _____

ADOPTED: _____ REJECTED: _____ STRICKEN: _____

tax on such property owned by the owner in the previous tax year, subject to the conditions set forth in Section 26-372(a) and the limitations set forth in Section 26-373. The deferral program shall become effective on July 1, 2019, for the tax year beginning January 1, 2020.

Sec. 26-371. Same—Definitions.

For purposes of Sections 26-370 and 26-372 through 26-374, the following words, terms, and phrases, when used in those sections, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Application means the initial and the annual application filed in accordance with Section 26-374.

Deferral program means the real estate tax deferral program established by Section 26-370.

Owner means a person who owns real estate located within the city of Richmond.

Real estate tax deferral means the real estate tax deferral authorized by Section 26-370.

Sec. 26-372. Same—Conditions of deferral; payment of deferred amounts.

(a) In order to qualify for the deferral program, an owner shall file an application with the Department of Finance, on forms provided by the Director of Finance, demonstrating that the following conditions have been met:

(1) The owner owns and occupies the property for which the real estate tax deferral is sought as such owner's sole dwelling at the time the owner files the application and throughout all succeeding tax years to which such deferral is to apply.

(2) The owner has owned and occupied the property for which the real estate tax deferral is sought for a continuous, uninterrupted period of at least two years prior to the first date on which the owner files an application.

(3) The real estate tax on the property for which the real estate tax deferral is sought exceeds 110 percent of the real estate tax on such property in the previous tax year.

(4) All real estate taxes, assessments, and any other charges associated with any real estate owned by the owner located within the city of Richmond have been paid in full.

(b) Any owner who qualifies for the deferral program may defer all or any portion of the real estate tax that exceeds 110 percent of the real estate tax on such property owned by the owner in the previous tax year. The deferred amount shall be subject to interest of the lesser of two percent or the rate established pursuant to § 6621 of the Internal Revenue Code. The accumulated amount of taxes deferred and interest shall be deferred to the next tax year for each year for which the deferral is approved by the Director of Finance and shall be paid to the City by the owner upon sale or transfer of the property, from the estate of the decedent within one year after the death of the owner, by the owner upon disqualification from the deferral program, or by the owner upon any failure or refusal to submit a completed application. The accumulated amount of tax deferred and interest shall constitute a lien upon the real estate. If the real estate is owned jointly and all such owners applied and qualified for the deferral program established by Section 26-370, the death of one of the joint owners shall not disqualify the survivor or survivors from participating in the deferral program. In such case, all accumulated deferred taxes and interest shall be paid within one year of the date of the death of the last qualifying owner.

Sec. 26-373. Same—Limitations.

The deferral program shall not apply to the following:

(a) Real estate which participates in the real estate tax relief programs for the elderly or permanently or totally disabled pursuant to Sections 26-364 and 26-365.

(b) Real estate owned by owners who are delinquent on any real estate taxes, assessments, or other charges associated with any real estate located within the city of Richmond or on any portion of real estate taxes for which deferral is sought.

(c) Real estate assessed on the basis of value pursuant to Code of Virginia, Title 58.1, Article 4, Chapter 32.

(d) Real estate that has a real estate tax that exceeds 110 percent of the real estate tax on such property owned by the owner in the previous tax year that is due to an increase in the real estate tax assessed value as a result of renovations or additions to the existing structure that were completed within the previous tax year.

(e) Real estate that has a real estate tax that exceeds 110 percent of the real estate tax on such property owned by the owner in the previous tax year that is due to an increase in the real estate tax rate set forth in Section 26-355.

Sec. 26-374. Same—Administration.

The Director of Finance or the designee thereof shall administer the deferral program. The Director of Finance shall establish rules and regulations and may, from time to time, make modifications thereto, not inconsistent with Sections 26-370 through 26-374, to fulfill the requirements of the deferral program. Any owner seeking a deferral of real estate taxes in accordance with Section 26-370 shall submit an initial application and, if a real estate tax deferral is sought for any subsequent tax years after initial qualification for the deferral program, an annual application, to the Director of Finance or the designee thereof on forms provided by the Director of Finance and by the date established by the Director of Finance prior to each

January 1 of each tax year for which a real estate tax deferral is sought, indicating the amount of the real estate tax to be deferred and the portion of any previously deferred tax amounts that the owner plans to pay. The Director of Finance or the designee thereof shall review such applications and determine if the property for which a real estate tax deferral is sought qualifies for the deferral program in accordance with the requirements of Sections 26-370 through 26-374. The Director of Finance or the designee thereof shall provide each owner with written notification of the determination concerning whether or not the property for which a real estate tax deferral is sought qualifies for the deferral program.

§ 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

RECEIVED

AUG 30 2018

OFFICE OF CITY ATTORNEY

TO Allen Jackson, City Attorney

THROUGH Lou Ali, Council Chief of Staff *LA*

FROM Steven Taylor, Council Policy Analyst *ST*

COPY Kimberly Gray, 2nd District Council Member
Craig Bieber, 2nd District Liaison
Haskell Brown, Deputy City Attorney
Meghan Brown, Deputy Council Chief of Staff

DATE August 28, 2018

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TITLE Real Estate Tax Deferral Program

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

REQUESTING COUNCILMEMBER/PATRON

K. Gray

SUGGESTED STANDING COMMITTEE

Finance and Economic Development

ORDINANCE/RESOLUTION SUMMARY

The patron requests that legislation be drafted for Council's consideration establishing a real estate tax deferral program in the City pursuant to authority granted in Virginia Code Sections 58.1-3219 and 58.1-3219.1.

The patron requests that the legislation:

1. Allow taxpayers to defer any portion of the tax that exceeds 110% of the real estate tax on property owned by the taxpayer during the previous year;

2. Be applicable only if the property is owned and occupied as the sole dwelling of the taxpayer and be applicable to garages, outbuildings, and portions of the home and garages and outbuildings that are leased out;
3. Require that all real estate taxes on properties in the City must be paid and up-to-date in order for a property owner to be eligible to participate in this real estate tax deferral program;
4. Allow participation in the real estate tax deferral program regardless of household income;
5. Allow participation in the real estate tax deferral program regardless of the number of years the owner has lived in the home;
6. Begin implementation of the program in July 2019 (FY20);
7. Defer the real estate tax amounts that are levied to the next fiscal year plus 2 percent interest;
8. Defer real estate taxes for each fiscal year plus accrued interest becomes due and payable within one year from the time of change of ownership, disqualification in the program or failure to submit a completed application;
9. Authorize the City's Department of Finance to develop necessary regulations and forms to administer the real estate program; and
10. Require that deferred real estate taxes constitute a lien on the real property.
11. Provide that if the increase in assessed value over 110% is due to new renovations or additions to the existing structure(s), then the tax on such increased value may not be deferred.
12. Provide that if the increased real estate tax amount due is above 110% is caused by an increase in the real estate tax rate by the City government, then the real estate tax increase may not be deferred.

BACKGROUND

A number of City residents have experienced increasing assessments of the value of their homes and property and are experiencing rapidly increasing tax bills as a result. Often these increases have nothing to do with homeowner actions but are caused by economic activity near their homes. These tax assessment increases are making it difficult for homeowners to afford their own homes. It is hoped that a tax deferral program will allow these residents to

remain in their homes and preserve housing affordability without the City forgoing the eventual tax revenue to the City.

FISCAL IMPACT STATEMENT

Fiscal Impact Yes No

Budget Amendment Required Yes No

Estimated Cost or Revenue Impact: \$2.7 million in deferred revenue each year plus potential staffing and computer programming, the cost of which is not known at this time.

Note: Staff is not able to estimate the number of potential program participants and the value of their property. However, the nature of the program will possibly reduce the amount of future real estate tax receipts to the City in the near term but those funds are to be repaid to the City in the future upon transfer of the property.

Working with the City Assessor, Staff has learned that 19,338 properties increased by 10.01% or more. Eliminating new and renovated properties, known vacant properties, and playgrounds from this total leaves 18,104 properties with 10.01% increases in assessed values. Given current tax rates and this total number, staff estimates approximately \$2.7 million in deferred revenue. This amount of the deferral revenue is subject to change based on such factors as actual owner occupancy and actual number of qualified applicants.

The City government will need staff and computer programming to track amounts owed to the City and to continually calculate interests on those amounts owed to the City. The cost of such staff and programming is not known at this time.

Attachment/s Yes No