SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 613

PRINTER NO. 1897

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

February 24, 2015

PRIME SPONSOR

Representative Ward

DESCRIPTION AND PURPOSE OF BILL

House Bill 613 is a freestanding act that would establish the Tax Exemption and Mixed-Use Incentive Program Act ("act"). The act authorizes local taxing authorities to provide for tax exemption incentives for new construction in deteriorated areas of communities and improvements to certain deteriorated industrial, commercial, business and residential property. The act also allows for mixed-use housing and development in accordance with zoning ordinances within designated areas.

Individual local taxing authorities may by ordinance or resolution exempt from real property taxation the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within designated deteriorated areas of communities under terms of the act. If an area is zoned for mixed-use housing and development, improvements shall incorporate mixed-use housing and development that benefit the efficiency and economy of the community. The municipality shall set the boundaries of a deteriorated area(s), and the property and the deteriorated area must be "blighted property" and an "impoverished area", respectively, which are defined in the act.

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 within the designated deteriorated area. Two or more municipal governing bodies may join together for the purpose of determining the boundaries of a deteriorated area.

The legislation creates a fixed exemption schedule for those wishing to improve designated areas. Exemption schedules shall be set up on a ten-year basis as follows:

- 100% of the eligible assessment shall be exempted from years 1-3.
- 90% of the eligible assessment shall be exempted from year 4.
- 75% of the eligible assessment shall be exempted from year 5.
- 60% of the eligible assessment shall be exempted from year 6.
- 45% of the eligible assessment shall be exempted from year 7.
- 30% of the eligible assessment shall be exempted from year 8.

- 15% of the eligible assessment shall be exempted from year 9.
- 10% of the eligible assessment shall be exempted from year 10.
- The exemption terminates after the 10th year.

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. The exemption shall be upon the property exempted and shall not terminate upon the sale or exchange of the property. A local taxing authority shall provide upon request an estimate of the amount of assessment exempted for each eligible property based on the exemption schedule.

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

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

- 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 exemption under the following conditions:

- The property is receiving other property tax abatement or exemption incentives for new construction or improvement.
- The property is receiving tax relief through any State program, with the exception of relief provided under Chapter 13 of the Taxpayer Relief Act.
- The property owner or developer is delinquent on any property taxes related to the property.
- The property owner has a legal or equitable interest in any other property for which property taxes are delinquent.
- New construction or improvement has commenced prior to filing an application.
- The property includes an improvement that poses a health or safety risk to individuals residing above the first floor.
- Certain properties where the improvement poses a health or safety risk to individuals residing above the first floor (e.g., gas stations, recycling service centers, heavy manufacturing, etc.).

The property exempted under the program shall not be eligible for or receive an additional tax exemption under this program for a minimum of 15 years from the date the property received an exemption under the program. The program prohibits structuring the sale of property in a manner that excludes or exempts the transaction from a realty transfer tax due to any taxing authority that would otherwise not be excluded or exempt, except in limited instances.

This act shall take effect in 60 days.

FISCAL IMPACT:

House Bill 613 will have no adverse fiscal impact on Commonwealth or local taxing authority funds. Providing real property tax exemptions for deteriorated property would allow these blighted properties and impoverished areas to be refurbished and/or rebuilt and brought back into use, gradually generating additional property tax revenue for a local taxing authority.