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## **Virginia Tax Increment Financing**

### TITLE 58.1. TAXATION SUBTITLE III. LOCAL TAXES CHAPTER 32. REAL PROPERTY TAX ARTICLE 4.1. TAX INCREMENT FINANCING

#### **§ 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.

"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 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 (§ 15.2-2600 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.

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

### **§ 58.1-3245.1. Blighted areas constitute public danger; promotion of economic development**

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

### **§ 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 or development project cost commitments secured by 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 current assessed value of the real estate in the development project area.

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

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

commitments entered into to finance the development project costs.

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

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

The governing body shall transmit to the local assessing officer and treasurer or director of finance a copy of the tax increment financing ordinance, a description of all real estate located within the development project area, a map indicating the boundaries of the development project area and the manner of collecting and allocating real estate taxes pursuant to this article.

**§ 58.1-3245.4. Issuance of obligations for project costs**

Any county, city or town which adopts tax increment financing may issue obligations and may make development project cost commitments secured by the Tax Increment Financing Fund established in § 58.1-3245.2 to finance the development project costs. All obligations issued pursuant to this section shall be subject to the requirements and limitations of the Public Finance Act (Chapter 26, § 15.2-2600 et seq., of Title 15.2) and the charter provisions of each county, city or town. The ordinance authorizing the issuance of obligations may pledge all or any part of the funds deposited in the Tax Increment Financing Fund for the payment of the development project costs and any obligations to be issued to finance them. Any revenues in the Tax Increment Financing Fund which are not pledged as security for the obligations issued or allocated for development project cost commitments shall be deemed "surplus funds." At the end of the tax year, all surplus funds may be paid into the general fund of the county, city or town in which the development project area is located. The local governing body may agree, in writing, to pay all or a portion of any project development cost in annual installments from the tax increment and other available funds.

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

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

**§ 58.1-3245.4:1. No annual debt limits for certain cities**

The Cities of Chesapeake and Virginia Beach, when issuing debt obligations pursuant to § 58.1-3245.4 shall not be subject to any annual debt limitations set forth in the charter provisions of such city.

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

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

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