

PARTIAL TAX EXEMPTION FOR REHABILITATED STRUCTURES AND REDEVELOPMENT & CONSERVATION AREAS & REHABILITATION DISTRICTS



CITY COUNCIL
PRESENTATION
INFORMAL SESSION
JUNE 10, 2019
RICHIE MCKEITHEN
(CITY ASSESSOR)



What is the Partial Exemption for Rehabilitated Structures Program?

- ▶ The Partial Exemption for Rehabilitated Structures better known as the Tax Abatement/ Rehab program is a real estate tax exemption for eligible and qualified properties under rehabilitation.
- ▶ The tax exemption is equal to the increase in **assessed value** resulting from the rehabilitation of structures as determined by City Appraisers.
- ▶ The program is facilitated by the Assessment Office and receives on average, over 400 new applications per year.

CITY OF RICHMOND ORDINANCE NO 2014-117-90 & 2015-25-50

- ▶ PARTIAL TAX EXEMPTION FOR REHABILITATED RESIDENTIAL, MULTIFAMILY, COMMERCIAL, INDUSTRIAL AND MIXED USE STRUCTURES

CENTER for URBAN and REGIONAL ANALYSIS (CURA) AT VCU

- ▶ Performed a comprehensive analysis of the Rehabilitation Tax Abatement Program.
- ▶ Reviewed quantitative data from 2008 – 2017.
- ▶ Performed qualitative analysis via focus groups, interviews, etc. with individuals familiar with the program.
- ▶ Provided four recommendations to be considered in regards to the future operation of the program.

RECOMMENDATIONS SUGGESTED BY CURA

- ▶ Provide A Base Level of Incentives For All Properties (continue the program in it's current form but reduce the amount of years).
- ▶ Tailor The Program To Local Housing Market Conditions (administer the program on a sliding scale based on neighborhood markets).
- ▶ Incentivize Rehabilitation of Declining Properties (give a longer abatement period to properties based on their condition).
- ▶ Incentivize The Creation Or Preservation of Affordable Housing Opportunities (allow a longer abatement period for properties that are providing affordable housing)

RECOMMENDATION BY THE CITY ASSESSOR

- ▶ Provide A Base Level of Incentives For All Properties (continue the program in it's current form but reduce the amount of years).
- ▶ Reduce the amount of years that the abatement is given for properties located within an Enterprise Zone to 5 straight years.
- ▶ Reduce the amount of years that the abatement is given for properties located outside of an Enterprise Zone to 3 straight years.
- ▶ This is the most simplistic and efficient course of action to take.
- ▶ This approach is easy for the taxpayer to understand.
- ▶ This approach will save revenue going forward.
- ▶ Recommended date for the aforementioned changes is January 1, 2020.

HOW LONG IS THE CREDIT CURRENTLY GIVEN?

- TAX ABATEMENT FOR REHABILITATED STRUCTURES(REHAB TAX ABATEMENT)
 - RESIDENTIAL, MULTIFAMILY, AND COMMERCIAL/INDUSTRIAL/MIXED USE (INSIDE THE ENTERPRISE ZONE): 10 YEAR PROGRAM, FIRST 7 YEARS AT 100% AND THEN DECREASES BY 25% EACH YEAR AFTER UNTIL ITS GONE
 - COMMERCIAL/INDUSTRIAL/MIXED USE (OUTSIDE THE ENTERPRISE ZONE): 7 YEAR PROGRAM, FIRST 5 YEARS AT 100% AND THEN DECREASES BY 33% EACH YEAR UNTIL IT'S GONE
- TAX ABATEMENT FOR REDEVELOPMENT, CONSERVATION, AND REHABILITATION DISTRICTS (VACANT LOTS)
 - 10 YEAR PROGRAM, RECEIVES 100% CREDIT EACH YEAR

NUMERICAL FACTS

- ▶ There are currently over 6,200 parcels receiving a rehab. credit.
- ▶ The total assessed value for the active abatements is approximately \$1,630,962,189.
- ▶ The total amount of revenue associated with the active abatements is approximately \$19,571,546.
- ▶ As of January 1, 2020 approximately \$164,638,612 in assessed value and \$1,975,663 will roll out of the program.

ADDITIONAL PROPOSED CHANGES

- ▶ Work that is performed on the property before the Base Value Inspection is completed will cause the application to be disqualified.
- ▶ Property owners that have not complied or do not comply with requests for income and expense information by the Assessment Office can cause the application to be disqualified.
- ▶ Work that is performed on the property that causes the total amount of square footage to exceed the maximum amount allowed in regards to the program, can cause the application to be disqualified.

QUESTIONS & COMMENTS

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