

# City of Wilmington



MICHAEL S. PURZYCKI  
Mayor

## **FOR PUBLIC COMMENT** **(Comments due August 6, 2020)**

### **Department of Finance**

#### **Policy 2020 - 02:**

#### **Proposed Rules for the Grandfathering of Property Tax Abatements for Commercial Buildings**

##### **Purpose:**

In July 2019, changes were made to Sec. 44-71 (c) of the City Code reducing the tax exemption for commercial property from a five-year 100% abatement on property improvements plus a 20 percent reduction for the subsequent five years (10 years total) to a fixed five-year 100 percent abatement only. Properties that were initiated prior to the change in exemptions may have relied on the ten-year exemption in calculating the financing of the project, and therefore may suffer financial harm from the change. Applications are submitted at the time of certification of occupancy, whereas financing and permitting may have taken place much earlier. Therefore, this policy change will grandfather commercial projects which received permitting prior to the change in law but subsequently received their certificate of occupancy after the change. In addition, applications for exemptions will be received at the time of permitting for the project. No taxes on the improvements will be charged during development and the time period for abatement will begin at time of issuance of the certificate of occupancy.

Once approved by the Administrative Board, this information will be posted for a 30-day comment period and after such time changes in the policy will be included in the Process and Procedures Manual for the Property Tax Section.

##### **Authority:**

#### **City Code Sec. 44-71 (c) - Real estate tax exemption program**

Upon approval of the Administrative Board, the Director of Finance shall review those applications for tax exemptions received after July 2019 for consistency with approval for permitting prior to July 2019 and subsequent issuances of certificate of occupancy. The Director of Finance has discretion as to assess and approve abatements for projects that meet the

requirements of the grandfathering provision. If approved, the Director of Finance will sign the tax exemption document and instruct the Property Tax section to apply the abatement.

In addition, applications for exemptions may be applied for at the time of permit approval of said projects. However, tax exemptions will not take effect until after certificate of occupancy is approved. Projects to be grandfathered must have received permits for construction within 3 years prior to the July 2019 change in the law.

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. The Director of Finance has the discretion to request review of cases, either collectively or individually, to be brought before the Administrative Board.

These proposed rules are subject to public comment for 30 days, beginning July 7, 2020. If you wish to make public comments, please address them in writing via email or post to:

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