

ORDINANCE # O-2018-12

First Reading	April 9, 2018
Second Reading	April 23, 2018
Enacted	April 23, 2018
Effective	April 23, 2018

AN ORDINANCE TO AMEND AND REENACT THE CODE OF ORDINANCES, CITY OF MANASSAS, VIRGINIA (2002), AS AMENDED, BY AMENDING SECTIONS 110-87 AND 110-89 OF ARTICLE III (REAL ESTATE) OF CHAPTER 110 (TAXATION) RELATED TO PARTIAL REAL PROPERTY TAX EXEMPTIONS FOR CERTAIN REHABILITATED, RENOVATED OR REPLACED COMMERCIAL OR INDUSTRIAL STRUCTURES

WHEREAS, pursuant to Virginia Code §§ 58.1-3220, 58.1-3221 and 58.1-3220.1 the City of Manassas provides partial exemptions from the real property tax for certain rehabilitated, renovated or replaced residential, commercial, industrial and transient housing properties; and,

WHEREAS, staff in the Department of Economic Development has proposed amendments that will make the abatement application process for commercial and industrial property consistent with the process for residential property; that will provide greater flexibility for landowners to apply for the exemption; that will simplify ordinance language and remove ambiguities; and will align the potential partial abatement incentives with City Council's goal of realizing a return on investment within a five year period; and,

WHEREAS, the amendments proposed by staff have been reviewed and recommended by the City Council's Land Use Committee.

NOW, THEREFORE, BE IT ORDAINED by the Council for the City of Manassas, Virginia, meeting in regular session this 23rd day of April, 2018, that Sections 110-87 and 110-89 of the Code of Ordinances, City of Manassas, Virginia (2002), as amended, are hereby amended as follows:

CHAPTER 110

TAXATION

Article III. Real Property

Sec. 110-87. Partial exemption of taxes on substantially rehabilitated real estate; definitions.

The words and phrases defined in this section, when used in this article, shall have the following meaning except in those instances where the context clearly indicates a different meaning:

Commercial or industrial use means improved real property that has a zoning category permitting commercial or industrial uses, but that term does not include any hotel or motel. Such use also includes mixed use projects containing revenue-producing properties.

Commissioner means the commissioner of the revenue for the City of Manassas or the designated agent of the commissioner.

Mixed-use means:

- (1) Two or more revenue-producing uses (such as retail/entertainment, office, residential, hotel, and/or civic/cultural/recreation).
- (2) Physical and functional integration of project components; and
- (3) Development in conformance with a coherent plan that stipulates the type and scale of uses, permitted densities and related items.

Multifamily residential real estate use means improved real property containing two or more dwelling units, and not classified as a single family attached dwelling.

Qualifying property means an improvement to real property that is qualified to receive a tax credit pursuant to this article.

Residential real estate use means improved real property containing no more than one dwelling unit.

Special district taxes or levies mean any tax or levy that is assessed by council in a defined area of the city in addition to the general city levy. Such districts may encompass all or a part of the city.

Substantially rehabilitated, renovation means improvements to an existing structure, and that phrase does not mean the construction of a freestanding, independent structure that is merely connected to an existing structure by an atrium, a breezeway or similar connecting element. For example, and without limitation, an existing commercial structure would not be substantially rehabilitated or renovated by the construction of a new, freestanding structure that is connected to that existing structure, but an existing commercial structure could be substantially rehabilitated or renovated by expanding the existing structure.

Transient housing structure means improved real property that is used for any facility, with or without separate cooking facilities within the unit, where overnight lodging for transients is provided to the public with or without compensation on a nightly, weekly, or monthly basis for a period of less than 90 nights per individual per year. This definition includes hotels, motels and bed and breakfast facilities, as that term is defined by section 130-42 of this Code.

Sec. 110-88. Partial property tax exemption for certain rehabilitated, renovated or replacement "residential real estate" or "multifamily residential real estate" structures.

- (a) This section authorizes a partial exemption for improved real property from the general real estate tax by providing tax credits for residential real estate or multifamily real estate that is rehabilitated, renovated or replaced for residential use in accordance with Code of Virginia, § 58.1-3220, as amended, and the provisions of this article. For purposes of this section, "residential real estate" and "multifamily residential real estate" shall be deemed to be substantially rehabilitated, renovated or replaced when a structure, which is no less than 25 years old, has been so improved

or replaced that the fair market assessed value of the improved or replacement structure, as determined by the commissioner, is increased by no less than 25 percent.

In addition to all other qualification criteria set forth in this article, "residential real estate" and "multifamily residential real estate" that is substantially rehabilitated, renovated or replaced for residential use may not exceed the total square footage of the original, unimproved structure by more than 30 percent and be eligible for the tax credit authorized by this article. If the "multifamily residential real estate" contains more than one residential structure, then each improved or replacement structure shall not exceed the total square footage of each corresponding original, unimproved structure by more than 30 percent. No improvements made to unimproved real property shall be eligible for partial property tax exemption pursuant to this section. No property shall be eligible for such credit unless the appropriate building permits have been acquired and the commissioner of the revenue or assessing officer has verified that the rehabilitation, renovation or replacement indicated on the application has been completed. When rehabilitation is achieved through demolition and replacement of an existing structure, the partial property tax exemption shall not apply when any structure demolished is a registered Virginia landmark or is determined by the Department of Historic Resources to contribute to the significance of a registered historic district.

- (b) The owner of any "residential real estate" or "multifamily residential real estate" who seeks to obtain the partial property tax exemption authorized by this section shall apply for such an exemption to the commissioner at the same time that the owner applies for a building permit to rehabilitate, renovate or replace the structure or no later than six months following final inspection of the project. Upon receipt of an application for partial property tax exemption, the commissioner shall establish a base fair market value assessment (hereinafter "base value") for the structure based upon the current assessment. That base value shall serve as the basis for determining whether the rehabilitation, renovation or replacement increases the fair market value of the structure by at least 25 percent. The application to qualify for tax exemption shall be effective until December 31 of the third calendar year following the year in which the application is submitted. If by such expiration date, the rehabilitation, renovation or replacement has not progressed to such a point that the assessed fair market value of the improvement to the property is at least the minimum required percent greater than the base value of such structure and if the applicant desires to proceed with the application, then a new application for partial tax exemption shall be filed with the commissioner, and thereafter the commissioner shall establish a new base value. All initial and subsequent applications for the partial exemption authorized by this section shall be accompanied by payment of a nonrefundable fee of \$50.00 for processing the application.

During the period between the receipt of the application and the time when the commissioner may ascertain that the fair market value of the structure has increased in value by at least the minimum percent specified in subsection (a) of this section, the owner of the property shall be subject to real property taxation upon the full fair market value of the property. At any time prior to November 1 of any calendar year in which rehabilitation, renovation or replacement of a structure is complete, an owner may submit a written request to the commissioner to inspect the structure to determine if it then qualifies for a partial real property tax exemption. After the commissioner has determined that the

assessed fair market value of a substantially rehabilitated, renovated or replaced structure exceeds the base value by the percentage specified by subsection (a) of this section, the tax exemption shall become effective beginning on July 1 of the next tax year.

- (c) Subject to the provisions of subsection (d) of this section and to sections 110-91 and 110-92, the owner of any residential or multifamily residential structure qualifying for partial exemption from the real estate tax because of substantial rehabilitation, renovation or replacement shall be issued a credit for the general real property tax otherwise due on the fair market value of that property in the amount that is equal to the value of the real property tax levy calculated on the difference in value between the base value and the initial fair market value of the substantially rehabilitated, renovated or replaced structure. That credit shall be applied for each year of a two-year period following completion of the substantial rehabilitation, renovation or replacement. In each year of the five-year period following the initial two-year period, the owner of a qualifying property shall be issued a credit for the real estate tax otherwise due on the fair market value of that property in an amount equal to the value of the real property levy calculated on the difference in value between the base value and the initial fair market value of the substantially rehabilitated, renovated or replaced structure, less 20 percent for each year following the expiration of the initial two-year period of exemption. Therefore, qualifying taxpayer shall receive a 100% tax exemption in years 1, 2 and 3; an 80% exemption in year 4; a 60% exemption in year five; a 40% exemption in year six; and a 20% exemption in year seven. Credits against the real estate tax for any residential or multifamily real estate qualifying pursuant to this section shall run with the land, and, except as otherwise provided by subsection (d) of this section and by sections 110-91 and 110-92, the owner of such property during each of the seven years of the exemption period shall be entitled to receive a credit in the amount specified by this subsection.
- (d) In the event that the fair market value of a qualifying residential or multifamily residential structure increases after the first year of such substantial rehabilitation, renovation or replacement, the credit specified by subsection (c) of this section shall not be increased. In the event that the fair market value of a qualifying property decreases after the first year of substantial rehabilitation, renovation or replacement, the credit specified in subsection (c) of this section shall be limited to the extent that the credit shall not reduce the real property tax on a qualifying property below an amount equal to the amount of the real property tax computed on the base value. If any tax credit computed in accordance with subsection (c) of this section is reduced in accordance with this subsection, that credit reduction shall not be applied to any other property or to real property taxes assessed in any other tax year.

If the fair market value of any qualifying property decreases below the base value, then that qualifying property shall be assessed at the fair market value, and no credit against the general real property tax shall be allowed. If no tax credit can be granted because the fair market value of a qualifying property is below the base value, that unused credit shall not be applied to any other property or to real property taxes assessed in any other tax year.

- (e) The credits against the real estate tax specified in subsection (c) of this section shall not affect any special district taxes or levies that may be imposed within the city. All ad valorem special district taxes or levies shall be computed on the full fair market value of all qualifying property.
- (f) In determining the base value of any structure, and in determining whether any structure has been substantially rehabilitated, renovated or replaced to the extent that the fair market value of the improved or replaced structure exceeds the base value by the percent specified in this section, the commissioner shall employ usual and customary methods of assessing real property and improvements thereon.
- (g) This section shall be applicable to assessments of qualifying "residential real estate" and "multifamily real estate" made on and after January 1, 2017.

Sec. 110-89. Partial property tax exemption for certain rehabilitated, renovated or replacement of "commercial or industrial" use structures.

- (a) This section authorizes a partial exemption for improved real property from the general real estate tax by providing tax credits for certain "commercial or industrial" use structures that are rehabilitated, renovated or replaced in accordance with Code of Virginia, § 58.1-3221, as amended, and the provisions of this article. For purposes of this section, a "commercial or industrial" use structure shall be deemed to be substantially rehabilitated, renovated or replaced when a structure, which is no less than 20 years old, has been so improved or replaced that the fair market assessed value of the improved or replacement structure, as determined by the commissioner, is increased by no less than 25 percent.

No improvements made to unimproved real property shall be eligible for partial property tax exemption pursuant to this section. No property shall be eligible for a partial property tax exemption pursuant to this section unless all appropriate building permits have been acquired for the substantial rehabilitation, renovation or replacement of the structure on the property. No property shall be eligible for a partial property tax exemption pursuant to this section if that property is substantially rehabilitated by the demolition and replacement of any structure that (i) is a registered Virginia landmark, or (ii) is determined by the department of historic resources to contribute to the significance of a registered historic district.

- (b) The owner of any "commercial or industrial" use structure who seeks to obtain the partial property tax exemption authorized by this section shall apply for such an exemption to the commissioner at the same time that the owner applies for a building permit to rehabilitation, renovate or replace the structure or no later than six months following issuance of a Certificate of Occupancy by the City.. Within 30 calendar days of receipt of an application for partial property tax exemption, the commissioner shall determine a base fair market value assessment (hereinafter "base value") for the structure prior to commencement of rehabilitation, renovation or replacement. If the base value as determined by the commissioner is lower than the highest assessed value in any of the preceding 5 year periods the highest assessed value shall be used as the base value for purposes of this program. That base value shall serve as the basis for determining whether the rehabilitation, renovation or replacement increases the fair market value of the structure by at least 25 percent.

The application to qualify for tax exemption shall be effective until December 31 of the third calendar year following the year in which application is submitted. If by such expiration date, the rehabilitation, renovation or replacement has not progressed to such a point that the assessed fair market value of the improvement to the property is at least the minimum required percent greater than the base value of such structure, and if the applicant desires to proceed with the application, then a new application for partial tax exemption shall be filed with the commissioner, and thereafter the commissioner shall establish a new base value. All initial and subsequent applications for the partial exemption authorized by this section shall be accompanied by payment of a nonrefundable fee of \$50.00 for processing the application.

During the period between the receipt of the application and the time when the commissioner may ascertain that the fair market value of the structure has increased in value by at least the minimum percent specified in subsection (a) of this section, the owner of the property shall be subject to real property taxation upon the full fair market value of the property. At any time prior to November 1 of any calendar year in which rehabilitation, renovation or replacement of a structure is complete, an owner may submit a written request to the commissioner to inspect the structure to determine if it then qualifies for a partial real property tax exemption. After the commissioner has determined that the assessed fair market value of a substantially rehabilitated, renovated or replaced structure exceeds the base value by the percentage specified by subsection (a) of this section, the tax exemption shall become effective beginning on July 1 of the next tax year.

- (c) Subject to the provisions of subsection (d) of this section and to sections 110-91 and 110-92, the owner of any "commercial or industrial" use structure qualifying for partial exemption from the real estate tax because of substantial rehabilitation, renovation or replacement shall be issued a base credit for 50-percent of the general real property tax otherwise due on the fair market value of that property in the amount that is equal to the value of the real property tax levy calculated on the difference in value between the base value and the initial fair market value of the substantially rehabilitated, renovated or replaced structure. That credit shall be applied for each year of the two-year period following completion of the substantial rehabilitation, renovation or replacement structure. In each year of the four-year period following the initial two-year period, the base credit shall be reduced by 10-percent. Credits against the real estate tax for any "commercial or industrial" use structure qualifying pursuant to this section shall run with the land.
- (d) In the event that the fair market value of a qualifying "commercial or industrial" use structure increases after the first year of such substantial rehabilitation renovation or replacement, the credit specified by subsection (c) of this section shall not be increased. In the event that the fair market value of a qualifying property decreases after the first year of substantial rehabilitation, renovation or replacement, the credit specified in subsection (c) of this section shall be limited to the extent that the credit shall not reduce the real property tax on a qualifying property below an amount equal to the amount of the real property tax computed on the base value. If any tax credit computed in accordance with subsection (c) of this section is reduced in accordance with this subsection, that credit reduction shall not be applied to any other property or to real property taxes assessed in any other tax year.

If the fair market value of any qualifying property decreases below the base value, then that qualifying property shall be assessed at the fair market value, and no credit against the general real property tax shall be allowed. If no tax credit can be granted because the fair market value of a qualifying property is below the base value, that unused credit shall not be applied to any other property or to real property taxes assessed in any other tax year.

- (e) The credits against the real estate tax specified in subsection (c) of this section shall not affect any special district taxes or levels that may be imposed within the city. All ad valorem special district taxes or levies shall be computed on the full fair market value of all qualifying property.
- (f) In determining the base value of any structure, and in determining whether any structure has been substantially rehabilitated, renovated or replaced to the extent that the fair market value of the improved or replaced structure exceeds the base value by the percent specified in this section, the commissioner shall employ usual and customary methods of assessing real property and improvements thereon.
- (g) This section shall be applicable to assessments of qualifying commercial or industrial structures made on and after January 1, 2008.

Sec. 110-90. Partial property tax exemption for certain rehabilitated, renovated or replacement of "transient housing structures".

- (a) This section authorizes a partial exemption for improved real property from the general real estate tax by providing tax credits for certain use structures that are rehabilitated, renovated or replaced in accordance with Code of Virginia, § 58.1-3220.1, as amended, and the provisions of this article. For purposes of this section, a "transient housing structure" shall be deemed to be substantially rehabilitated, renovated or replaced when a structure, which is no less than 35 years old, has been so improved or replaced that the fair market assessed value of the improved or replacement structure, as determined by the commissioner, is increased by no less than 25 percent. No improvements made to unimproved real property shall be eligible for partial property tax exemption pursuant to this section. No property shall be eligible for a partial property tax exemption pursuant to this section unless all appropriate building permits have been acquired for the substantial rehabilitation, renovation or replacement of the structure on the property. No property shall be eligible for a partial property tax exemption pursuant to this section if that property is substantially rehabilitated by the demolition and replacement of any structure that (i) is a registered Virginia landmark, or (ii) is determined by the department of historic resources to contribute to the significance of a registered historic district.
- (b) The owner of any "transient housing structure" who seeks to obtain the partial property tax exemption authorized by this section shall apply for such an exemption to the commissioner at the same time that the owner applies for a building permit to rehabilitate, renovate or replace the structure. Upon receipt of an application for partial property tax exemption, the commissioner shall determine a base fair market value assessment (hereinafter "base value") for the structure prior to commencement of rehabilitation, renovation or replacement. That base value shall serve as the basis for determining whether the rehabilitation, renovation or replacement increases the fair

market value of the structure by at least 30 percent. The application to qualify for tax exemption shall be effective until December 31 of the third calendar year following the year in which application is submitted. If by such expiration date, the rehabilitation, renovation or replacement has not progressed to such a point that the assessed fair market value of the improvement to the property is at least the minimum required percent greater than the base value of such structure, and if the applicant desires to proceed with the application, then a new application for partial tax exemption shall be filed with the commissioner, and thereafter the commissioner shall establish a new base value. All initial and subsequent applications for the partial exemption authorized by this section shall be accompanied by payment of a nonrefundable fee of \$50.00 for processing the application.

During the period between the receipt of the application and the time when the commissioner may ascertain that the fair market value of the structure has increased in value by at least the minimum percent specified in subsection (a) of this section, the owner of the property shall be subject to real property taxation upon the full fair market value of the property. At any time prior to November 1 of any calendar year in which rehabilitation, renovation or replacement of a structure is complete, an owner may submit a written request to the commissioner to inspect the structure to determine if it then qualifies for a partial real property tax exemption. After the commissioner has determined that the assessed fair market value of a substantially rehabilitated, renovated or replaced structure exceeds the base value by the percentage specified by subsection (a) of this section, the tax exemption shall become effective beginning on July 1 of the next tax year.

- (c) Subject to the provisions of subsection (d) of this section and to sections 110-91 and 110-92, the owner of any "transient housing structure" qualifying for partial exemption from the real estate tax because of substantial rehabilitation, renovation or replacement shall be issued a credit for the general real property tax otherwise due on the fair market value of that property in the amount that is equal to the value of the real property tax levy calculated on the difference in value between the base value and the initial fair market value of the substantially rehabilitated, renovated or replaced structure. That credit shall be applied for each year of the ten-year period following completion of the substantial rehabilitation, renovation or replacement. In each year of the four-year period following the initial ten-year period, the owner of a qualifying property shall be issued a credit for the real estate tax otherwise due on the fair market value of that property in an amount equal to the value of the real property levy calculated on the difference in value between the base value and the initial fair market value of the substantially rehabilitated, renovated or replaced structure, less 20 percent for each year following the expiration of the initial ten-year period of exemption. Credits against the real estate tax for any "transient housing structure" qualifying pursuant to this section shall run with the land, and, except as otherwise provided by subsection (d) of this section and by sections 110-91 and 110-92, the owner of such property during each of the fourteen years of the exemption period shall be entitled to receive a credit in the amount specified by this subsection.
- (d) In the event that the fair market value of a qualifying "transient housing structure" increases after the first year of such substantial rehabilitation, renovation or replacement, the credit specified by

subsection (c) of this section shall not be increased. In the event that the fair market value of a qualifying property decreases after the first year of substantial rehabilitation, renovation or replacement, the credit specified in subsection (c) of this section shall be limited to the extent that the credit shall not reduce the real property tax on a qualifying property below an amount equal to the amount of the real property tax computed on the base value. If any tax credit computed in accordance with subsection (c) of this section is reduced in accordance with this subsection, that credit reduction shall not be applied to any other property or to real property taxes assessed in any other tax year.

If the fair market value of any qualifying property decreases below the base value, then that qualifying property shall be assessed at the fair market value, and no credit against the general real property tax shall be allowed. If no tax credit can be granted because the fair market value of a qualifying property is below the base value, that unused credit shall not be applied to any other property or to real property taxes assessed in any other tax year.

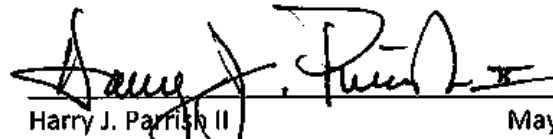
- (e) The credits against the real estate tax specified in subsection (c) of this section shall not affect any special district taxes or levels that may be imposed within the city. All ad valorem special district taxes or levies shall be computed on the full fair market value of all qualifying property.
- (f) In determining the base value of any structure, and in determining whether any structure has been substantially rehabilitated, renovated or replaced to the extent that the fair market value of the improved or replaced structure exceeds the base value by the percent specified in this section, the commissioner shall employ usual and customary methods of assessing real property and improvements thereon.
- (g) This section shall be applicable to assessments of qualifying commercial or industrial structures made on and after January 1, 2008.

Sec. 110-91. Limitations on eligibility for partial tax exemption and tax credit.


- (a) The title of the property for which the partial exemption is claimed shall be held, or partially held, on the first day of the taxable year by the person or persons claiming the exemption, whether or not that person or persons initially performed the rehabilitation.
- (b) No property owner shall be eligible to apply for the partial tax exemption and tax credit provided by this article for any property which has delinquent taxes, penalties, or interest due the city.
- (c) If any property, for which an application for the partial tax exemption and tax credit provided by this article is made, has been damaged or destroyed as a result of a sudden natural or manmade disaster prior to the application, and that property will be repaired, rehabilitated or replaced through the use of any insurance or self-insurance proceeds, then the base value of the property, as provided herein, shall be computed based upon the fair market value of the property immediately prior to the sudden disaster. For purposes of this article, a sudden natural or manmade disaster shall include, but is not limited to damage or destruction caused by fire, flood, windstorm, and explosion.

This ordinance shall become effective upon second reading.

BY ORDER OF THE COUNCIL


Harry J. Parrish II Mayor
On Behalf of the City Council of
Manassas, Virginia

ATTEST:


Andrea P. Madden City Clerk

MOTION: BASS
SECOND: AVENI
ACTION: APPROVED

April 23, 2018
Regular Meeting
Ord. #O-2018-12

Votes:

Ayes: Aveni, Bass, Elston, Lovejoy, Sebesky, and Wolfe

Nays: None

Absent from Vote: None

Absent from Meeting: None