



# City of Hampton

22 Lincoln Street  
Hampton, VA 23669  
www.hampton.gov

## Council Approved Minutes - Final City Council Work Session

*Mayor George Wallace*  
*Vice Mayor Linda D. Curtis*  
*Councilmember W.H. "Billy" Hobbs*  
*Councilmember Will Moffett*  
*Councilmember Teresa V. Schmidt*  
*Councilmember Chris Snead*  
*Councilmember Donnie R. Tuck*

*STAFF: Mary Bunting, City Manager*  
*Vanessa T. Valldejuli, City Attorney*  
*Katherine K. Glass, CMC, Clerk of Council*

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**Wednesday, February 10, 2016**

**1:00 PM**

**Council Chambers**

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### CALL TO ORDER

Mayor Wallace called the meeting to order at 1:06 p.m.

**Present** 7 - Vice Mayor Linda D. Curtis, Councilmember Billy Hobbs, Councilmember Will Moffett, Councilmember Teresa V. Schmidt, Councilmember Chris Snead, Councilmember Donnie R. Tuck, and Mayor George Wallace

### GEORGE E. WALLACE PRESIDED

### AGENDA

1. [16-0049](#) Budget Briefings - City Real Estate Assessments and Commissioner of the Revenue Presentation on Tax Relief Program for Elderly and Disabled and Recreational Vehicle Taxes and Fees

**Attachments:** [Reassessment Process Presentation](#)  
[Tax Relief Presentation](#)

City Manager Mary Bunting noted that between now and May, there would be different budget discussions. She summarized today's discussion and introduced Mr. Brian Gordineer, City Assessor. She stated that Hampton completes its preliminary Land Book before other localities, so that information will be provided as it is available.

Mr. Gordineer provided a presentation to Council on Hampton's Preliminary Land Book for FY2017. He emphasized that it is preliminary because the

Office of the Assessor of Real Estate will continue to process new construction through July 1st. This is the general reassessment, and there were only 571 Fair Market Value sales, excluding transfers between relatives and sales made under duress.

Mr. Gordineer stated that the appraisal team's goal is to assess at 100% of Fair Market Value and maintain equity between comparable properties. The general assessment is conducted on a neighborhood basis for residential properties, and a property class basis for commercial properties. The guiding measure for an appraiser is the Assessment Sales Ratio. This is the assessment divided by the sales price. These are looked at on an individual basis by property, as well as a neighborhood or property class basis. Other statistics used include trends from the prior year, current listings, and the quality of transfers.

Mr. Gordineer noted that during this presentation last year, the numbers were at  $-.02\%$  on the total value and a  $+.07\%$  on taxable value. Those numbers increased by July 1st, and taxable value was over 1%. He stated that the FY2017 numbers are likely to increase by July 1st.

Mr. Gordineer stated that the highest total value the City has experienced is approximately \$15.1 billion.

Mr. Gordineer noted that the residential market is stable overall. Townhouses and condominiums are struggling, which is not unique to Hampton or atypical in this market.

Mr. Gordineer clarified that decreases on the assessment map may reflect changes over several years if there was not enough market evidence within a neighborhood to make a change definitively in the past one to two years. He stated that the changes should be viewed as more of a cumulative change than a snapshot of this particular year.

Mr. Gordineer noted that in the past in commercial real estate, the hotel and office markets had been struggling, but they appear to be stabilizing.

Mr. Gordineer noted that when the single-family market is distressed, the multi-family market usually increases. This area has seen dramatic

improvement over last year.

Vice Mayor Curtis asked how new properties factor into the numbers being presented, as their values would go from nothing to something. Mr. Gordineer stated that these numbers were being captured in the increased values.

Mr. Gordineer stated that although exempt properties do not affect the City's taxable Land Book, his office tracks those property values, so that if a property loses its exemption status for any reason, there will be accurate information available.

Mayor Wallace asked if the increased percentage of exempt properties is a result of additional pieces of property or an increased value of property already exempted. Mr. Gordineer stated that this year it was a combination of both. Every two to three weeks, his office receives an exemption application for properties. Even if they are small properties, it can add up.

Councilwoman Snead asked if the increase could be attributed to the Veterans' exemption program, or if it was an overall increase. Mr. Gordineer stated that it was an overall increase. From year to year, the Veteran exemptions are relatively stable, as are land use and rehabilitation tax credits. Councilwoman Snead asked if it was increased due to people taking advantage of the deferral program. Mr. Gordineer stated that some of the increase is due to new properties, such as religious organizations. There is a moratorium on exemptions by designation, so there is no increase in that area.

Councilwoman Schmidt asked if deferrals are categorized as exemptions while they are in deferral status. Mr. Gordineer confirmed that they are included in the exemption category.

Ms. Bunting asked about the supplement process for new properties that open in the middle of the fiscal year. Mr. Gordineer stated that when a property opens, it is supplemented to the Land Book from the point that it opens until July 1st, when it is then added to the Land Book permanently at the full value.

Mayor Wallace asked what a transfer includes. Mr. Gordineer stated that transfers include anything that is recorded regarding real estate at the Courthouse. Mayor Wallace asked if this included home and retail property sales. Mr. Gordineer confirmed that these are included.

Mr. Gordineer noted that the City's median sale price for homes in FY2015 was \$199,000. Up through the month of January that has increased to \$204,000.

Mr. Gordineer stated that economists correlate the real estate market to employment. The rule of thumb is that real estate housing lags employment by sixteen to eighteen months.

Councilman Tuck stated that his property value has dropped approximately 5% this year. This was also true of the neighbors on his side of the street, as well as the houses similarly situated on the water one street over. He noted that Mr. Gordineer's residential assessment map seemed to show that houses near water experienced between 1% and 6% decline. He asked why this happened, and if it was due to flooding. Mr. Gordineer reiterated that the change Councilman Tuck received this year may not be just due to market evidence in 2015, and may actually relate to a longer span where there was not enough definitive market evidence to make a change. He noted again that neighborhoods are viewed on a neighborhood basis, so each neighborhood is viewed independently, although the appraiser is looking at adjacent neighborhoods to maintain equity. He noted that there were no changes this year in Buckroe or the Salt Ponds areas, but there were changes there last year.

Councilwoman Schmidt stated that she had asked the same question to Mr. Gordineer over email, and whether it was related to flooding. He had responded to her that it was based on the sale of homes. She commented she cannot help but think that a lot of it is related to flood insurance, which can be thousands of dollars more than a regular mortgage payment. She stated that new Buckroe and Salt Ponds homes are built higher, and might not have to pay flood insurance.

Councilman Tuck provided a specific example of a home sale price last year of \$307,000, and asked about the FY17 assessment related to that sale

price. Mr. Gordineer stated that his office looks at all of the sales happening in a neighborhood statistically. The assessment sales ratios may range between home sales. His office uses a computer assisted mass appraisal system that takes into consideration the age, quality, condition, and the materials of the houses, depreciating them by cost. That depreciated cost is calibrated to the market sales.

Councilman Tuck noted that there has not been a change in assessed value in Farmington for five years. He asked if this meant there were no sales in that area. Mr. Gordineer stated that he would have to see the specific file from the appraiser. Even the assessment sales ratio can be deceiving, and the appraiser has the benefit of additional in-depth research. He encouraged anyone who has questions about their specific assessments to contact the Office of Real Estate Assessments, and the appraiser will go through the neighborhood work files with them.

Ms. Bunting summarized the next topic and introduced Ms. Mary Joyner, Tax Management Specialist, who would be leading a presentation on behalf of Mr. Ross Mugler, Commissioner of Revenue.

Ms. Joyner provided Council with a presentation on the City's real estate tax relief programs and recreational vehicle tax rates.

During the presentation, Mayor Wallace noted that he would like to continue to grandfather those already in the exemption program.

Ms. Joyner noted that mortgage companies do not allow tax deferrals. Mortgages include any type of loan where the home is collateral. The deferral is a lien on the property, and the City's lien has higher priority than the mortgage company's lien. She also noted that 15% of the total participants in FY16 grandfathered exemption program have a mortgage.

Ms. Joyner stated that the State mandated disabled veteran tax relief program is without regard to the fiscal impact to localities, does not provide an alternate source of revenue to offset the decrease, and is not means-tested. This means that there is no consideration for the individual's income nor their net worth. The average disabled veteran's home value is approximately \$191,000, while the average home value in the real estate tax

exemption program is approximately \$125,000.

Councilwoman Schmidt asked if the tax freeze was based on the rate or the assessment. Ms. Joyner clarified that the tax freeze was based on their total payment in the year in which they entered the program. The freeze is without regard to what a future assessment or tax rate might be, except when it results in a decrease. Councilwoman Schmidt asked if a decrease would lower the freeze point. Ms. Joyner stated that it would stay at the original freeze point.

Ms. Bunting noted that Mayor Wallace has suggested permanently grandfathering those who are in the exemption program now. Staff is in support of that proposal. In spite of the City's best efforts to help citizens understand and become more comfortable with the freeze and deferral options, there has not been a lot of success in reducing the anxiety or concerns of those in the program. The City did not intend to cause that anxiety, and there will be a natural attrition. She is comfortable recommending a permanent grandfathering, as long as the enrollees are meeting the requirements. She asked for concurrence from Council.

Both Vice Mayor Curtis and Councilman Hobbs voiced their support.

Councilman Tuck also concurred with the suggestion and asked if a motion was necessary. Ms. Bunting stated that it was up to Council. Mayor Wallace noted that it would be included in the budget voting in May.

Councilman Tuck stated that although motions are not generally made in the work sessions, he wanted to provide clear guidance for staff. City Attorney Vanessa Valldejuli noted that the motion should include the amending of the existing ordinance, as it includes a sunset clause.

Councilwoman Schmidt noted that she supports the program, but would like to refine some aspects of the program. She asked Ms. Valldejuli if the net worth requirement could be reduced. Ms. Patricia Melochick, Senior Deputy City Attorney, stated that the State Code allows the City to set whatever parameters it chooses in regards to this particular program. Councilwoman Schmidt stated that she would like to grandfather what is already in existence, but in the future would like to consider changing the cap of the net

worth, as she believes \$200,000 is a high net worth. Mayor Wallace asked for clarification. Councilwoman Schmidt clarified that she would want to lower it if there is a problem affording the program in the future.

Following the vote, Ms. Bunting summarized the history of the recreational vehicle (RV) tax rate. Until the current fiscal year, the City had a zero tax or fee with boats. This was done with the intention of getting more boats to locate in Hampton to receive an economic impact from boat owners. When this was done, there was a contingent of citizens who owned RVs that made an equity argument. The Council at that time decided to do the same for RVs.

Ms. Bunting stated that there were two different arguments. The boat tax was not lowered because it was a recreational vehicle, but because of the economic impact that could be achieved. The RV argument was more because one recreational vehicle class was being treated differently.

Ms. Bunting stated that last year, there was discussion of bringing some reasonable payment from boat owners who are docking in Hampton without causing them to move. Poquoson still has a zero personal property boat tax, so the City did not want to raise the personal property tax; however, the City felt it was appropriate for boat owners to contribute to the City's waterway enhancements. Council ultimately adopted a fee for registration of boats in the community that is very similar to the motor vehicle license fee on cars. Now, effectively, the City is taking more from boat owners than it is taking from RV owners, so the equity argument has been reversed.

Ms. Bunting stated that this is more of an equity question for Council to consider, not a budget question. This is being brought forward at Council's request last year.

Ms. Joyner presented a chart of the current and proposed fees. The total increase in revenue would only equate to approximately \$19,333. If the tax rate was changed to \$1.00 per \$100 of assessed value, there would be approximately \$178,459 revenue increase.

Ms. Melochick noted that the City had greater flexibility with the boat license fee. The State Code mandates the maximum fee for these types of RVs.

Ms. Bunting stated that staff can do additional modeling, if Council so desires. This is not an item that needs action.

Vice Mayor Curtis noted that the boat fees were implemented to help fund the waterway enhancements, from which boat owners directly benefit. She asked if anything similar would be done for the RV and trailer owners. Ms. Bunting stated that there is no specific initiative that this increased revenue could be tied to.

Councilwoman Schmidt noted that when Council voted to impose a boat fee, it was trying to capture some revenue from nonresidents who kept their boats in Hampton. However, someone who owns a motorhome or trailer in the City more than likely lives in Hampton. Ms. Bunting agreed that this rate was not implemented for an economic impact.

Mayor Wallace stated that while he cannot say he supports making any changes, it is not possible to say that RV owners do not impact the City or use its services. They are heavier vehicles that wear on the streets and roads.

Ms. Bunting stated that if Council would like to include this in the budget process, those rates would need to be advertised, but she is not building a budget scenario that includes this revenue.

Councilwoman Snead stated that she would need more time to look at this. She believes that RVs should be taxed, although not at the same rate as a vehicle. She stated that an increased license fee might be a better suggestion. An RV is far more costly than a vehicle, which she believes is a necessity, and people pay taxes on those. However, the contribution through a license fee is small, so she would need to consider it more.

Mayor Wallace asked if Council needed additional modeling. There was no response from Council.

Councilman Moffett stated that he does not like taking money just because he can. He would prefer to look at this later, modeling other scenarios in the fall. He does not see a need for this at the moment. There was general agreement from Council on this suggestion.



Presented by Brian Gordineer, City Assessor, who gave information on Hampton's real estate assessments and by Mary Joyner, Tax Management Specialist in the Commissioner of the Revenue's Office, who provided information on the real estate tax relief program and also on recreational vehicles taxes and fees.

- 2. [16-0072](#) Motion to permanently institute the exemption program for those in the program as of July 1, 2014, and direct staff to amend the existing ordinance appropriately.

A motion was made by Councilmember Tuck, seconded by Councilmember Snead that this agenda item be approved. The motion carried by the following vote:

**Aye:** 7 - Vice Mayor Curtis, Councilmember Hobbs, Councilmember Moffett, Councilmember Schmidt, Councilmember Snead, Councilmember Tuck and Mayor Wallace

**REGIONAL ISSUES**

**NEW BUSINESS**

**CLOSED SESSION**

- 3. [16-0010](#) Closed session pursuant to Virginia Code Sections 2.2-3711.A.1, .5, and .7 to consider an appointment to the Hampton Coliseum Advisory Board; to discuss a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in Hampton; and to consult with legal counsel employed or retained by the City regarding public safety matters, floodplain management regulations, hotel regulations, and actual or probable litigation requiring the provision of legal advice by such counsel.

A motion was made by Vice Mayor Curtis, seconded by Councilmember Schmidt that this agenda item be approved. The motion carried by the following vote:

**Aye:** 7 - Vice Mayor Curtis, Councilmember Hobbs,  
Councilmember Moffett, Councilmember Schmidt,  
Councilmember Snead, Councilmember Tuck and Mayor  
Wallace

4. [16-0025](#) Consideration of appointments to Coliseum Advisory Board  
Action will be taken during the legislative session.

**CERTIFICATION**

5. [16-0021](#) Resolution Certifying Closed Session  
A motion was made by Councilmember Moffett, seconded by  
Councilmember Snead that this agenda item be approved. The  
motion carried by the following vote:

**Aye:** 7 - Vice Mayor Curtis, Councilmember Hobbs,  
Councilmember Moffett, Councilmember Schmidt,  
Councilmember Snead, Councilmember Tuck and Mayor  
Wallace

**ADJOURNMENT**

The meeting adjourned at 5:55 p.m.

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George E. Wallace  
Mayor

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Katherine K. Glass, CMC  
Clerk of Council

Date approved by Council \_\_\_\_\_