



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 758

PRINTERS NO. 826

PRIME SPONSOR: Ward

COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	\$0	\$0
Local Taxing Authority Funds	\$0	See "Fiscal Impact"

SUMMARY: Authorizes local taxing authorities to provide for tax abatement incentives for certain deteriorated industrial, commercial, business and residential property and for new construction in deteriorated areas of economically depressed communities, with a focus on developing for mixed-use purposes, if zoning allows. This legislation would take effect in 60 days.

ANALYSIS: This legislation creates the Tax Exemption and Mixed-Use Incentive Program, which will allow for tax exemption incentives for developers that improve certain deteriorated areas, with a special emphasis on promoting mixed-use housing and development.

The legislation creates a fixed abatement schedule for those wishing to improve designated areas. Individual local taxing authorities may abate from real property taxation the assessed valuation of improvements. A public hearing shall determine the boundaries of such properties that can be improved. Property that is adjacent to the deteriorated property, that will not otherwise qualify, may be included with the designated deteriorated area. Two or more municipal governing bodies may join together for the purpose of determining the boundaries of a deteriorated area. Where mixed-use zoning permits, improvements must be made in accordance with mixed-use housing and development.

Abatement schedules shall be set up on a 10-year basis:

- From years 1 to 3, 100% of the eligible improved assessment shall be exempted.
- For year 4, 90% of the eligible improved assessment shall be exempted.
- From years 5 to 9, the exemption shall be reduced by 15% each year.
- For year 10, 10% of the eligible assessment shall be exempted.
- After the 10th year, the abatement shall terminate and the property owner will pay the fully assessed value.

The exemption from taxation shall be limited to the additional assessment valuation attributable to the actual costs of new construction or improvements to deteriorated property.

Repayment will be due if there are violations against a State or property maintenance code:

- Local taxing authority shall receive return on tax abatement if serious State or property maintenance code violations on property remain within five years following the completion of improvements or construction.
- Local taxing authority shall place a lien on property for the assessed value of the improvements to property.
- The lien shall be forgiven at the conclusion of the fifth year following the completion of the improvements or construction if no serious State or property maintenance code violations on property remain.

The procedure for obtaining exemption incentives includes the following:

- Notification to each local taxing authority requesting an exemption in writing on the designated application form.
- Statement of tax obligations.
- Outline of specifications for new improvement, specifying the materials to be used for interior and exterior purposes.
- Itemized cost estimate for new construction, which must be on a contractor letterhead, indicate the property address of the project and be signed by the applicant.
- Preliminary architectural drawings or blueprints for the new construction or improvement.
- Recent appraisals of the property, if available.
- Applicable building permit application or building permit.
- Income and expense report for the property, submitted to the county assessment agency.
- The final decision of the zoning authority or other regulatory agency granting relief, if applicable.
- Signature of the applicant and date of signing.

To be eligible, the property improvements and/or construction must:

- Conform to zoning ordinance requirements. If mixed-use development is permitted in a designated area, any improvement must meet any applicable mixed-use housing and development standards.
- Increase the property value by at least 25%.
- Correct all code violations, if applicable.

A property is not eligible for assessment exclusion if:

- The property is receiving other property tax abatement or exemption incentives or receiving tax relief through any State program, except if offset by property tax rebates received under the Taxpayer Relief Act.
- The property owner or developer is delinquent on any property taxes related to the subject property or other properties, or if the property owner has a legal or equitable interest in any other property or properties for which property taxes are delinquent.
- New construction and/or improvement has commenced prior to filling an application.

- The property includes an improvement that poses a health of safety risk to individuals residing on the property.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth or local taxing authority funds. Providing real property tax exemptions for deteriorated mixed-use property would allow these properties to be refurbished and/or rebuilt and brought back into use, gradually generating additional property tax revenue for a local taxing authority.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: April 3, 2017

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.