

INTRODUCED: September 10, 2018

AN ORDINANCE No. 2018-231

To amend and reordain City Code §§ 26-397, concerning definitions, 26-399, concerning the eligibility criteria for partial exemption of rehabilitated residential and multifamily structures or other improvements from real estate taxation, and 26-401, concerning the amount of exemption for rehabilitated residential and multifamily qualified structures, and to amend ch. 26, art. V, div. 3 by adding therein new §§ 26-398.1, concerning the evaluation of such program, and 26-401.1, concerning affordable housing certification, for the purpose of revising the City’s partial tax exemption program for residential and multifamily structures by defining certain terms and modifying the qualification requirements for the receipt and duration of partial exemption from real estate taxation.

\_\_\_\_\_  
Patron – Ms. Robertson

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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 sections 26-397, 26-399, and 26-401 of the Code of the City of Richmond (2015) be and are hereby **amended** and reordained as follows:

**Sec. 26-397. Definitions.**

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

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

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

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

*Affordable housing* means housing occupied by individuals or families making up to 80 percent of the area median income for the Richmond-Petersburg Metropolitan Statistical Area.

*Affordable housing certification application* means any initial or annual application filed in accordance with Section 26-401.1.

*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 for non-residential purposes in accordance with this Code and other applicable law or a mixed-use development.

*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 10 percent of the total square footage of such structure or other improvement is comprised of commercial space.

*Multifamily residential real estate* means land containing a structure or other improvement of five or more units constructed or used for residential purposes in accordance with this Code and other applicable law.

*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 (i) renovation, (ii) replacement or (iii) 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.

*Residential real estate* means land containing a structure or other improvement of four or fewer units constructed or used for residential purposes in accordance with this Code and other applicable law.

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

*Substantially rehabilitated* means, (i) for residential real estate, rehabilitation of a qualified structure so as to increase the assessed value over the base value of the qualified structure by no less than 20 percent of the base value, (ii) for multifamily residential real estate, 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 and (iii) for commercial or industrial real estate, 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. 26-399. Eligibility for partial exemption of rehabilitated residential and multifamily structures or other improvements.**

(a) *Residential real estate.* In order to qualify for the partial exemption set forth in section 26-401 of this Code, qualified structures on residential real estate must meet the following requirements:

(1) On the date that an application for partial tax exemption has been filed in accordance with this division, the qualified structure is no less than 20 years of age, has been situated at its existing location for no less than 20 years and has exterior walls, the total linear feet of which exterior walls is at least 80 percent of the total linear feet of the exterior walls of the structure or other improvement as such structure or other improvement existed 20 years before the date of application.

(2) The qualified structure is substantially rehabilitated after the date on which an application is filed in accordance with this division but prior to the expiration date of such application as provided in section 26-400 of this Code.

(3) For qualified structures substantially rehabilitated by replacement or by renovation and the construction of an addition for residential use, the total square footage of any such replacement structure or addition does not exceed the total square footage of the qualified structure or other improvement by more than 100 percent.

(4) The qualified structure is reserved as affordable housing.

(5) The qualified structure is certified by the Director of Housing and Community Development or the designee thereof as affordable housing for each year of the applicable exemption period.

(b) *Multifamily residential real estate.* In order to qualify for the partial exemption set forth in section 26-401 of this Code, qualified structures on multifamily residential real estate shall meet the following requirements:

(1) On the date that an application for partial tax exemption has been filed in accordance with this division, the qualified structure is no less than 20 years of age, has been situated at its existing location for no less than 20 years and has exterior walls, the total linear feet of which exterior walls is at least 80 percent of the total linear feet of the exterior walls of the structure or other improvement as such structure or other improvement existed 20 years before the date of application.

(2) The qualified structure is substantially rehabilitated after the date on which an application is filed in accordance with this division but prior to the expiration date of such application as provided in section 26-400 of this Code.

(3) For qualified structures substantially rehabilitated by replacement or by renovation and the construction of an addition for use as multifamily residential real estate, the total square footage of any such replacement structure or addition does not exceed the total square footage of the qualified structure or other improvement by more than 30 percent.

(4) The qualified structure is reserved as affordable housing.

(5) The qualified structure is certified by the Director of Housing and Community Development or the designee thereof as affordable housing for each year of the applicable exemption period.

(c) *Determination of age and linear feet of original exterior walls of a structure or other improvement.* For purposes of determining the age of a structure or other improvement for which an application for partial tax exemption has been filed in accordance with this division, the earliest assessment date of the structure or other improvement in the records of the city assessor shall be used to calculate the age of such structure or other improvement. For purposes of determining the total linear feet of the exterior walls of a structure or other improvement as such structure or other improvement existed 20 years before the date that an application for partial tax exemption has been filed in accordance with this division, the total linear feet of the exterior walls of the structure or other improvement as such structure or other improvement existed 20 years before the date of application as reflected in the records of the city assessor shall be used. In determining the total linear feet of the exterior walls of the structure or other improvement for purposes of this division, the city assessor shall employ usual and customary methods of determining the linear feet of exterior walls of structures or other improvements.

(d) *Determination of square footage of addition.* Upon inspection of the qualified structure to determine if it then qualifies for the partial exemption in accordance with section 26-400 of this Code, the city assessor shall determine the square footage of any addition constructed in accordance with the requirements of this division. In determining the square footage of the addition, the city assessor shall employ usual and customary methods of determining the square footage of real estate.

**Sec. 26-401. Amount of exemption for rehabilitated residential or multifamily qualified structures.**

Except as provided in section 26-400 of this Code with regard to a property for which an additional application has been approved for partial exemption, the owner of property qualifying for partial exemption of real estate taxes because of rehabilitation of a residential or multifamily structure, or other improvement, shall receive 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 a ~~seven-year~~ 12-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 and for the three-year period following the initial ~~seven~~ 12 years, a credit for 75 percent in year ~~eight~~ 13, 50 percent in year ~~nine~~ 14 and 25 percent in year ~~ten~~ 15 of the full amount of the partial exemption. However, for any structure which has been substantially rehabilitated by replacement or by renovation and the construction of an addition, the owner of property qualifying for partial exemption of real estate taxes shall not receive a credit for any amount of the difference in taxes computed upon the base value and the initial rehabilitated assessed value attributable to any square footage exceeding the applicable limitations on square footage established by section 26-399(a)(3) and (b)(3). No exemption shall be issued during the effective period of an exemption for any rehabilitation on the same property for which an additional application has been filed for residential real estate in accordance with section 26-400 that is achieved through the (i) renovation of a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age, (ii) replacement of a qualified structure on which an existing partial exemption is based, (iii) 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 (iv) any combination of (i), (ii) or (iii) above. An increase in assessment occurring after the first year of such 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 the credit has been issued. The credit shall be charged against an appropriation made by the council for the purpose of honoring such tax rehabilitation exemptions. No property may have more than one credit in a given year.

§ 2. That Chapter 26, Article V, Division 3 of the Code of the City of Richmond (2015) be and is hereby amended by **adding therein new** sections 26-398.1 and 26-401.1 as follows:

**Sec. 26-398.1. Evaluation of partial exemption program for rehabilitated residential and multifamily structures or other improvements.**

The Chief Administrative Officer shall evaluate the partial exemption program for rehabilitated residential and multifamily structures or other improvements established by Section 26-398 every five years. Such evaluation shall include a comparison of the requirements of the program with the program's accomplishments. Each evaluation shall be completed by no later than June 30 of the year of evaluation, beginning with June 30 immediately succeeding the effective date of the ordinance establishing this section.

**Sec. 26-401.1. Affordable housing certification.**

(a) The Director of Housing and Community Development or the designee thereof shall, in consultation with the City Assessor, establish certification requirements for determining



if a structure for which an application has been filed in accordance with Section 26-400 qualifies as affordable housing in accordance with Section 26-399.

(b) Any person who, after the effective date of the ordinance establishing this section, has filed an application in accordance with Section 26-400 or who after such filing owns real property receiving the partial exemption for a rehabilitated residential or multifamily structure or other improvement provided for in Section 26-398 shall, along with such person's application and for each year of the applicable exemption period thereafter, file with the Director of Housing and Community Development or the designee thereof an initial and, by a date specified by the Director of Housing and Community Development, an annual affordable housing certification application, on forms developed by the Director of Housing and Community Development, containing such information as the Director of Housing and Community Development may require to determine if the structure for which an application has been filed in accordance with Section 26-400 qualifies as affordable housing in accordance with Section 26-399. Upon receipt of such initial and annual affordable housing certification applications, the Director of Housing and Community Development or the designee thereof shall conduct a review of such applications and make initial and annual determinations concerning which structures for which an application has been filed in accordance with Section 26-400 qualify as affordable housing in accordance with Section 26-399. The Director of Housing and Community Development or the designee thereof shall use the certification requirements established pursuant to subsection (a) of this section in making such determinations.

(c) The Director of Housing and Community Development or the designee thereof shall provide to the City Assessor a written certification for each structure that the Director of

Housing and Community Development or the designee thereof has determined to qualify as affordable housing in accordance with Section 26-399. The Director of Housing and Community Development or the designee thereof shall, by no later than January 31 of each year, provide to the City Assessor a list of all structures for which applications have been filed in accordance with Section 26-400 that the Director of Housing and Community Development or the designee thereof has certified as affordable housing in accordance with Section 26-399. Any structures for which an application has been filed in accordance with Section 26-400 and that the Director of Housing and Community Development has determined does not qualify as affordable housing in accordance with Section 26-399 shall not be eligible for the partial exemption provided for rehabilitated residential and multifamily structures or other improvements in Section 26-398 and, as applicable, shall not receive the partial exemption provided for rehabilitated residential and multifamily structures or other improvements in Section 26-398 for any remaining exemption period.

(d) Any person subject to the requirements of this section who fails or refuses to submit an affordable housing certification application or fails or refuses to provide the Director of Housing and Community Development or the designee thereof with such information as the Director of Housing and Community Development or the designee thereof may require to make a determination in accordance with this section, shall not be eligible for the partial exemption provided for rehabilitated residential and multifamily structures or other improvements in Section 26-398 and, as applicable, shall not receive the partial exemption provided for rehabilitated residential and multifamily structures or other improvements in Section 26-398 for any remaining exemption period.

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



Lou Brown Ali  
Council Chief of Staff

# Richmond City Council

The Voice of the People

Richmond, Virginia

RECEIVED

AUG 22 2018

Office of the Council Chief of Staff

OFFICE OF CITY ATTORNEY

## Ordinance/Resolution Request

**TO** Allen Jackson, City Attorney

**THROUGH** Lou Brown Ali, Council Chief of Staff *LB*

**FROM** Charles M. Jackson, Council Budget Analyst *C. S.*

**COPY** Ellen Robertson, 6<sup>th</sup> District Council Member  
 Meghan K. Brown, Deputy Council Chief of Staff *MLB*  
 Kiya Stokes, 6<sup>th</sup> District Liaison  
 Haskell Brown, Deputy City Attorney

**DATE** August 22, 2018

**PAGE/s** 1 of 3

**TITLE** To Incorporate Affordable Housing Criteria as Qualifying Criteria for City-wide Rehabilitation Program

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

**REQUESTING COUNCILMEMBER/PATRON**

Ellen Robertson

**SUGGESTED STANDING COMMITTEE**

Land Use, Housing and Transportation

### ORDINANCE/RESOLUTION SUMMARY

The patron requests an ordinance to amend the Citywide Rehabilitation Program to incorporate an affordable housing criteria to only the residential portion of the program and that to qualify for partial exemption all units must be for 80% of the Area Median Income (AMI). The distinction of such qualifying units must also include an annual recertification to be conducted by the Housing & Community Development Department.

### BACKGROUND

#### About the Program.

- The City's Rehabilitation Tax Exemption program is an incentive to developers or owners to rehabilitate properties throughout the City by receiving partial tax exemption on the qualified structures.

#### Patron Request.

- The patron requests an amendment to the program eligibility criteria by establishing a new affordable housing requirement, which requires all units (within the qualifying structure) to be occupied or made available to families up to 80% AMI.

**Applicability.**

- The affordable housing eligibility criteria shall only apply to rehabilitated residential real estate or multifamily residential real estate.
- Affordable Housing Dwelling Units shall mean to provide housing restricted to individuals or families making up to 80 percent of the area median income for the Richmond-Petersburg Metropolitan Area.

**Amount, Duration and Scope of Exemption.**

- Eligibility for an exemption shall carry a maximum length of 15 years
- Apportionment of partial exemption from taxation shall be scheduled as follows:
  - Year 1-12 shall allow 100% partial exemption
  - Year 13 shall allow 75% partial exemption
  - Year 14 shall allow 50% partial exemption
  - Year 15 shall allow 25% partial exemption

**Annual Recertification.**

- The owner would also be required to provide evidence that such housing and units are being occupied or made available to individuals and families earning up to 80% AMI by completing an annual recertification.
- The Housing & Community Development department shall work with the Office of the City Assessor to establish the requirements needed for recertification.
- Such annual recertification shall be conducted by the Housing and Community Development Department. The Housing & Community Development Department shall provide a listing to the Office of the City Assessor those properties that shall continue to receive partial exemption by no later than January 31<sup>st</sup> of each year.

**Program Oversight and Review**

- An evaluation of the program's accomplishments in comparison with the requirements of the program shall be conducted by the City's Chief Administrative Officer (CAO) at an interval of every five years. Each evaluation is to be completed no later than June 30<sup>th</sup> of each year—with initial evaluation effective five years of the date of the program's implementation.

**Adoption & Impact of Current Program Applicants**

- Applicants to the current City's Rehabilitation Tax Exemption Program will be deemed exempt from the provisions of this proposal.
- Upon adoption, all applicants to the proposed City Rehabilitation Tax Exemption Program upon approval shall be required to meet the criteria under this proposal.

