

# Expanding Property Tax Relief in Charlottesville, Virginia

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1. Legal Overview
2. Charlottesville's Current Programs
3. Policy Recommendations
4. Q&A

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## NOTE ON RESEARCH METHODOLOGY

### **The Clinic's Charge:**

Given the opposing needs of raising City revenue and maintaining reasonable tax burdens for residents with low and moderate incomes, we were asked to ...

Identify any unexplored or underdeveloped options the City of Charlottesville could use to grant more property tax relief to a wider swath of people.

### **Research Team's Methodology:**

- 1) Conducted an extensive review of the authority for Charlottesville's current programs, including the state constitution, state code, and City Charter. This included discussions with city officials, property law experts, and statutory research
- 2) Considered opportunities for expanding current programs and possible untapped sources of authority for additional programs

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# LEGAL OVERVIEW



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## PROPERTY TAX EXEMPTIONS & DEFERRALS

### Virginia Constitution Article X

Property tax exemptions for the elderly and disabled



### Virginia Code § 58.1-3210

Property tax exemptions



### Virginia Code § 58.1-3291

Property tax deferrals

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## SOCIAL SERVICES TITLE

### Virginia Code § 63.2-314:

- Localities may make grants to their board of social services
- Local board may then make grant programs to aid needy residents
- Local board administers the grant programs, sets eligibility criteria
- Local board is **not** limited in the discretion it has to set or change income, net worth, property value, or other eligibility criteria

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## CHARLOTTESVILLE'S CITY CHARTER POWERS

### Charlottesville City Charter § 50.7

Powers relating to  
housing and community  
development

Subject to VHDA  
income limitations

Ability to make grants to LMI households  
for purchasing land/dwelling

Ability to offer LMI households property  
tax deferrals

Ability to make grants to LMI households  
to subsidize rent

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## HOUSING AND COMMUNITY DEVELOPMENT

- **The Board of Housing and Community Development (BHCD)** promulgates statewide tax credits that many property owners in Virginia can apply for. The most relevant for our purposes are:
- **Virginia Housing Opportunity Credit:** A new (as of 2021) tax credit for homeowners providing low-income housing.
- **Livable Home Tax Credit:** A tax credit for homeowners with a newly accessible residence.
- Charlottesville property owners are not eligible for the **Communities of Opportunity Tax Credit**, but they could be if the state code was modified slightly (explored in more detail in Recommendations)

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## CHARLOTTESVILLE'S ..... CURRENT PROGRAMS



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## CHARLOTTESVILLE CURRENTLY OFFERS:

- **Real Estate Tax Relief (RETR)**
  - Property tax exemptions for elderly and disabled residents
- **Charlottesville Housing Affordability Program (CHAP)**
  - Grants to offset property taxes for low- and moderate-income households
- **Rental Relief**
  - Grants to offset rent payments for low- and moderate-income residents who are elderly and disabled

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## CHARLOTTESVILLE DOES NOT OFFER:

- Property tax deferrals
- Rent relief for non-elderly, non-disabled residents

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# OPPORTUNITIES FOR EXPANDING RELIEF



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## SHORT-TERM PROPOSAL 1:

## CHANGE CURRENT PROGRAM CRITERIA

### A. Income limits:

Program	Income Cap
Real Estate Tax Relief (RETR)	\$55,000 per household
Rental Relief	\$50,000 per household
Charlottesville Housing Affordability Program (CHAP)	\$55,000 per household
VHDA's income cap for Charlottesville	\$90,000 (1-2 person household) \$105,000 (3+ person household)

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## SHORT-TERM PROPOSAL 1:

**CHANGE CURRENT PROGRAM CRITERIA****A. Income limits:**

- **RETR:** current limit is likely a holdover from when the state restricted local discretion; City has discretion to change limits
- **CHAP:** if administered under § 63.2-314, the board of social services has discretion to change limits
- **Rental Relief:**
  - If administered under the City Charter § 50.7, City can expand the limit up to the VHDA guidelines
  - Alternatively, if administered under § 63.2-314, the board of social services has discretion to change limits

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## SHORT-TERM PROPOSAL 1:

**CHANGE CURRENT PROGRAM CRITERIA****B. Remove CHAP's home price limit**

- The home price limit imposed on CHAP was likely intended to mimic the VHDA guidelines. The social services board has the discretion to eliminate limit.

**C. Expand Rent Relief**

- The City could draw on either the City Charter or the social services title to expand eligibility for Rent Relief to non-elderly, non-disabled residents

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## SHORT-TERM PROPOSAL 2:

**ELIMINATE THE NET WORTH LIMIT ON RETR**

- **Applicants for RETR cannot have a net worth of more than \$125,000**
  - Rental Relief also has a \$125,000 net worth limit
  - CHAP does not have a net worth limit
- **Charlottesville's Commissioner of the Revenue reported difficulty administering the net worth provision**
  - Time consuming for City staff
  - Confusing for residents

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## SHORT-TERM PROPOSAL 3:

**AMEND THE RETR ORDINANCE FOR CONSISTENCY**

- **The text supplying RETR guidelines lists an income limit of \$50,000** (City Code of Charlottesville Sec. 30-98)
- **The tables showing program benefits and guidance documents from the City use an income limit of \$55,000** (City Code of Charlottesville Sec. 30-101)

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## SHORT-TERM PROPOSAL 4:

## CONSIDER A PROPERTY TAX DEFERRAL PROGRAM

- Deferrals in addition to or instead of property tax exemptions for the elderly and disabled
- Deferrals to any homeowner if their taxes are 105% of the prior year's tax burden
- Deferrals to low- and moderate-income households

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## SHORT-TERM PROPOSAL 5:

## CONDUCT OUTREACH ON AVAILABLE OPPORTUNITIES

- Advertise the tax credit programs available to homeowners, in particular the newly available **Housing Opportunity Credit**
- Design a **central repository** that describes each program and how they interact with each other

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## MEDIUM-TERM PROPOSAL:

## INCLUDE CHARLOTTESVILLE IN THE COMMUNITIES OF OPPORTUNITY TAX CREDIT

- The State Code includes a provision allowing landlords in the Housing Choice Voucher Program to apply for a tax credit, but only in particular localities, primarily in Northern Virginia
- Charlottesville should work with the General Assembly to include Charlottesville in the list of localities

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## LONG-TERM PROPOSAL:

## AMEND THE STATE CONSTITUTION

- The Constitution only allows property tax exemptions for the elderly and disabled, and expressly prevents the General Assembly from expanding this list
- Charlottesville could work with other localities to pass an amendment removing the restriction or expanding the list of allowable exemptions

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## DISCUSSION

- Proposal One: Change Current Program Criteria
- Proposal Two: Eliminate the Net Worth Limitation on RETR
- Proposal Three: Amend the RETR Ordinance for Consistency
- Proposal Four: Consider a Property Tax Deferral Program
- Proposal Five: Conduct More Outreach on Available Opportunities
- Proposal Six: Include Charlottesville in the Communities of Opportunity Tax Credit
- Proposal Seven: Amend the State Constitution