



Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the Council Chief of Staff

Finance & Economic Development Standing Committee

December 17, 2020

Legislative Summary

Previous Meeting: October 15, 2020

Next Meeting: January 21, 2021

Committee Notes

Presentation(s)

- City of Richmond Casino RFQ/P:
Survey Results & Process Leonard L. Sledge, Director,
Department of Economic
Development

Discussion Item(s)

- None

Ordinances & Resolutions for Consideration

1. Ordinance No. 2019-275

Patron Cmbr. Addison

Key Points:

- To amend ch. 6 of the City Code by adding therein a new art. XII (§§ 6-596—6-602) to establish a technology zone program in accordance with Va. Code § 58.1-3850, for the purpose of facilitating the development and location of technology businesses in the city of Richmond, capital investment, and job creation.
- Provides for incentives to qualifying businesses to be provided a reduction in its BPOL tax against the gross receipts derived from its technology business.
- There is a limitation on the tax benefit that no greater than \$100K in any given year of certification can be given.
- No roll over of any benefits which are in excess of such \$100K cap or which are not provided due to the five (5) year cap on expansion technology businesses to any successive years.

Fiscal Impact: None Yes, and is as follows:

There will be a fiscal impact once the Technology Zone Program goes into effect. The estimate cannot be determined at the current time since the number of qualifying businesses and their revenues are known.

2. Ordinance No. 2019-276

Patron Cmbr. Addison

Key Points:

- To amend City Code §§ 26-872, concerning definitions related to license taxes, and 26-989, concerning licenses taxes for personal services businesses, and to



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amend ch. 26, art. XV, div. 2 of the City Code by adding therein a new section numbered 26-1003.1, concerning the license tax for technology businesses, for the purpose of creating a new business, profession, and occupation license category called "technology business" and imposing a new license tax on such businesses.

- Establishing a license tax equal to \$0.10 per \$100 of gross receipts of the technology business for persons engaging in biotechnology, research and development, and information services.
- Establishing a license tax equal to \$0.03 per \$100 of gross receipts of the technology business for federal contractors engaged in research and development services.
- Establishing a license tax equal to \$0.03 per \$100 of gross receipts of the technology business for persons engaged in computer services.

Fiscal Impact: None Yes, and is as follows:

There will be a fiscal impact. Current or new businesses may have been classified in another category that provides for a higher tax rate but with the establishment of this new category may now be eligible for the new tax rate which is lower than any of the other categories.

3. Ordinance No. 2020-239

Patron Mayor Stoney

Key Points:

- Ordinance No. 2020-239 amends a business license incentive program for qualifying businesses to:
 - Revise the definition of a qualifying business to clarify that a business qualifies only if locating in the City for the first time,
 - Add the incentive of a full or partial refund of license taxes paid by a qualifying business, and
 - Require a business to apply to qualify for the program within two years from the date the business located in the city.

Fiscal Impact: None Yes, and is as follows:

There is no immediate revenue of expenditure impact, however the changes could positively impact future revenue.

4. Resolution No. 2020-R062

Patron Mayor Stoney, and Jones

Key Points:

- Resolution 2020-R062 expresses City Council's support for the proposal to provide a deferment period of up to six months for existing borrowers of the loan programs administered by the Economic Development Authority and the Department of Economic Development.



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- The proposed deferments are intended to assist businesses recovering from financial losses attributed to the COVID-19 pandemic.

Fiscal Impact: None Yes, and is as follows:

5. Ordinance No. 2020-256

Patron Addison & Larson

Key Points:

- To amend ch. 2, art. V of the City Code by adding therein a new div. 11 (§§ 2-1035—2-1039) for the purpose of establishing a Participatory Budgeting Steering Commission.
- Participatory Budgeting was unanimously supported by City Council in Resolution No. 2019 – R051 on September 23, 2019.
- In order to implement Participatory Budgeting a Steering Commission needs to be established.
- The Steering Commission is in charge of drafting the rulebook and guidelines for Participatory Budgeting in Richmond, as well as its initial implementation.
- This ordinance provides a framework and limitations that the Steering Commission must abide by, such as adhering to open government meeting guidelines, age limits for participants, funding disbursements, and eligible projects.
- The Steering Commission will be made up of 7 individuals with 4 alternates, to be selected by City Council. Two will be appointed from North of the James River and three will be appointed from South of the James River. One appointment is reserved for a resident that is disabled. And one appointment is reserved for a Richmond public housing resident.
- City Council Members and their Liaisons cannot be appointed to the Steering Commission.
- After 3 fiscal cycles that City will evaluate the Participatory Budgeting Steering Commission and determine if it is necessary for the continued implementation of Participatory Budgeting in Richmond. Some jurisdictions utilize a steering commission for the initial implementation only, others maintain a steering commission for the lifetime of the participatory budgeting program.

Fiscal Impact: None Yes, and is as follows:



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Staff hours and support needed to select Steering Committee Members, and providing them with necessary budgetary information. It is estimated that the staff support needed as this program gets off of the ground will be 80 hours for the first year. At \$35 an hour, it is estimated to cost the City \$5,000 in the first year.

6. Resolution No. 2020-R069

Patron Mayor Stoney

Key Points:

- Resolution 2020-R069 authorizes issuance of up to \$15.2 million of multifamily housing revenue bonds by the Richmond Redevelopment and Housing Authority for a 121-unit multifamily residential rental housing project to be known as Holly Springs Apartments located at 801 Holly Springs Avenue in the City of Richmond.
- There will be no fiscal impact on either the City's General Fund, or Special Fund budgets, since the bonds will be issued by the Richmond Redevelopment and Housing Authority.

Fiscal Impact: None Yes, and is as follows:

7. Resolution No. 2020-R070

Patron Mayor Stoney

Key Points:

- Resolution 2020-R070 authorizes issuance of up to \$9.3 million of multifamily housing revenue bonds by the Richmond Redevelopment and Housing Authority for a 62-unit multifamily residential rental housing project to be known as Swansboro Apartments located at 3600 East Broad Rock Road and 3601 East Broad Rock Road in the City of Richmond.
- There will be no fiscal impact on either the City's General Fund, or Special Fund budgets, since the bonds will be issued by the Richmond Redevelopment and Housing Authority.

Fiscal Impact: None Yes, and is as follows:



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8. Ordinance No. 2020-214

Patron Mayor Stoney, Councilmembers
Newbille and Robertson

Key Points:

- **Note: See the attached Staff Analysis for a more complete explanation of Ordinance No. 2020-214.**
- Ordinance No. 2020-214 does four things:
 1. Removes the current \$1.0 million cap on the annual amount credited for support of the Affordable Housing Trust Fund all real estate tax revenues received after July 1, 2021 (FY22), and derived from increased taxation arising from:
 - a. Reduction of the amount of any property's partial real estate tax exemption, and
 - b. Expiration or termination of any property's partial tax exemption.
 2. Clarifies that the Director of Finance is to credit such funds to a Special Reserve for support of the Affordable Housing Trust Fund.
 3. Clarifies that City Council **may** appropriate funds from the Special Reserve to the Affordable Housing Trust Fund.
 4. Moves, from the Code section concerning the rehabilitation tax credit to the section setting out the Duties of the Assessor, for a report to City Council on the projected amount of real estate taxes arising from increased real estate taxation due to expiration of partial real estate tax exemptions. This report is to be provided no later than May 1 of each year.

Fiscal Impact: None Yes, and is as follows:

General Fund Revenues will not increase or decrease, however, the amount of the roll-off of tax abatements will be earmarked in a Special Reserve for Support of the Affordable Housing Trust Fund within the General Fund. This special reserve is subject to appropriation by City Council. There will be an expenditure impact beginning in FY22, only if City Council appropriates the funds credited to the Special Reserve to the Affordable Housing Trust Fund.

9. Resolution No. 2020-R068

Patron Cmbr. Jones

Key Points:

- **Note: See the attached Staff Analysis for a more complete explanation of Ordinance No. 2020-214.**
- Resolution 2020-R068 reiterates the request made in Res. No. 2020-R053, adopted Sept. 28, 2020, that the Mayor propose, for the Fiscal Year 2021-2022 and for every fiscal year thereafter, a budget that includes funding in the amount of at least \$10,000,000.00 for the Affordable Housing Trust Fund.



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- The patron believes that City Council's request, as expressed in Resolution 2020-R053, that the Mayor provide funding of at least \$10,000,000 annually for Affordable Housing in the FY22 budget, and subsequent budgets is the most appropriate avenue for the provision of funding for affordable housing in the City of Richmond. This budgetary approach allows Council to appropriately address the City's multiple funding priorities, including, but not limited to, affordable housing.

Fiscal Impact: None Yes, and is as follows:

Staff Analysis of Ordinance No. 2020-214
General Fund Resources for the Affordable Housing Trust Fund

I. Summary of Ordinance:

Ordinance No. 2020-214 proposes to:

A. Amend City Code Section 12-36(a) to:

1. Remove the \$1.0 million annual cap on the amount to be credited to the Affordable Housing Trust Fund from all real estate tax revenues received after July 1, 2021 (FY22), and derived from increased taxation arising from:
 - a. Reduction of the amount of any property's partial real estate tax exemption due to rehabilitation of the property, and
 - b. Expiration or termination of any property's partial tax exemption due to the sale of tax delinquent properties.
2. Clarify that such credits shall be to a Special Reserve, which is part of the General Fund.
3. Clarify that City Council may appropriate funds from this Special Reserve to the Affordable Housing Trust Fund.
4. Eliminate the current requirement that the City Assessor report the projected amount of real estate taxes arising from increased real estate taxation due to expiration of partial real estate tax exemptions to City Council no later than May 1 of each year. (Note: A similar requirement is added below.)

B. Amend City Code Section 12-36(b) to clarify that the credits of up to \$1.0 million of the net proceeds from the sale of tax delinquent properties, after covering program administrative costs incurred by the Office of the City Attorney shall be to the Special Reserve for support of the Affordable Housing Trust Fund.

C. Amend City Code Section 26-104 - Duties of the City Assessor, to require that, no later than May 1st of each year, the City Assessor report the projected amount of real estate taxes arising from:

1. Reduction of the amount of any property's partial real estate tax exemption due to rehabilitation of the property, and
2. Expiration or termination of any property's partial tax exemption due to the sale of tax delinquent properties.

Staff Analysis of Ordinance No. 2020-214

General Fund Resources for the Affordable Housing Trust Fund

II. Existing Requirements

A. Roll-Off of Tax Exemptions:

In 2014, Council adopted Ordinance No. 2014-125, which provides that beginning July 1, 2015 (FY16) the Director of Finance shall credit **up to** \$1.0 million annually from new revenues derived from the expiration of partial exemptions from real estate taxation to the Affordable Housing Trust Fund.

Note: Because City Council cannot dedicate a revenue source to a specific purpose, the actual mechanism for crediting these funds to the Affordable Housing Trust Fund is the same two-step process as set out in the proposed ordinance No. 2020-214:

1. The Director of Finance credits such funds to a Special Reserve for support of the Affordable Housing Trust Fund.
2. City Council may appropriate these funds from the Special Reserve to the Affordable Housing Trust Fund.

B. Sale of Tax Delinquent Properties:

In 2019, Council adopted Ordinance No. 2018-238, which provides that beginning July 1, 2019 (FY20), the Director of Finance shall credit **up to** \$1.0 million annually of the net proceeds from the sale of tax delinquent properties to the Affordable Housing Trust Fund, after covering program administrative costs incurred by the Office of the City Attorney.

III. Historical Funding

Appropriations for the Affordable Housing Trust Fund					
FY	Maximum Credit			Actual Appropriation	
	Ord. No. 2014-125 Up to \$	Ord. No. 2018-238 Up to \$	Total	\$	Difference
FY16	\$ 1,000,000	NA	\$ 1,000,000	\$ 553,762	\$ (446,238)
FY17	\$ 1,000,000	NA	\$ 1,000,000	\$ 1,152,488	\$ 152,488
FY18	\$ 1,000,000	NA	\$ 1,000,000	\$ 731,250	\$ (268,750)
FY19	\$ 1,000,000	NA	\$ 1,000,000	\$ 1,000,000	\$ -
FY20	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000	\$ 2,900,000	\$ 900,000
FY21	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000	\$ 2,900,000	\$ 900,000
Total	\$ 6,000,000	\$ 2,000,000	\$ 8,000,000	\$ 9,237,500	\$ 1,237,500

Source: Richmond General Fund Adopted Budgets.

Staff Analysis of Ordinance No. 2020-214 General Fund Resources for the Affordable Housing Trust Fund

A. Total Appropriations

Over the six years since adoption of Ordinance No. 2014-125, and the two years since adoption of Ordinance No. 2018-238, the appropriation for the Affordable Housing Trust Fund has:

1. Met or exceeded the total maximum credit of **up to** \$1.0 million four times.
2. Exceeded the expected cumulative total by approximately \$1.2 million.
3. This additional \$1.2 million has come from other General Fund Revenues.

B. Roll-Off of Tax Exemptions:

Over the six years since adoption of Ordinance No. 2014-125, the appropriation for the Affordable Housing Trust Fund has:

1. Met or exceeded the maximum credit of **up to** \$1.0 million four times.
2. Exceeded the expected cumulative total by approximately \$152,488.

B. Sale of Tax Delinquent Properties:

In the two years since adoption of Ordinance No. 2018-238, a total of \$2.0 has been appropriated from the sale of tax delinquent properties for the Affordable Housing Trust Fund, which equals the maximum credit of **up to** \$1.0 million annually.

Appropriations for the Affordable Housing Trust Fund					
FY	Maximum Credit			Actual Appropriation	
	Ord. No. 2014-125 Up to \$	Ord. No. 2018-238 Up to \$	Total	\$	Difference
FY16	\$ 1,000,000	NA	\$ 1,000,000	\$ 553,762	\$ (446,238)
FY17	\$ 1,000,000	NA	\$ 1,000,000	\$ 1,152,488	\$ 152,488
FY18	\$ 1,000,000	NA	\$ 1,000,000	\$ 731,250	\$ (268,750)
FY19	\$ 1,000,000	NA	\$ 1,000,000	\$ 1,000,000	\$ -
FY20	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000	\$ 2,900,000	\$ 900,000
FY21	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000	\$ 2,900,000	\$ 900,000
Total	\$ 6,000,000	\$ 2,000,000	\$ 8,000,000	\$ 9,237,500	\$ 1,237,500

Source: Richmond General Fund Adopted Budgets.

Staff Analysis of Ordinance No. 2020-214

General Fund Resources for the Affordable Housing Trust Fund

IV. Affordable Housing Trust Fund

- A. The Affordable Housing Trust Fund was created in April 2008 when City Council adopted Ordinance No. 2008-114.
- B. The Affordable Housing Trust Fund is governed by a 10 member board, 6 members appointed by City Council, and 4 members appointed by the Mayor.
- C. The Affordable Housing Trust Fund provides financial resources to address the affordable housing needs of individuals and families who live or work in the City of Richmond by providing:
 1. Quality long-term affordable housing;
 2. Housing related services to low and moderate Income Households; and
 3. Support for non-profit and for profit organizations that actively address the Affordable Housing needs of low and moderate Income households.
- D. The Affordable Housing Trust Fund's affordability requirements, as set out in its *Program Guidelines*, are:
 1. At least one-third of grants or loans will be targeted for housing units that benefit residents with incomes at or below 30% Area Median Income.
 2. For multifamily projects, preference will be given to projects for which 50% of the units are available for residents with incomes less than 50% AMI and the remaining 50% of the units for projects assisting incomes of 50-80% AMI.
 3. Homeownership activities that serve residents with incomes less than 80% AMI.
- E. For FY19, the latest guidelines available:
 1. *Affordable housing* is defined as housing that a household can afford without paying more than 30 percent of income for rent or 35 percent of income for mortgage payments.
 2. *Area Median Income (AMI)* is determined annually for the Richmond/Petersburg Metropolitan Statistical Area by the United States Department of Housing and Urban Development.
 3. AMI varies based on the size of a household.

Staff Analysis of Ordinance No. 2020-214

General Fund Resources for the Affordable Housing Trust Fund

4. For 2020 the Richmond MSA 100% of AMI is \$89,400. The table below shows AMI percentages by household size.

Richmond MSA Average Median Income								
AMI %	Household Size							
	One	Two	Three	Four	Five	Six	Seven	Eight
30%	\$18,800	\$21,450	\$24,150	\$26,800	\$30,680	\$35,160	\$39,640	\$44,120
40%	\$25,040	\$28,640	\$32,200	\$35,760	\$38,640	\$41,520	\$44,360	\$47,240
50%	\$31,300	\$35,800	\$40,250	\$44,700	\$48,300	\$51,900	\$55,450	\$59,050
60%	\$37,560	\$42,960	\$48,300	\$53,640	\$57,960	\$62,280	\$66,540	\$70,860
80%	\$50,050	\$57,200	\$64,350	\$71,500	\$77,250	\$82,950	\$88,700	\$94,400

F. In its 2019 Impact Report the Affordable Housing Trust Fund reports that it has built a total of 579 affordable housing units:

No. of Units	Category
8	30% AMI
372	60% AMI
24	80% AMI
<u>175</u>	Seniors
579	Total

V. Proposed Funding

A. Roll-Off of Tax Exemptions:

1. Administration Projections:

The administration projects that the proposed funding mechanism will generate an estimated \$210.0 million for affordable housing over a fourteen-year period from rolling-off of existing exemptions:

a. Based on the assumptions that:

1. Approximately \$2.0 million annually will roll-off of existing exemptions and abatements annually. (Note: 1. No provision is made for the net GF revenue lost due to any future tax exemptions.)
2. Future exemptions will continue to roll-off at the rate of \$2.0 million annually into the indefinite future.
3. Annual General Fund Budgets will actually appropriate the amounts credited to the Special Reserve.

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General Fund Resources for the Affordable Housing Trust Fund

- b. Existing exemptions expire after ten years, however, projections are made that possible future exemptions will continue to roll-off into the indefinite future. (Note: Terminating the projections after 10 years, but using the annual credit increase of \$2.0 million yields a cumulative total of \$110.0 million.)
- c. New roll-offs for each year would be added to the total annual General Fund Revenue credited to the support of the Affordable Housing Trust Fund.
- d. The total annual credit to the Affordable Housing Trust Fund would reach \$20.0 million by year 10, but would continue to grow thereafter. There is no annual cap on the amount of the roll-offs to be credited to the Affordable Housing Trust Fund.)

Administration's Projected Roll-Off Tax Abatements				
Year	FY	Projected Roll-Off		
		New \$	Annual \$¹	Cumulative \$
1	FY22	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
2	FY23	\$ 2,000,000	\$ 4,000,000	\$ 6,000,000
3	FY24	\$ 2,000,000	\$ 6,000,000	\$ 12,000,000
4	FY25	\$ 2,000,000	\$ 8,000,000	\$ 20,000,000
5	FY26	\$ 2,000,000	\$ 10,000,000	\$ 30,000,000
6	FY27	\$ 2,000,000	\$ 12,000,000	\$ 42,000,000
7	FY28	\$ 2,000,000	\$ 14,000,000	\$ 56,000,000
8	FY29	\$ 2,000,000	\$ 16,000,000	\$ 72,000,000
9	FY30	\$ 2,000,000	\$ 18,000,000	\$ 90,000,000
10	FY31	\$ 2,000,000	\$ 20,000,000	\$ 110,000,000
11	FY32	\$ 2,000,000	\$ 22,000,000	\$ 132,000,000
12	FY33	\$ 2,000,000	\$ 24,000,000	\$ 156,000,000
13	FY34	\$ 2,000,000	\$ 26,000,000	\$ 182,000,000
14	FY35	\$ 2,000,000	\$ 28,000,000	\$ 210,000,000

1) Total increased revenues received annually due to exemptions and abatements that expired after FY21. (Beginning with 2022)

2. Council Chief of Staff's Office Projections:

The Council Chief of Staff's Office projects that the proposed funding mechanism will generate an estimated \$115.4 million for affordable housing over a ten-year period from rolling-off of existing exemptions:

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General Fund Resources for the Affordable Housing Trust Fund

- a. Based on:
 1. Actual exemptions scheduled to roll-off each year.
 - a) An average of \$1.9 million annually will roll-off of existing exemptions and abatements annually. (Note: 1. No provision is made for the net GF revenue lost due to any future tax exemptions.)
 - b) Actual roll-offs are skewed to the earlier years peaking at \$2.8 million in year 4, and then declining to \$1.0 million in year 10.
 2. No future exemptions will continue to roll-off annually after existing exemptions terminate in 10 years.
 3. Annual General Fund Budgets will actually appropriate the amounts credited to the Special Reserve.
- b. The total annual credit to the Affordable Housing Trust Fund would reach \$18.7 million by FY30, but would continue to grow thereafter. There is no annual cap on the amount of the roll-offs to be credited to the Affordable Housing Trust Fund.)

CCOS's Projected Roll-Off Tax Abatements				
Year	FY	Actual Roll-Off		
		New \$¹	Annual \$	Cumulative \$
1	FY21	\$ 1,781,976	\$ 1,781,976	\$ 1,781,976
2	FY22	\$ 2,472,307	\$ 4,254,283	\$ 6,036,259
3	FY23	\$ 2,471,651	\$ 6,725,934	\$ 12,762,193
4	FY24	\$ 2,775,157	\$ 9,501,091	\$ 22,263,284
5	FY25	\$ 2,181,782	\$ 11,682,873	\$ 33,946,157
6	FY26	\$ 1,789,564	\$ 13,472,437	\$ 47,418,594
7	FY27	\$ 1,570,021	\$ 15,042,458	\$ 62,461,052
8	FY28	\$ 1,540,013	\$ 16,582,471	\$ 79,043,523
9	FY29	\$ 1,112,703	\$ 17,695,174	\$ 96,738,697
10	FY30	\$ 1,005,852	\$ 18,701,026	\$ 115,439,723

1. Source: Richmond City Assessor.

VI. “Dedication” of Future Revenues

- A. The City Attorney has advised Council Staff that General Fund Revenues cannot be dedicated, and that all proposed expenditures are subject to future appropriation for any legal purpose deemed appropriate by Council,

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General Fund Resources for the Affordable Housing Trust Fund notwithstanding any provisions to “dedicate”, or otherwise earmark such funds.

B. Legal/Charter/Constitutional Basis.

1. As the emphasized text in each of following passages indicates, the Mayor must propose and the Council must adopt the budget each year as set forth in the cited provisions. Therefore, neither the Mayor nor the Council may introduce or adopt any law purporting to limit the Mayor or the Council’s respective powers to propose or adopt a budget each year.
 - a. City Charter §6.02 provides that “**each year**, the [Mayor] shall submit to the [Council] . . . separate current expense budgets for the general operation of the city government, for the public schools and for each utility . . . and . . . a capital budget.”(Emphasis added) The Mayor has a state-mandated obligation to submit an annual budget to the Council.
 - b. City Charter § 6.11, “**each year** the Council shall adopt the budget, the appropriation ordinances and such ordinances providing for additional revenue.” (Emphasis added)
2. The cited provisions of the City Charter establish that the Mayor and the Council do not have the authority to establish a multiyear budget. Therefore, the Council cannot adopt legislation that purports to bind the Council to any particular appropriation over the course of multiple years.
 - a. This determination is consistent with rulings of the Supreme Court of Virginia and opinions of the Virginia Attorney General, both of which have affirmed that no legislature may enact measures that would bind future councils.
 - b. In light of this, any legislation that purports to create an ongoing appropriation or “dedication” of City funds for a particular purpose, aside from the annual appropriation process, would illegally bind future Councils and strip from both Council and the Mayor the ability to exercise the full range of the powers set forth in the City Charter to annually propose and adopt the City’s budget.
- C. The credit of funds to the Special Reserve for support of the Affordable Housing Trust Fund is an accounting mechanism that:
 3. Sets aside funds for potential future appropriation, and

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General Fund Resources for the Affordable Housing Trust Fund

4. **Does not** create a Special Fund.

D. This same prohibition applies to other so-called “dedications” of General Fund Revenues, including the meals tax. The earmarking of a portion of the Meals Tax revenues for school construction varies only in that the funds are used to pay bonds issued for school construction.

VII. Technical Issues Identified During Analysis

A. “Dedication” of Future Revenues.

The credit of funds to the Special Reserve for support of the Affordable Housing Trust Fund is an accounting mechanism that **does not** create a Special Fund, and all proposed expenditures of such credited funds are **subject to future appropriation**. Such “dedication” of future revenues will limit City Council’s ability to address future requirements.

2. The most recent 5-year budget projection indicates that the availability of future General Fund Revenues for the support of future governmental activities, not including any increase for the Affordable Housing Trust Fund, is already projected to fall short of requirements.
– Source: Five Year Forecast FY 2021 – 2025.
3. Examples of likely future cost increases that may not be included in the 5-year budget projection include:
 - a. Addressing the unfunded OPEB liability. The City Auditor recently reported that this liability is currently \$84 million, and will continue to grow without action by City Council. Administration’s White Paper dated October 2020 recommends that, if adopted, will seriously impact Council’s future flexibility to address General Fund requirements:
 - Reserving at least \$5.0 million from the FY20 fund balance for the OPEB liability.
 - Appropriating at least \$10 million for OPEB in FY22 for the OPEB liability.
 - b. Appropriating at least \$4.75 million for the unfunded liability of the Richmond Retirement System in FY21 for the OPEB liability
4. The full impact of the COVID-19 on the City’s General Fund Revenues and expenditures for FY21 and FY22 is unknown, and is unlikely to clarify until at least the third quarter of FY21.

Staff Analysis of Ordinance No. 2020-214

General Fund Resources for the Affordable Housing Trust Fund

5. Any revenues credited to the Special Reserve for support of the Affordable Housing Trust Fund are subject to appropriation, and may be used for other, unrelated purposes, as was done by Ordinance No. 2020-194, which appropriated \$1.7 million from such proceeds to the “Enslaved African Heritage Campus” project.
6. City Council has repeatedly expressed its position that affordable housing is a priority for the City of Richmond. Most recently, City Council adopted Resolution No. 2020-R053 that requests that the Mayor propose future budgets that include at least \$10.0 million annually for the Affordable Housing Trust Fund. Council staff believe that this budgetary approach allows Council to appropriately address the City’s multiple funding priorities, including, but not limited to, affordable housing.

Recommendation: Council may want to consider whether the proposed “dedication” is appropriate given the potential for current and future pressures on the General Fund.

B. City Assessor’s Report.

The City Assessor believes that the report required by §26-104 - Duties of the City Assessor would more appropriately be provided by the Director of Finance, with the assistance of other City departments as needed. The Director of Finance is responsible for revenue projections.

Recommendation: Council should amend Ordinance No. 2020-214 to move the reporting requirement in the proposed amendment to City Code Section 26-104 - Duties of the City Assessor, to require that, no later than the required report be provided by the Director of Finance, with the assistance of other departments as necessary.

C. Proceeds from the Sale of Tax Delinquent Properties.

The Director of Finance believes that it would be helpful to clarify whether the intent is to allocate the first amount available from the sale of tax delinquent properties, up to \$1.0 million, to the Special Reserve for support of the Affordable Housing Trust Fund. This issue arises from the potential for the appropriation of such revenues for other purposes, as was done by Ordinance No. 2020-194, which appropriated \$1.7 million from such proceeds to the “Enslaved African Heritage Campus” project. Supporting documentation for that ordinance indicated that the administration plans to use such revenues for future appropriations for the project.

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Recommendation: Council may want to consider amending Ordinance No. 2020-214 to clarify that the first amount available from the sale of tax delinquent properties, up to \$1.0 million, shall be credited to the Special Reserve for support of the Affordable Housing Trust Fund.

D. Use of Roll-Off Revenues.

The City Assessor believes that the roll-off of expiring tax abatements has partially offset the cost of providing new abatements, which are required to address affordable housing.

Recommendation: Council may want to consider whether the dedication of all proceeds from the roll-off of expiring tax abatements granted pursuant to *Sec. 26-408.5. - Eligibility of residential real property; annual renewal application* will adversely impact the ability to utilize that program to promote rehabilitation of structures for affordable housing.