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SENATE BILL NO. 501

Offered January 25, 1994

A BILL to amend and reenact §§ 58.1-3245, 58.1-3245.2, 58.1-3245.4 and 58.1-3245.5 of the Code of Virginia, relating to the Tax Increment Financing Act.

Patrons—Colgan, Barry, Benedetti, Calhoun, Chichester, Holland, E.M., Saslaw, Stosch and Woods;
Delegates: Brickley, Diamonstein, Hargrove, Harris, Parrish, Rollison and Wilkins

Referred to the Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-3245, 58.1-3245.2, 58.1-3245.4 and 58.1-3245.5 of the Code of Virginia are amended and reenacted as follows:

§ 58.1-3245. Definitions.

As used in this article, unless the context clearly shows otherwise, the term or phrase:

"Authority" means any industrial development authority created pursuant to the Industrial Development and Revenue Bond Act (§ 15.1-1373 et seq.).

"Base assessed value" means the assessed value of real estate within a development project area as shown upon the land book records of the local assessing officer on January 1 of the year preceding the effective date of the ordinance creating the development project area.

"Blighted area" means any area within the borders of a development project area which impairs economic values and tax revenues, causes an increase in and spread of disease and crime, and is a menace to the health, safety, morals and welfare of the citizens of the Commonwealth; or any area which endangers the public health, safety and welfare because commercial, industrial and residential structures are subject to dilapidation, deterioration, obsolescence, inadequate ventilation, inadequate public utilities and violations of minimum health and safety standards; or any area previously designated as a blighted area pursuant to § 36-48; or any area adjacent to or in the immediate vicinity thereof which may be improved or enhanced in value by the placement of a proposed highway construction project.

"Current assessed value" means the annual assessed value of real estate in a development project area as recorded on the land book records of the local assessing officer.

"Development project" means any project permitted to be financed under the Public Finance Act (§ 15.1-227.1 et seq.), provided that where a county, city or town has contracted with an authority to provide any development project, the term "development project" means any authority facilities as defined in § 15.1-1374 of the Industrial Development and Revenue Bond Act (§ 15.1-1373 et seq.).

"Development project area" means any area designated for development or redevelopment in an ordinance passed by the local governing body.

"Development project cost" has the same meaning as the term "cost" in the Public Finance Act (§ 15.1-227.1 et seq.) and, in the case of blighted areas, includes amounts paid to carry out the purposes described in § 144 (c) (3) of the Internal Revenue Code of 1986, as amended, provided that where a county, city or town has contracted with an authority to provide any development project, the term "development project cost" has the same meaning as the term "cost" in the Industrial Development and Revenue Bond Act (§ 15.1-1373 et seq.).

"Governing body" means the board of supervisors, council or other legislative body of any county, city or town.

"Obligations" means bonds, general obligation bonds and revenue bonds as defined in § 15.1-227.3 of the Public Finance Act (§ 15.1-227.1 et seq.), and any other form of indebtedness which the county, city or town may incur; provided that where a county, city or town has contracted with an authority to provide any development project, the term "obligations" means revenue bonds as defined in § 15.1-1374 of the Industrial Development and Revenue Bond Act (§ 15.1-1373 et seq.).

"Tax increment" means the amount by which the current assessed value of real estate exceeds the base assessed value.

§ 58.1-3245.2. Tax increment financing.

A. The governing body of any county, city or town may adopt tax increment financing by passing an ordinance designating a development project area and providing that real estate taxes in the development project area shall be assessed, collected and allocated in the following manner for so long as any obligations secured by or payable from the Tax Increment Financing Fund, hereinafter authorized, are outstanding and unpaid:

1. The local assessing officer shall record in the land book both the base assessed value and the

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SB501

60 current assessed value of the real estate in the development project area.

61 2. Real estate taxes attributable to the lower of the current assessed value or base assessed value of
62 real estate located in a development project area shall be allocated by the treasurer or director of finance
63 pursuant to the provisions of this chapter.

64 3. Real estate taxes attributable to the increased value between the current assessed value of any
65 parcel of real estate and the base assessed value of such real estate shall be allocated by the treasurer or
66 director of finance and paid into a special fund entitled the "Tax Increment Financing Fund" to pay the
67 principal and interest on obligations issued to finance the development project costs.

68 B. The governing body shall hold a public hearing on the need for tax increment financing in the
69 county, city or town prior to adopting a tax increment financing ordinance. Notice of the public hearing
70 shall be published once each week for three consecutive weeks immediately preceding the public hearing
71 in each newspaper of general circulation in such county, city or town. The notice shall include the time,
72 place and purpose of the public hearing, define tax increment financing, indicate the proposed
73 boundaries of the development project area, and propose obligations to be issued to finance the
74 development project area costs.

75 § 58.1-3245.4. Issuance of obligations for project costs; contracting to finance project costs.

76 A. Any county, city or town which adopts tax increment financing may issue obligations secured by
77 the Tax Increment Financing Fund established in § 58.1-3245.2 to finance the development project costs.
78 All obligations issued pursuant to this section shall be subject to the requirements and limitations of the
79 Public Finance Act (~~Chapter 5-1~~, § 15.1-227.1 et seq., of Title 15.1) and the charter provisions of each
80 county, city or town. The ordinance authorizing the issuance of obligations may pledge all or any part
81 of the funds deposited in the Tax Increment Financing Fund for the payment of the development project
82 costs and any obligations to be issued to finance them. Any revenues in the Tax Increment Financing
83 Fund which are not pledged as security for the obligations issued shall be deemed "surplus funds." At
84 the end of the tax year, all surplus funds, *less any required reserves*, shall be paid into the general fund
85 of the county, city or town in which the development project area is located.

86 A county, city or town may also pledge any part or combination of the following revenues for a
87 period not to exceed the term of the obligations:

- 88 1. Net revenues of all or part of any development project;
- 89 2. All real estate and tangible personal property taxes;
- 90 3. The full faith and credit of the locality;
- 91 4. Any other taxes or anticipated revenues that the county, city or town may lawfully pledge.

92 B. *Any county, city or town which adopts tax increment financing may contract with an authority to*
93 *appropriate money in the Tax Increment Financing Fund established in § 58.1-3245.2 to the authority to*
94 *pay any development project costs or debt service on obligations issued by the authority to finance a*
95 *development project. The resolution authorizing the contract between the county, city or town and the*
96 *authority may, subject to annual appropriation by the governing body of the county, city or town,*
97 *obligate the county, city or town to pay all or any part of the funds deposited in the Tax Increment*
98 *Financing Fund to the authority for the payment of any development project costs or debt service on*
99 *obligations issued by the authority to finance a development project or to create any reserve for such*
100 *costs or debt service as reasonably determined by the authority. Any revenues in the Tax Increment*
101 *Financing Fund which are not paid to the authority shall be deemed "surplus funds." At the end of the*
102 *tax year, all surplus funds, less any required reserves, shall be paid into the general fund of the county,*
103 *city or town in which the development project area is located. Contracts entered into pursuant to the*
104 *provisions of this subsection shall not be deemed to constitute a debt or a pledge of the faith and credit*
105 *or taxing power of the Commonwealth, or any of its potential subdivisions, including the county, city or*
106 *town which is a party to such contract. No county, city or town shall be obligated to pay any amounts*
107 *under any such contract unless funds are appropriated for such purpose each year by its governing*
108 *body.*

109 A county, city or town may, subject to annual appropriation by the governing body of the county,
110 city or town, pay to the authority any part or combination of the following revenues for a period not to
111 exceed the term of the contract:

- 112 1. Net revenues of all or part of any development project;
- 113 2. All real estate and tangible personal property taxes generated by the development project as
114 defined in § 58.1-3245; and
- 115 3. Any other taxes or anticipated revenues that the county, city or town may lawfully pledge.

116 § 58.1-3245.5. Dissolving the Tax Increment Financing Fund.

117 The governing body may pass an ordinance to dissolve the Tax Increment Financing Fund, and to
118 terminate the existence of a development project area, upon the retirement of all obligations secured by
119 or payable from the Tax Increment Financing Fund. When the Tax Increment Financing Fund is
120 dissolved, any revenue remaining in the Fund after payment of all such obligations shall be paid into the
121 general fund of the county, city or town.

122 Upon dissolving the Tax Increment Financing Fund, the real estate shall be assessed and taxes
123 collected in the same manner as applicable in the year preceding the adoption of the tax increment
124 financing ordinance, and pursuant to this chapter.