

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2045 Session of 2014

INTRODUCED BY STERN, KOTIK, LONGIETTI, SCHLOSSBERG, SAINATO, PETRARCA, COHEN, MURT, CALTAGIRONE, TRUITT, GINGRICH, HARHAI, ROCK, TAYLOR, EVERETT AND CLYMER, FEBRUARY 26, 2014

AS REPORTED FROM COMMITTEE ON URBAN AFFAIRS, HOUSE OF REPRESENTATIVES, AS AMENDED, MAY 6, 2014

AN ACT

1 Authorizing local taxing authorities to provide for tax
2 exemption incentives for certain deteriorated industrial,
3 commercial, business and residential property and for new
4 construction in deteriorated areas of economically depressed
5 communities; providing for an exemption schedule; and
6 establishing standards and qualifications.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Short title.

10 This act shall be known and may be cited as the Tax Exemption
11 and Mixed-Use Incentive Program ACT. <--

12 Section 2. Construction.

13 This act shall be construed to authorize local taxing
14 authorities to provide for tax exemption incentives for new
15 construction in deteriorated areas of economically depressed
16 communities and improvements to certain deteriorated industrial,
17 commercial, business and residential property. In addition, this
18 act shall be ~~constructed~~ CONSTRUED to allow for mixed-use <--
19 housing and development in accordance with zoning ordinances

1 within designated areas. This act supplements the act of July 9,  
2 1971 (P.L.206, No.34), known as the Improvement of Deteriorating  
3 Real Property or Areas Tax Exemption Act, and the act of  
4 December 1, 1977 (P.L.237, No.76), known as the Local Economic  
5 Revitalization Tax Assistance Act, which implement section 2(b)  
6 (iii) of Article VIII of the Constitution of Pennsylvania.

7 Section 3. Definitions.

8 The following words and phrases when used in this act shall  
9 have the meanings given to them in this section unless the  
10 context clearly indicates otherwise:

11 "Adult entertainment." As defined in 68 Pa.C.S. § 5502  
12 (relating to definitions).

13 "Deteriorated property." Any industrial, commercial,  
14 business or residential property owned by an individual,  
15 association or corporation and located in a deteriorated area,  
16 or a single unit of property located within or outside a  
17 deteriorated area, which has been the subject of an order by a  
18 government agency requiring the unit to be vacated, condemned or  
19 demolished by reason of noncompliance with laws, ordinances or  
20 regulations.

21 "Exemption schedule." The tax exemption schedule under  
22 section 5.

23 "Improvement." Repair, construction or reconstruction,  
24 including alterations and additions, having the effect of  
25 rehabilitating a deteriorated property so that it becomes  
26 habitable or attains higher standards of safety, health,  
27 economic use or amenity, or is brought into compliance with  
28 laws, ordinances or regulations governing such standards.  
29 Ordinary upkeep and maintenance shall not be deemed an  
30 improvement.

1 "Local taxing authority." A county, city, borough,  
2 incorporated town, township, institution district or school  
3 district having authority to levy real property taxes.

4 "Mixed-use housing and development." Any urban, suburban,  
5 village development or single building that combines  
6 residential, commercial, cultural, institutional or industrial  
7 uses to provide more efficiency for the community in terms of  
8 space, transportation and economic development.

9 "Municipal corporation." A city, borough, incorporated town  
10 or township.

11 Section 4. Deteriorated areas.

12 (a) Boundaries.--Each local taxing authority may by  
13 ordinance or resolution exempt from real property taxation the  
14 assessed valuation of improvements to deteriorated properties  
15 and the assessed valuation of new construction within the  
16 respective municipal corporations designated deteriorated areas  
17 of economically depressed communities in the amounts and in  
18 accordance with the provisions and limitations set forth in this  
19 act. If an area is zoned for mixed-use housing and development,  
20 improvements shall incorporate mixed-use housing and development  
21 that benefit the efficiency and economy of the community. Prior  
22 to the adoption of the ordinance or resolution authorizing the  
23 granting of tax exemptions, the municipal corporation shall  
24 affix the boundaries of a deteriorated area or areas, wholly or  
25 partially located within its jurisdiction, if any.

26 (b) Public hearing.--At least one public hearing shall be  
27 held by the municipal corporation for the purpose of determining  
28 the boundaries. At the public hearing the local taxing  
29 authorities, planning commission or redevelopment authority and  
30 other public and private agencies and individuals, knowledgeable

1 and interested in the improvement of deteriorated areas, shall  
2 present their recommendations concerning the location of  
3 boundaries of a deteriorated area or areas for the guidance of  
4 the municipal corporation. The recommendations shall take into  
5 account the following:

6 (1) Criteria set forth in the act of May 24, 1945  
7 (P.L.991, No.385), known as the Urban Redevelopment Law, for  
8 the determination of "blighted areas."

9 (2) Criteria set forth in Article XIX-A of the act of  
10 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of  
11 1971.

12 (3) The following criteria:

- 13 (i) unsafe, unsanitary and overcrowded buildings;
- 14 (ii) vacant, overgrown and unsightly lots of ground;
- 15 (iii) a disproportionate number of tax-delinquent  
16 properties, excessive land coverage, defective design or  
17 arrangement of buildings, street or lot layouts; and
- 18 (iv) economically and socially undesirable land  
19 uses.

20 (c) Property inclusions.--Property adjacent to areas meeting  
21 the criteria of this section, but which would not otherwise  
22 qualify, and deteriorated property which is comprised of a  
23 single unit of property outside the designated area may be  
24 included within the deteriorated area designated. Adjacent  
25 property shall only be included if the local taxing authority  
26 determines that new construction on the property would  
27 encourage, enhance or accelerate improvement of the deteriorated  
28 properties within economically depressed communities. The  
29 ordinance or resolution shall specify a description of each such  
30 property as determined by the municipal corporation, as well as

1 the cost of improvements per unit to be exempted and the  
2 schedule of taxes exempted as provided in this act.

3 (d) Municipal cooperation.--Two or more municipal  
4 corporations may join together for the purpose of determining  
5 the boundaries of a deteriorated area and to establish the  
6 uniform maximum cost per unit, and the municipal corporations  
7 shall cooperate fully with each other for the purposes of  
8 implementing this act. The local taxing authorities may by  
9 implementing ordinances or resolutions agree to adopt tax-  
10 exemption schedules contingent upon the similar adoption by an  
11 adjacent local taxing authority or by a local taxing authority  
12 with mutual jurisdiction, within the limitations provided under  
13 this act.

14 Section 5. Exemption schedule.

15 (a) General rule.--A local taxing authority granting a tax  
16 exemption under this act may provide for tax exemption on the  
17 assessment attributable to the actual cost of new construction  
18 or improvements or up to any maximum cost uniformly established  
19 by the municipal corporation. The maximum cost shall uniformly  
20 apply to all eligible deteriorated property within the local  
21 taxing authority's jurisdiction.

22 (b) Schedule.--Whether or not the assessment eligible for  
23 exemption is based upon actual cost or a maximum cost, the  
24 actual amount of taxes exempted shall be in accordance with the  
25 following:

26 (1) For the first, second and third years for which new  
27 construction or improvements would otherwise be taxable, 100%  
28 of the eligible assessment shall be exempted.

29 (2) For the fourth year for which new construction or  
30 improvements would otherwise be taxable, 90% of the eligible

1 assessment shall be exempted.

2 (3) For the fifth year for which new construction or  
3 improvements would otherwise be taxable, 75% of the eligible  
4 assessment shall be exempted.

5 (4) For the sixth year for which new construction or  
6 improvements would otherwise be taxable, 60% of the eligible  
7 assessment shall be exempted.

8 (5) For the seventh year for which new construction or  
9 improvements would otherwise be taxable, 45% of the eligible  
10 assessment shall be exempted.

11 (6) For the eighth year for which new construction or  
12 improvements would otherwise be taxable, 30% of the eligible  
13 assessment shall be exempted.

14 (7) For the ninth year for which new construction or  
15 improvements would otherwise be taxable, 15% of the eligible  
16 assessment shall be exempted.

17 (8) For the tenth year for which new construction or  
18 improvements would otherwise be taxable, 10% of the eligible  
19 assessment shall be exempted.

20 (9) After the tenth year, the exemption shall terminate.

21 (c) Limitation.--The exemption from taxes shall be limited  
22 to the additional assessment valuation attributable to the  
23 actual costs of new construction or improvements to deteriorated  
24 property or not in excess of the maximum cost per unit  
25 established by a municipal corporation.

26 (d) Sale or exchange.--The exemption from taxes shall be  
27 upon the property exempted and shall not terminate upon the sale  
28 or exchange of the property.

29 (e) Estimate.--A local taxing authority shall provide upon  
30 request an estimate of the amount of assessment exempted for

1 each eligible property based on the exemption schedule under  
2 subsection (b).

3 Section 6. Procedure for obtaining exemption incentives.

4 (a) Notification.--Any person desiring tax exemption  
5 pursuant to ordinances or resolutions adopted pursuant to this  
6 act shall notify each local taxing authority granting the  
7 exemption in writing on an application form provided by it  
8 submitted at the time the person secures the building permit, or  
9 if no building permit or other notification of new construction  
10 or improvement is required, at the time the person commences  
11 construction. The application shall include the following  
12 information:

13 (1) Statement of tax obligations, signed by the  
14 applicant and the local taxing authority and notarized.

15 (2) Outline specifications for the new construction or  
16 improvement, indicating with as much specificity as  
17 practicable, the materials to be used for exterior and  
18 interior finishes.

19 (3) An itemized cost estimate for the new construction  
20 or improvement. The itemization must:

21 (i) Be on contractor letterhead.

22 (ii) Indicate the property address of the project.

23 (iii) Be signed by the applicant.

24 (4) Preliminary architectural drawings or blueprints for  
25 the new construction or improvement.

26 (5) Any recent appraisals of the property, if available.

27 (6) Any applicable building permit application or  
28 building permit.

29 (7) An income and expense report for the property, which  
30 income and expense report should be submitted directly to the

1 county assessment office in order to protect the  
2 confidentiality of the information.

3 (8) The final decision of the zoning authority or other  
4 regulatory agency granting relief, if applicable.

5 (9) Signature of the applicant and the date of signing.

6 (b) Estimate.--The estimate of the cost of the new  
7 construction or improvements under subsection (a) (3) shall be  
8 available for public inspection and copying so that any  
9 subsequent purchaser is informed of the amount of taxes to be  
10 paid after the ten-year exemption period.

11 (c) County assessment office.--A copy of the exemption  
12 request shall be forwarded to the county assessment office. The  
13 county assessment office shall, after completion of the new  
14 construction or improvement, assess separately the new  
15 construction or improvement and calculate the amounts of the  
16 assessment eligible for tax exemption in accordance with the  
17 limits established by the local taxing authorities and notify  
18 the taxpayer and the local taxing authorities of the  
19 reassessment and amounts of the assessment eligible for  
20 exemption. Appeals from the reassessment and the amounts  
21 eligible for the exemption may be taken by the taxpayer or the  
22 local taxing authorities as provided by law.

23 (d) Amendment of ordinance.--The cost of new construction or  
24 improvements to be exempted and the schedule of taxes exempted  
25 existing at the time of the initial request for tax exemption  
26 shall be applicable to that exemption request, and subsequent  
27 amendment to the ordinance, if any, shall not apply to requests  
28 initiated prior to adoption of the amendment.

29 Section 7. Eligibility requirements.

30 (a) Requirements.--The completed new construction or

1 improvement must:

2 (1) Conform to zoning ordinance requirements. However,  
3 if mixed-use development is permitted in a designated  
4 deteriorated area, any improvement must meet any applicable  
5 mixed-use housing and development standards.

6 (2) Increase the value of the property by at least 25%.

7 (3) Correct all code violations, if applicable.

8 (b) Ineligibility.--A property is not eligible for  
9 assessment exclusion if:

10 (1) The property is receiving other property tax  
11 abatement or exemption incentives for new construction or  
12 improvement.

13 (2) The property is receiving tax relief through any  
14 State program, except as provided in subsection (c).

15 (3) The property owner or developer is delinquent on any  
16 property taxes related to the subject property, unless the  
17 delinquent taxes are paid prior to construction or payment of  
18 delinquent taxes has been arranged with the local taxing  
19 authority in accordance with an installment plan.

20 (4) The property owner has a legal or equitable interest  
21 in any other property for which property taxes are  
22 delinquent, unless the delinquent taxes are paid prior to  
23 construction or payment of delinquent taxes has been arranged  
24 with the local taxing authority in accordance with an  
25 installment plan.

26 (5) New construction or improvement has commenced prior  
27 to filing an application under section 6.

28 (6) The property includes an improvement under  
29 subsection (c) that poses a health or safety risk to  
30 individuals residing above the first floor.

1 (c) Restriction.--For an improvement under this act that  
2 involves mixed-use housing and development, certain  
3 establishments may not be sited on the first floor for health  
4 and safety reasons. The establishments include, but are not  
5 limited to, the following:

6 (1) Gas stations or automobile service stations.

7 (2) Drive-through establishments.

8 (3) Adult entertainment establishments.

9 (4) Storage trailers and outdoor storage of goods  
10 associated with commercial use unless use of the structure is  
11 necessary during construction.

12 (5) Junkyards.

13 (6) Recycling service centers.

14 (7) Animal hospitals and animal sales.

15 (8) Heavy manufacturing.

16 (9) Establishments that utilize biohazards.

17 (10) Establishments that sell firearms and other  
18 weapons, unless the occupant is the owner of the  
19 establishment.

20 (d) Exception.--The amount of assessment eligible for  
21 exemption under this act shall be offset by the amount of  
22 property tax rebate received under Chapter 13 of the act of June  
23 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer  
24 Relief Act.

25 Section 8. Effective date.

26 This act shall take effect in 60 days.