

Commission on Local Government

Estimate of Local Fiscal Impact

2021 General Assembly Session

Bill: HB2052

Special Session:

Patron: Samirah

Date: 1/20/2021

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Land banks; right of first refusal for tax delinquent parcels. Requires localities that have established a land bank to establish a procedure whereby the land bank shall have a right of first refusal for tax delinquent parcels prior to such property being sold at auction. The price for any such purchase by the land bank shall be \$1 and any court and transaction expenses. If a land bank exercises its right of first refusal to purchase a property from the locality and, in the judgment of the locality, fails to begin rehabilitation of the property or fails to take other action to cause reuse of the property within one year, such as transferring the property to a nonprofit entity, ownership of the property shall revert back to the locality. These provisions may be utilized for any parcel with a value that does not exceed 80 percent of the median value of parcels in the locality.

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### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$250,000,000.00. A majority of localities responded with no cost because they do not have any land bank. Localities that responded with a cost, noted that their estimated cost is based on their lost delinquent taxes on the property. It is worth to note that the highest estimate provided by the locality is a ballpark estimate with no justifications. Also, almost all localities, and a PDC, noted that the bill would have a long term positive fiscal impact on localities.

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### Local Analysis:

**Locality:** City of Alexandria..

**Estimated Fiscal Impact:** \$0.00

No position. City staff note that the City of Alexandria does not have a Land Bank.

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Locality: City of Harrisonburg

Estimated Fiscal Impact: \$0.00

No financial impact at this time.

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**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$0.00

There is no fiscal impact to the City of Manassas. We support this legislation.

**Locality:** City of Norfolk

**Estimated Fiscal Impact:** \$0.00

No Impact

**Locality:** City of Roanoke

**Estimated Fiscal Impact:** \$150,000.00

The local non-profit entity, TAP, is authorized to function as the local Land Bank. The city would lose tax sale proceeds that are typically used to recoup delinquent tax revenues and abatement costs. The Land Bank would also hold the land tax free therefore furthering the loss of taxable property while it is being held. Assuming all RE Tax and nuisance abatement sales are sold to the Land Bank for \$1. Our five-yr average public auction proceeds loss would be \$295,081. If all these properties are removed from tax generating properties at \$1.22 per \$100 assessed property, loss tax revenue for one year would be \$3,660. Not all properties would likely be acquired by the Land Bank entity but with potential income generating opportunities it could be great. Assuming half the properties are acquired by the land bank the localities loss would be \$150,000.

Also to consider when the land bank entity does not sell the property to a non-profit within a year and the property would be transferred to the City. The City does not want to own these properties because they would be a liability should someone get injured on the property.

**Locality:** City of Virginia Beach

**Estimated Fiscal Impact:** \$0.00

There is no established land bank in the City of Virginia Beach.

**Locality:** Fairfax County

**Estimated Fiscal Impact:** \$0.00

There will be no fiscal impact as there are no land banks in Fairfax County.

**Locality:** Montgomery County

**Estimated Fiscal Impact:** \$0.00

Bill would not impact us unless the current language changes.

**Locality:** Rappahannock County

**Estimated Fiscal Impact:** \$95,000.00

This change has significant revenue reduction potential to localities due to the use of the word "shall" in the proposed language. The base case would provide for a public sale at auction to recoup delinquent tax revenue and, possibly the full value of a property if an owner cannot be located within two years. There is no way to accurately determine the impact, but the last tax sale that happened in Rappahannock County allowed our small county to recoup \$95,000 in delinquent taxes, and possibly more if owners do not come forward in two years. While Rappahannock County has not established a land bank program, if we had, the proposed language would be compulsory.

I listed the impact at \$95,000 as a hypothetical.

§ 15.2-7507. Acquisition of property. Currently states: "C. The land bank entity may accept transfers or conveyances from a locality upon such terms and conditions as agreed to by the land bank entity and the locality. Notwithstanding any other law to the contrary, any locality may transfer or convey to the land bank entity real property and interests in real property of the locality on such terms and conditions and according to such procedures as determined by the locality."

The proposed language states: "... shall by ordinance establish a procedure whereby the land bank shall have a right of first refusal for tax delinquent parcels prior to such property being sold at auction. The price for any such purchase by the land bank shall be \$1 ..."

If the instance of "shall" changed to "may" each locality could decide whether it is appropriate and the fiscal impact would be a non-factor.

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Locality: Town of Blacksburg

Estimated Fiscal Impact: \$100.00

At this time, the Town does not have any Land bank. Since we are a town, our properties are taxed at the town level as well as the County level. Therefore we would work in corporation with the County on auctions of delinquent properties. The fiscal impact would be the lost taxes on the property. The Town does not have a large amount of delinquent properties. Amount is calculated on the last auction and the amount of Town real estate that would have been lost if the property went non-taxable. The amount is on an annual basis.

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**Locality:** Town of Christiansburg

**Estimated Fiscal Impact:** \$0.00

The Town of Christiansburg has not established a land bank and does not have plans to.

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Locality: Town of Luray

Estimated Fiscal Impact: \$250,000.00

Private ownership should be prioritized to ensure continued tax base for communities

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**Locality:** Town of Marion.

**Estimated Fiscal Impact:** \$0.00

This is supported by the Marion Office of Community and Economic Development to assist in blight removal

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Locality: Town of Scottsville

Estimated Fiscal Impact: \$0.00

Zero fiscal impact for the Town of Scottsville or similarly situated towns.

The Town does not levy a real estate tax and does not have tax delinquent parcels to auction. We would not be losing any revenue under this bill.

However, most small towns do use real estate tax for core revenue, and they do experience delinquent accounts and auctions. Losing the revenue clawback could be a significant impact for them. I do not know how common such auctions are or what portion of annual revenue comes from auction sales.

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## **Professional and Other Organization**

### **Analysis:**

**Organization:** Northern Neck PDC

Long-term positive fiscal impact on localities if this strategy leads to revitalization of previous under/unutilized property and is accompanied by incentives to promote infill, and not development of additional parcels that might be more risky. Eventual sale or lease of these properties will lead to additional property tax revenue for the locality.

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