

No. 1977-42

## AN ACT

SB 69

Reenacting and amending the act of July 9, 1971 (P.L.206, No.34), entitled "An act authorizing local taxing authorities to provide for tax exemption for certain improvements to deteriorated dwellings; providing for an exemption schedule and other limitations," extending the act to authorize certain exemptions for improvements to deteriorating areas by the construction of new dwelling units.

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

Section 1. The title and act of July 9, 1971 (P.L.206, No.34), entitled "An act authorizing local taxing authorities to provide for tax exemption for certain improvements to deteriorated dwellings; providing for an exemption schedule and other limitations," are reenacted and amended to read:

## AN ACT

Authorizing local taxing authorities to provide for tax exemption for certain improvements to deteriorated dwellings *and for improvement of deteriorating areas by the construction of new dwelling units; and* providing for [an] exemption [schedule] *schedules* and other limitations.

## ARTICLE I

*General Provisions*

*Section 101. Short Title.—This act shall be known and may be cited as the "Improvement of Deteriorating Real Property or Areas Tax Exemption Act."*

Section [1] 102. Construction.—(a) This act shall be construed to authorize local taxing authorities to exempt improvements to certain deteriorated residential property *and areas* thereby implementing clause (iii) of subsection (b) of section 2 of Article VIII of the Constitution of Pennsylvania.

*(b) The exemptions granted under this act shall not be so considered by the State Tax Equalization Board in arriving at the market value of school district real property as to reduce the subsidy of any school district.*

Section [2] 103. Definitions.—As used in this act:

*"Local taxing authority" means a county, city, borough, incorporated town, township or school district having authority to levy real property taxes.*

## ARTICLE II

*Deteriorating Dwellings Improvement*

*Section 201. Definitions.—As used in this article:*

(1) "Deteriorated property" means a dwelling unit located in a deteriorated neighborhood, as hereinafter provided, or a dwelling unit

which has been or upon request is certified by a health, housing or building inspection agency as unfit for human habitation for rent withholding, or other health or welfare purposes, or has been the subject of an order by such an agency requiring the unit to be vacated, condemned or demolished by reason of noncompliance with laws, ordinances or regulations.

(2) "Dwelling unit" means, unless otherwise defined in the ordinance or resolution providing for tax exemption, a house, apartment, or group of rooms intended for occupancy as separate living quarters by family or other groups or a person living alone, containing a kitchen or cooking equipment for the exclusive use of the occupants.

(3) "Improvement" means repair, construction or reconstruction, including alterations and additions, having the effect of rehabilitating a structure so that it becomes habitable or attains higher standards of *housing safety, health or amenity*, or is brought into compliance with laws, ordinances or regulations governing housing standards; ordinary upkeep and maintenance shall not be deemed an improvement.

**[(4) "Local taxing authority" means a county, city, borough, incorporated town, township or school district having authority to levy real property taxes.]**

Section [3] 202. Deteriorated Neighborhoods; Procedures.—(a) Each local taxing authority may by ordinance or resolution exempt from real property taxation the assessed valuation of improvements to deteriorated properties in the amounts and in accordance with the schedules and limitations hereinafter provided. Prior to the adoption of the ordinance or resolution authorizing the granting of tax exemptions, the local taxing authority shall affix the boundaries of a deteriorated neighborhood or neighborhoods, wholly or partially located within its jurisdiction, if any. At least one public hearing shall be held by the local taxing authority for the purpose of determining said boundaries. At the public hearing the planning commission or redevelopment authority and other public and private agencies and individuals, knowledgeable and interested in the improvement of deteriorated neighborhoods, shall present their recommendations concerning the location of boundaries of a deteriorated neighborhood or neighborhoods for the guidance of the local taxing authorities, such recommendations taking into account the criteria set forth in the act of May 24, 1945 (P.L.991, No.385), known as the "Urban Redevelopment Law," for the determination of "blighted areas," and the criteria set forth in the act of November 29, 1967 (P.L.636, No.292), known as the "Neighborhood Assistance Act," for the determination of "impoverished areas," and the following criteria: unsafe, unsanitary and overcrowded buildings; vacant, overgrown and unsightly lots of ground; a disproportionate number of tax delinquent properties; excessive land coverage, defective design or arrangement of buildings, street or lot layouts; economically and socially undesirable land uses. The ordinance shall specify a description of each such neighborhood as determined by the local taxing authority, as well as the cost of improvements per dwelling unit to be exempted, and the schedule of taxes exempted as hereinafter provided.

(b) Two or more local taxing authorities may join together for the purpose of determining the boundaries of a deteriorated neighborhood, and such local taxing authorities shall cooperate fully with each other for the purposes of implementing this act. The local taxing authorities may by implementing ordinance or resolution agree to adopt tax exemptions contingent upon the similar adoption by an adjacent or conterminous local taxing authority, within the limitations provided herein.

Section [4] 203. Exemption Schedules; Maximum Exemption.—(a) A local taxing authority granting a tax exemption pursuant to the provisions of this [act] *article* may provide for tax exemption on the assessment attributable to the actual cost of improvements up to the maximum cost per dwelling unit herein specified or up to any lesser multiple of one thousand dollars (\$1,000). If a local taxing authority by ordinance or resolution specifies a lesser cost than the maximum provided by this act, such amount shall not be increased by any subsequent ordinance or resolution for a period of two years, nor shall the schedule of taxes exempted be changed for such period. Whether or not the assessment eligible for exemption is based upon a maximum cost or a lesser cost, the actual amount of taxes exempted shall be in accordance with one of the following schedules:

(1) For the first year for which improvements would otherwise be taxable, one hundred per cent of the eligible assessment shall be exempted; for the second year, ninety per cent of the eligible assessment shall be exempted; for the third through tenth years, eighty, seventy, sixty, fifty, forty, thirty, twenty, and ten per cent, respectively, of the eligible assessment shall be exempted; after the tenth year, the exemption shall terminate;

(2) For the first year for which improvements would otherwise be taxable, one hundred per cent of the eligible assessment shall be exempted; for the second year, eighty per cent of the eligible assessment shall be exempted; for the third through fifth years, sixty, forty, and twenty per cent, respectively, of the eligible assessment shall be exempted; after the fifth year, the exemption shall terminate; *or*

***(3) For the first, second and third year for which improvements would otherwise be taxable, one hundred per cent of the eligible assessment shall be exempted; after the third year the exemption shall terminate.***

(b) The exemption from taxes shall be limited to the additional assessment valuation attributable to the actual costs of improvements to deteriorated property not in excess of the maximum cost per dwelling unit specified herein. The maximum cost shall be ten thousand dollars (\$10,000) per dwelling unit for improvements constructed during 1971. Maximum cost for improvements constructed during each year thereafter shall be the maximum cost for the preceding year multiplied by the ratio of the United States Bureau of the Census New One-Family Houses Price Index for the current year to such index for the preceding year. The date of the construction shall be the date of issuance of the building permit, improvement record or other required notification of construction. No tax

exemption shall be granted under the provisions of this **[act] article** for any improvements to any dwelling unit in excess of the maximum cost specified above.

(c) The exemption from taxes authorized by this **[act] article** shall be upon the property exempted and shall not terminate upon the sale or exchange of the property, unless otherwise provided in this **[act] article**.

**Section [5] 204. Nonrecognition for Other Purposes of Increased Assessed Valuation.**—If a deteriorated property is granted tax exemption pursuant to this **[act] article**, the improvement shall not during the exemption period be considered as a factor in assessing other properties.

**Section [6] 205. Procedure for Obtaining Exemption.**—Any person desiring tax exemption pursuant to ordinances or resolutions adopted pursuant to this **[act] article**, shall notify each local taxing authority granting such exemption in writing on a form provided by it submitted at the time he secures the building permit, or if no building permit or other notification of improvement is required, at the time he commences construction. A copy of the exemption request shall be forwarded to the board of assessment and revision of taxes or other appropriate assessment agency. The assessment agency shall, after completion of the improvement, assess separately the improvement and calculate the amounts of the assessment eligible for tax exemption in accordance with the limits established by the local taxing authorities and notify the taxpayer and the taxing authorities of the reassessment and amounts of the assessment eligible for exemption. Appeals from the reassessment and the amounts eligible for the exemption may be taken by the taxpayer or the local taxing authorities as provided by law.

The cost of improvements per dwelling unit to be exempted and the schedule of taxes exempted existing at the time of the initial request for tax exemption shall be applicable to that exemption request, and subsequent amendments to the ordinance, if any, shall not apply to requests initiated prior to their adoption.

**[Section 7. This act shall take effect January 1, 1971.]**

### **ARTICLE III**

#### ***Deteriorating Area Improvement***

**Section 301. Definitions.**—*As used in this article:*

*“Deteriorating area” means that portion of the municipality which the municipal governing body determines to be physically blighted on the basis of one or more of the following standards:*

*(1) The residential buildings, by reason of age, obsolescence, inadequate or outmoded design or physical deterioration have become economic and/or social liabilities.*

*(2) The residential buildings are substandard or unsanitary for healthful and safe living purposes.*

*(3) The residential buildings are overcrowded, poorly spaced, or are so lacking in light, space and air as to be conducive to unwholesome living.*

*(4) The residential buildings are faultily arranged, cover the land to an*

*excessive extent or show a deleterious use of land, or exhibit any combination of the above which is detrimental to health, safety or welfare.*

*(5) A significant percentage of buildings used for residential purposes is more than 20 years of age.*

*(6) A substantial amount of unimproved, overgrown and unsightly vacant land exists which has remained so for a period of five years or more indicating a growing or total lack of utilization of land for residential purposes.*

*(7) A disproportionate number of tax exempt or delinquent properties exists in the area.*

*"Dwelling unit" means, unless otherwise defined in the ordinance or resolution providing for tax exemption, a house, double house or duplex, townhouse or row house, apartment, or any building intended for occupancy as living quarters by an individual, a family or families or other groups of persons, which living quarters contain a kitchen or cooking equipment for the exclusive use of the occupant or occupants.*

*"Municipal governing body" means a city, borough, incorporated town or township.*

*"Residential construction" means the building or erection of dwelling units, as defined above, upon vacant land or land specifically prepared to receive such structures.*

*Section 302. Deteriorating Areas; Procedures.—(a) Each local taxing authority may, by ordinance or resolution, exempt from all real property taxation the assessed valuation of any residential construction built in a deteriorating area from and after the effective date of this article in the amounts and in accordance with the schedule and limitations hereinafter provided. Prior to the adoption of the ordinance or resolution authorizing the granting of such exemptions from taxation, an interested municipal governing body shall determine the boundaries of deteriorating areas, wholly or partially located within its jurisdiction. At least one public hearing shall be held by the municipal governing body for the purposes of delineating said boundaries. At the public hearings any local taxing authority, planning commission or redevelopment authority and other public and private agencies and individuals, knowledgeable and interested in the improvement of deteriorating areas, shall present their recommendations concerning the location of boundaries of a deteriorating area or areas for the guidance of the municipal governing bodies, such recommendations to take into account not only the standards set forth in section 301, but also those set forth in the act of May 24, 1945 (P.L.991, No.385), known as the "Urban Redevelopment Law," for the determination of "blighted areas," and the act of November 29, 1967 (P.L.636, No.292), known as the "Neighborhood Assistance Act," for the determination of "impoverished areas." The ordinance or resolution shall specify a description of each such areas as determined by the municipal governing body, the maximum assessment per dwelling unit which may be exempted, and the schedule of taxes exempted as hereinafter provided.*

*(b) Two or more municipal governing bodies may join for the purpose*

*of determining the boundaries of a deteriorating area and to establish the maximum cost per dwelling unit, and such municipal governing bodies shall cooperate fully with each other for the purpose of implementing this article. The local taxing authorities may, by implementing ordinance or resolution, agree to adopt tax exemptions contingent upon the similar adoption by an adjacent or coterminous local taxing authority, within the limitations provided herein.*

*(c) An area can be established as being deteriorating and decayed even though the area so designated is not a slum consisting exclusively of tangible physical blight. Any such deteriorating area may include buildings or improvements not in themselves blighted or dilapidated.*

**Section 303. Exemption Schedule; Maximum Exemption.**—*(a) A local taxing authority granting a tax exemption pursuant to the provisions of this article may provide for tax exemption on the assessment attributable to the actual cost of construction of the new dwelling unit in accordance with the following schedule:*

*For the first, second and third year for which said newly-constructed dwelling unit or units would otherwise be taxable, 100% of the eligible assessment shall be exempted; after the third year the exemption shall terminate.*

*(b) The exemption from taxes shall be limited to the assessment valuation attributable to the cost of construction of the new dwelling unit not in excess of the uniform maximum cost per dwelling unit specified by the municipal governing body. The exemption shall commence in the tax year immediately following the year in which the building permit is issued. No tax exemption shall be granted under the provisions of this article for the construction of any dwelling unit in excess of the uniform maximum cost specified by the municipal governing body.*

*(c) The exemption from taxes authorized by this article shall be upon the newly-constructed dwelling unit or units exempted and shall not terminate upon the sale or exchange of the property, unless otherwise provided in this article.*

**Section 304. Nonrecognition for Other Purposes of Increased Valuation.**—*If a property containing new residential construction is granted tax exemption pursuant to this article, the property shall not during the exemption period be considered as a factor in assessing the value of other properties in the same area.*

**Section 305. Procedure for Obtaining Exemption.**—*(a) Any taxpayer desiring tax exemption pursuant to ordinances or resolutions adopted under authority of this article shall apply in writing to each local taxing authority granting such exemption on a form provided by said local taxing authority at the time he secures the building permit, or, if no building permit or other notification is required, at the time he commences construction. A copy of the exemption request shall be forwarded to the board of assessment and revision of taxes or other local assessment agency. The assessment agency shall, after completion of the construction, assess separately the dwelling unit and the land upon which the new residential*

*construction stands; calculate the amounts of the assessment eligible for tax exemption in accordance with the limits established by the local taxing authorities; and notify the taxpayer and the local taxing authorities of the amounts of the assessment eligible for exemption. Appeals from the assessment and/or the amounts eligible for exemption may be taken by the taxpayer as heretofore provided by law.*

*(b) The cost of construction per dwelling unit to be exempted and the schedule of taxes exempted existing at the time of the initial request for tax exemption shall be applicable to that exemption request, and subsequent amendments to the ordinance, if any, shall not apply to requests initiated prior to their adoption.*

Section 2. This act shall take effect in 60 days.

APPROVED—The 5th day of August, A. D. 1977.

MILTON J. SHAPP