

ORDINANCE NO. 6556-08

AN ORDINANCE TO AMEND AND REORDAIN CHAPTER 40, TAXATION, OF THE CODE OF THE CITY OF NEWPORT NEWS, VIRGINIA, ARTICLE II., REAL ESTATE TAXES, DIVISION 4., EXEMPTION FOR CERTAIN REHABILITATED RESIDENTIAL AND COMMERCIAL REAL ESTATE, SECTION 40-55, EXEMPTION FOR REHABILITATED RESIDENTIAL REAL ESTATE—AUTHORIZED; SECTION 40-56, SAME—AMOUNT; DURATION; SECTION 40-57, EXEMPTION FOR REHABILITATED COMMERCIAL REAL ESTATE—AUTHORIZED; SECTION 40-58, SAME—AMOUNT; DURATION; AND SECTION 40-59, APPLICATION REQUIRED; FEE; CERTIFICATION TO TREASURER.

BE IT ORDAINED by the Council of the City of Newport News, Virginia:

1. That Chapter 40, Taxation, of the Code of the City of Newport News, Virginia, Article II., Real Estate Taxes, Division 4., Exemption for Certain Rehabilitated Residential and Commercial Real Estate, Section 40-55, Exemption for rehabilitated residential real estate—Authorized; Section 40-56, Same—Amount; duration; Section 40-57, Exemption for rehabilitated commercial real estate—Authorized; Section 40-58, Same—Amount; duration; and Section 40-59, Application required; fee; certification to treasurer, be, and the same hereby is, amended and reordained as follows:

CHAPTER 40

TAXATION

ARTICLE II. REAL ESTATE TAXES

DIVISION 4. EXEMPTION FOR CERTAIN REHABILITATED RESIDENTIAL AND COMMERCIAL REAL ESTATE

Sec. 40-55. Exemption for rehabilitated or replacement residential real estate--Authorized.

(a) *Generally.* An exemption from taxation of improved real estate which has been substantially rehabilitated for residential use is hereby authorized in accord with the criteria contained in this division. The general criteria for exemption pursuant to this subsection are the following: the rehabilitated residential structure shall be at least twenty-five (25) years of age; the cost of eligible improvements to that structure shall be no less than twenty (20) percent of the city's most recently recorded assessed value of the structure prior to commencement of the rehabilitation; all building permits required by the building code shall have been issued prior to commencement of the work, with the subsequent work for which a building permit is required approved by the

department of codes compliance and the assessing officer's verification that the rehabilitation or replacement indicated on the application has been completed.

(b) *Demolished structures.* The exemption provided in this section may apply to a residential structure which is demolished and rebuilt. In such a case, the demolished residential structure shall be at least twenty-five (25) years of age, the cost of eligible improvements shall be at least one hundred fifty (150) percent of the assessed value of the demolished residential structure immediately prior to the demolition, the replacement residential structure shall be a single-family or a two-family residence and the post reconstruction real estate tax shall not be less than the pre-demolition tax for that property. The exemption provided in this section shall not apply when the residential structure demolished is a registered Virginia landmark or is determined by the Commonwealth of Virginia, Department of Historic Resources to contribute to the significance of a registered historic district.

(c) *Exterior improvements.* The following requirements shall apply to exterior improvements made as a part of rehabilitation of a residential structure:

- (1) When rehabilitation does not include an addition to the residential structure, at least twenty (20) percent of the total cost of the eligible improvements shall be for exterior improvements.
- (2) When rehabilitation includes an addition to the residential structure, at least ten (10) percent of the total cost of eligible improvements shall be for exterior improvements.

(d) *Eligible improvements.* For the purposes of this section, eligible improvements shall include expenditures associated with any exterior, structural, mechanical or electrical improvements necessary to expand or rehabilitate a building for residential purposes; expenditures associated with excavations, grading, paving, driveways, roads, sidewalks, landscaping or other land improvements; and expenditures including, but not limited to, demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning and cleanup.

(e) For the purposes of this section, "rehabilitation" shall not include renovation, repair work or replacement done of a structure damaged by (i) explosion or (ii) fire, earthquake, tornado, hurricane, flood or other acts of God.

(f) For the purposes of this section, the following definitions shall apply:

- (1) *Dwelling unit* shall mean a single unit providing complete, independent living facilities for one or more persons including permanent provisions for living, sleeping, cooking, eating and sanitation.
- (2) *Attached single-family dwelling* shall mean a building containing two (2) or more

dwelling units sharing at least sixteen (16) horizontal feet of a wall, ceiling or floor area between such units with each unit having its own front and rear or side access to the outside.

- (3) *Detached single-family dwelling* shall mean a building containing one dwelling unit, entirely surrounded by a yard. Manufactured homes, travel trailers, housing mounted on self-propelled or drawn vehicles, tents or other forms of temporary or portable housing are not included within this definition.
- (4) *Two-family dwelling* shall mean a building containing two (2) dwelling units, entirely surrounded by a yard, where each dwelling unit is not on a separate lot.
- (5) *Multiple-family dwelling* shall mean a building containing three (3) or more dwelling units, entirely surrounded by a yard, where each dwelling unit is served by a common outside entrance.
- (6) *Residential structure* shall include attached single-family dwellings, detached single-family dwellings and two-family dwellings; residential structure shall not include multiple-family dwellings.

(g) The city manager or his designee shall administer the tax exemption program described herein. At the time that a property owner or his agent applies for a building permit, he shall be provided information about this tax exemption program by the department of codes compliance.

Sec. 40-56. Same--Amount; duration.

- (a) The exemption authorized in section 40-55(a) shall be computed as follows:
 - (1) For the first six years the exemption shall be in an amount equal to fifty (50) percent of the eligible cost of the rehabilitation.
 - (2) After the sixth year, the exemption in subparagraph (a)(1) shall be reduced by ten (10) percent of the original amount of the exemption for each succeeding year.
 - (3) The amount of the exemption and the commencement date of the exemption shall be certified by the city manager or his designee to the real estate assessor and made applicable as provided herein.
- (b) The exemption authorized in section 40-55(b) shall be computed as follows:
 - (1) For the first six years, the exemption shall be in an amount equal to twenty (20)

percent of the eligible cost of demolition and rebuilding.

- (2) After the sixth year, the exemption in subparagraph (b)(1) shall be reduced by ten (10) percent of the original amount of the exemption for each succeeding year.
- (3) The amount of the exemption and the commencement date of the exemption shall be certified by the city manager or his designee to the real estate assessor and made applicable as provided therein.

(c) The exemption shall commence upon the completion of the rehabilitation with such completion being established by the verification by the assessing officer that the rehabilitation or replacement indicated on the application has been completed. The exemption shall run with the real estate for a period of fifteen (15) years. For the purposes of this ordinance, final inspection and approval of work for which a building permit is required shall serve as a certificate of occupancy for any addition or alteration to a structure for which a certificate of occupancy has already been issued. If application is made for the exemption after the date of its commencement as defined herein, the real estate assessor shall exempt the amount as determined above for the remainder of the exemption period with the period of the exemption beginning on the date of the application.

(d) No property shall be eligible for the exemption provided in section 40-55 unless application therefor has been made within eighteen (18) months after completion of the rehabilitation.

(e) Nothing in this section shall be construed to permit the real estate assessor to list upon the land book any reduced value due to the exemption authorized pursuant to section 40-55.

Sec. 40-57. Exemption for rehabilitated commercial real estate-- Authorized.

(a) *Generally.* An exemption from taxation of improved real estate which has been substantially rehabilitated for commercial use is hereby authorized. The criteria for exemption pursuant to this subsection are the following: the rehabilitated commercial structure must be no less than twenty-five (25) years of age; the cost of eligible improvements to that structure must be no less than sixty (60) percent of the city's most recently recorded assessed value of the structure prior to the commencement of the rehabilitation; the rehabilitation may not increase the total square footage of the structure by more than fifteen (15) percent; all building permits required by the building code shall have been issued prior to commencement of the work, with the subsequent work for which a building permit is required approved by the department of codes compliance and the assessing officer's verification that the rehabilitation indicated on the application has been completed.

(b) *Facade improvement.* There is hereby authorized an exemption from taxation of improved real estate located within the Newport News Enterprise Zone #2 (to include its subzone

#2-A) on which a facade improvement has been made to a structure used for commercial purposes. The criteria for exemption of improved commercial real estate in the Mid-City Enterprise Zone pursuant to this subsection are the following: the facade improvement must be made to a structure no less than twenty-five (25) years of age; the modification must be plainly visible from a public street and all building permits required by the building code shall have been issued to do the work.

(c) For the purposes of this section, "eligible improvements" shall mean the amount properly chargeable to a capital account for improvements to rehabilitate or expand depreciable real property placed in service during the taxable year. Eligible improvements include expenditures associated with any exterior, structural, mechanical, or electrical improvements necessary to expand or rehabilitate a building for commercial or industrial use and excavations, grading, paving, driveways, roads, sidewalks, landscaping, or other land improvements. Eligible improvements shall include, but not be limited to, costs associated with demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning, and cleanup.

Eligible improvements shall not include:

- (1) The cost of acquiring any real property or building;
- (2) The cost of (i) furnishings; (ii) any expenditure associated with appraisal, architectural, engineering and interior design fees; (iii) loan fees, points, or capitalized interest; (iv) legal, accounting, realtor, sales and marketing, or other professional fees; (v) bids, insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; (vi) utility hook-up or access fees; (vii) outbuildings; or (viii) the cost of any well or septic or sewer system.

(d) For the purposes of this section, "amount properly chargeable to a capital account" means an amount properly includable in computing the basis of real property under U. S. Department of Treasury, Internal Revenue Code, Reg. §1.46-3(c).

(e) For the purposes of this section, "depreciable real property" means income-producing property or property used in a trade or business.

(f) For the purposes of this section, "rehabilitation" shall not include renovation or repair work done on a structure damaged by (i) explosion or (ii) fire, earthquake, tornado, hurricane, flood or other acts of God.

(g) The city manager or his designee shall administer the tax exemption program described herein. At the time that a property owner or his agent applies for a building permit, he shall be provided information about this tax exemption program by the department of codes compliance.

Sec. 40-58. Same--Amount; duration.

(a) The exemption authorized in section 40-57 shall be an amount equal to fifty (50) percent of the cost of the rehabilitation or facade improvement. This amount and commencement date of the exemption shall be certified by the city manager or his designee to the real estate assessor and made applicable as provided herein.

(b) The exemption shall commence upon the completion of the rehabilitation or facade improvement, and the assessing officer's verification that the rehabilitation or facade improvement has been completed, or on January 1 of the year following the completion of the rehabilitation or facade improvement. The exemption shall run with the real estate for a period of five (5) years. Final inspection and approval of work for which a building permit is required shall serve as a certificate of occupancy for any addition or alteration to a structure for which a certificate of occupancy has already been issued. If application is made for the exemption after the date of its commencement as defined herein, the real estate assessor shall exempt the amount as determined above for the remainder of the exemption period, with the period of exemption beginning on the date of the application.

(c) No property shall be eligible for the exemption provided in this division unless application therefor has been made within eighteen (18) months after completion of the rehabilitation or facade improvement.

(d) Nothing in this section shall be construed to permit the real estate assessor to list upon the land book any reduced value due to the exemption authorized pursuant to section 40-57.

Sec. 40-59. Application required; certification to treasurer.

(a) The person claiming an exemption pursuant to the provisions of this division shall file an application with the city manager or his designee on such forms as the city manager or his designee shall prescribe.

(b) If after investigation the city manager or his designee determines that the real estate for which the exemption is claimed qualifies, he shall notify the real estate assessor who shall so certify to the treasurer of the city, who shall deduct the amount of the exemption from the applicant's real estate tax liability.

2. That this ordinance shall be in effect on and after the date of its adoption, December 9, 2008.

PASSED BY THE COUNCIL OF THE CITY OF NEWPORT NEWS ON DECEMBER 9, 2008

Mabel V. Washington, CMC
City Clerk

Joe S. Frank
Mayor

A true copy, teste:

City Clerk