



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1799

PRINTER'S NO. 2920

PRIME SPONSOR: Siegel

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	\$0

SUMMARY:

House Bill 1799 creates the Economic Development and Mixed-Use Redevelopment of Shopping Malls Act, which would authorize local taxing authorities to provide special tax incentives for redeveloping shopping malls.

ANALYSIS:

This bill finds and declares that it is in the public interest to promote redevelopment of the large number of underutilized shopping malls in the Commonwealth that provide economic liabilities to the community they reside in as this redevelopment will promote public safety, convenience, and welfare. It further provides definitions for attainable housing, board, committee, department, developer, economic development, economic development and mixed-use redevelopment, local taxing authority, municipal corporation, project agreement, property maintenance code, real estate tax, redevelopment, serious violation, shopping mall, and special tax provision.

The bill establishes the Economic Development and Mixed-Use Redevelopment Advisory Committee within the State Planning Board to provide guidance and best practices for the redevelopment of shopping malls into attainable housing and mix-use spaces. The committee is to be composed of members with expertise in:

- Real estate development.
- Municipal planning.
- Economic development.
- Land use planning.

The committee is tasked with drafting best practices for the redevelopment of shopping malls based on national standards and models. These guidelines shall be posted on the Department of Community and Economic Development's public website within 6 months of enactment of this legislation.

This act is to be construed as authorizing local taxing authorities to provide special tax provisions related to the redevelopment of shopping malls within the local taxing authority. Such special tax provisions are not enforceable until the governing body of the governing body of the local taxing authority has approved an ordinance or resolution adopting a tax exemption or special tax provision. Upon adoption of an ordinance or resolution adopting a tax exemption or special tax provision, the taxing authority must post a notice of the approval in a newspaper of general circulation.

Notwithstanding if an assessment eligible for exemption is based upon actual cost or a maximum cost, the actual amount of taxes exempt must be in accordance with at least one of the following schedules:

- For the first 10 years, 100% of the eligible assessment is exempt for economic development and mixed-use redevelopment.
- For any economic development and mixed-use redevelopment, 100% of the eligible assessment shall be exempt for an additional two years if at least one of the following criteria is met and an

additional five years if at least two of the following criteria are met:

- A minimum amount of attainable housing as defined by the local taxing authority granting the exemption.
- Improved energy efficiency.
- Installation of a renewable energy system that provides electricity for 50% of the average electricity needs for economic development and mix-use redevelopment.
- Creation of greener or open space.
- Creation of lifestyle improvement projects.
- Installation of charging stations for electric vehicles.
- Access to public transit.
- The redevelopment of the shopping mall is subject to a project labor agreement.

The bill stipulates that a tax exemption authorized under this act is specific to real property of the shopping mall and shall not terminate upon the sale or exchange of the property and a local taxing authority is required to provide an estimate of the amount of assessment exempted for each eligible property within 30 days upon request.

Should the following occur within 5 years following the redevelopment of a shopping mall, the local taxing authority shall receive a return of the local taxing authority's proportional share of taxes exempt under this act:

- A serious violation of state law or a municipal code exists on the property and the owner has taken no substantial steps to correct the violation within six months of being notified.
- The developer is subject to a municipal permit denial under 53 Pa. C.S. Ch. 61 (Neighborhood Blight Reclamation and Revitalization).

If the developer has not completed requirements for exemption at the time a project agreement is executed, the local taxing authority shall file a lien against the tax-exempt property. The lien shall be satisfied by the local taxing authority at the end of the fifth year following the completion of redevelopment if there have been no serious violations against the property that have not been corrected.

To obtain a tax exemption, a developer must notify the local taxing authority in writing on an application provided by the local taxing authority. The application must include:

- A notarized statement of tax obligations.
- An outline of specifications for the redevelopment of the shopping mall.
- An itemized cost estimate for the redevelopment of the shopping mall that must be on the contractor letterhead with the property address of the redevelopment project.
- A preliminary architectural drawing or blueprint for the redevelopment.
- A recent appraisal of the property.
- An applicable building permit application or building permit.
- An income and expense report for the shopping mall.
- The final decision of the zoning authority or other agency granting relief, if applicable.
- The signature of the applicant and date of the signing.
- Proof of a project labor agreement for the redevelopment, if applicable.

A copy of the application shall be sent to the county assessment office and after the completion of the developer's new construction or improvement the assessment office shall separately assess the redevelopment and calculate the amounts of the assessment eligible for tax exemption in accordance with the regulations set by the local taxing authority. Appeals from a reassessment and the amounts eligible for the exemption may be made by the developer or the local taxing authorities.

To be deemed eligible, the completed redevelopment must conform to zoning ordinance requirements and correct any municipal code violations. A property is deemed ineligible if any of the following apply:

- The property receives other property tax abatement or exemption incentives for new construction or improvement.

- The property receives tax relief through a state program.
- The property owner or developer is delinquent on property taxes related to the subject property, unless the delinquent taxes are paid prior to redevelopment, or payment of delinquent taxes has been arranged with the local taxing authority in accordance with an installment plan.
- The property owner has a legal or equitable interest in other property for which taxes are delinquent, unless the delinquent taxes are paid prior to redevelopment, or payment of delinquent taxes has been arranged with the local taxing authority in accordance with an installment plan.
- The property owner has a legal or equitable interest in other property within the boundaries of the municipal corporation for which there exists a serious violation that has not been remedied prior to filing the application.
- Construction or other improvements for the redevelopment of the shopping mall commenced prior to filing an application.

For the period that a property receives a tax exemption authorized by this legislation, a purchase or sale of the property may not be structured to exclude or exempt the transaction from a realty transfer tax, except for a sheriff or tax claim bureau sale, a corrective deed, or a transfer by a mortgagor to the holder of a bona fide mortgage in default in lieu of foreclosure, among others.

This legislation would take effect in 60 days.

FISCAL IMPACT:

This legislation will have no impact on Commonwealth funds. The Department of Community and Economic Development believes that any additional costs can be absorbed with current resources and the requirements of the State Planning Board will become part of the board's workplan.

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House Appropriations Committee (D)

DATE: April 15, 2024

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