

AN ORDINANCE TO AMEND CHAPTER 44 OF THE CITY CODE TO PROVIDE A PROPERTY TAX EXEMPTION FOR LOW-TO-MODERATE INCOME, LONG-TERM HOMEOWNERS FOLLOWING A 50 PERCENT OR MORE PROPERTY TAX INCREASE ON THEIR PRIMARY RESIDENCE

#0291

Sponsor:

**Council
Member
Harlee**

WHEREAS, the City of Wilmington’s (“Wilmington”) twelve, distinct neighborhoods are creating and implementing strategies for future development. The anticipated effects of these improvements are increased home values, with concomitant increased tax valuation for local homeowners; and

WHEREAS, the median value of a home in Wilmington increased by \$237 from 2009 to 2018, and the average property tax rose by \$228; and

WHEREAS, pursuant to *Wilm. C.* § 44-31, the City adopts its assessment roll for municipal taxation of real property the assessments and supplementary assessments established by New Castle County; and

WHEREAS, New Castle County has not done a major reassessment of property values since 1983; and

WHEREAS, in 2018, the American Civil Liberties Union, among other groups, sued New Castle County for its inequitable property value assessment; and

WHEREAS, in 2020, the Court of Chancery found New Castle County’s property value assessment unconstitutional; and

WHEREAS, to settle the litigation, New Castle County agreed to reassess property values for the first time since 1983; and

WHEREAS, the property value reassessments will not be implemented until 2025; and

WHEREAS, it is anticipated that reassessments will cause property values, and property taxes, to increase; and

WHEREAS, Wilmington’s estimated median household income for 2021 was \$49,354, which is substantially lower than New Castle County’s estimated median income of \$73,854. Those below 80% of that median income are considered low-income. In 2021, more than one-fifth of Wilmington homeowners were classified as low-income; and

WHEREAS, the U.S. Census Bureau estimated that approximately 25% of Wilmington residents earned an income at or below \$25,000 annually in 2021; and

WHEREAS, cost burden has been identified by Wilmington’s 2020-2024 Consolidated Plan and Annual Action Plan as the City’s most significant housing issue. Approximately, 26 percent of homeowners pay greater than one-third of their income for housing costs. According to the 2010 American Community Survey, more than 40% of Wilmington homeowners with a mortgage have selected monthly owner costs totaling at or above one-quarter of their household income; and

WHEREAS, nearby cities and states, including Philadelphia, Pennsylvania, have implemented property tax relief programs to protect their long-term, low-income property owners; and

WHEREAS, the Council of the City of Wilmington strives to assist and protect its low to moderate income long-term property owners.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF WILMINGTON HEREBY ORDAINS:

SECTION 1. Chapter 44 of the City Code is hereby amended by the addition of Section 44-72 to read as follows:

Sec. 44-72. - Long-term homeowner partial property tax abatement.

- a) *Partial property tax abatement program.* There is hereby authorized a voluntary partial real property tax abatement program for long-term low-to-moderate income

property homeowners within the City of Wilmington. This program would pause current municipal property taxes of long-term low-to-moderate income property owners if their municipal property taxes increase by 50% or more after one year.

b) *Definitions.* The following words, terms, and phrases shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

1) *Income* means all income from whatever source derived, including, but not limited to, realized capital gains and, in their entirety, pension, annuity, and retirement benefits.

2) *Primary property owner(s)* means:

- i. The owner of record, as recorded with the New Castle County Recorder of Deeds; or
- ii. An equitable owner, defined as a person, other than the owner of record, who has inherited an interest in the property from the deceased owner of record; a person who has entered into an installment land contract to purchase the property from the owner of record; a person who was the owner of record before a fraudulent conveyance of the property occurred; or a person who can demonstrate some other ownership interest in the property; or
- iii. Where the owner of record or equitable owner acquired the property from a spouse, due to death or divorce, or from a life partner, due to death or termination of the life partnership,

that owner shall be deemed to have been the owner throughout the period of ownership of the transferring spouse or life partner.

- iv. Where the owner of record or equitable owner (i) acquired the property from a spouse, life partner, parent, stepparent, child, brother, sister, aunt, uncle, grandparent or step-grandparent, (ii) as of July 1 of the year immediately preceding the tax year, has been resident in the property for at least ten years, and (iii) has paid the majority of the expenses – including property taxes, maintenance and utilities bills – for the property during those ten years, that owner shall be deemed to have been the owner throughout the period of his or her residence in the property

- 3) *Primary place of residence* means the property in which a person or persons reside in for at least 6 months out of the year.

c) *Eligibility*. Primary property owners are eligible to apply for the partial property tax abatement program if they meet all the following conditions:

- 1) The property must be located within the city limits of the City of Wilmington, Delaware.
- 2) The primary property owner(s) must have owned the property for a minimum of 10 years prior to applying for the program.
- 3) The property must have been the primary place of residence for the property owner(s) for a minimum of 10 years prior to applying for the program.

- 4) The property taxes due for the year, exclusive of interest and penalties, increased by 50% or more from the previous year's assessment.
 - 5) The property is not in arrears on property taxes due.
 - 6) The property's combined household annual income is less than or equal to 80% of Wilmington's annual median income of homeowners based on the most recent or current U.S. Census Decennial and/or American Survey data.
 - 7) The primary place of residence is not subject to any other City property tax exemption.
- d) *Initial Application.* Applications for this Exemption shall be made by the primary property owner(s) on forms to be furnished by the Department of Finance. The primary property owner(s) shall furnish the information to be executed in the manner required on such forms, and such forms and information shall be filed, with the Department of Finance no later than 90 days after their increased property taxes have been paid as required under Section 44-32 of this Code.

The Director of Finance may promulgate rules and regulations deemed necessary to administer the provisions of this subsection, subject to approval by the Administrative Board.

SECTION 2. This Ordinance shall be effective July 1, 2025 or following the completion of reassessment upon its passage by City Council and approval by the Mayor.

First Reading.....April 6, 2023
 Second Reading.....April 6, 2023
 Third Reading.....

Passed by City Council,

President of City Council

ATTEST: _____
City Clerk

Approved this ____ day of _____, 2023.

Mayor

SYNOPSIS: This Ordinance is being presented by City Council for Council’s review and approval. This Ordinance provides a partial property tax abatement for low-to-moderate, long-term City homeowners who meet certain eligibility requirements. Eligible homeowners who have their property tax obligation increased by 50% or more following a property assessment may apply for a partial abatement of their tax obligation. The partial abatement would pause their tax obligation at the pre-assessment amount as long as the property homeowner meets the eligibility requirements.

FISCAL IMPACT STATEMENT: Revenue Changes would only take place based on the results of the next Property Assessment conducted on the housing stock in the City of Wilmington that might cause an increase in property values in neighborhoods or areas throughout the City where new development has or will take place prior to the next Property Assessment. Any potential revenue changes would then be calculated by the Department of Finance to determine any substantial changes to expect from Property Tax Revenues relevant to increases in Property Values of the City’s Housing Stock and the impact of the Property Tax Abatement for Low-to-Moderate Income, Long-Term Homeowners in the City of Wilmington on such revenue when there is an increase of 50 percent or more Property Tax increase on their Primary Residence. Long-Term, Low-to-Moderate Income City Eligible Homeowners who apply would be approved for a Partial Abatement of their Tax Obligation that would pause their Tax Obligation at the Pre-Assessment amount as long as the Property Homeowners meet their eligibility requirements. 52 percent of housing in Wilmington is classified as “owner-occupied.” The American Community Survey estimates that less than 10,185 residents moved into their homes prior to 2012. Approximately one-fifth of these homeowners are considered low-income.

POLICY STATEMENT: This proposed Ordinance would Amend Chapter 44 of the City Code to provide a Property Tax Abatement for Low-To-Moderate Income, Long-Term Homeowners in the City of Wilmington Following a 50 Percent or More Property Tax Increase on Their Primary Residence in Areas throughout the City where new development is scheduled

or has occurred that would possibly increase the value of property(s) in that area or neighborhood that could cause a 50 percent or more Property Tax Increase on their Primary Residence. Low-To-Moderate Income, Long-Term City Homeowners would be eligible for a Partial Property Tax Abatement following such an increase in their tax obligation on their Primary Residence. The City of Wilmington seeks to assist and protect Low-To-Moderate Income, Long-Term Homeowners in this City to not be at risk of having to leave their homes due to rising property taxes resulting from increased development.