
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 613 Session of
2015

INTRODUCED BY WARD, MILLARD, KINSEY, PICKETT, FREEMAN, SAINATO,
SIMMONS, METZGAR, SCHLOSSBERG, MCGINNIS, HARHAI, SANKEY,
CAUSER, O'BRIEN, SCHEMEL, KIRKLAND, MOUL, D. COSTA, MURT AND
MASSER, FEBRUARY 24, 2015

REFERRED TO COMMITTEE ON URBAN AFFAIRS, FEBRUARY 24, 2015

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 communities; providing
5 for an exemption schedule; and establishing standards and
6 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 communities and
16 improvements to certain deteriorated industrial, commercial,
17 business and residential property. In addition, this act shall
18 be construed to allow for mixed-use housing and development in
19 accordance with zoning ordinances within designated areas. This

1 act supplements the act of July 9, 1971 (P.L.206, No.34), known
2 as the Improvement of Deteriorating Real Property or Areas Tax
3 Exemption Act, and the act of December 1, 1977 (P.L.237, No.76),
4 known as the Local Economic Revitalization Tax Assistance Act,
5 which implement section 2(b)(iii) of Article VIII of the
6 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 "Property maintenance code." A municipal ordinance which
12 regulates the maintenance or development of real property. The
13 term includes a building code, housing code and public safety
14 code.

15 "Serious violation." A violation of a State law or a
16 property maintenance code that poses an immediate imminent
17 threat to the health and safety of a dwelling occupant,
18 occupants in surrounding structures or passersby.

19 Section 4. Deteriorated areas.

20 (a) Boundaries.--Each local taxing authority may by
21 ordinance or resolution exempt from real property taxation the
22 assessed valuation of improvements to deteriorated properties
23 and the assessed valuation of new construction within the
24 respective municipal corporation's designated deteriorated areas
25 of communities in the amounts and in accordance with the
26 provisions and limitations set forth in this act. If an area is
27 zoned for mixed-use housing and development, improvements shall
28 incorporate mixed-use housing and development that benefit the
29 efficiency and economy of the community. Prior to the adoption
30 of the ordinance or resolution authorizing the granting of tax

1 exemptions, the municipal corporation shall affix the boundaries
2 of a deteriorated area or areas, wholly or partially located
3 within its jurisdiction, if any.

4 (b) Public hearing.--At least one public hearing shall be
5 held by the municipal corporation for the purpose of determining
6 the boundaries. At the public hearing the local taxing
7 authorities, planning commission or redevelopment authority and
8 other public and private agencies and individuals, knowledgeable
9 and interested in the improvement of deteriorated areas, shall
10 present their recommendations concerning the location of
11 boundaries of a deteriorated area or areas for the guidance of
12 the municipal corporation. The recommendations shall take into
13 account the following:

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

17 (2) Criteria set forth in Article XIX-A of the act of
18 March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of
19 1971.

20 (3) The following criteria:

- 21 (i) unsafe, unsanitary and overcrowded buildings;
- 22 (ii) vacant, overgrown and unsightly lots of ground;
- 23 (iii) a disproportionate number of tax-delinquent
24 properties, excessive land coverage, defective design or
25 arrangement of buildings, street or lot layouts; and
- 26 (iv) economically and socially undesirable land
27 uses.

28 (c) Property inclusions.--

29 (1) Property adjacent to areas meeting the criteria of
30 this section, but which would not otherwise qualify, and

1 deteriorated property which is comprised of a single unit of
2 property outside the designated area may be included within
3 the deteriorated area designated.

4 (2) Adjacent property may only be included if the local
5 taxing authority determines that new construction on the
6 property would encourage, enhance or accelerate improvement
7 of the deteriorated properties within communities.

8 (3) The ordinance or resolution shall specify a
9 description of each such property as determined by the
10 municipal corporation, as well as the cost of improvements
11 per unit to be exempted and the schedule of taxes exempted as
12 provided in this act.

13 (d) Municipal cooperation.--

14 (1) Two or more municipal corporations may join together
15 for the purpose of determining the boundaries of a
16 deteriorated area and establishing the uniform maximum cost
17 per unit, and the municipal corporations shall cooperate
18 fully with each other for the purpose of implementing this
19 act.

20 (2) The local taxing authorities may, by implementing
21 ordinances or resolutions, agree to adopt tax-exemption
22 schedules contingent upon the similar adoption by an adjacent
23 local taxing authority or by a local taxing authority with
24 mutual jurisdiction, within the limitations provided under
25 this act.

26 Section 5. Exemption schedule.

27 (a) General rule.--A local taxing authority granting a tax
28 exemption under this act may provide for tax exemption on the
29 assessment attributable to the actual cost of new construction
30 or improvements or up to any maximum cost uniformly established

1 by the municipal corporation. The maximum cost shall uniformly
2 apply to all eligible deteriorated property within the local
3 taxing authority's jurisdiction.

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

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

11 (2) For the fourth year for which new construction or
12 improvements would otherwise be taxable, 90% of the eligible
13 assessment shall be exempted.

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

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

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

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

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

29 (8) For the tenth year for which new construction or
30 improvements would otherwise be taxable, 10% of the eligible

1 assessment shall be exempted.

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

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

8 (d) Sale or exchange.--The exemption from taxes shall be
9 upon the property exempted and shall not terminate upon the sale
10 or exchange of the property.

11 (e) Estimate.--A local taxing authority shall provide upon
12 request an estimate of the amount of assessment exempted for
13 each eligible property based on the exemption schedule under
14 subsection (b).

15 (f) Repayment.--

16 (1) A local taxing authority shall be entitled to a
17 return of its proportional share of taxes exempted under the
18 provisions of this act if, within five years following
19 completion of the new construction or improvements, there
20 exists on the property a serious violation of a State law or
21 a property maintenance code and the owner has taken no
22 substantial steps to correct the violation within six months
23 following notification of the violation and for which fines
24 or other penalties or a judgment to abate or correct were
25 imposed by a magisterial district judge or municipal court,
26 or a judgment at law or in equity was imposed by a court of
27 common pleas.

28 (2) At the time the agreement is entered into between a
29 local taxing authority and the person who desires tax
30 exemption, if the person has completed all requirements under

1 section 6, the local taxing authorities shall file a lien
2 against the tax-exempt properties at the rate of the
3 estimated amount of assessment under subsection (b). The lien
4 shall be forgiven by the local taxing authority at the end of
5 the fifth year following the completion of the new
6 construction or improvements, if there have been no serious
7 violations against the property that have not been corrected.
8 The lien on the property shall transfer under subsection (d)
9 in cases of sale or exchange of the property.

10 Section 6. Procedure for obtaining exemption incentives.

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

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

22 (2) Outline specifications for the new construction or
23 improvement, indicating with as much specificity as
24 practicable, the materials to be used for exterior and
25 interior finishes.

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

28 (i) Be on contractor letterhead.

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

30 (iii) Be signed by the applicant.

1 (4) Preliminary architectural drawings or blueprints for
2 the new construction or improvement.

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

4 (6) Any applicable building permit application or
5 building permit.

6 (7) An income and expense report for the property, which
7 income and expense report should be submitted directly to the
8 county assessment office in order to protect the
9 confidentiality of the information.

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

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

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

18 (c) County assessment office.--

19 (1) A copy of the exemption request shall be forwarded
20 to the county assessment office. The county assessment office
21 shall, after completion of the new construction or
22 improvement, assess separately the new construction or
23 improvement and calculate the amounts of the assessment
24 eligible for tax exemption in accordance with the limits
25 established by the local taxing authorities and notify the
26 taxpayer and the local taxing authorities of the reassessment
27 and amounts of the assessment eligible for exemption.

28 (2) Appeals from the reassessment and the amounts
29 eligible for the exemption may be taken by the taxpayer or
30 the local taxing authorities as provided by law.

1 (d) Amendment of ordinance.--The cost of new construction or
2 improvements to be exempted and the schedule of taxes exempted
3 existing at the time of the initial request for tax exemption
4 shall be applicable to that exemption request, and subsequent
5 amendment to the ordinance, if any, shall not apply to requests
6 initiated prior to adoption of the amendment.

7 Section 7. Eligibility requirements.

8 (a) Requirements.--The completed new construction or
9 improvement must:

10 (1) Conform to zoning ordinance requirements. However,
11 if mixed-use development is permitted in a designated
12 deteriorated area, any improvement must meet any applicable
13 mixed-use housing and development standards.

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

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

16 (b) Ineligibility.--A property is not eligible for tax
17 exemption under section 5(a) if:

18 (1) The property is receiving other property tax
19 abatement or exemption incentives for new construction or
20 improvement.

21 (2) The property is receiving tax relief through any
22 State program, except as provided in subsection (d).

23 (3) The property owner or developer is delinquent on any
24 property taxes related to the subject property, unless the
25 delinquent taxes are paid prior to construction or payment of
26 delinquent taxes has been arranged with the local taxing
27 authority in accordance with an installment plan.

28 (4) The property owner has a legal or equitable interest
29 in any other property for which property taxes are
30 delinquent, unless the delinquent taxes are paid prior to

1 construction or payment of delinquent taxes has been arranged
2 with the local taxing authority in accordance with an
3 installment plan.

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

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

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

14 (1) Gas stations or automobile service stations.

15 (2) Drive-through establishments.

16 (3) Adult entertainment establishments.

17 (4) Storage trailers and outdoor storage of goods
18 associated with commercial use unless use of the structure is
19 necessary during construction.

20 (5) Junkyards.

21 (6) Recycling service centers.

22 (7) Animal hospitals and animal sales.

23 (8) Heavy manufacturing.

24 (9) Establishments that utilize biohazards.

25 (10) Establishments that sell firearms and other
26 weapons, unless the occupant is the owner of the
27 establishment.

28 (d) Exception.--The amount of assessment eligible for
29 exemption under this act shall be offset by the amount of
30 property tax rebate received under Chapter 13 of the act of June

1 27, 2006 (1st Sp.Sess., P.L.1873, No.1), known as the Taxpayer
2 Relief Act.

3 (e) Limitations.--The property qualifying and receiving a
4 tax exemption under the program shall not be eligible for or
5 receive an additional tax exemption under this program for a
6 minimum of 15 years from the date the property received a tax
7 exemption under the program.

8 Section 8. Effective date.

9 This act shall take effect in 60 days.