

## Legislation Text

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Authorizing the City Council Committee of the Whole to explore the geographic scope of the 10-year real estate tax abatement.

WHEREAS, The 10-year real estate tax abatement programs were originally implemented across the entirety of the City to incentivize growth and development in Philadelphia and to “help revitalize communities, retain residents, [and] attract home and business-owners to the City of Philadelphia”; and

WHEREAS, According to Pennsylvania law, a local taxing authority may offer property tax exemptions in “deteriorating areas,” which a municipal governing body determines to be physically blighted on the basis of the presence of unstable, substandard, unsanitary, or overcrowded residential buildings, “a substantial amount of unimproved, overgrown and unsightly vacant land,” or a disproportionate number of delinquent properties; and

WHEREAS, The municipal governing body is legally required to hold at least one public hearing to determine the boundaries of deteriorated areas that are eligible for tax exemptions; and

WHEREAS, According to a 2018 study by the City Controller, “An Analysis of Tax Abatements in Philadelphia,” six percent of neighborhoods across the City account for 59 percent of the properties that receive a tax abatement. Moreover, while abated properties valued over \$700,000 represent seven percent of all abated properties, they receive over half of the overall tax benefit; and

WHEREAS, Properties receiving tax abatements are disproportionately clustered in neighborhoods such as Graduate Hospital, Rittenhouse, and Northern Liberties, which are among the most affluent in the City and do not face the disinvestment and deterioration that rationalized the original creation of the 10-year real estate tax abatement programs; and

WHEREAS, The Reinvestment Fund identifies areas in the City with high Displacement Risk Ratios, which quantify the relationship between changing sale prices and income. Longtime residents of these rapidly developing areas are more likely to face displacement due to the rising costs associated with widespread development incentivized by the abatement; and

WHEREAS, The City of Philadelphia’s 2017 Comprehensive Annual Financial Report showed that the City forfeited \$42.5 million last year in potential tax revenue as a result of the 10-year real estate tax abatement alone. The Economy League of Greater Philadelphia reports that approximately \$8 billion in taxable building value, or nearly 15,000 properties, are abated, representing 11% of the City’s total assessed value and 2.7% of real estate stock.; and

WHEREAS, The Economy League of Greater Philadelphia suggests that tax abatement reform could yield significant revenue, and urges that neighborhood variability be taken into account and that any modifications to the abatement should first and foremost be targeted towards areas with high-value, high-growth housing markets; and

WHEREAS, Given the original intent of catalyzing growth, development, and structural rehabilitation in deteriorated areas, a discussion of redefining the boundaries of the real estate tax abatement is merited; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Authorizes the City Council Committee of the Whole to explore the geographic scope of the 10-year real estate tax abatement.