Welcome to
Albright College
and the
Center for Excellence in Local Government

Local Economic
Revitalization Tax Abatement (LERTA)
June 29, 2015

Restrooms Across the Lobby by the Dining Hall Entrance

Guest WIFI: LOGIN: albright guest
Password: lions 1234

County-Wide LERTA

How a County-Wide LERTA Could Expand Business in Berks County

Presented by: Christian Y. Leinbach

What is a LERTA?

The **Local Economic Revitalization Tax Abatement (LERTA)** is a tax abatement incentives to encourage improvements, rehabilitation and new construction to qualified commercial properties

What is a LERTA?

LERTA applies tax abatement to the value of the increase in property tax assessment due to property rehabilitation or new construction. LERTA provides a ten (10) year abatement that RUNS WITH THE LAND.

How It Could Be Enacted...

- Municipal Ordinance
- County LERTA Resolution
- School District Resolution

How It Would Work...

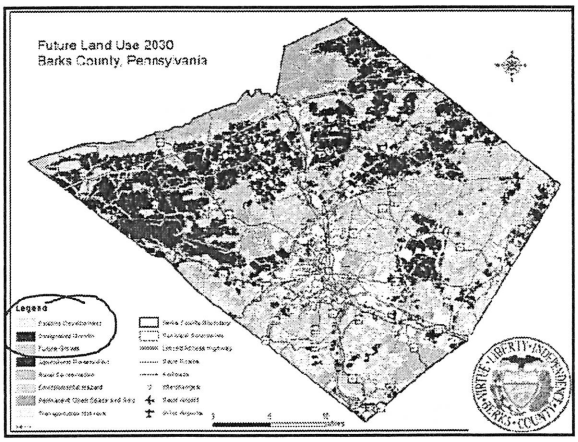
- Every business would be eligible both/large and small
- LERTA sign up when Building Permit is pulled
- The 10 Year Clock would begin upon receipt of first tax bill on the improvement

How It Would Work...

- The County hereby recognizes, supports and approves any LERTA of any municipality located within the boundaries of the County that has established a standard LERTA from property tax for certain deteriorated industrial, commercial or other business property.
- **The County will not recognize, support or approve and considers as ineligible, any type of residential property or project, including but not limited to any type of single family or multi-family construction, Senior Housing/Apartments.**
- That once the local taxing authority or municipal governing body establishes the LERTA, this Resolution shall automatically include the County as a partner in the tax exemption for those areas designated by the current County Comprehensive plan as "Existing Development," "Designated Growth" or "Future Growth." Any other areas must receive Commissioner approval via a formal vote.

How It Would Work...

- Only for Simple 10-Year LERTA with no additional requirements or restrictions
- Automatic approval for LERTA's in the following areas;
  - Existing Development
  - Designated Growth
  - Future Growth
- Any other areas would require a Commissioner Board vote



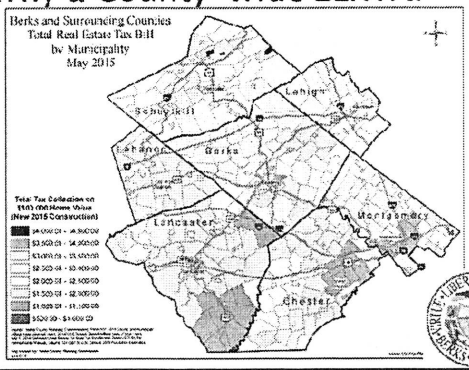
Why a County-Wide LERTA?

"Moody's has re-affirmed our Aa1 stable rating (*2nd highest rating of 67 PA Counties*) ... the analysis ... is much more favorable than the last rating in 2012. ...we get a premium for showing commercial and industrial tax base growth. ... In my opinion, the only way we will secure a AAA rating is with continued commercial and industrial tax base growth."

Bob Patrizio

Berks County/CFO 9/26/14

Why a County-Wide LERTA?



Why A LERTA for Berks Works!

- Set Berks County apart from its competitors
- Taxpayers - Truly new revenue vs. taking from somewhere else
- Help. Schools, Municipalities get their dollars sooner...year two!
- Time and money saved in going through the process for every request
- Help grow the tax base more quickly
- Treats large and small business equally

Q & A

Thank You

Christian Y. Leinbach - Berks Commissioners/Chair
Cleinbach@CountyofBerks.com
610-478-6136 x3

The Economic Benefits of a LERTA - Examples in Berks County

Presented by: Aaron Gantz, Marketing Manager,
Greater Reading Economic Partnership
Aaron@GreaterReading.com

EnerSys
Power/Full Solutions

- Project: Expansion of world corporate headquarters + R&D facilities
  - Located in Bern Township
  - 83,000 SF - 270 current employees
  - Building Addition 71,000 SF
  - Projected cost: $14 million
  - 115 new jobs - salaries $35,000 - $120,000 (not incl. benefits)

By the numbers...

- Bern Township
  - Approved a 10 year LERTA
  - Project results in an additional $3,000/year in year 2
  - Project results in an additional $30,000/year in year 11
- Schuylkill Valley School District
  - Approved a 7 year LERTA
  - Project results in an additional $13,000/year in year 2
  - Project results in an additional $256,000/year in year 11
  -

City of Reading

- Project: City wide LERTA
  - Enacted in 2010 and runs through 2020
  - Allows for property owners contemplating repair on any industrial property or commercial property →
  - Construction, or reconstruction of such property within the City of Reading

City of Reading

- Also enacted ReTAP (Residential Tax Abatement Program)
- Improvements/rehabilitation
  - 10% abatement for 10 years
- New residential construction
  - 100% abatement for 3 years
- City taxes only



Berks Park 78

- Development of a 323 acre industrial park
- Located in Bethel Township
- Resulted in three land sales in past 3 years
  - Dollar General
  - Pet Smart
  - Dermody Properties



DOLLAR GENERAL

- Project: Construction of Dollar General distribution center
  - 900,000+ SF
  - Projected cost: $100 million
  - 500 new jobs



PETSMART

- Project: Construction of Pet Smart distribution center
  - 870,000 SF
  - Projected cost: $50 million
  - 500 new jobs



DERMODY PROPERTIES

- Project: Speculative building
- Located in Bethel Township
  - 750,000 SF
  - Projected cost: $25 million

By the numbers...

- Taxes collected on the land prior to the development were $32,350 per year.
- Today they are $524,228 per year.
- "Real estate tax collections were $370,000 over budget this year, thanks to the Bethel industrial park. The park is key. It is the main reason we are not having a tax increase this year."

By the numbers...

- 10 year estimated economic impact from two projects:

$1.4 billion

LOCAL ECONOMIC REVITALIZATION TAX ASSISTANCE (L.E.R.T.A.)

- Authorized by Act 76 of 1977.
- Allows tax exemption for improvements to certain deteriorated industrial, commercial and other business property.
- Prior legislation was enacted for residential.
- High taxes often discourage improvements to properties in blighted areas.
- Property must be in a deteriorating area as determined by municipal governing body.

L.E.R.T.A.

- Any county, city, borough, township, institutional district, school district can elect to participate.
- Tax exemptions based on actual improvements costs or maximum.
- Time period cannot exceed 10 years.
- Periods may vary.

L.E.R.T.A.

"Deteriorated property" - Any industrial, commercial or other business property owned by an individual, association or corporation, and located in a deteriorated area, as hereinafter provided, or any such property which has been the subject of an order by a government agency requiring the unit to be vacated, condemned or demolished by reason of noncompliance with the laws, ordinance or regulation.

L.E.R.T.A.

Boundaries of deteriorated area must take into account the criteria of blight from Urban Redevelopment Law:

- Unsafe, unsanitary, inadequate or over-crowded condition of dwellings;
- Inadequate planning of the area;
- Excessive land coverage by the buildings;
- Lack of proper light, air, and open space;
- Defective design and arrangement of the buildings;
- Faulty street or lot layout;
- Economically or socially undesirable land uses.

L.E.R.T.A.

and the criteria for impoverished areas from Neighborhood Assistance Act (high incidence of):

- Persistent unemployment or underemployment;
- Dependence upon public assistance;
- Overcrowded, unsanitary or inadequate housing;
- Crime and delinquency;
- Disease or disability;
- Infant mortality;
- School dropouts or other evidence or low educational attainment;
- Other generally accepted indicators or widespread social problems or poverty.

L.E.R.T.A.

- Municipality determines boundaries based on criteria of Urban Redevelopment Law and Neighborhood Assistance Act.
  - Unsafe, unsanitary, inadequate or over-crowded condition of dwellings;
  - Vacant, overgrown and unsightly lots;
  - Disproportionate number of tax delinquent properties;
  - Inadequate planning of area;
  - Excessive land coverage of buildings;
  - Lack of proper light and air & open space;
  - Defective design and arrangement of buildings;
  - Faulty street or lot layout;
  - Economically or socially undesirable land uses.

L.E.R.T.A.

and the following:

- Unsafe, unsanitary, inadequate or over-crowded condition of dwellings;
- Vacant, overgrown and unsightly lots;
- Disproportionate number of tax delinquent properties;
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- Faulty street or lot layout;
- Economically or socially undesirable land uses.

Redevelopment Authority could assist with documenting deteriorated area.

L.E.R.T.A.

- May establish a maximum cost per unit to be exempted.
- Hold at least 1 public hearing for input.
- Municipality adopts ordinance.
- Each taxing body, by resolution or ordinance, adopts provisions and limitations.
- Exemptions do not terminate upon sale or exchange of property.
- Taxing body should adopt a form for tax exemption.
- Exemption form forwarded to County Tax Assessment.

L.E.R.T.A.

- Current assessment -$75,000 land, $200,000 building.
- Improvements - $400,000.
- Assessed value of improvements - $268,000.
- Tax exemption on $268,000.
- Year 1 - 0 taxes on assessed value of improvements.

new assessment is about 67% of new improvements

L.E.R.T.A.

- Year 2 - 10% taxes on assessed value of improvements.
- Year 3 - 20% taxes on assessed value of improvements.
- Etc.

L.E.R.T.A.

- Thank you!

Kenneth Pick - Executive Director, Redevelopment Authority of the County of Berks

kpick@countyofberks.com

610-478-6325

ORDINANCE NO. 611

LERTA Ordinance Establishing Exemptions from Property Tax for Industrial, Commercial, or Other Business Property; Setting an Exemption Schedule; and Providing a Procedure for Obtaining an Exemption

WHEREAS, the General Assembly of Pennsylvania passed Act No. 76 of 1977 (72 P.S. §4722 et seq.) known as the Local Economic Revitalization Tax Assistance Act (LERTA) which authorizes local taxing authorities to provide for tax exemption for certain industrial, commercial, and other business properties to provide an opportunity for revitalization; and

WHEREAS, there are industrial and commercial properties within the Borough of Fleetwood that would benefit from revitalization; and

WHEREAS, the Council of the Borough of Fleetwood in accordance with said Act held a public hearing to establish the LERTA provisions, which hearing was duly advertised; and

NOW, THEREFORE, BE IT ORDAINED, by the Council of the Borough of Fleetwood that:

I. DEFINITIONS

As used in this Ordinance, the following words and phrases shall have the meanings set forth below:

(a) "Property" means any industrial, commercial or other business property owned by an individual, association or corporation, and located in the Borough of Fleetwood.

(b) "Improvement" means repair, construction or reconstruction, including alterations or additions, having the effect of rehabilitating a Property so that it becomes habitable or attains higher standards of safety, health, economic use or amenity, or is brought into compliance with laws, ordinances or regulations governing such standards. Ordinary upkeep and maintenance shall not be deemed an Improvement.

(c) "Borough" means the Borough of Fleetwood.

II. EXEMPTION AREA

All commercial, industrial, or local business properties located in the Borough are eligible to participate in this tax exemption program, so long as they meet the pre-requisites for the program as hereinafter described.

III. EXEMPTION AMOUNT

(a) The amount to be exempted shall be limited to that portion of the additional assessment valuation attributable to the actual costs of the Improvement to the Property and must be actually incurred by the owner of the Property who is requesting and will be responsible to pay for Borough taxes.

(b) The exemption shall be limited to the Improvement for which the exemption has been requested in the manner set forth below and for which a separate tax assessment has been made by the Berks County Board of Assessment Appeals. Tax exemption shall only be granted if the Property has been completed in compliance with the various codes of the Borough, and a land development plan approved by the Council of the Borough.

(c) In any case where deteriorated Property is damaged, destroyed or demolished, by any cause or for any reason, and the assessed valuation of the Property affected has been reduced as the result of such damage, destruction or demolition, the exemption from real property taxation shall be limited to the actual cost of Improvements or construction that is in excess of the original assessment that existed prior to damage, destruction or demolition of the Property. In the event that a Property has been fully demolished by demolition permit, and has remained vacant of any structure after the expiration of one year from the time of issue of the permit, then the assessed value of the demolished Improvements shall thereafter not be subject to taxation.

IV. EXEMPTION SCHEDULE

(a) For the first year immediately following the date upon which the Improvement becomes assessable, one hundred percent (100%) of the assessed valuation of the eligible Improvement shall be exempted.

(b) For the second year immediately following the date upon which the Improvement becomes assessable, ninety percent (90%) of the assessed valuation of the eligible Improvement shall be exempted.

(c) For the third year immediately following the date upon which the Improvement becomes assessable, eighty percent (80%) of the assessed valuation of the eligible Improvement shall be exempted.

(d) For the fourth year immediately following the date upon which the Improvement becomes assessable, seventy percent (70%) of the assessed valuation of the eligible Improvement shall be exempted.

(e) For the fifth year immediately following the date upon which the Improvement becomes assessable, sixty percent (60%) of the assessed valuation of the eligible Improvement shall be exempted.

(f) For the sixth year immediately following the date upon which the Improvement becomes assessable, fifty percent (50%) of the assessed valuation of the eligible Improvement shall be exempted.

(g) For the seventh year immediately following the date upon which the Improvement becomes assessable, forty percent (40%) of the assessed valuation of the eligible Improvement shall be exempted.

(h) For the eighth year immediately following the date upon which the Improvement becomes assessable, thirty percent (30%) of the assessed valuation of the eligible Improvement shall be exempted.

(i) For the ninth year immediately following the date upon which the Improvement becomes assessable, twenty percent (20%) of the assessed valuation of the eligible Improvement shall be exempted.

(j) For the tenth year immediately following the date upon which the Improvement becomes assessable, ten percent (10%) of the assessed valuation of the eligible Improvement shall be exempted.

(k) After the tenth year, the exemption shall terminate.

(l) The exemption for Improvements to deteriorated Property shall commence in the tax year immediately following the year in which the Improvement is substantially completed.

(m) The exemption from taxes granted under this Ordinance shall be upon the Property and shall not terminate upon the sale or exchange of the Property.

V. NOTICE TO TAXPAYERS

(a) An application for exemption may be secured from the Borough, 110 West Arch Street, Fleetwood, Pennsylvania and must be filed with the Borough at the time a building or alteration permit is secured, or, if no building or alteration permit is required, then at the time that construction commences.

(b) At the time a building or alteration permit is secured for the construction of an Improvement for which an exemption is requested, or at the time construction commences if no permit is required, the taxpayer shall apply to the Borough for the exemption provided for in this Ordinance. Request for the exemption must be in writing certified in full setting forth the following information:

(1) The date the building permit or alteration permit was issued for said Improvements.

(2) The location of the Property to be improved.

(3) The nature of the Property to be improved.

(4) The type of improvement.

(5) The summary of the plan of the Improvement.

(6) The cost of the Improvement incurred by the owner.

(7) Any and all additional information the Borough may require.

VI. PROCEDURE FOR OBTAINING EXEMPTION

(a) A copy of the application for exemption shall be forwarded to the Berks County Board of Assessment Appeals (the "Berks County Tax Assessor") by the Borough. Upon completion of the Improvements, the taxpayer shall notify the Borough and the Berks County Tax Assessor, so that the Berks County Tax Assessor can assess the Improvements separately for the purpose of calculating the amount of assessment eligible for tax exemption in accordance with the limits established in this Ordinance. The Borough will then obtain from the Berks County Tax Assessor the amount of the assessment eligible for exemption, and will notify the taxpayer. Appeals from the assessments and the amount eligible for the exemption may be taken by the taxpayer or the Borough as provided by law. However, after the initial assessment, the applicant waives the right to appeal the assessment for the term of the program or exemption.

(b) The Borough may, by Ordinance adopted from time to time, extend the time for filing an application for exemption. However, in no event shall any one (l) extension period exceed three (3) years.

VI. REVOCATION OF EXEMPTION

The exemption from real estate taxes provided for herein shall be forfeited by the Applicant and/or any subsequent owner of the real estate upon the occurrence of any of the following:

(a) Failure to pay any non-exempt real estate taxes by the last day of the time period to pay such taxes in the penalty period. Upon receipt of the notice of non-payment of non-exempt real estate taxes, the Borough Treasurer shall discontinue the LERTA exemption; or

(b) Failure to obtain the necessary and proper permits prior to making Improvements to the Property; or

(c) Failure to comply with the minimum standards of the laws, ordinances, regulations and codes of the Borough; or

(d) Non-conformance of the use of the Property with the laws, ordinances, regulations and codes of the Borough; or

(e) Failure of the owner of the Property to comply with the provisions of this Ordinance.

VII. RULES AND REGULATIONS

The Council of the Borough is hereby authorized and empowered to prepare, promulgate, and enforce rules and regulations made pursuant to the provision of this Ordinance. Such rules and regulations shall have the full force and effect of law unless modified, revoked, or repealed by Borough Council.

VIII. SEVERABILITY

The provisions of this Ordinance are severable and if any of its sections, clauses, or sentences shall be held illegal, invalid, or unconstitutional, such provisions shall not affect or impair any of the remaining sections, clauses, or sentences.

IX. EFFECTIVE DATE

This Ordinance shall become effective on May 1, 2015.

ORDAINED AND ENACTED by Council this 13th day of April, 2015.

Suzanne Pittella Touch, President

Colin Boyer, Secretary

Tammy Gore, Mayor

MUNICIPAL CERTIFICATION

I, Colin Boyer, (Assistant) Secretary of the Borough of Fleetwood, Berks County, Pennsylvania, do hereby certify that the foregoing Ordinance No. 611 was advertised in the *Reading Eagle*, a daily newspaper of general circulation in the Borough of Fleetwood, on Friday, April 3, 2015, and was duly enacted and approved as set forth at a Regular Meeting of the Borough Council held on April 13, 2015.

[SEAL]

Colin Boyer

(Assistant) Secretary