

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Betsy B. Carr

3. **Committee** House Finance

4. **Title** Real Estate with Delinquent Taxes or Liens;
Sales by Nonprofit Organizations

2. **Bill Number** HB 535

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow nonprofit organizations selling parcels of real estate encumbered by delinquent taxes or liens acquired from the cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, or Martinsville as a result of the execution of a deed by a special commissioner to sell either (i) both the land and the structural improvements on the property or (ii) only the structural improvements. The bill also requires that a sale of only the structural improvements of such parcels be subject to a ground lease with a community land trust with a term of at least 90 years and the trust must retain the preemptive option to purchase the structural improvements subject to a formula designed to ensure affordability of the improvements to low and moderate income families in perpetuity.

Under current law, the localities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, and Martinsville are, in lieu of a sale at public auction, authorized to petition the circuit court for appointment of a special commissioner to convey title to real estate encumbered by delinquent taxes or liens with an assessed value of \$150,000 or less where the delinquent taxes and liens together comprise at least 20 percent of the assessed value or the taxes alone comprise at least 10 percent of the assessed value. The locality must then also enter into an agreement to sell the real estate to a nonprofit organization to renovate or construct a single-family dwelling on the parcel to be sold to a low income person. Current law does not restrict the sale of these parcels of land or the improvements thereupon by the nonprofit organization.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.**

8. **Fiscal implications:**

This bill would have no impact on state or local administrative costs or revenues.

9. Specific agency or political subdivisions affected:

Cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, and Martinsville

10. Technical amendment necessary: No.

11. Other comments:

Localities have a broad array of tools to collect taxes and liens including collection from the taxpayer's bank account, wages, or income tax refunds, suits against the taxpayer personally, and sale of the real estate to which the tax lien has attached.

Currently, a locality may also seek to convey a parcel or parcels of real estate to the locality instead of selling the property at public auction by petitioning the circuit court for the appointment of a special commissioner to execute a deed to convey the land to the locality if (i) each parcel has delinquent real estate taxes or the locality has a lien against the parcel for removal, repair or securing of a building or structure; removal of trash, garbage, refuse, litter; or the cutting of grass, weeds or other foreign growth, (ii) each parcel has an assessed value of \$75,000 or less, and (iii) such taxes and liens, together, including penalty and accumulated interest, exceed 50 percent of the assessed value of the parcel or such taxes alone exceed 25 percent of the assessed value of the parcel.

Special rules are in place for the cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, and Martinsville. For those cities each parcel must have an assessed value of \$75,000 or less, and (iii) such taxes and liens, together, including penalty and accumulated interest, exceed 35 percent of the assessed value of the parcel or such taxes alone exceed 15 percent of the assessed value of the parcel. Additionally, for parcels with an assessed value of \$150,000 or less and where (iii) delinquent taxes and liens, together, including penalty and accumulated interest, exceed 20 percent of the assessed value of the parcel or such taxes alone exceed 10 percent of the assessed value of the parcel, these cities may petition for the appointment of a special commissioner provided the locality enters into an agreement for the sale of an unoccupied parcel of land to a nonprofit organization to renovate or construct a single-family dwelling on the parcel for sale to a person or persons to reside in the dwelling whose income is below the area median income.

This proposal would place restrictions on the subsequent sale by the nonprofit organization that acquires the real estate from one of the aforementioned eight localities in order to ensure long-term availability of low-income housing.

Proposal

This bill would allow nonprofit organizations selling parcels of real estate encumbered by delinquent taxes or liens acquired from the cities of Norfolk, Richmond, Hopewell, Newport News, Petersburg, Fredericksburg, Hampton, or Martinsville as a result of the execution of a deed by a special commissioner to sell either (i) both the land and the structural improvements on the property or (ii) only the structural improvements. The bill

also requires that a sale of only the structural improvements of such parcels be subject to a ground lease with a community land trust with a term of at least 90 years and the trust must retain the preemptive option to purchase the structural improvements subject to a formula designed to ensure affordability of the improvements to low and moderate income families in perpetuity.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

cc : Secretary of Finance

Date: 1/12/2020 VB
H535F161