

INTRODUCED: September 28, 2020

AN ORDINANCE No. 2020-214

To amend City Code §§ 12-36, concerning the disposition of revenues derived from the expiration of partial exemptions from real estate taxation and from certain sales of tax delinquent properties, and 26-104, concerning the duties of the City Assessor, for the purpose of providing for the accounting of certain real estate tax revenues arising from the phased reduction, expiration, and termination of certain partial exemptions from real estate taxation in such a manner as to facilitate the City Council’s future appropriation of those revenues to the Affordable Housing Trust Fund.

Patrons – Mayor Stoney, President Newbille, and Mrs. Robertson

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: NOV 9 2020 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That, effective July 1, 2021, section 12-36 of the Code of the City of Richmond (2015) be and is hereby **amended** and reordained as follows:

Sec. 12-36. Disposition of revenues derived from expiration of partial exemptions from real estate taxation and from certain sales of tax delinquent properties.

(a) Beginning July 1, [~~2015~~] 2021, when payments are made to the City of real estate taxes arising from (i) the phased reduction occurring on or after July 1, 2020, of the amount of any partial exemption in accordance with Chapter 26, Article V, Divisions 3 (§§ 26-408.1—26-

AYES: _____ NOES: _____ ABSTAIN: _____

ADOPTED: _____ REJECTED: _____ STRICKEN: _____

408.11), 9 (§§ 26-579—26-589), and 10 (§§ 26-590—26-599) of this Code and with former Sections 98-132, 98-135, and 98-138 of the 2004 Code and (ii) the full taxation of formerly partially exempt real estate due to the expiration or termination of such partial exemptions in accordance with Chapter 26, Article V, Divisions 3 (§§ 26-408.1—26-408.11), 9 (§§ 26-579—26-589), and 10 (§§ 26-590—26-599) of this Code and with former Sections 98-132, 98-135 and 98-138 of the 2004 Code, on an annual basis, the Director of Finance shall credit [up to \$1,000,000.00 of] the difference between the full taxation amount and the partial exemption amount as of the date of such reduction, expiration, or termination to a special reserve assigned to support the Affordable Housing Trust Fund established by Section 16-51 each year after such expiration. [On an annual basis, by no later than May 1 of each year, the City Assessor shall provide the Council with the projected amount of real estate taxes arising from the full taxation of formerly partially exempt real estate due to the expiration of such partial exemptions in accordance with former Sections 98-132, 98-135 and 98-138 of the 2004 Code.] The City Council may appropriate funds from this reserve to the Affordable Housing Trust Fund established by Section 16-51.

(b) Beginning July 1, 2019, and subject to appropriations by the City Council, the Director of Finance shall credit to a special reserve assigned to support the Affordable Housing Trust Fund established by Section 16-51 up to \$1,000,000.00 of all proceeds from the sale of tax delinquent properties through the program administered by the Office of the City Attorney that remain after all costs of administering such program have been paid.

§ 2. That section 26-104 of the Code of the City of Richmond (2015) be and is hereby **amended** and reordained as follows:

Sec. 26-104. Duties.

(a) The Assessor shall assess annually for taxation at its fair market value all real estate in the City which shall include all lands, buildings, structures and improvements thereon and all rights thereto and interests therein and shall have the power to do all things necessary to assess such property.

(b) By no later than May 1 of each year, the Assessor shall furnish the City Council with the projected amount of real estate taxes arising from:

(1) The increased taxation of partially exempt real estate due to the phased reduction occurring on or after July 1, 2020, of partial exemptions in accordance with Chapter 26, Article V, Divisions 3 (§§ 26-408.1—26-408.11), 9 (§§ 26-579—26-589), and 10 (§§ 26-590—26-599) of this Code and with former Sections 98-132, 98-135, and 98-138 of the 2004 Code; and

(2) The full taxation of formerly partially exempt real estate due to the expiration or termination of partial exemptions granted in accordance with Chapter 26, Article V, Divisions 3 (§§ 26-408.1—26-408.11), 9 (§§ 26-579—26-589), and 10 (§§ 26-590—26-599) of this Code and with former Sections 98-132, 98-135, and 98-138 of the 2004 Code.

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



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

O&R REQUEST

DATE: September 11, 2020 **EDITION:** 1

TO: The Honorable Members of City Council

THROUGH: The Honorable Levar M. Stoney, Mayor *L.M.S.*

THROUGH: Lenora G. Reid, Acting Chief Administrative Officer *lgr*

THROUGH: John Wack, Director of Finance *JW*

THROUGH: Jay Brown, Director of Budget and Strategic Planning *JAB*

FROM: Sharon L. Ebert, DCAO – Planning & Economic Development Portfolio *Sharon Ebert*

RE: To amend City Code Section 12-36(a) for the purpose of crediting all real estate tax revenues derived from increased taxation arising from the (i) reduction of the amount of any property’s partial real estate tax exemption and (ii) the expiration or termination of any property’s partial tax exemption to the Affordable Housing Trust Fund, without limit, on a recurring and cumulative annual basis to create a dedicated source of revenue for the development of 10,000 new affordable housing units in the City of Richmond.

ORD. OR RES. No. _____

PURPOSE:

To amend City Code Section 12-36(a) to provide that beginning July 1, 2021, the Director of Finance shall credit the following revenues to the Affordable Housing Trust Fund, without limit, on a recurring and cumulative annual basis:

- (1) For partially tax-exempt real estate, all new real estate tax revenues received by the City arising from the phased reduction of the amount of any such partial tax exemption in accordance with Chapter 26 of the Code or with former Sections 98-132 or 98-135 of the 2004 Code, as applicable, provided such reduction occurred on or after July 1, 2020; and.
- (2) For formerly partially tax-exempt real estate, all new real estate tax revenues received by the City arising from the expiration or termination of any such partial tax exemption in accordance with Chapter 26 of the Code or with former Sections 98-132, 98-135, or 98-

138 of the 2004 Code, as applicable, provided such expiration or termination occurred on or after July 1, 2020.

Additionally, the amendment will include a provision that on an annual basis, by no later than May 1 of each year, the City Assessor shall provide the Council with the projected amount of real estate taxes arising from (i) the increased taxation of partially tax-exempt real estate due to the phased reduction of the amount of any such partial tax exemption in accordance with Chapter 26 of the Code or with former Sections 98-132 or 98-135 of the 2004 Code, as applicable, and (ii) the full taxation of formerly partially tax exempt real estate due to the expiration or termination of any such partial tax exemption in accordance with Chapter 26 of the Code or with former Sections 98-132, 98-135, or 98-138 of the 2004 Code, as applicable.

REASON: An ordinance is necessary to amend City Code in order to have a dedicated source of funding to the AHTF to ensure the City is increasing the supply of affordable housing to low income households living in the City.

RECOMMENDATION: The City Administration recommends approval.

BACKGROUND:

Historically, economic growth within the City of Richmond has often benefitted some while inflicting long-term harm upon the City's most vulnerable residents. This is especially true in the case of housing, which is the foundation for life and a strong indicator of a community's overall health and wellbeing. Jim Crow-era policies such as redlining, restrictive racial covenants, gentrification and other discriminatory housing practices stemming from structural and institutional racism have, over decades, perpetrated deep-seated economic and social injustices upon individuals, families and communities with lasting impacts. Remnants of these inequities continue to devastate communities.

Lack of access to affordable, safe and quality housing is at the root of the City's major housing challenges. Although the City's poverty rate dropped to 21.9% in 2019, approximately 45 percent of Richmond households remain cost-burdened, spending more than 30% of their income on housing. The 2020 Coronavirus Pandemic has inflicted an economic hardship to many of the City's businesses and even more so to countless families, many of whom are disproportionately Black and low-income that now face eviction from their homes due to the loss of employment, while other low-income families are still facing displacement due to gentrification. In order to address these challenges, more equitable policies and practices are warranted and an additional 10,000 affordable housing units must be constructed over the next 10 years to meet current and future needs of our City's most vulnerable community members, including seniors, veterans, returning citizens, homeless individuals and youth aging out of foster care. As described in the City's recently released Equitable Affordable Housing Plan, meeting these needs will require strong collaboration among various city departments, community partners, housing advocates, and stakeholders, as well as new and adjusted city policies; however, the Plan also makes clear that those efforts alone are not enough - *a dedicated funding source is critical to making the significant and lasting changes needed to positively impact the lives of Richmond's most vulnerable residents.*

In 2014, Council adopted Ordinance No. 2014-125-143 amending City Code to add a new section (originally, Section 42-45; now Section 12-36(a)), which provides that beginning July 1, 2015 the Director of Finance shall, on an annual basis, credit up to \$1,000,000 of new revenues derived from the expiration of partial exemptions from real estate taxation to the Affordable Housing Trust Fund. By amending City Code Section 12-36(a) to remove the \$1,000,000 cap and instead providing that all real estate tax revenues derived from increased taxation arising from the (i) reduction of the amount of any property's partial real estate tax exemption and (ii) the expiration or termination of any property's partial tax exemption to the Affordable Housing Trust Fund, without limit, on a recurring and cumulative annual basis, this legislation allows the City to utilize solely new revenues that do not exist in the City's budget today and yet create a far more robust dedicated funding stream providing the City with significant funds necessary to address affordable housing needs on an ongoing annual basis.

FISCAL IMPACT / COST: No current revenues will be impacted as the ordinance only directs certain future new revenues to address affordable housing needs. The Tax Assessor's Office has advised the Department of Economic Development that approximately \$2 million annually will be coming in to the City as new property tax revenue each year over the next ten year period from the expiration of partial exemptions from real estate taxation. Thus, cumulatively over the next ten fiscal years, the AHTF should receive approximately \$120 million to address the shortage of affordable housing existing in the City today.

FISCAL IMPLICATIONS: No current revenues will be impacted as the ordinance only directs certain future new revenues to address affordable housing needs.

BUDGET AMENDMENT NECESSARY: No.

REVENUE TO CITY: Ordinance does not directly create new revenue to the City but directs certain future new revenues to affordable housing.

DESIRED EFFECTIVE DATE: Upon adoption

REQUESTED INTRODUCTION DATE: September 28, 2020

CITY COUNCIL PUBLIC HEARING DATE: October 12, 2020

REQUESTED AGENDA: Consent

RECOMMENDED COUNCIL COMMITTEE: Finance & Economic Development Standing Committee

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES: N/A

AFFECTED AGENCIES: Housing & Community Development, Budget and Strategic Planning, Finance, Assessor's Office

O&R Request

Page 4 of 4

RELATIONSHIP TO EXISTING ORD. OR RES.: Amends City Code Section 12-36(a)
(which was initially codified as Code Section 42-45 pursuant to Ord. No. 2014-125-143)

REQUIRED CHANGES TO WORK PROGRAM(S): None

ATTACHMENTS:

STAFF: Sharon Ebert, DCAO