



Residential LERTA Program Proposal

Whitepaper by Commissioner Jeff Eggleston

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For questions, contact Commissioner Eggleston

Email: jeff.eggleston@warren-county.net

Phone: 814-728-3403

Cell Phone: 814-706-8343

Warren County Redevelopment Task Force Residential Tax Abatement Overview

Introduction

On December 12, 2018, the Board of Warren County Commissioners approved Resolution 3122, which accepted the recommendation put forth by the Redevelopment Task Force and the comprehensive report they produced. This report had a variety of projects and concepts to address blighted property and redevelopment in Warren County. One of the many items included was the concept of Residential and Commercial L.E.R.T.A (or Local Economic Revitalization Tax Assistance) programs which would help spark redevelopment initiatives both public and private. This document is a summary and proposition to municipalities, the County Government, and the Warren County School District, to spurn discussion about the possibility of enacting residential LERTA programs within the taxing bodies in Warren County.

LERTA Definition

For most government officials, the acronym LERTA refers to Local Economic Revitalization Tax Assistance and is focused on commercial properties. These programs, authorized by Local Economic Revitalization Tax Assistance Act (LERTA) of 1977, allow taxing authorities to exempt new construction and/or improvements to business properties from increased real estate taxes in selected areas of a community to encourage investment by the private sector.

These programs are fairly common in the region. Less common, are similar programs which are authorized under the Improvement of Deteriorating Real Property or Areas Tax Exemption Act of 1971, which allow taxing bodies to exempt improvements and new construction in designated zones (sometimes entire municipalities) from additional taxes on redevelopment of existing structures and building of new structures. Below the Act is outlined for your review.

Improvement of Deteriorating Real Property or Areas Tax Exemption Act

Act of July 9, 1971, P.L. 206, No. 34

The act essentially allows local taxing bodies (municipalities, counties, school districts) to provide an exemption for improvements to deteriorated dwellings and improvements to deteriorating areas through new construction. It's that simple, however, there are several details that can be customized depending on the local governments' preferences and needs.

The act broadly allows for tax abatement for both improvements to the existing properties and for new construction of residential properties in designated "Deteriorated

Neighborhoods” to be defined by local taxing authorities. In the case of Erie, it allowed for one level of tax abatement in the City itself, and then it also designates a “Residential Target Area” which has a higher level of abatement. It is assumed that was selected as the level of distress in the properties is greater. For the City of Bradford, they simply designated the entire municipality as a revitalization area.

Although the law is split into two sections, the first for “Deteriorating Dwelling Improvement” and the second focusing on new construction, they are both similar and follow the same steps for authorization:

1. Designate a proposed boundary for the “deteriorated neighborhood” which will receive the tax exemption.
2. Hold a public hearing and invite the RDA, Planning Commission, and other local agencies and residents to share their concerns.
3. Use all available information to craft an ordinance (including an application form and process for application) and pass it at a public meeting.

Although the law provides several recommended schedules (listed below), the law also allows for the taxing body to develop a custom schedule, as long as it isn’t longer than 10 years.

Year	Schedule A	Schedule B	Schedule C	Schedule D
1	100%	100%	100%	100%
2	90%	80%	100%	100%
3	80%	60%	100%	100%
4	70%	40%	-	100%
5	60%	20%	-	100%
6	50%	-	-	100%
7	40%	-	-	100%
8	30%	-	-	100%
9	20%	-	-	100%
10	10%	-	-	100%

It's also important to note that you can "cap" the benefit according to the law as well. So if you wanted to have a schedule that started at 100% of the increase in assessment of property, you could say "up to \$50,000 of assessed value", or something along those lines.

Attributes of Exemption

The law gives municipalities and taxing bodies the ability to determine how an individual or organization applies for the tax abatement. Some municipalities utilize a building permit as the basis, others utilize an application. Still, others require both.

Another feature of the ordinances is to state that when someone sells their redeveloped property with a tax abatement, that abatement stays with the property and the next owner will benefit. This is required by law, but it is important to state in the ordinance as well.

Conclusion

As a continuing part of Commissioner Eggleston's effort to address blight and redevelopment, he will be contacting all local municipalities and the School District to initiate and facilitate residential tax abatement programs to help spark redevelopment and growth. This will include providing draft ordinances for the taxing bodies to consider as well as draft applications and other public relations materials.