

PHILADELPHIA CITY COUNCIL PASSES BILLS IMPACTING REAL ESTATE DEVELOPMENT

PUBLICATION, *RCCB REAL ESTATE ALERT* - JONATHAN GROSSER, DECEMBER 16, 2020

On Thursday, December 10, 2020, the Philadelphia City Council passed several bills which will have a direct impact on the real estate development community.

10-YEAR TAX ABATEMENT EXTENDED

The 10-year tax abatement which was being phased out beginning in January of 2021, was extended until January 2022. The 10-year tax abatement - which has served as a catalyst for tremendous change in City of Philadelphia and encouraged new construction and rehabilitation – has been an important tool in the development toolbox. The extension provides that all tax abatement applications applied for by December 31, 2021 will still remain eligible under the 10-year tax abatement program currently in place as it relates to residential new construction.

COMMERCIAL TAX ABATEMENT CHANGE

On the same day, City Council passed a bill impacting the tax abatement program for commercial and industrial properties. Commencing on January 1, 2022, only 90% of the assessed value of the improvement cost for commercial and industrial properties will be exempt from real estate taxes over the course of the 10-year abatement. The change from 100% to 90% for the commercial tax abatement is projected to bring in \$83 Million for the City.

NEW RESIDENTIAL CONSTRUCTION TAX

A new one (1%) percent tax will be imposed on the cost of construction improvements made to residential properties. Commercial and industrial (non-residential) construction will remain exempt from taxation. The tax applies to building permits applied for on or after January 1, 2022. This new tax passed with a vote of 14-3. Council members Domb, Oh and O'Neill voted against the construction tax. The City projects that this new construction tax could boost the City's budget by \$9 Million to \$11.7 Million per year.

PROFESSIONALS

Jonathan Grosser

CAPABILITIES

Real Estate