

MEMORANDUM

TO: MAYOR AND CITY COUNCIL

FROM: PAUL D. WILBER

RE: HOMEOWNER CONVERSION TAX ABATEMENT PROGRAM

DATE: December 17, 2004

The Mayor and Council have reviewed the increasing number of rental residences versus owner-occupied residences in the City, and have determined that an incentive program would spur converting rental residences into owner-occupied residences. One incentive is a real estate tax abatement program for a qualified residence.

The homeowner conversion tax abatement program ordinance includes these features:

1. A definition section which defines a residence as owner-occupied, occupied by the owner for at least six (6) months of a twelve-month period, or the lot on which the house is erected.
2. To be qualified for the program, a property must have been used as a rental property for at least three (3) prior years and is being purchased to be converted into an owner-occupied family residence, which will be actually occupied within one (1) year of purchase.
3. The applicant continues in the real estate tax abatement program for nine (9) years, or sells the property to a person who will use the property as an owner-occupied family residence for the remainder of the nine (9) year period, or the owner will repay the City all taxes abated during the period of ownership.
4. The program provides for the abatement of all City real estate taxes for five (5) years, and then a decreasing abatement for the next four (4) years.

5. If the residence is no longer an owner-occupied family residence, then the abatement program is terminated and a property tax is due for each taxable year beginning with the first year in which the owner received a tax abatement.

6. The abatement program will be administered by the Department of Finance.

PDW/mam

**CITY OF SALISBURY
ORDINANCE NO. 1922**

AN ORDINANCE OF THE MAYOR AND THE COUNCIL OF THE CITY OF SALISBURY TO CREATE A NEW CHAPTER 3.20 OF THE CITY OF SALISBURY MUNICIPAL CODE ADDRESSING A HOMEOWNER CONVERSION TAX ABATEMENT PROGRAM.

WHEREAS, the City of Salisbury has experienced a reduction in the use of real property as owner-occupied residences each year for at least the past ten years; and

WHEREAS, a disproportionate share of all single-family residential structures located within the City of Salisbury are currently being occupied as rental property; and

WHEREAS, the Mayor and City Council have determined that the over abundance of rental property within the City limits causes problems with noise and parking in the City's neighborhoods; and

WHEREAS, the Mayor and City Council have determined that rental properties create an extra burden on City services such as trash collection, police and fire response and water and sewer services; and

WHEREAS, the Mayor and City Council of the City of Salisbury have determined that the conditions of some rental properties within the limits of the City of Salisbury have deteriorated and are in need of improvement; and

WHEREAS, the Mayor and City Council desire to encourage the conversion of rental properties to owner-occupied residential use.

NOW, THEREFORE, be it enacted and ordained by the City Council of the City of Salisbury, in regular session, as follows:

Chapter 3.20

Homeowner Conversion Tax Abatement Program

3.20.010 Definitions.

As used in this Chapter, the following terms shall have the meanings indicated:

“Applicant” means an owner of a qualified residence who applies for the tax abatements described herein.

“Family” retains the meaning it is given under Title 17 herein.

“Owner” means an individual who has a legal interest in a dwelling.

“Program” means the Homeowner Conversion Tax Abatement Program.

“Qualified residence” means any residence meeting the criteria established in Section 3.20.020 and located within the corporate limits of the City of Salisbury.

“Residence” means:

1. A house that is:

A. Occupied as the principal residence of the homeowner; and

B. Actually occupied or expected to be actually occupied by the

homeowner for more than 6 months of a 12-month period beginning with the date of finality for the taxable year for which the property tax abatement under this section is sought, unless the homeowner does not actually reside in a dwelling for the required time period because of illness or need of special care; and

2. The lot on which the house is erected.

3.20.020. Tax Abatement.

A. Residential real property that is converted from use as a rental property to use as an owner-occupied family residence shall be subject to a tax abatement as described herein, if the applicant provides sufficient proof of the following:

1. The property has been used as a rental property for at least three (3) years immediately prior to purchase by the applicant;
2. The applicant purchased the property with the intent of converting the property to use as an owner-occupied family residence;
3. The applicant intends to occupy the home within one year of purchase as an owner-occupied family residence; and
4. The applicant agrees to continue to use the property as an owner-occupied family residence for nine years from the date of closing, or sell it only to a person who will use it as an owner-occupied family residence until the expiration of nine years from the date of closing, or pay the City for all taxes abated during the period of his ownership.

B. A qualified property that is used as an owner-occupied family residence shall be eligible for the following tax abatements:

1. Qualified residence shall be exempt from city property tax for five (5) years from the date of closing.
2. In year six (6) of participation in the program, the qualified residence shall be taxed at a rate equal to 20% of the then-prevailing tax rate for residential real property in the City.

3. In year seven (7) of participation in the Program, the qualified property shall be taxed at a rate equal to 40% of the then-prevailing tax rate for residential real property in the City.
4. In year eight (8) of participation in the Program, the qualified property shall be taxed at a rate equal to 60% of the then-prevailing tax rate for residential real property in the City.
5. In year nine (9) of participation in the Program, the qualified property shall be taxed at a rate equal to 80% of the then-prevailing tax rate for residential real property in the City.
6. Thereafter, the qualified residence shall be taxed at the then-prevailing tax rate for residential real property in the City.

C. Termination of Participation in Program.

1. A residence's participation in the Program is terminated when, before the end of an agreement made under subsection A(4) of this Section, the residence subject to the agreement:
 - a. Ceases to be used as a owner-occupied family residence; or
 - b. Is conveyed to a new owner, unless the new owner of a qualified residence accepts the obligations of an agreement made under this Chapter; or
 - c. Otherwise fails to meet the criteria for a qualified residence under this Chapter.

2. When a qualified residence's participation in the Program is terminated, a property tax is due for each taxable year beginning with the first taxable year in which the qualified residence's owner received a tax abatement under this Chapter.

D. Implementation.

1. To administer the Program, the Department of Finance of the City of Salisbury shall distribute and receive any forms that are required for application to the Program, agreement to participate and an annual certification of qualification.
2. Each applicant shall file a certificate of qualification by April 1 of each year with the Department of Finance in order to remain eligible for the tax abatement program.

AND BE IT FURTHER ENACTED AND ORDAINED BY THE COUNCIL OF THE CITY OF SALISBURY, that this ordinance shall take effect upon final passage.

THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the ____ day of _____, 2004, and having been published as required by law, in the meantime, was finally passed by the Council on the ____ day of _____, 2004.

Brenda J. Colegrove, City Clerk

Michael P. Dunn,
President of the Council of
the City of Salisbury

Approved by me, this _____
day of _____, 2005.

Barrie P. Tilghman,
Mayor of the City of Salisbury