



City of Hampton

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

Council Approved Minutes - Final City Council Work Session

Mayor Donnie R. Tuck
Vice Mayor Jimmy Gray
Councilmember Chris L. Bowman
Councilmember Steven L. Brown
Councilmember Hope L. Harper
Councilmember Billy Hobbs
Councilmember Martha Mugler

STAFF: Mary Bunting, City Manager
Steven D. Bond, Interim City Attorney
Katherine K. Glass, CMC, Clerk of Council

Wednesday, January 24, 2024

1:00 PM

Council Chambers

CALL TO ORDER

Mayor Tuck called the meeting to order at 1 p.m. All members of the City Council were present.

Present 7 - Councilmember Chris L. Bowman, Councilmember Steven L. Brown, Vice Mayor Jimmy Gray, Councilmember Hope L. Harper, Councilmember Billy Hobbs, Councilmember Martha Mugler, and Mayor Donnie R. Tuck

DONNIE R. TUCK PRESIDED

AGENDA

1. [24-0027](#) Budget Briefings - City Real Estate Assessments

Attachments: [Presentation](#)

Ms. Bunting introduced Ms. Libby Griebel, Interim City Assessor to make the presentation. Mr. Jonathan Garner, Real Estate Assessments Manager, was also present.

Ms. Griebel shared that Mr. Garner is the person who runs all the numbers and sets up the report, so if there are number questions, he is who is asked. He leads the admin team, and the appraisers, both commercial and residential. They have worked very hard to produce this reassessment this year.

Ms. Griebel provided the reassessment recap for Fiscal Year (FY) 25. The number of sales and transfers for the calendar year 2023 has been considerably less than it has been. Sales in general have decreased. The qualifying arm lengths sales have

also declined. These are sales that include remodels, flips, and new construction. Foreclosures have also declined. The median sale price has increased. That is a national trend overall even though the number of transfers has declined and the actual median sale price of homes in Hampton has increased to \$266,000.

Ms. Griebel displayed a chart of the total assessed value of \$21.1 billion which is made up of residential, multi-family, commercial, and exempt property values. Residential accounts for approximately 55% of the total. Assessed values have continued to increase since 2006.

In response to Councilwoman Harper, Ms. Griebel explained that the exempt category includes schools, government offices, churches, and exempt housing.

There are approximately 51,479 total parcels, 44,511 of which received assessment notices. This is less than the previous year. The residential value increase was 6.7% which is less than in previous years, however, it is typical of the market conditions at this time. The residential assessment value change includes only single-family, condos, and townhomes. No new construction or permit work is included in these values. The median assessment value is \$239,800 versus \$223,100 in FY24, an increase of \$14,300. Ms. Griebel displayed a chart showing the number and percentage of parcels that had changes of various percentages. For example, 36.8% of the parcels had a 1-5% change in value, 24.8% had a 6-10% change in value, and so forth. Some are listed as “no change” but received notices based on a reallocation of value, even though there was no change in the overall value. These had a reallocation between land and improvements.

The next slide was a map broken down into quadrants that showed the percentage changes for various areas of the City. Most were in the 1-20% range. The major changes were in Kings Square, Mallard Point, Lockhaven, Welcome Park, Crystal Lake Condominiums, Granger Court, Hampton Club, and Central Park Townhomes which had a 16-20% change. Highland Park, Curles Neck, and Compass 19 Condominiums had decreases.

Multifamily assessment change had a slight increase of .8%. The high interest rates have caused an increase in capitalization (CAP) rates, which in turn lowers the value. Sales have not reflected the robust market we had when cap rates hit historic lows at 3% and lower. That is the main reason that multi-family has increased very slightly.

In response to Mayor Tuck, Ms. Griebel explained that the CAP rate is the return on investment, or what the investor expects to make on the property. If interest rates are high, they won't pay as much because it affects their return on investment.

The multi-family used an income approach to value. Each year the appraiser looks at the income and expense statements that come into the office to get a value. Net income is divided by the CAP rate that the investors are seeking today. That is how they determine the value. For the most part, the information comes from the income and expense statements from the apartment complexes, however, some do come from national, regional, and local trends.

Mayor Tuck stated that he received an email last night from someone saying that several apartments have almost doubled their rent. He asked Ms. Griebel how that is reflected in the assessment. She explained that it is reflected if income and expense information is turned into the assessor's office to be evaluated. She noted that rent has remained strong overall and vacancy rates have been stabilized throughout the area. However, investors are not seeing what they expected in the higher-end luxury category.

In response to Vice Mayor Gray, Ms. Griebel stated that the multi-family complexes are not required to turn in income and expense information as part of the assessment, but they are strongly encouraged to do so. Typically a lot of the appeals come from large multimillion-dollar projects so they are often eager to give their income and expenses for the appraiser to look at to see that the value is right. If they have not submitted it previously, then the appraiser has to assume that that apartment complex has similar rent and income as others and will base the assessment on that. If an apartment complex comes and asks for the appraiser to reevaluate their value, the first thing they would have to do is turn in their information. Without it, no changes would be made.

Vice Mayor Gray shared that what Council hears from many of the apartment owners is that their vacancy rates are very low and many are 100% occupied. He asked Ms. Griebel if the CAP rate is causing luxury apartments to rent below market rate. Ms. Griebel stated that she is not saying they are renting below market rate, but the investor's expectation that rent would increase over time is not being met.

There was a 3.1% commercial assessment change overall. Storage units, daycares, dealerships, and service garages all increased. There were minimal gains in industrial, restaurants, banks, hotels, fast food, and offices.

There was an 11.1% change in exempt assessments. The exempt category includes federal, state, regional, local, Federal Emergency Management Agency (FEMA), Economic Development Authority (EDA), Hampton Redevelopment and Housing Authority (HRHA), City Schools, the Community Development Authority (CDA), and Classification and Designated properties by the General Assembly. The reason for

the increase is that last year after the notice file and the land book, the assessor's office took a harder look at some of the older schools and increased their values. Fort Monroe and Hampton University (HU) also had increases this year. HU had the largest increase overall because they were significantly low. A project to revalue the buildings was started many years ago and due to lack of staff, it kept being pushed to the back burner. An assessor restarted the project two years ago and worked closely with the project manager at HU to obtain information on the different buildings.

The assessment value for land use deferral decreased by \$209,000 or 1.4%. This results in more money coming into the City because the amount being deferred has decreased.

The rehabilitation tax credit decreased by \$4.1 million or 40.9%. Three parcels went from full-credit to half-credit the first three years to half-credit the last three years which increased the assessed value.

In response to Councilman Brown, Ms. Griebel explained that the rehabilitation tax program is a six-year program. If someone takes out an application for the program, they get a 100% tax credit from the starting value for the first three years. For the last three years, they get a 50% tax credit.

Taxable value change had an overall value increase of \$776 million or 5.2% after all exemptions were taken out. This includes land use, deferral, rehab tax credit, elderly, disabled, disabled veterans, and deferred tax properties.

Ms. Griebel provided information on the current market conditions. Housing prices are still high even with the elevated mortgage rates. There is also low inventory. It is estimated that four out of five homeowners have mortgage rates below five percent and are not willing to let go of them. In 2008 there were so many defaults that it created a surge of inventory and a housing bubble. There are stricter lending standards today. With the low inventory, there is currently a housing affordability crisis.

Market conditions are continuing to improve and housing inventory is anticipated to increase. Home sales in Hampton Roads are expected to increase by three to four percent while mortgage rates continue to fall. Median sales prices are expected to increase by 4-6%. Ms. Griebel shared that an article she read stated that investors are looking closely at Hampton due to its beaches, room for growth, completion of the tunnel, and proximity to other amenities.

Ms. Griebel displayed an example of the Change of Assessment Notice postcard.

She reminded everyone that unless their value changes or is reallocated, they will not receive a postcard in the mail. The General Assembly requires that the postcard contains information on the notice of public hearings regarding the proposed tax rate and instructions on how to apply for a review of an assessment.

Ms. Griebel shared the following important dates: Change in Assessment Notices would be mailed on February 9; the deadline for Office Review by the Assessor is March 11; and the deadline for appeal to the Board of Review is April 11.

At Ms. Bunting's request, Ms. Griebel displayed the final slide in the presentation which shows a Certificate of Excellence in Assessment Administration awarded to Hampton's Office of the Assessor of Real Estate by the International Association of Assessing Officers. She pointed this out because she wants everyone to know that our assessors know what they are doing. Many people don't understand why their assessment is what it is and think the assessors just come up with any random number. State law requires assessors to look at the market and apply market-related increases based on comparable properties and neighborhoods.

Ms. Bunting noted that adjustments can be made to the tax rate if assessments are rising too quickly. Council is committed to keeping tax rates as low as possible and has lowered the tax rate by eight cents in the past couple of years due to double-digit increases in real estate value. This is more than any other locality in the region. She noted that the General Assembly session just started so it is too early in the budget process to know whether or not they will be able to lower the rate or not. The state has a significant impact on the budget deliberations in terms of revenue and in terms of what is provided for significant services like schools, social services, and jails that are administered locally. More importantly, they have an impact on mandated requirements that they often do not fund. One of the big ones that is currently being talked about is the repeal of the local grocery sales tax, which Ms. Bunting doesn't think anybody would be opposed to if we didn't lose the money associated with it. However, if we were to lose the local grocery sales tax, and the state didn't replace it, that would be a \$3 million impact on the local budget. That is the equivalent of a three-cent real estate tax rate.

There will be budget conversations at each of the Council meetings between now and when the budget is ultimately adopted, and the public will be informed about what the state budget is doing and what local resources allow us to do. Thank you.

Mayor Tuck referenced Ms. Griebel's statement from the article she read where it said Hampton is being watched by investors. He is aware that some investors purchase single-family homes and control the rent on those. He asked how the City would know if a property had been purchased by investors. Ms. Griebel explained

that the City would not necessarily know if a property is bought by a private equity firm. If it is bought by a Limited Liability Corporation (LLC), the only thing the City could do would be to go to the Securities and Exchange Commission (SEC) to try to figure out who is behind that property. The City's concern is what is going to be done with the property, whether it be single-family, multi-family, or commercial. She stated that, historically, people from the southside didn't come to the peninsula to list or sell real estate. However, now it goes both ways. Areas like Buckroe offer the same view and amenities for a much more affordable price.

Mayor Tuck explained that there have been instances where private equity firms have purchased apartment complexes, made improvements, and then driven prices so high that residents have had to move. Years ago when he was following assessments more closely, he used to look at areas like Aberdeen and compare them with Farmington and some of the higher-income areas. He wonders if more sales in those areas is a way to determine whether those sales were to private investors or to individuals who want to buy in that neighborhood.

Ms. Griebel stated that she is not aware of any apartment complex that has been purchased by a private equity firm or anyone who is going in to try to move people. As far as a neighborhood like Aberdeen Gardens, it's a very unique area. The appraisers are looking at neighborhoods built in the same time frame and the same quality of construction and are applying changes to both areas even if one didn't have sales. She said while there has not been a lot of sales in Aberdeen Gardens, there has been a lot of remodeling and rehabilitation, and people moving back into what were their family homes.

Vice Mayor Gray stated that people often think that the water creates a barrier to wanting to live on the peninsula and work on the southside. Statistics have shown that around 60% of people work outside the cities they live in. Hampton is central to the area when you consider the distance between Hampton and southside localities, and Hampton and Williamsburg. When the new tunnels are finished and traffic flow is easier, Hampton is going to be an attractive place for people to want to live and work. He shared that some of the developers that he has spoken with from the southside who have come to Hampton and looked at tracts of land and possibilities for development have said the same thing. He mentioned that we often talk about Hampton being close to fully developed, but that may not be true when it comes to tracts of land that could be used to build apartment complexes. He believes it would be in the City's best interest to have a good inventory of available properties when developers come wanting to build or if the City wants to approach developers to build in certain areas.

Ms. Bunting stated that the property inventory is maintained by a combination of the

Economic Development Authority (EDA) and Housing Authority (HRHA), but thinks that their efforts should be combined to make one centralized list that is easier for people to find. The City could also put out Requests for Proposals (RFPs) for certain parcels to let people know they are available.

In response to Councilman Bowman's question regarding whether those renting apartments, townhouses, or condos should be anticipating a rent increase in the next year, Ms. Griebel stated that the rental rates are expected to be relatively safe. There could be increases at some point but there is also a point where they can't go any higher. Right now the focus is on stabilizing rental rates and vacancy rates.

Councilman Bowman congratulated the Assessor's office on their certification. Ms. Griebel commended her staff. She explained that the reassessments are put out to be effective January 1st which makes the holidays stressful trying to get everything done.

2. [24-0035](#) Public Works Municipal Separate Storm Sewer System (MS4)
Briefing

Attachments: [Presentation](#)

Ms. Bunting introduced Public Works Director Jason Mitchell to make the presentation on the updated MS4 stormwater permitting requirements. Ms. Bunting shared that the federal and state governments require coastal communities and others to deal with stormwater runoff to ensure better water quality, both in the bay and other important bodies of water. When the mandates were first put in place, they were not funded. This is where the stormwater user fee came from. Each iteration of permits has brought new requirements, and the City recently learned with the new round of updates, that there are going to be even more expensive requirements expected of all of the localities that are required to get these permits.

Mr. Mitchell provided a brief history of the MS4 permit which is issued by the Environmental Quality Department (DEQ). The permit requires the development of a program to accomplish the objectives of the permit and includes provisions for achieving federally mandated pollution reductions in the Chesapeake Bay and the Back River, which is also known as Total Maximum Daily Loads (TMDL). The City's current MS4 permit was issued by DEQ in July 2016 and expired in June 2021. However, DEQ administratively extended the MS4 permit until the issuance of the new permit.

The City spends approximately \$13 million annually for stormwater efforts and more than 50% of these are related to the MS4 permit activities. DEQ submitted a draft version of the new MS4 permit in November 2023, with comments due December

2023. City staff met with DEQ on December 18th to discuss the new permit and requested eight changes, many of which are procedural.

Comment number four, Wastewater Infrastructure Inspections, deals with the requirement for the City to inspect a large portion of its sanitary sewer system within the MS4 program. Over the last 15 to 20 years the City of Hampton was one of the only localities, through the sanitary sewer regional consent order, to inspect 100% of its system to ensure there aren't any cross connections within the two systems for illicit discharges. The City requested this be removed because requires us to inspect 240,000 linear feet of sanitary sewer system annually which would cost almost \$1 million.

Comment number eight, Stormwater Infrastructure Inspection Program, deals with the requirement for the City to inspect 80% of the stormwater system within a five-year permit term. Hampton cleaned and inspected approximately 40% of the overall stormwater system in 2023 at a cost of approximately \$4 million. Some of the City's (American Rescue Plan Act) ARPA funding was used to do this system. The City requested an adjustment be made to the overall program goals as this is a new requirement within the MS4 program.

He stated that, unfortunately, DEQ was not able to grant these two requests. These requirements are generally broad for the entire region. They're all the same for every locality, regardless of the work that we may have done in 2023.

The public notice for the MS4 permit was published in The Daily Press on December 29, 2023, and January 5, 2024. The public comment period ends January 30th. The information has been posted on the City website. It's in e-news and there is a contact name and email for customers if they'd like to make public comments related to this information. Hampton intends to resubmit comments number four and eight. DEQ and Environmental Protection Agency (EPA) are concurrently reviewing the draft which is expected to be issued in early 2024 and will extend for the next five years.

In response to Councilwoman Harper, Mr. Mitchell explained that the permit was issued in 2016 and when it expired in 2021, they were not ready to roll out the new permits so they administratively extended the same permit.

REGIONAL ISSUES

There were no regional issues to report on.

NEW BUSINESS

There were no items of new business.

CLOSED SESSION

3. [24-0041](#) Closed session pursuant to Virginia Code Sections 2.2-3711.A (.1) and (.3) to discuss appointments as listed on the agenda and to discuss or consider the acquisition of real property in the Downtown and Phoebus areas of the City for a public purpose, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the city.
- At 1:55 p.m., a motion was made by Councilmember Steven Brown and seconded by Councilmember Billy Hobbs, that this Closed Session - Motion be approved. The motion failed by the following vote:
- Nay:** 7 - Councilmember Bowman, Councilmember Brown, Vice Mayor Gray, Councilmember Harper, Councilmember Hobbs, Councilmember Mugler and Mayor Tuck
4. [23-0198](#) Consideration of Appointments to a Hampton VA 250 Committee
5. [24-0039](#) Consideration of Appointments to the Hampton Commission on the Arts
6. [24-0040](#) Consideration of Appointments to the Golf Course Advisory Committee
7. [24-0048](#) Consideration of Staff and Liaison Appointments to the Economic Development Authority, Hampton Citizens' Police Advisory Group, Hampton Community Policy and Management Team, Hampton Neighborhood Commission, Hampton Citizens' Unity Commission, Hampton Citizens' Engagement Advisory and Review Commission, Hampton Town and Gown Committee, Hampton Mayor's Committee for People with Disabilities, and Virginia Air and Space Science Center Board of Directors

CERTIFICATION

8. [24-0042](#) Resolution Certifying Closed Session
- A motion was made by Councilmember Billy Hobbs and seconded by Councilmember Steven Brown, that this Closed Session - Certification be approved. The motion carried by the

following vote:

Aye: 7 - Councilmember Bowman, Councilmember Brown, Vice Mayor Gray, Councilmember Harper, Councilmember Hobbs, Councilmember Mugler and Mayor Tuck

ADJOURNMENT

The meeting adjourned at 5:11 p.m.

Contact Info:

Clerk of Council, 757-727-6315, council@hampton.gov

Donnie R. Tuck
Mayor

Katherine K. Glass, CMC
Clerk of Council

Date approved by Council _____