

HOUSE BILL NO. 1096

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the House Committee on Finance  
on February 7, 2024)

(Patron Prior to Substitute--Delegate Thomas)

A BILL to amend the Code of Virginia by adding in Chapter 32 of Title 58.1 an article numbered 4.3, consisting of a section numbered 58.1-3246, relating to real property tax; Affordable Housing Real Estate Taxation Rebate Program established.

**Be it enacted by the General Assembly of Virginia:**

**1. That the Code of Virginia is amended by adding in Chapter 32 of Title 58.1 an article numbered 4.3, consisting of a section numbered 58.1-3246, as follows:**

Article 4.3.

Affordable Housing Real Estate Taxation Rebate Program.

**§ 58.1-3246. Affordable Housing Real Estate Taxation Rebate Program.**

A. As used in this article, unless the context requires a different meaning:

"Base assessed value" means the assessed value of real property on which a qualifying project is constructed as shown upon the land book records of the local assessing officer on January 1 of the year preceding the year in which a qualifying project begins construction.

"Current assessed value" means the annual assessed value of real property on which a qualifying project is constructed as recorded on the land book records of the local assessing officer.

"DHCD" means the Department of Housing and Community Development.

"Eligibility letter" means a letter issued to the owner of a qualifying project pursuant to subsection C that certifies that the qualifying project shall be eligible for the rebate authorized by this section.

"Federal low-income housing tax credit" means the federal tax credit as provided in § 42 of the Internal Revenue Code, as amended.

26 "Housing opportunity tax credit" means the tax credit created by Article 13.4 (§ 58.1-439.29 et  
27 seq.) of Chapter 3.

28 "Increase in taxes imposed" means the increase in the amount of real property taxes imposed on a  
29 qualifying project as a result of the increase in value.

30 "Increase in value" means the amount by which the current assessed value of real estate exceeds  
31 the base assessed value.

32 "Qualified project area" means an area designated by the local governing body for redevelopment  
33 or rehabilitation as provided in an ordinance passed pursuant to § 58.1-3219.4.

34 "Qualifying project" means a real estate construction project located in a qualified project area (i)  
35 that has received all necessary approvals from the locality regarding zoning or other requirements to build  
36 affordable housing, (ii) for which the owner has an active application for the federal low-income housing  
37 tax credit or the housing opportunity tax credit, and (iii) that consists of a multifamily housing  
38 development of at least 50 units. A "qualifying project" may involve either new construction or  
39 rehabilitation of existing structures.

40 "Rebate" means an amount equal to the increase in taxes imposed. Such amount shall be paid to  
41 the owner of a qualifying project that receives an eligibility letter as provided in this section.

42 "State rebate" means the portion of a rebate that is to be paid by DHCD pursuant to subsection D.

43 B. There is hereby established the Affordable Housing Real Estate Taxation Rebate Program (the  
44 Program). The purpose of the Program shall be to provide rebates of a portion of real property taxes  
45 imposed by a locality to owners of qualifying projects.

46 C. DHCD shall administer the Program and shall establish an application process to determine  
47 whether a project is a qualifying project. Upon determination that a project is a qualifying project, DHCD  
48 shall issue a letter to the owner of the qualifying project certifying that the qualifying project is eligible  
49 for the rebate authorized by this section.

50 D. 1. Upon the issuance of an eligibility letter, DHCD shall submit such letter to the owner of the  
51 qualifying project and the locality in which the qualifying project is located. Additionally, as soon as  
52 practicable, DHCD shall transfer to such locality 50 percent of the rebate for such qualifying project.

53 2. After (i) receipt of the owner's real property taxes for the applicable taxable year and (ii) a  
54 request from such owner for the rebate, the locality shall provide to the owner of the qualifying project  
55 the full amount of the rebate authorized by this section.

56 3. The rebates required by subdivisions 1 and 2 shall be paid annually for up to five years.

57 E. Rebates shall be provided on a first-come, first-served basis. No more than \$3 million of state  
58 rebates shall be provided by the Program per fiscal year, and no more than an aggregate of \$15 million of  
59 state rebates shall be provided across all years. The Program shall be authorized for five years, beginning  
60 with the first fiscal year in which DHCD issues an eligibility letter to a qualifying project pursuant to  
61 subsection C.

62 F. For purposes of this section, the amount of any rebate attributable to a qualifying project owned  
63 by a partnership, electing small business corporation (S corporation), or limited liability company shall be  
64 allocated to the individual partners, shareholders, or members, respectively, in proportion to their  
65 ownership or interest in such business entities.

66 G. DHCD, in consultation with the Department, shall establish guidelines to administer the  
67 Program. Such guidelines and criteria shall be exempt from the Administrative Process Act (§ 2.2-4000  
68 et seq.)

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