



Legislation Text

File #: ORD. 2020-148, **Version:** 2

To amend ch. 26, art. V of the City Code by adding therein a new div. 10 (§§ 26-590-26-599) for the purpose of providing for the partial exemption of certain rehabilitated commercial or industrial structures from real estate taxation. (As Amended)

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That Chapter 26, Article V of the Code of the City of Richmond (2015) be and is hereby amended and reordained by **adding therein a new** division numbered 10, consisting of sections numbered 26-590 through 26-599, as follows:

DIVISION 10

PARTIAL EXEMPTION OF CERTAIN REHABILITATED COMMERCIAL OR INDUSTRIAL STRUCTURES FROM REAL ESTATE TAXATION

Sec. 26-590. Definitions.

The following words, terms and phrases, when used in this division, shall have the meanings ascribed to them in this section, 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.

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 nonresidential purposes in accordance with this Code and other applicable law or a mixed-use development.

Enterprise zone means a Council-designated enterprise zone established pursuant to the Enterprise Zone Act,

Code of Virginia, § 59.1-279 et seq.

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

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:

- (1) Renovation;
- (2) Replacement; or
- (3) 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.

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

Substantially rehabilitated means 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. 26-591. Partial exemption provided for certain rehabilitated, renovated or replacement commercial or industrial structures, or other improvements.

In accordance with the criteria set out in Va. Const. art. X, paragraph 6, ¶ (h) and Code of Virginia, § 58.1-3221, partial exemption is hereby provided from taxation of real estate on which any qualified structure has

undergone substantial rehabilitation for commercial or industrial use, subject to the conditions set forth in this division.

Sec. 26-592. Eligibility for partial exemption of rehabilitated commercial and industrial structures or other improvements.

In order to qualify for the partial exemption provided for in Section 26-594, qualified structures on commercial or industrial 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. 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.

(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 26-593. For commercial or industrial qualified structures substantially rehabilitated by replacement or by renovation

and the construction of an addition for commercial or industrial 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. Upon inspection of the qualified structure to determine if it then qualifies for the partial exemption in accordance with Section 26-593, 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. 26-593. Application for partial exemption of rehabilitated commercial or industrial structures, or other improvements.

In order to qualify for the partial exemption provided for in Section 26-594, the owner, including the possessor of a leasehold interest in real estate as defined in Code of Virginia, § 58.1-3203, of commercial or industrial qualified structures shall, prior to commencement of rehabilitation and after making application for a building permit to rehabilitate such structure, file with the Director of [~~Housing and Community~~] Economic Development and a copy to the City Assessor, upon forms furnished by the Director of [~~Housing and Community~~] Economic Development, an application to qualify such structure or other improvement as a qualified structure rehabilitated for commercial or industrial use. Upon receipt of an application for tax exemption, the City Assessor shall provide written notification to the owner of such commercial or industrial qualified structure, or other improvement, of the base value of the qualified structure. Such notice shall also notify the property owner that such property owner may appeal the base value in accordance with the applicable provisions of this Code or State law, in which case the base value as subsequently determined by the City Assessor, the City of Richmond Board of Review of Real Estate Assessments, or a court of competent jurisdiction upon such appeal shall be the base value for purposes of this section. The application to qualify for tax exemption shall be effective until two years from the date on which the application is submitted. If by such

expiration date rehabilitation has not progressed to such a point that the qualified structure has been substantially rehabilitated to retain such eligibility, a new application to qualify for tax exemption must be filed. Upon such filing, the City Assessor shall, in accordance with the notice requirements of this subsection, provide the property owner with notification of the base value of the property as set forth in the land book on January 1 of the tax year in which such new application is filed. The initial application to qualify for the partial exemption and any subsequent application must be accompanied by the payment of a processing fee of \$250.00, which fee shall be applied to offset the cost of processing such application, making required assessments, and making an annual inspection to determine the progress of the work. During the period between the receipt of the application and the time at which the City Assessor ascertains that the structure has been substantially rehabilitated, the Director of [~~Housing and Community~~] Economic Development shall, at such time during the year as the Director of [~~Housing and Community~~] Economic Development may fix by regulation, make an annual inspection of progress of the rehabilitation undertaken, and the owner, including the possessor of leasehold interest as defined in Code of Virginia, § 58.1-3203, of the property shall be subject to taxation upon the full value of the improvements to the property. An owner, as provided in this section, may, at any time prior to the expiration date of the application and once rehabilitation of a qualified structure is complete, submit a written request to the City Assessor to inspect the structure to determine if it then qualifies for the partial exemption from real estate taxation for which Section 26-594 provides. When the City Assessor determines that the minimum required increase in the assessed value has occurred (i.e., the base value is exceeded by 40 percent or more), the tax exemption shall become effective beginning on January 1 of the next calendar year. During the effective period of the partial exemption, no more than one additional application to qualify for partial exemption from real estate taxation for rehabilitated structures may be accepted for the same property. However, upon any approval of a partial exemption based on any such additional application for partial exemption, the owner of the commercial or industrial qualified structure shall waive all rights to and interest in any unexpired partial exemption existing at the time that an additional application to qualify for partial

exemption from real estate taxation for rehabilitated structures for the same property is approved for partial exemption, and such unexpired partial exemption shall cease. If the owner of the commercial or industrial qualified structures fails or refuses to waive such rights or interest, the approval of the partial exemption based on the additional application for partial exemption shall be revoked, but the existing partial exemption shall continue in effect for the remainder of the applicable exemption period. In addition, no such application shall be for the:

- (1) Renovation of a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age;
- (2) Replacement of a qualified structure on which an existing partial exemption is based;
- (3) 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
- (4) Any combination of Subsection (1), (2), or (3) of this section.

Sec. 26-594. Amount of exemption for rehabilitated commercial or industrial qualified structures.

Except as provided in Section 26-593 with regard to a property for which an additional application has been approved for partial exemption, the owner, including the possessor of a leasehold interest in real estate as defined in Code of Virginia, § 58.1-3203, of property qualifying for partial exemption of real estate taxes because of rehabilitation of a commercial or industrial qualified structure in accordance with this division shall be issued 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 the five-year period of partial exemption from real estate taxes and, in each year of a two-year period following the initial five years, a credit for the amount of the difference in taxes computed upon the base value and the initial rehabilitated assessed value of the property, at 66 percent in year six and 33 percent in year seven of the full amount of the partial exemption. Commercial or

industrial qualified structures that are located within enterprise zones, are no less than 20 years old, and are otherwise qualified under this division shall be entitled to a seven-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 for each year of the seven years and for the three-year period following the initial seven years, a credit for 75 percent in year eight, 50 percent in year nine and 25 percent in year ten of the full amount of the partial exemption. 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 26-593 that is achieved through the:

- (1) Renovation of a structure or other improvement, or any portion of a structure or other improvement, that is less than 20 years of age;
- (2) Replacement of a qualified structure on which an existing partial exemption is based;
- (3) 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
- (4) Any combination of Subsection (1), (2), or (3) of this section.

An increase in assessment occurring after the first year of 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 such credit has been issued. Each credit shall be charged against an appropriation made by the Council for the purpose of honoring such tax rehabilitation exemptions.

Sec. 26-595. Partial exemption runs with real estate; penalty for nonpayment of taxes; forfeiture of exemption.

- (a) *Exemption runs with real estate.* Exemption from taxation of real property qualifying for the partial tax exemption provided for in Section 26-594 shall run with the real estate, and the owner of such property, including the possessor of a leasehold interest in real estate as defined in Code of Virginia, § 58.1-

3203, during each of the years of partial exemption shall be entitled to receive a credit for such partial exemption from taxation.

(b) *Penalty for nonpayment of taxes.* Whenever the owner, including the possessor of a leasehold interest in real estate as defined in Code of Virginia, § 58.1-3203, of real property that has qualified for partial exemption of real estate taxes in accordance with this division shall fail to pay one-half of the nonexempted amount of real estate taxes on the property on or before January 14 of any tax year or the remaining one-half of such taxes on or before June 14 of any tax year, a penalty shall be added for that installment of one-half of ten percent of the real estate taxes which were claimed for exemption in that tax year.

(c) *Forfeiture of exemption.* For real property qualifying for partial exemption of real estate taxes in accordance with this division, the partial exemption for each tax year shall be conditioned upon the payment of each installment of the nonexempt amount of real estate taxes on the property on or before the due date of such installment. Upon the failure to pay such real estate taxes on or before such due date, the partial exemption claimed for that tax year shall be forfeited, and the annual credit issued for that tax year shall be canceled and shall be of no effect. The partial exemption claimed for any tax year shall be retained if payment of the nonexempt amount, plus the ten percent late payment penalty and interest at the rate set forth in Section 26-361 on the nonexempt amount due, is received by the Collections Division of the Department of Finance on or before June 30, or the last business day preceding June 30, if June 30 falls on a weekend, of the tax year in question.

Sec. 26-596. Demolition of certain structures; rehabilitation of structures in old and historic districts and design overlay districts; improvements on vacant land not qualified.

(a) *Demolition of certain structures.* For substantially rehabilitated commercial or industrial structures or other improvements, no exemption shall be allowed if the substantial rehabilitation is achieved through the demolition and replacement of any structure either registered as a Virginia Landmark or determined by the Department of Historic Resources to contribute to the significance of a registered historic landmark, regardless

of any changes in ownership or of any changes in the boundaries of the parcel, either or both, that may occur after the demolition, whether any such change is achieved by splitting such parcel, combining such parcel with another parcel or otherwise. If any qualified structure is designated as a Virginia Landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic landmark, and the exterior of such structure is or is proposed to be altered in any manner during the rehabilitation process provided for in this division, the Director of [~~Housing and Community~~] Economic Development shall obtain written confirmation from the Director of Planning and Development Review or the designee thereof that such rehabilitation complies with the requirements of such registration or determination in order to continue with the qualifying process. If additional guidance is needed concerning whether such rehabilitation complies with the requirements of such registration or determination, the Director of Planning and Development Review or the designee thereof may seek technical assistance from the Virginia Department of Historic Resources for further clarification.

(b) *Rehabilitation of structures in old and historic districts and design overlay districts.* For substantially rehabilitated structures or other improvements subject to the provisions of Chapter 30, Article IX, Division 4 or 5, no exemption shall be allowed if such substantial rehabilitation is achieved through or results in a violation of the provisions of Chapter 30, Article IX, Division 4 or 5, or if the owner of any such structure or other improvement has not obtained the approval required by Section 30-930.6 for old and historic districts or the approval required by Section 30-940.7 for design overlay districts.

(c) *Improvements on vacant land not qualified.* No improvements made upon vacant land shall be eligible for the partial exemption from real estate taxation provided for in this division. For purposes of this subsection, the phrase "vacant land" means real estate with no structures or other improvements.

Sec. 26-597. Classification of rehabilitated structures eligible for partial tax exemption; application forms; rules and regulations.

(a) The City Assessor shall identify real property that qualifies for a partial tax exemption for a

rehabilitated structure or other improvement. For the first year that any property is found to be qualified for such exemption, the City Assessor shall identify the property in the appropriate class. Any qualifying property shall be so identified for the full period of exemption provided for the appropriate class, and the owner of the property shall be entitled to receive a credit for each year so listed. The City Assessor shall furnish to the Director of Finance a list of all properties with qualified structures for which application has been made in accordance with this division, which list shall show the base value and initial rehabilitated assessed value for each qualified structure so that the Director of Finance may issue the appropriate credits to owners of the qualified structures.

(b) The Director of Finance, upon receipt of notice from the Director of [~~Housing and Community~~] Economic Development that a structure has been found to be qualified for and eligible for partial tax exemption as a rehabilitated structure or other improvement, shall cause to be issued a credit in an amount equal to the difference in taxes as computed upon the base value and the initial rehabilitated assessed value. The credit shall be issued in the name of the owner of the property. Whenever practicable, such credit shall be forwarded with the tax statement for such qualified structure.

(c) The Director of [~~Housing and Community~~] Economic Development shall cause to be prepared and shall have for distribution in the Department of [~~Housing and Community~~] Economic Development and in the Office of the Commissioner of Buildings applications for use by property owners who propose to rehabilitate eligible structures or other improvements.

(d) The Director of [~~Housing and Community~~] Economic Development may prescribe such rules and regulations as the Director of [~~Housing and Community~~] Economic Development deems necessary for processing applications for exemption for rehabilitated property and exempting the property. A copy of any such rules and regulations shall be available in the Department of [~~Housing and Community~~] Economic Development and the Office of Commissioner of Buildings, as well as in the Office of the City Clerk.

Sec. 26-598. Effective date of exemption.

The partial exemption authorized in this division shall be effective for applications for partial tax exemption filed on or after the effective date of the ordinance providing for this division, and for each year thereafter for properties which qualify and for which application is made in accordance with this division until otherwise provided by law.

Sec. 26-599. Evaluation of exemption program; expiration of division.

(a) The partial exemption program herein created shall be reevaluated, beginning on January 1, 2021, and every five years thereafter, by the Chief Administrative Officer, and the Chief Administrative Officer shall make a recommendation to the City Council as to whether or not the partial exemption program established by this division should continue in effect. The Chief Administrative Officer shall present the program evaluation results and recommendations to the City Council concerning the continuation or termination of the program on February 15 of every fifth year, beginning with February 15, 2021, that the program established by this division is in effect.

(b) The evaluation criteria shall include, but not necessarily be limited to:

- (1) The number of applications submitted;
- (2) The number of applications meeting the requirements of this division;
- (3) The number, type, and description of properties qualifying for partial tax exemption under this division;
- (4) The total dollar amount of the resulting assessment credit approved;
- (5) The revenue impact on the City both with and without the existence of the program; and
- (6) Any other quantifiable data that can be used to measure the overall effect of the program.

(c) This division shall expire on June 30, 2026, unless the Council adopts an ordinance extending this expiration date.

§ 2. This ordinance shall be in force and effect on January 1, 2021.