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Chapter 35 - TAXATION
ARTICLE II. - REAL ESTATE TAXES

DIVISION 4. EXEMPTION FOR REHABILITATED RESIDENTIAL REAL ESTATE

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Sec. 35-80.1. Exemption for historically significant rehabilitated structures.

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- (a) *Finding; purpose.* The city council hereby recognizes the educational and cultural value of the city's historically significant structures. The purpose of this section is to assist in the preservation of such structures, and to that end, the substantial rehabilitation of historically significant structures shall entitle the owner to a partial exemption from real estate taxes or real estate tax credit, subject to the terms and conditions set forth in this section. The real estate assessor shall administer this section with guidance from the director of planning as to the effect of rehabilitation projects on the historical significance of structures.
- (b) *Eligibility for exemption.* To be eligible for the partial exemption from real estate taxation or tax credit provided by this section, a structure shall be historically significant and no less than fifty (50) years of age at the time the application is made. Any such exemption shall only apply to rehabilitated existing structures, and shall not apply to new construction. For the purpose of this section:
- (1) *"Rehabilitation"* shall mean the process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural, and cultural values;
 - (2) *"Historically significant structure"* shall mean a structure listed on the Virginia Beach Historical Register, as established in section 8-91 of this Code, or a structure eligible for listing on the register, and for which an application for inclusion on the register is pending at the time rehabilitation commences; and
 - (3) *"Qualifying costs"* include the costs of all work done to the structural components, heating, plumbing and electrical systems of the building, work done to update kitchens and bathrooms, work necessary for compliance with the Americans With Disabilities Act, the installation of fire suppression systems and fire escapes, reasonable architectural and engineering fees, construction period interest and taxes, and construction management costs. Acquisition costs, site work and landscaping elements and any expenses attributable to additions or enlargements of the building shall not be included.
- Structures rehabilitated for residential use, hotel or motel structures, and commercial or industrial structures, as provided by Code of Virginia §§ 58.1-3220, 58.1-3220.1, 58.1-3220.01, and 58.1-3221, respectively, shall be eligible for the partial exemption provided by this section. The tax credit provided by this section shall be available only to those property owners who, in addition to meeting the foregoing requirements, meet the requirements set forth in subsection (f)(2).
- (c) *Application for exemption; base value.* To qualify for a partial tax exemption for the rehabilitation of a historically significant structure, the owner(s) of such structure shall, at the same time an application is made for a building permit to rehabilitate such structure, file with the real estate assessor an application and construction plans. The application shall be on a form created and supplied by the real estate assessor. Among the other information supplied, the applicant shall estimate on the application form the qualifying costs of the rehabilitation project and any increase in value of the

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structure that may result. Such application must be filed prior to the commencement of any rehabilitation work for which an exemption is sought. No structure shall be eligible for such exemption unless the appropriate building permit(s) have been acquired.

- (d) *Review of application and plans.* The director of planning or his designee shall review all applications, plans and other information submitted that relate to a rehabilitation project for which the exemption provided by this section is sought. If, after reviewing the application and plans for a proposed rehabilitation project, the director of planning determines in writing that the proposed project will diminish the historical significance of the structure, the real estate assessor shall, by certified mail, inform the applicant that the exemption will be denied for the proposed rehabilitation. If the director of planning determines in writing that a proposed rehabilitation project will restore or maintain the historical significance of the structure, the real estate assessor shall notify the applicant that the project has been approved for the exemption, subject to compliance with the terms of this section. The assessment of the structure for the current tax year, prior to commencement of the rehabilitation, shall constitute the base value of the structure. The director of planning shall endeavor to make a determination within thirty (30) days from the date a completed application is received, and all applications, plans or other materials submitted by the applicant shall be returned to the real estate assessor after the review and inspection process is completed.
- (e) *Inspection; effective date.* Within thirty (30) days of the rehabilitation project's completion, the owner shall notify the real estate assessor in writing that the project has been completed. The real estate assessor shall transmit this notice to the director of planning, which shall then inspect the rehabilitated structure to verify that the work has been completed as described in the previously filed application and plans. If the director of planning verifies in writing that such rehabilitation project has been satisfactorily completed, the real estate assessor shall so notify the applicant. The real estate assessor shall then reassess the rehabilitated structure, and record the new value as provided by law. Such verification and re-assessment shall be performed within sixty (60) days after such written notice of completion is received. Any tax exemption shall become effective on July 1 of the year following completion of the rehabilitation project. No structure shall be eligible for the partial exemption provided by this section unless the director of planning verifies that the rehabilitation work described on the application and plans has been completed in substantially the same manner described in the previously filed application and plans. In any case where the work performed substantially varies from the work described in the application and plans, the real estate assessor shall notify the applicant that the exemption will be denied.
- (f) *Exemption and tax credit for rehabilitated historically significant structures for residential use.* The exemption for rehabilitated historically significant structures for residential use shall be calculated and applied as set forth below:
 - (1) For rehabilitated historically significant structures for residential use, the exemption shall be in an amount equal to the greater of the initial increase in assessed value of the structure resulting from the rehabilitation of the structure, as determined by the real estate assessor, or an amount equal to fifty (50) percent of the qualifying costs of the rehabilitation, as defined in subsection (b)(3), not to exceed the amount of the assessment of the structure at any time after its rehabilitation. The applicant shall submit to the real estate assessor documentation of all qualifying costs incurred as a basis for the exemption, and shall execute an affidavit stating that all such costs were incurred as part of the project. The exemption shall run with the land for fifteen (15) years. No increase in assessment occurring after the first year of such rehabilitation exemption shall qualify for an increase in such exemption. In the event of a decrease in the property's assessed value after the first year of any rehabilitation exemption, the exemption shall be based on the difference in taxes computed on the base value and the decreased assessed value of the property.

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- (2) In addition to the exemption provided for in this subsection, there shall also be a real estate tax credit for rehabilitated historically significant structures for residential use for those property owners who have purchased and rehabilitated, in accordance with the provisions of this section, a historically significant structure for residential use which at the time of purchase was encumbered by local property tax liens exceeding fifty (50) percent of the assessed value of the property. Such tax credit shall be in an amount equal to the total amount of the tax liens, not to exceed the amount by which the local property tax liens exceeded fifty (50) percent of the assessed value of the property at the time of purchase. The credit shall be applied upon completion of the rehabilitation and may be allocated by the property owner over a period of no longer than ten (10) years.
 - (3) By August 15 of each year of the period of exemption from real estate taxes, the real estate assessor shall notify the city treasurer of the exemption and tax credit, if any, and the amount to be credited to the property owner's tax bill.
- (g) *Exemption for rehabilitated historically significant commercial or industrial structures.* The exemption for rehabilitated historically significant commercial or industrial structures shall be calculated and applied as set forth below:
- (1) For rehabilitated historically significant commercial or industrial structures, the exemption shall be an amount equal to the greater of the initial increase in assessed value of the structure above its base value resulting from the rehabilitation of the structure, as determined by the real estate assessor, or an amount equal to fifty (50) percent of the qualifying costs of rehabilitating the structure; provided, however, that the amount of the exemption provided by this subsection shall not exceed the amount of the assessment of the structure at any time after its rehabilitation. This exemption shall run with the land for fifteen (15) years. No increase in assessment occurring after the first year of such rehabilitation exemption shall qualify for an increase in such exemption. In the event of a decrease in the property's assessed value after the first year of any rehabilitation exemption, the exemption shall be based on the difference in taxes computed on the base value and the decreased assessed value of the property. The applicant shall submit to the real estate assessor documentation of all qualifying costs incurred as a basis for the exemption, and shall execute an affidavit stating that all such costs were incurred as part of the project.
 - (2) By August 15 of each year of the period of exemption from real estate taxes, the real estate assessor shall notify the city treasurer of the exemption and the amount to be credited to the property owner's tax bill.
- (h) *Exemption for rehabilitated historically significant hotel or motel structures.* The exemption for rehabilitated historically significant hotel or motel structures shall be calculated and applied as set forth below:
- (1) For rehabilitated historically significant hotel or motel structures, the exemption shall be in an amount equal to ninety (90) percent of the total assessed value of the rehabilitated structure, not to exceed the increase in the assessed value resulting from the rehabilitation of the structure as determined by the real estate assessor. The exemption shall commence upon completion of the rehabilitation, renovation or replacement and shall run with the real estate for a period of twenty-five (25) years. No increase in assessment occurring after the first year of such rehabilitation exemption shall qualify for an increase in such exemption. In the event of a decrease in the property's assessed value after the first year of any rehabilitation exemption, the exemption shall be based on the difference in taxes computed on the base value and the decreased assessed value of the property.

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- (2) By August 15 of each year of the period of exemption from real estate taxes, the real estate assessor shall notify the city treasurer of the exemption and the amount to be credited to the property owner's tax bill.
- (i) *Land book.* The real estate assessor shall not list or display any exemption provided by this section as a reduced value in the land book.
- (j) *Ineligibility for exemption or tax credit; termination of same.* Improvements made upon vacant land, demolition or total replacements of historically significant structures, and rehabilitation efforts that the planning director has determined, in writing, will diminish the historical significance of a structure shall not be eligible for the partial exemption from real estate taxation or tax credit provided by this section. Failure to comply with any provision of this section or the making of false statements in applying for the exemption or tax credit provided by this section shall constitute grounds for denial of the exemption or tax credit. Changes to a structure that, after a rehabilitation project has been completed and an exemption or tax credit granted, cause it to be removed from the Virginia Beach Historical Register, shall terminate the exemption and tax credit provided by this section, effective July 1 of the next tax year.

(Ord. No. 1964, 6-4-90; Ord. No. 2567, 11-23-99; Ord. No. 3022, 5-13-08; Ord. No. 3254, § 2, 8-14-12; Ord. No. 3301, 8-13-13)