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HOUSE BILL NO. 2147

Offered January 13, 2025

Prefiled January 7, 2025

A BILL to amend and reenact §§ 58.1-3245 through 58.1-3245.3 and 58.1-3245.5 of the Code of Virginia, relating to tax increment financing; use of other local taxes.

Patron—Milde

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-3245 through 58.1-3245.3 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:

"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.

"Base year tax receipts" means the amount of other local tax receipts generated for the locality within a development project area for the tax year preceding the effective date of the ordinance creating the development project area and allocating other local tax revenues for the purpose described in this article.

"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.

"Current tax receipts" means the annual amount of other local tax receipts generated for the locality within a development project area.

"Development project area" means any area designated for development or redevelopment, including any area designated for a dredging project other than a dredging project for or by the Virginia Port Authority, unless the Virginia Port Authority has an agreement with a local governing body for local financial participation in such a project, 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 (§ 15.2-2600 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.

"Development project cost commitment" means a determination by the local governing body of payment of a sum specific of development project costs from the tax increment and other available funds in a development area.

"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 § 15.2-2602 of the Public Finance Act (§ 15.2-2600 et seq.), and any other form of indebtedness which the county, city or town may incur.

"Other local taxes" means sales and use taxes imposed pursuant to §§ 58.1-605 and 58.1-606, merchants' capital taxes imposed pursuant to Article 3 of Chapter 35 of Title 58.1 (§ 58.1-3509 et seq.), license taxes imposed pursuant to Chapter 37 of Title 58.1 (§ 58.1-3700 et seq.), admissions taxes imposed pursuant to Article 5 of Chapter 38 of Title 58.1 (§ 58.1-3817 et seq.), transient occupancy taxes imposed pursuant to Article 6 of Chapter 38 of Title 58.1 (§ 58.1-3818.8 et seq.), food and beverage taxes imposed pursuant to § 58.1-3833, taxes on meals, admissions, or transient room rentals imposed pursuant to § 58.1-3840, and any taxes, fees, or other charges imposed pursuant to Title 15.2.

"Tax increment" means the amount by which (i) the current assessed value of real estate exceeds the base assessed value or (ii) the current tax receipts of other local taxes exceeds the base year tax receipts.

§ 58.1-3245.1. Blighted areas constitute public danger.

It is hereby found and declared that blighted areas exist in the Commonwealth, and these areas impair and

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59 endanger the health, safety, morals and welfare of the citizens because commercial, residential and industrial
60 structures or improvements are subject to dilapidation, deterioration, inadequate ventilation, and inadequate
61 public utilities. It is a public purpose to provide public facilities including, but not limited to, roads, water,
62 sewers, parks, and real estate devoted to open-space use as that term is defined in § 58.1-3230 within
63 redevelopment and conservation areas to encourage the private development in such areas in order to
64 eliminate blighted conditions. It is essential to the public interest that governing bodies have authority to
65 finance development project costs by using real estate *and other local* tax increments to encourage private
66 investment in development project areas.

67 **§ 58.1-3245.2. Tax increment financing.**

68 A. The governing body of any county, city or town may adopt tax increment financing by passing an
69 ordinance designating a development project area and providing that real estate *and other local* taxes in the
70 development project area shall be assessed, collected and allocated in the following manner for so long as any
71 obligations or development project cost commitments secured by the Tax Increment Financing Fund,
72 hereinafter authorized, are outstanding and unpaid. *In addition, the governing body may provide in its
73 ordinance that revenues from other local taxes that are collected in the development project area shall be
74 assessed, collected, and allocated in the same manner and for the same purpose as real estate tax increments
75 under this article. The governing body may, in its discretion, choose any or all of such other local taxes to be
76 utilized for such purpose.*

77 1. The local assessing officer shall record in the land book both the base assessed value and the current
78 assessed value of the real estate in the development project area.

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

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

87 4. *Other local taxes attributable to the lower of the current tax receipts or base year tax receipts in a
88 development project area shall be allocated by the treasurer or director of finance pursuant to the provisions
89 of this chapter.*

90 5. *Other local taxes attributable to the increased value between the current tax receipts and the base year
91 tax receipts in a development project area shall be allocated by the treasurer or director of finance and paid
92 into a special fund entitled the "Tax Increment Financing Fund" to pay the principal and interest on
93 obligations issued or development project cost commitments entered into for financing development project
94 costs.*

95 B. The governing body shall hold a public hearing on the need for tax increment financing in the county,
96 city or town prior to adopting a tax increment financing ordinance. Notice of the public hearing shall be
97 published three times in each newspaper of general circulation in such county, city or town, with the first
98 publication appearing no more than 35 days before and the third publication appearing no less than seven
99 days before the hearing. The notice shall include the time, place and purpose of the public hearing, define tax
100 increment financing, indicate the proposed boundaries of the development project area, and propose
101 obligations to be issued to finance the development project area costs.

102 **§ 58.1-3245.3. Copies of tax increment financing ordinance to local assessing officer and treasurer
103 or director of finance.**

104 The governing body shall transmit to the local assessing officer and treasurer or director of finance a copy
105 of the tax increment financing ordinance, a description of all real estate located within the development
106 project area, *a description of all other local taxes to be used for the purposes of this article*, a map indicating
107 the boundaries of the development project area, and the manner of collecting and allocating real estate *and
108 other local* taxes pursuant to this article.

109 **§ 58.1-3245.5. Dissolving the Tax Increment Financing Fund.**

110 The governing body may pass an ordinance to dissolve the Tax Increment Financing Fund, and to
111 terminate the existence of a development project area, upon the payment or defeasance of all obligations
112 secured by the Tax Increment Financing Fund and payment or provision for payment of all development
113 project cost commitments. When the Tax Increment Financing Fund is dissolved, any revenue remaining in
114 the Fund after payment or provision for payment of all such obligations and commitments shall be paid into
115 the general fund of the county, city or town.

116 Upon dissolving the Tax Increment Financing Fund, the real estate *and other local taxes* shall be assessed
117 and taxes collected in the same manner as applicable in the year preceding the adoption of the tax increment
118 financing ordinance, and pursuant to this chapter.