

## Legislation Text

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**File #:** 221015, **Version:** 1

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Amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," to incentivize Affordable Housing development by authorizing tax exemptions pursuant to the Affordable Housing Unit Tax Exemption Act, all under certain terms and conditions.

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. Title 19 of the Philadelphia Code is hereby amended to read as follows:

### TITLE 19. FINANCE, TAXES AND COLLECTIONS

\* \* \*

*19-1303.6 Authorization to offer Exemptions from Real Estate Taxes for, Improvements to and New Construction of, Affordable Housing Units.*

*(1) Legislative Findings and Determination of Deteriorated Areas.*

*The Council finds that:*

*(a) The Affordable Housing Unit Tax Exemption Act, July 7, 2022 (hereinafter referred to as the "Act"), authorized local taxing authorities to exempt from real estate taxes, improvements to, or construction of Affordable Housing Units in Deteriorated Areas, under certain terms and conditions; and*

*(b) In accordance with the Act, Council held a public hearing to determine the boundaries of Deteriorated Areas of the City and determined that the following areas of the City are hereby designated a "Deteriorated Area" under the Act:*

*(.1) The area bounded by John F. Kennedy Boulevard, 15th Street, Glenwood Avenue, 17th Street, Indiana Avenue, 15th Street, Germantown Avenue, Lycoming Street, 16th Street, Hunting Park Avenue, Roosevelt Boulevard, Old York Road, Pike Street, 13th Street, Germantown Avenue, Ontario Street, 13th Street, Clearfield Street, 12th Street, Glenwood Avenue, 13th Street, Spring Garden Street, and Broad Street;*

*(.2) The First Councilmanic District, as established by Bill No. 220003 (approved February 13, 2022);*

*(.3) The Second Councilmanic District, as established by Bill No. 220003 (approved February 13, 2022);*

*(.4) The area bounded by Market Street, 54th Street, Hunter Street, 56th Street, Hunter Street, 59th Street, Jefferson Street, Wynnewood Road, Lansdowne Avenue, Wynnewood Road, Gross Street,*

*Arch Street, and 63rd Street.*

*(2) Definitions.*

*"Affordable housing unit." (a) A multiunit residential dwelling where at least 30% of the residential units meet all of the following: (i) Are rent-restricted. (ii) Are occupied by an individual or family whose income is not more than 60% of area median income. (b) The term includes single family residences that are subject to deed restrictions and occupied by an individual or family whose income is not more than 60% of the area median gross income.*

*"Area median income." The median household income within the boundaries of a local taxing authority.*

*"Blighted property." The term shall have the same meaning as defined in 1 Pa.C.S. § 1991 (relating to definitions).*

*"Deteriorated area." An area designated by a municipal corporation which consists of blighted property.*

*"Dwelling unit." 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.*

*"Homestead." As follows: (1) A dwelling used as a home which is occupied by a taxpayer as a primary residence. (2) The term includes: (i) A mobile home which is assessed as realty for local property tax purposes and the land on which the mobile home is situated and other similar living accommodations, including a part of a multidwelling or multipurpose building and a part of the land upon which the multidwelling or multipurpose building is built to the extent that the eligible taxpayer is chargeable by a local taxing authority for property taxes. (ii) A premises occupied by an eligible taxpayer if the eligible taxpayer is required by law to pay a property tax by reason of the taxpayer's ownership or rental of, include a possessory interest in, the dwelling, land or both. As used in this subparagraph: (A) The term "by law" shall not include a contractual obligation between the eligible taxpayer and a person who would otherwise be responsible to a local taxing authority for the payment of the tax. (B) An owner shall include a person in possession under a contract of sale, deed of trust, life estate, joint tenancy or tenancy in common.*

*"Improvement." Repair, construction or reconstruction, including alterations and additions, having the effect of rehabilitating a blighted property so that the blighted property becomes habitable or attains higher standards of safety, health, economic use or amenity, or is brought into compliance with laws, ordinances or regulations governing safety, health, economic use or amenity standards. The term shall not include ordinary upkeep and maintenance.*

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

*"Low-income taxpayer." A taxpayer whose income does not exceed the maximum annual income allowable for an eligible claimant to participate in the Pharmaceutical Assistance Contract for the Elderly Needs Enhancement Tier (PACENET).*

*"Municipal code." A building, housing, property maintenance, fire, health or other public safety ordinance, related to the use or maintenance of real property, enacted by a municipality. The term does not include a subdivision and land development ordinance or a zoning ordinance enacted by a municipality.*

*"Property maintenance code." Title 4 of The Philadelphia Code.*

*"Real estate taxes." A tax on a homestead imposed or authorized to be imposed by a local taxing authority.*

*"Rent-restricted." The maximum rent an owner may charge for a unit does not exceed 30% of the adjusted income of a family or taxpayer whose annual income is less than or equal to 60% of the area median gross income.*

*"Serious violation." A violation of a State law or a municipal code that poses an immediate imminent threat to the health and safety of a dwelling occupant, an occupant in a surrounding structure or a passerby.*

*"Special tax provision." The standards and qualifications provided under this act to establish the eligibility for and the refund or forgiveness of a portion of the taxpayer's real estate tax liability.*

*"Substantial step." An affirmative action as determined by a property code official or officer of the court on the part of a property owner or managing agent to remedy a serious violation of a State law or code, including, but not limited to, physical improvements or repairs to the property, which affirmative action is subject to appeal in accordance with applicable law.*

*"Tax Reform Code of 1971." The act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.*

*"Taxpayer Relief Act." The act of June 27, 2006 (1st Sp. Sess., P.L.1873, No.1), known as the Taxpayer Relief Act.*

(3) *Real property tax exemption.*

*(a) A person may apply for exemption from real property taxation, the assessed valuation of improvements to blighted properties for the creation of, or improvements to, Affordable Housing Units, and the assessed valuation of new construction of Affordable Housing Units within a deteriorated area in the amounts and in accordance with the provisions and limitations specified herein.*

(4) *Exemption schedule.*

*(a) Tax exemption under this chapter shall be on the assessment attributable to the actual cost of new construction or improvements for Affordable Housing Units.*

*(b) The actual amount of real estate taxes exempted shall be in accordance with the following schedule: For the first through tenth years for which improvements would otherwise be taxable, 100% of the eligible assessment shall be exempted and after the tenth year the exemption shall terminate, provided that such exemption shall only apply during such period as the property constructed or improved upon remains an Affordable Housing Unit, as defined under section 2. The taxpayer shall be required to verify annually that such property remains an Affordable Housing Unit, as defined under section 2.*

(c) *Limitation. The exemption from taxes shall be limited to the additional assessment valuation attributable to the actual costs of new construction or improvements to Affordable Housing Units.*

(d) *Sale or exchange. The exemption from taxes shall be upon the property exempted and shall not terminate upon the sale or exchange of the property.*

(e) *Estimate. The Office of Property Assessment shall provide upon request an estimate of the amount of assessment exempted for each eligible property based on the exemption schedule under subsection (b).*

(f) *Repayment.*

(.1) *The City of Philadelphia, acting by and through the Department of Revenue, shall be entitled to the return of real estate taxes exempted under the provisions of this Chapter if, within five years following completion of the new construction or improvements:*

(.a) *there exists on the property a serious violation of State law or the Municipal Code and the owner has taken no substantial steps to correct the serious violation within six months following notification of the serious violation and for which fines or other penalties or a judgment to abate or correct were imposed by a magisterial district judge or municipal court, and a final judgment at law or in equity, not subject to appellate review, was imposed by a court of common pleas; or*

(.b) *the taxpayer is subject to a municipal permit denial under 53 Pa.C.S. Ch. 61 (relating to neighborhood blight reclamation and revitalization).*

(.2) *At the time the agreement is entered into between the Office of Property Assessment and the taxpayer who desires tax exemption, if the taxpayer has completed all requirements under section (6), the City shall file a lien against the tax-exempt properties at the rate of the estimated amount of assessment under subsection 4(b). The lien shall be forgiven by the City at the end of the fifth year following the completion of the new construction or improvements if there have been no serious violations against the property that have not been corrected. The lien on the property shall transfer under subsection 4(d) in cases of sale or exchange of the property.*

(5) *Procedure for obtaining exemption.*

(a) *Notification. A taxpayer desiring tax exemption under this chapter shall notify the Office of Property Assessment in writing on an application form provided by the Office of Property Assessment, submitted at the time the taxpayer secures the building permit or, if no building permit or other notification of new construction or improvement is required, at the time the taxpayer commences construction. The application shall include the following information:*

(.1) *A notarized Statement of Outstanding Tax Obligations, signed by the taxpayer and the Department of Revenue;*

(.2) *Outline of specifications for the new construction or improvements, indicating with as much specificity as practicable, the materials to be used for exterior and interior finishes;*

(.3) *An itemized cost estimate for the new construction or improvements. The itemization must:*

- (.a) be on contractor letterhead;*
- (.b) indicate the property address of the project; and*
- (.c) be signed by the applicant.*

(.4) *Preliminary architectural drawings or blueprints for the new construction or improvements;*

(.5) *A recent appraisal of the property, if available;*

(.6) *An applicable building permit application or building permit;*

(.7) *An income and expense report for the property;*

(.8) *The final decision of the zoning authority or other regulatory agency granting relief, if applicable; and*

(.9) *The signature of the applicant and the date of signing.*

(b) *Estimate. The amount of assessment deemed eligible for tax exemption under subsection 4(c) shall be available for public inspection and copying so that a subsequent purchaser is informed of the amount of taxes to be paid after the 10-year exemption period.*

(c) *Office of Property Assessment.*

(.1) *The Office of Property Assessment shall, after completion of the new construction or improvements, assess separately the new construction or improvements and calculate the amounts of the assessment eligible for tax exemption and notify the taxpayer and the Department of Revenue, of the reassessment and amounts of the assessment eligible for exemption.*

(.2) *Appeals from the reassessment and the amounts eligible for the exemption may be taken by the taxpayer or the City.*

(d) *Amendment to Affordable Housing Unit Tax Exemption Ordinance. The cost of new construction or improvements to be exempted and the schedule of taxes exempted which exist at the time of the initial request for tax exemption shall apply to the exemption request. A subsequent amendment to this Chapter shall not apply to a request initiated prior to adoption of its amendment.*

(6) *Eligibility requirements.*

(a) *General rule. The completed new construction or improvement must:*

- (.1) Conform to zoning ordinance requirements.*
- (.2) Increase the value of the property by at least 25%.*

*(.3) Correct each municipal code violation.*

*(b) Ineligibility. A property shall be ineligible for tax exemption if:*

*(.1) The property receives other property tax abatement or exemption incentives for new construction or improvement.*

*(.2) The property receives tax relief through a State program, except as provided under subsection (d).*

*(.3) The property owner or developer is delinquent on property taxes related to the subject property, except if the delinquent taxes are paid prior to construction or payment of delinquent taxes has been arranged with the Department of Revenue in accordance with an installment plan.*

*(.4) The property owner has a legal or equitable interest in other property for which property taxes are delinquent, except if the delinquent taxes are paid prior to construction or payment of delinquent taxes has been arranged with the Department of Revenue in accordance with an installment plan.*

*(.5) New construction or improvement has commenced prior to filing an application under section 5.*

*(c) Exception. The amount of assessment eligible for exemption under this act shall be offset by the amount of property tax rebate received under Chapter 13 of the Taxpayer Relief Act.*

*(d) Limitations. The property qualifying and receiving a tax exemption under this chapter shall be ineligible for or receive additional tax exemptions under the act of July 9, 1971 (P.L.206, No.34), known as the Improvement of Deteriorating Real Property or Areas Tax Exemption Act, and the act of December 1, 1977 (P.L.237, No.76), known as the Local Economic Revitalization Tax Assistance Act, for a minimum of 15 years from the date the property received a tax exemption under this chapter.*

*(e) Prohibitions. For the period of time that a property receives a tax exemption under this chapter, a purchase or sale of the property or any portion of the property may not be structured to exclude or exempt the transaction from a realty transfer tax due the City that would not be excluded or exempt, except for the following:*

*(.1) A sheriff sale or tax claim bureau sale.*

*(.2) A corrective deed.*

*(.3) A transfer by a mortgagor to the holder of a bona fide mortgage in default in lieu of a foreclosure.*

*(.4) A transfer to a judicial sale in which the successful bidder is the bona fide holder of a mortgage.*

*(.5) A transaction excluded from the realty transfer tax under Article XI-C of the Tax Reform*



*Code of 1971.*

*(7) The Department of Revenue and the Office of Property Assessment are authorized to adopt such regulations as may be needed to implement this Section of the Code, consistent with the intent of this Section.*

SECTION 2. This Ordinance shall take effect the later of July 1, 2023, or approval by the Board of Education of the School District of Philadelphia of the exemptions authorized by this ordinance.