

CITY OF DOVER ORDINANCE #2011-11

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF DOVER, IN COUNCIL MET:

That Chapter 102 - Taxation, Article IV - Abatement of Real Estate Taxes, Section 102-113 - Qualifications, be amended to read as follows:

Sec. 102-113. - Qualifications.

- (a) *Definitions.* The following words, terms and phrases, when used in this section, shall have the meanings ascribed to them in this subsection, except where the context clearly indicates a different meaning:

Control with respect to a corporation means ownership, directly or indirectly, of stock possessing 50 percent (50%) or more of the total combined voting power of all classes of the stock of such corporation entitled to vote and 50 percent (50%) or more of the shares of such corporation entitled to vote and 50 percent (50%) or more of the total number of shares of all other classes of such corporation's stock.

Control with respect to a trust means ownership, directly or indirectly, of 50 percent (50%) or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership or association, or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in section 267(c) of the Internal Revenue Code (26 USC 267(c)).

Expanded facility means any qualified property that is modified with an improvement or addition (other than a replacement resulting from the acquisition, construction, reconstruction, installation, or erection of improvements or additions resulting from repairing, refurbishing, retooling, recycling, or other similar process or procedure that merely preserves or restores the value of an existing facility and not including any improvement or addition that, in the determination of the council, does not constitute an integral part of a qualified activity), if such improvements or additions are placed in service by the taxpayer after January 1, 2001. Abatement will only be to the extent of the taxpayer's qualified investment in such improvements or additions.

Large vacant commercial facility means a building of 20,000 square feet or larger and vacant continuously for 18 months or more.

New facility means any qualified facility (other than an expanded facility or a replacement facility) constructed by the taxpayer after January 1, 2001. For the purposes of this article, the term "constructed" means the issuance of a building permit for \$1,000,000.00 or more with regards to subsection (b)(1) of this section, and the issuance of a building permit for \$3,000,000.00 or more with regards to subsection (b)(2) of this section.

Placed in service and *original use* have the meanings ascribed to such terms under section 167 of the Internal Revenue Code (26 USC 167) and regulations promulgated thereunder.

Qualified activity means any activity constituting manufacturing (other than any repair, refurbishing, retooling, recycling or other similar process or procedure that merely preserves or restores the value of a product or that does not change the inherent nature of a product or material). Such term includes any activity engaging in business as a wholesaler; the CCBA and any subsequent legislation as enacted by the state; any home offices and operating units of insurance companies; and any combination of activities described herein.

Qualified employee means any person employed within the city/county on a regular and full-time basis.

Qualified facility means any qualified property located in the city that constitutes a new or an expanded facility, located within the industrial park manufacturing district, industrial park manufacturing 2 district, or manufacturing district, and that is used by a taxpayer in or in connection with a qualified activity.

Qualified investment for any taxable year is based on the value of a qualified facility as of the last business day of such taxable year.

Qualified property means any building and its structural components, and any other improvement to real property. Such term includes the land on which such building or other improvements are located, if ownership of said land and structural improvements is identical. If any property is owned or leased by the taxpayer in common with any other person or persons, such property may constitute "qualified property" only to the extent of the taxpayer's proportionate interest.

Related person means a corporation, partnership, association, or trust controlled by the taxpayer; or an individual, corporation, partnership, association, or trust that is in control of the taxpayer; or a corporation, partnership, association, or trust controlled by an individual, corporation, partnership, association, or trust that is in control of the taxpayer.

(b) *Established.* Industries/businesses may qualify for property tax abatement either by meeting the industry function qualifications detailed in the following subsection (b)(1) or the investment qualifications detailed in the following subsection (b)(2) or the occupancy qualifications detailed in the following subsection (b)(3):

(1) *Qualifying industries/businesses by function.*

- a. Manufacturers and financial institutions as defined by the FCDA, CCBA, and subsequent legislation and home offices and operating units of insurance companies shall be qualifying industries, including, but not be limited to, distributors, transportation (air, rail, barge, truck), printing and publishing, and food processing.
- b. *Investment and employees.* The qualifying industry must invest at least \$1,000,000.00 in a qualifying new or expanded facility in the city and hire at least 20 qualified employees (including owners/operators), 75 percent (75%) of whom shall be city/county residents not employed by the qualifying industry/activity at the time of its relocation/expansion within the city. The council may, at the time of application, reduce the 75 percent (75%) requirement to a lesser percentage, but not less than 50 percent (50%). The qualifying industry agrees to supply information verifying compliance with this section in whatever legally acceptable manner the council shall so request.

- (2) *Qualifying industry/businesses by investment.* Industries/businesses that do not meet the qualifications as specified in subsection (b)(1) of this section can nevertheless qualify for property tax abatement by investing a minimum of \$3,000,000.00 in a new or expanded facility in the city located within the industrial park manufacturing district, industrial park manufacturing 2 district, or the manufacturing district, and hire at least 15 qualified employees (including owners/operators), 75 percent (75%) of whom shall be city/county residents not employed by the qualifying industry/activity at the time of its relocation/expansion within the city. The council may, at the time of application, reduce the 75 percent (75%) requirement to a lesser percentage, but not to less than 50 percent (50%). The qualifying industry agrees to supply information verifying compliance with this section in whatever legally acceptable manner the council shall so request.

- (3) *Qualifying industry/business by occupying a large vacant commercial facility.* Entities that do not qualify for property tax abatement under subsection (b)(1) or (b)(2) of this section can qualify for property tax abatement by (a) purchasing a large vacant commercial facility if the purchase of the large vacant commercial facility will result in the employment of 15 or more full-time employees; or (b) leasing a large vacant commercial facility if the initial lease term is at least ten (10) years, the lease of the large vacant commercial facility will result in the employment of 15 (fifteen) or more full-time employees, and the occupying tenant submits a letter of intent to lease and requests the abatement for either their own benefit when the tax burden is the responsibility of the tenant, or on behalf of the owner when the tax burden is the responsibility of the owner. The demolition of a large vacant building and the construction of a new replacement 20,000 square feet or greater that meets the conditions of (b)(3) of Sec. 102-113. - Qualifications shall qualify for abatement.

(c) *Benefits.*

- (1) The council may abate city real estate taxes on a ten-year sliding scale as follows, or upon any other scale or method deemed most advantageous by the council for the public welfare:

Fiscal Year Construction Ended.	100 Percent (100%) Reduction of Taxes
First (1 st) Year of Operation.	90 Percent (90%) Reduction of Taxes
Second (2 nd) Year of Operation.	80 Percent (80%) Reduction of Taxes
Third (3 rd) Year of Operation.	70 Percent (70%) Reduction of Taxes
Fourth (4 th) Year of Operation.	60 Percent (60%) Reduction of Taxes
Fifth (5 th) Year of Operation.	50 Percent (50%) Reduction of Taxes
Sixth (6 th) Year of Operation.	40 Percent (40%) Reduction of Taxes
Seventh (7 th) Year of Operation.	30 Percent (30%) Reduction of Taxes
Eighth (8 th) Year of Operation.	20 Percent (20%) Reduction of Taxes
Ninth (9 th) Year of Operation.	10 Percent (10%) Reduction of Taxes
Tenth (10 th) Year of Operation.	0 Percent (0%) Reduction of Taxes

- (2) Unless otherwise directed by the council, year one of the abatement period will commence with the first property tax billing following the completion of the qualifying new or expanded facility and the meeting of all requirements as detailed in subsections (b)(1) and (b)(2) of this section. Abatement for expanded facilities will be limited to expansion value only.

- (3) All quarterly property taxes for new construction, as defined in section 49A of the city Charter, will likewise be abated for qualifying new or expanded facilities.
- (4) The property tax abatement program will have no effect on both citywide revaluations of property values for taxation purposes and the institution of those new values.

(d) *Downtown Residential Tax Abatement.* Any persons purchasing residential real property in which they will reside within the area defined as Mary Street to Loockerman Street and Governors Avenue to West Street during the effective date of this section shall be given tax relief from the payment of real estate taxes in the following manner: first year of ownership, total tax abatement; second year of ownership, 75 percent (75%) tax abatement; third year of ownership, 50 percent (50%) tax abatement; fourth year of ownership, 25 percent (25%) tax abatement; fifth year of ownership, no tax abatement. Provided however that the homeowner is required to occupy the home as their principal place of residence during the entire time that the taxes are abated and if the property ceases to be their principal place of residence at any time during the four-year period of abatement, then they shall lose their right of abatement and shall be required to pay immediately all taxes abated up to the time that the home ceases to be their principal residence. In order to obtain the tax abatement, the homeowner must make application by affidavit submitted to the city clerk showing qualification for the abatement and each year thereafter, submit a similar affidavit showing their continued right to the abatement. If qualification for the abatement ceases within the four-year period of abatement the homeowner is required to notify the city clerk of the lack of qualification for the abatement and within 90 days from the date the qualification ceases, pay all taxes abated in the past. In order to be eligible for this program, application must be received by the city prior to August 1, 2010.

First (1 st) Year of Owner Occupancy.	100 Percent (100%) Reduction of Taxes
Second (2 nd) Year of Owner Occupancy.	75 Percent (75%) Reduction of Taxes
Third (3 rd) Year of Owner Occupancy.	50 Percent (50%) Reduction of Taxes
Fourth (4 th) Year of Owner Occupancy.	25 Percent (25%) Reduction of Taxes
Fifth (5 th) Year of Owner Occupancy.	0 Percent (0%) Reduction of Taxes

(Code 1981, § 19.5-33; Ord. of 12-11-2000; Ord. of 8-8-2005(3))

ADOPTED: JULY 11, 2011

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SYNOPSIS

This amendment will provide property tax abatement to an industry/business that occupies, purchases, or leases a large, vacant commercial facility if it is 20,000 square feet or larger, and has been vacant continuously for 18 months or longer, the sale or lease of the building results in the employment of 15 or more full-time employees, and, if the building is leased, the lease must be for ten (10) years or more with the tax burden being the responsibility of the lessee.

Actions History

- July 11, 2011 - Final Reading - Council
- June 27, 2011 - First Reading - Council
- June 13, 2011 - Considered by the Legislative, Finance, and Administration Committee