## §19-1303(5). Authorization to Offer Exemptions from Real Estate Taxes on Improvements to Convert Deteriorated Industrial, Commercial or Other Business Property to Commercial Residential Use. [180]

A. *Legislative Findings*.

(1) The Council finds that Pennsylvania Act 1977-76, as amended, (the "Act") authorizes local taxing authorities to exempt from real estate taxes improvements to certain deteriorated industrial, commercial and other business property.

(2) A public hearing, as required by the Act, regarding the boundaries of the areas containing deteriorated industrial, commercial and other business properties has been held and it has been determined that all wards of the City contain deteriorated industrial, commercial and other business property; therefore it has been determined that the boundaries of the deteriorated areas of the City containing such properties include all wards within the City.

(3) It has further been determined that:

(a) There exists a high and longstanding vacancy rate in a large number of commercial, industrial and other business buildings, located throughout the City, resulting in deterioration of these buildings and in the areas surrounding these buildings and a reduction in real estate taxes collected by the City. This is a socially and economically undesirable condition and use of these properties.

(b) It would be beneficial to the improvement of the social conditions in the areas containing these properties and to the improvement of the economic base of the City to encourage, through tax exemption, (i) the improvement of these properties for commercial residential use, (ii) the increase in the number of City residents, and (iii) the enhancement of neighborhood communities able to support a broad range of retail and cultural uses.

B. *Eligible Areas*.

(1) The Council determines that all the wards of the City contain “deteriorated areas” and “deteriorated commercial, industrial and other business property” as defined in the Act, and are entitled to real estate tax exemption under this § 19-1303(5).

(2) Any person making qualified improvements to eligible property, as such terms are defined in this Section, which is located in any of the eligible areas, may apply for, and the Board of Revision of Taxes may grant, a real estate tax exemption upon such improvements in the amount and in the manner hereinafter provided.

C. *Definitions.* The following words and phrases when used in this Section shall have the meanings given to them in this subsection unless the context clearly indicates otherwise:

(1) “Board.” The Board of Revision of Taxes.

(2) “Commercial residential use.” Space is used for a commercial residential use if it is suitable for and is generally to be used by the occupants for personal residence purposes of six months or more. Commercial residential use does not include residential property occupied by the owner or hotels.

(3) “Conversion area.” The entire floor area of an eligible property above the ground level and below the roof and any area of the eligible property to be used for parking by residents or guests only and not by the public.

(4) “Deteriorated property.” Any industrial, commercial or other business property which is an eligible property and is located in an eligible area.

(5) “Eligible property.” Any industrial, commercial or other business property if:

(a) such property has not been used for Commercial Residential Use within the last ten years at the time of the first application for a building permit for the qualified improvement;

(b) sixty-six and two thirds (66 ®¯%) percent or more of the conversion area is vacant prior to the first application for a building permit for qualified improvements; and

(c) either:

(i) the vacancy described in subparagraph (b) above has existed for at least two (2) consecutive calendar years prior to the first application for a building permit for the qualified improvements; or

(ii) the property was first occupied more than fifty (50) years prior to the first application for a building permit for the qualified improvement.

(6) “Other business property.” Other business property shall include institutional property such places of worship, hospitals, schools, fire stations, police stations and post offices.

(7) “Qualified improvement.” Any repair, construction or reconstruction, including alterations and additions, having the effect of converting all or a portion of the conversion area of the deteriorated property from non-residential use to commercial residential use, so that it becomes habitable, provided that at least fifty percent (50%) of the conversion area, measured by floor area, is so converted (the “50% test”). Ordinary upkeep and maintenance shall not be deemed a qualified improvement.

(8) “Special Service District.” Any authority created pursuant to the Municipality Authorities Act of 1945 (53 P.S. 301 et seq.) for the purpose of making business improvements or providing administrative services within a particular district.

(9) “Tax delinquency.” All City of Philadelphia, School District of Philadelphia and Special Services District taxes, charges, fees, rents or claims that the owner of the deteriorated property has not paid when due, whether or not liens for such have been filed in the Office of the Prothonotary of Philadelphia County, and shall include all penalties, additions, interest, attorneys’ fees and costs due on such delinquent taxes, charges, fees, rents or claims. The Tax Delinquency shall also include all taxes, charges, fees, rents or claims that the owner of the deteriorated property has not paid at the time of the application for the abatement, and that accrue during the application process and during the abatement period.

D. *Exemption*.

(1) *Exemption amount*.

(a) The Board shall exempt from real estate taxes that portion of the assessment of the eligible property attributable to the actual cost of the qualified improvement. This amount shall be referred to as the assessable amount of qualified improvement.

(b) The exemption from real estate taxes shall be limited to the qualified improvement for which an owner has applied for an exemption in the manner set forth in subsection D(3) below.

(2) *Exemption schedule*.

(a) The Board shall exempt from real estate taxes the entire amount of the assessable amount of qualified improvement for a period of ten years, subject to the other requirements of this Section. After year ten, the abatement shall terminate. The exemption shall commence for the tax year immediately following the year in which City issues the final Certificate of Occupancy for commercial residential use of the property.

(b) The exemption from real estate taxes granted under this Section shall be upon the property or portion thereof and shall not terminate upon the sale or exchange of the property or any portion of the property, except upon the sale of the property or a portion of the property to an owner who does not use the property for commercial residential use.

(3) *Procedure for obtaining exemption.*

(a) At the time the record owner or its agent applies for the first building permit for the construction of the qualified improvement, the Department of Licenses and Inspection shall notify the building permit applicant of the possibility of a real estate tax exemption pursuant to this Section. Within sixty (60) days of the date on which the City issues the first building permit for the qualified improvement, the record owner of the deteriorated property shall apply to the Board for this real estate tax exemption. The application shall be in writing upon forms prescribed by the Board and must be filed within the specified time period.

(b) The Board shall determine whether the abatement shall be granted. The Board shall forward a copy of the approved request for exemption, or any document showing that the Board has approved the application, to the owner.

(c) The Board, in determining whether the abatement shall be granted, shall inquire of the Department of Revenue of the City of Philadelphia and Special Service District, if applicable, whether the owner is indebted for or on account of any tax delinquency. The Board shall withhold approval of the application until the owner pays or enters into an agreement with the City of Philadelphia, School District of Philadelphia, or the Special Services District to pay the tax delinquency. The Board shall revoke the abatement where the owner fails to pay as provided herein or becomes indebted for or on account of any tax delinquency.

(d) In the event the original owner sells the property, or a portion of the property, for which the Board has granted an exemption and not revoked it, to a new owner, the new owner shall file with the Board an application for the continuation of the exemption within sixty (60) days of the date of the transfer of the property or portion of property. The Board shall continue the exemption so long as the new owner is not indebted for or on account of any tax delinquency and the new owner continues to use the property for commercial residential use. The Board shall revoke the exemption if the new owner, during the abatement term, became indebted for or on account of any tax delinquency or fails to use the property for commercial residential use.

(e) Any revocation of the exemption shall not extend the ten year abatement period for which the owner would otherwise qualify.

(f) The Board shall separately value the qualified improvement annually. After the City of Philadelphia has issued the final Certificate of Occupancy, the Board shall determine the portions of the improvement qualifying for exemption in accordance with the exemption schedule in subsection D(2) above.

(g) The Board shall notify the record owner of the deteriorated property of the amount of the assessment approved for exemption and the valuation of the assessment. Within thirty (30) days of the notification of the valuation of the assessment and amount of assessment approved for exemption, the record owner may request a hearing before the Board to challenge the determination. The City and the record owner may appeal the final determination of the Board to the Court of Common Pleas as provided by law.

(4) *Continuation of tax exemption; termination of tax exemption*.

(a) Once granted by the Board, the tax exemption shall continue in accordance with this Section for any portion of a residential improvement that continues to be used for commercial residential use provided that the owner annually files a certificate of continuing use so stating. The certificate shall be filed with the Board on such forms and contain such information as shall be prescribed by the Board.

(b) The Board shall have authority to terminate a real estate tax exemption to the extent that the improvement ceases to be used for commercial residential use, on the failure of the owner to file an annual certificate of continuing use, or on the failure of the owner to pay any tax delinquency or comply with his agreement to pay.

(5) *Other exemptions.* This Section shall not preclude an exemption under any other section of this Code for a portion of property not exempt under this Section.

E. *Regulations.* The Board shall promulgate regulations establishing a procedure for evidencing that a property is an eligible property and for such other matters as may be consistent with this Section.

F. *Severability.* If any sentence, clause, subsection or part of this Section is for any reason found to be unconstitutional, illegal or invalid, such unconstitutionality, illegality or invalidity shall not affect or impair any of the remaining provisions, sentences, clauses, sections or parts of this Ordinance. It is hereby declared as the intent of the Council that this Section would have been adopted had such unconstitutional, illegal or invalid sentence, clause, section or part thereof been included herein.

G. *Effective Date.* The provisions of this Section shall apply to applications for exemptions initially applied for on or after the date of enactment.

H. *Termination Date.* The provisions of this Section shall terminate as of June 30, 2002. Any application for exemption received after June 30, 2002 shall be ineffective.