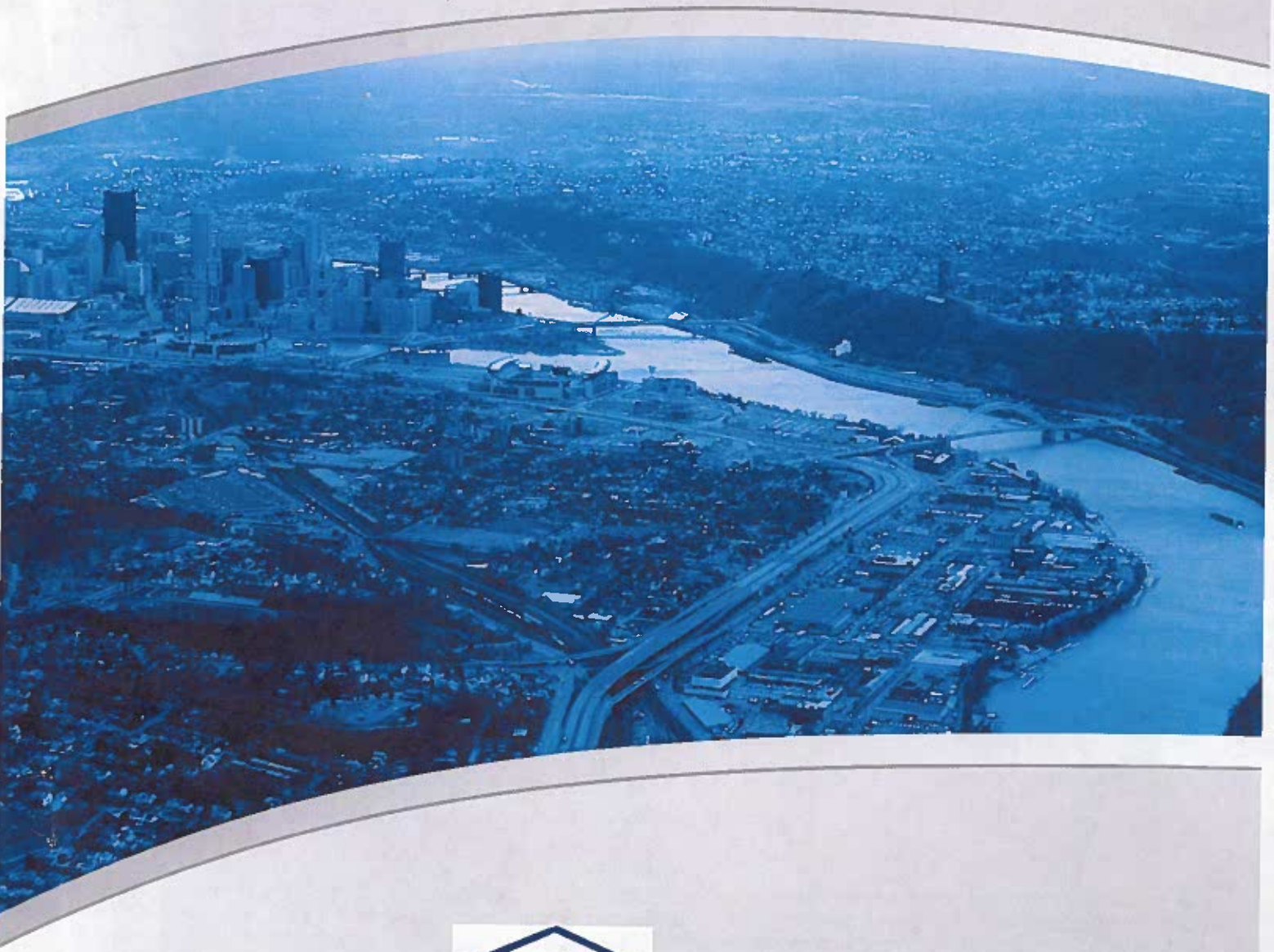


The Abandoned and Blighted Property Conservatorship Act:

10 YEARS OF PRODUCTIVE REUSE



Pittsburgh Community Reinvestment Group
1901 Centre Ave, Suite 200
Pittsburgh, PA 15219
phone 412-391-6737 | fax 412-391-6737
www.pcr.org

The Abandoned and Blighted Property Conservatorship Act:

10 YEARS OF PRODUCTIVE REUSE

July 2018

Researched and Compiled by Sabreena Miller for the *Pittsburgh Community Reinvestment Group*, 2018.

This manual was written with respect to property conservatorship in the state of Pennsylvania and according to the *Abandoned and Blighted Property Conservatorship Act*, also referred to as Act 135 of 2008. This manual is not designed to be used in place of legal advice but was developed as a reference tool which is best understood after reading the *Abandoned and Blighted Property Conservatorship Act* of 2008, as amended by *Act 157 of 2014*. Throughout this text, the *Abandoned and Blighted Property Conservatorship Act* will also be referred to as "conservatorship" or the "Conservatorship Act". This law, in its entirety, is made publicly available (see Appendix).

Please also refer to the glossary at the end of this handbook as a reference for all words in **bold** while reading.

A Special Thank You to:

Renee Rosensteel and William O'Driscoll – *Manchester Residents*

Judy F. Berkman – *Senior Counsel, Regional Housing Legal Services*

Kendall Pelling – *Director of Land Recycling, East Liberty Development Incorporated*

Noble Smith – *PULSE Pittsburgh Fellow, East Liberty Development Incorporated*

Wayne B. Cobb II, Esq.

Irene McLaughlin-Clark, J.D. – *Attorney*

Marc D. Collazzo, J.D. – *Executive Director, Mayfair Business Improvement District (BID)*

Joe Palmer – *Scioli-Turco*

The Housing Alliance of Pennsylvania

I would also like to credit the Housing Alliance of Pennsylvania and Regional Housing Legal Services for their earlier work in conservatorship research and for the development of handbooks and manuals which were referenced regularly throughout the development of this text.

- *Conservatorship Handbook: How to Use Conservatorship to Address Blighted and Abandoned Property for Allegheny County Community Leaders*, The Housing Alliance of Pennsylvania, 2013
- *Conservatorship Handbook: How to Use Conservatorship to Address Blighted and Abandoned Property for Philadelphia's Community Leaders*, The Housing Alliance of Pennsylvania, 2013
- *From Blight to Bright: A Comprehensive Toolkit for Pennsylvania*, The Housing Alliance of Pennsylvania, 2014
- *Pennsylvania's Abandoned and Blighted Property Conservatorship Act: Implementation and Best Practices Manual*, Regional Housing Legal Services, 2011

Table of Contents

1 INTRODUCTION

The Pennsylvania Abandoned and Blighted Property Conservatorship Act	2
PCRG's Impact	2
The Benefit of Conservatorship Use in Communities	3

4 CHAPTER 1 – The Conservatorship Process

Organizing a Conservatorship Case	4
Initiating the Case	6
Appointing a Conservator	7
Terminating Conservatorship	10

12 CHAPTER 2 – Case Studies

Case 1: <i>PCRG Test Case: Sheraden's Community Garden</i>	12
Case 2: <i>Renee Rosensteel & William O'Driscoll: The Rehabilitation Process</i>	14
Case 3: <i>East Liberty Development Incorporated: Reinvesting in Pittsburgh's Communities</i>	16
Case 4: <i>Philadelphia: Pushing Conservatorship Forward</i>	18
Map of Conservatorship Cases Referenced in Text	22

23 CHAPTER 3 – Policy

27 CHAPTER 4 – Potential Funding Opportunities

Community Growth Fund – Community Acquisition and Rehabilitation Loan (CARL)	27
FHA 203(k) Mortgage Insurance	28
Grants	28

29 CHAPTER 5 – Alternative Programs for Blight Remediation, Acquisition, and Rehabilitation

Pittsburgh Treasurer's Sale	29
Allegheny County Sheriff Sale	29
Pittsburgh Land Bank	29
Pittsburgh Property Reserve	30
The Allegheny County Vacant Property Recovery Program	30
Direct Purchase	31

32 GLOSSARY

35 APPENDIX

The Pennsylvania Abandoned and Blighted Property Conservatorship Act

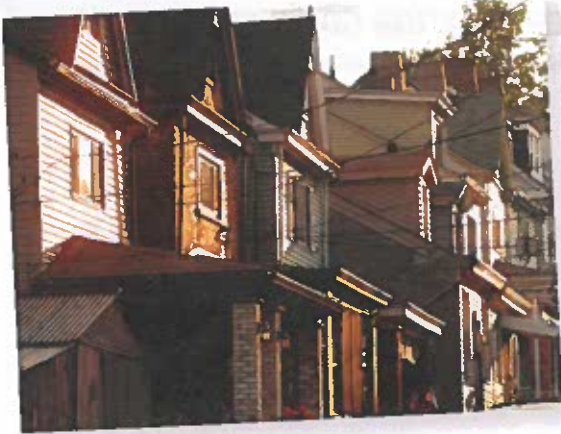
Act 135 of 2008 – Conservatorship

In November of 2008, The Pennsylvania General Assembly declared that abandoned and blighted property adversely affect Pennsylvania's older communities. It also acknowledged that poorly maintained residential, commercial, and industrial properties negatively impact citizens, business districts, the public safety, and property values. Thus, the Conservatorship Act was developed as a tool for citizens to use when property owners neglect to maintain their property in a manner that meets municipal *codes* and standards of the commonwealth.

Conservatorship is a method for court-approved conservators to remediate blight and abandonment through the rehabilitation of eligible properties. It has been implemented across the state by private individuals, community development corporations (CDCs), businesses, local governments, and nonprofits, all of which have realized the value in using conservatorship to reclaim, rehabilitate, and revitalize communities. Now in its tenth year, perspectives on conservatorship are evolving and policy recommendations are being made in efforts to make the process more consistent and effective for users.

THE BENEFIT OF CONSERVATORSHIP USE IN COMMUNITIES

Communities depend on their local governments and code enforcement departments to respond appropriately and equitably to neglected property. When property decline occurs in more affluent communities, it can be easier to get these properties sold or have the problems abated through conventional processes like code enforcement departments, tax sales, or the real estate market. In less affluent communities, these processes are not always timely as they can be overwhelmed and underfunded. This has a particularly harmful effect in low-to-moderate (LMI) neighborhoods or areas that see less private market activity, leaving these areas with longer-lasting and more frequent instances of blight and abandonment.



At the time of the 2010 census, there were 55,000 vacant houses in Allegheny County. In Homewood, a low-income neighborhood in Pittsburgh's East End, around 44% of land parcels and 30% of the houses were vacant. From 2004 to 2011, the Vacant Property Recovery Program (VPRP), an Allegheny County land-recycling program, had only been able to move 500 blighted and tax-delinquent properties out of the program and into buyers' hands (see Chapter 5).² In 2017, the City of Pittsburgh released its online database marketing over 3,000 city-owned vacant lots and abandoned buildings available for sale. While city-owned properties are ineligible for conservatorship, it was an indication of how many properties were potentially blighted or neglected in Pittsburgh communities.

Conservatorship supports municipalities and school districts by getting once tax-delinquent lots and structures back on the tax rolls and by bringing up the value of surrounding properties. The goal of conservatorship is to implement a plan for practical restoration and reuse of a property and have it moved into the hands of a buyer that is approved by the *court*. Bearing in mind that property owners have rights, and that irresponsible development is a problem afflicting the region's previously disinvested communities, conservatorship was not intended to be a simple way to acquire neglected property. Those who petition for conservatorship are directly affected by problem properties and the conservators end up investing considerable amounts of time and money into projects to the benefit of their communities.

² Pittsburgh Quarterly Magazine, Fall 2011, *The Cost of Blight*, Jeffrey Fraser. Online.

The Conservatorship Process

ORGANIZING A CONSERVATORSHIP CASE

INITIATING THE CASE

APPOINTING A CONSERVATOR

TERMINATING CONSERVATORSHIP

ORGANIZING A CONSERVATORSHIP CASE

There are 13 points of eligibility for a property to be considered for conservatorship. The first four criteria are indications that an owner has abandoned the property or made no recent, reasonable effort to have it sold. All four of these criteria must be true about the property upon the filing of the petition. Items five through 13 indicate that the property is blighted. Only three of the criteria indicating blight need to be true upon filing a petition.

Criteria Indicating Abandonment – All are required to be true upon filing:

1. Vacant for 12 months or more
2. No active marketing of property 60 days prior to a filing for conservatorship
3. No foreclosure action(s)
4. Under same ownership for six months or more

Criteria Indicating Blight – 3 of 9 criteria are required to be true upon filing:

5. Evidence that property is a public nuisance
6. Need for substantial rehabilitation
7. Evidence that property is unfit for human habitation
8. Evidence of fire risk/hazards
9. Subject to unauthorized entry
10. Evidence of "attractive nuisance"
11. Evidence of vermin, debris, uncut vegetation or physical deterioration
12. Evidence of negative economic impact to nearby properties
13. Evidence of use for illicit purposes

Gathering Evidence

When organizing the case for conservatorship, petitioners should gather evidence showing that the property meets the conditions for conservatorship in order to build a strong petition. Example evidence includes:

- Signed affidavits from neighbors attesting to the state of the property over time and its effect on the neighborhood;
- Testimony from code enforcers who have dealt with the property or land owner;
- Police records citing incidents involving the property; and
- Photographs and visual evidence of the property over time that show neglect, blight, illicit use, etc.

INITIATING THE CASE

When starting a case for conservatorship, seek legal guidance from an attorney. An attorney will help to build a legal case for conservatorship and provide guidance through the process. Legal help is also useful when reviewing the real estate title for information on the property, the owners, and any liens or judgments against the property. Title reports include a great deal of legal language, and attorneys should be able to clarify and point out any issues when analyzing the report.

Petition Contents

While a sworn statement is required, the remaining items are not necessary if the petitioner has been unsuccessful in obtaining these documents after all reasonable efforts to have been made.³

- A sworn statement that, to the best of the petitioner's knowledge, the property meets the eligibility requirements for conservatorship discussed in section 5(d).
- Records of citations against the owner for municipal code violations and/or public nuisance declarations
- A recommendation for a conservator
- A preliminary plan detailing costs, funding sources, rehabilitation plans or a recommendation for demolition; all activities that will aid in bringing the property into compliance with municipal codes
- Mortgages, liens, and other charges to the property

Preliminary Plan

The preliminary plan includes a proposal for how the property will be rehabilitated. It details expected costs, funding sources, and ideas for reuse. It might also suggest to the court that a property be demolished. If demolition is the route a conservator intends to take, the conservator should include in the preliminary plan: reasons why the structure should no longer stand, the service that will carry out the demolition, estimated costs, and a plan for reuse.

Giving Proper Notice

There is necessary notice that needs to be given to properly move forward in appointing a conservator.⁴

Notice of Lis Pendens

A *lis pendens* is a formal notice of pending legal action. In the case of conservatorship, it informs all parties in interest that there is a pending case against the property.

This notice shall be filed in the Office of the Recorder of Deeds within the same county that the property is located.

Notifying Owners, Political Subdivisions, and Lienholders

The petitioner shall also notify all owners and lienholders of the hearing date and the owner and lienholder's right to intervene in the action.

³ Abandoned and Blighted Property Conservatorship Act, Section 4, Subsection (b) as amended by Act 157 of 2014.

⁴ Abandoned and Blighted Property Conservatorship Act, Section 4, Subsection (c), Subsection (d) as amended by Act 157 of 2014.

APPOINTING A CONSERVATOR

After the court has received the petition, it has 60 days to hold a hearing and 30 days after the hearing to make a decision. At the hearing, all parties of interest may intervene, present evidence, and make statements in support of or against the petition. If the court finds that the property meets conservatorship eligibility, the court may appoint a conservator. If appointment is granted, the schedule of encumbrances, or all claims against the property, will be certified and the certification will be binding.

It is important to note here that the conservator recommended in the petition does not have to be the one appointed. The court will make appointments by giving first consideration to a **senior lien holder**, by evaluating the competency of the proposed conservator, and evaluating what type of entity the proposed conservator is. The most senior nongovernmental lienholder receives the court's first consideration. The senior nongovernmental lienholder must accept the appointment and be **competent** enough in the eyes of the court to handle the scope of work. If the senior nongovernmental lienholder is found incompetent or declines appointment, the court would then give preference to a nonprofit or governmental entity above an individual. The court will, however, consider recommendations made by the petitioner and those made by parties in interest during a court **intervention**.

Upon appointment, a conservator is granted immediate possession of the property and all property subject to the conservatorship, exercising all powers afforded under the law. At any time, the court may remove a conservator at the conservator's request or if it is shown that the conservator is not carrying out its duties.

Conditional Relief

The court may grant the owner of the property an opportunity to abate all hazards, emergencies, and otherwise problematic conditions with the property which were listed in the petition. In this event, the court will give the owner a specific amount of time to make the necessary updates. If these conditions remain unchanged or specific court ordered activities are not completed by the specified time, the court may carry on with the petitioner's initial request for conservatorship. For the owner to use **conditional relief**, the court may require the owner to post a bond in the amount of the estimated rehab costs detailed in the petition. The owner also has the right to sell the property during this time. If granted conditional relief, the owner must reimburse the petitioner for all court costs and costs associated with filing the petition.⁵

⁵ Abandoned and Blighted Property Conservatorship Act, Section 5, Subsection (f)(4) as amended by Act 157 of 2014.

Powers of a Conservator⁶

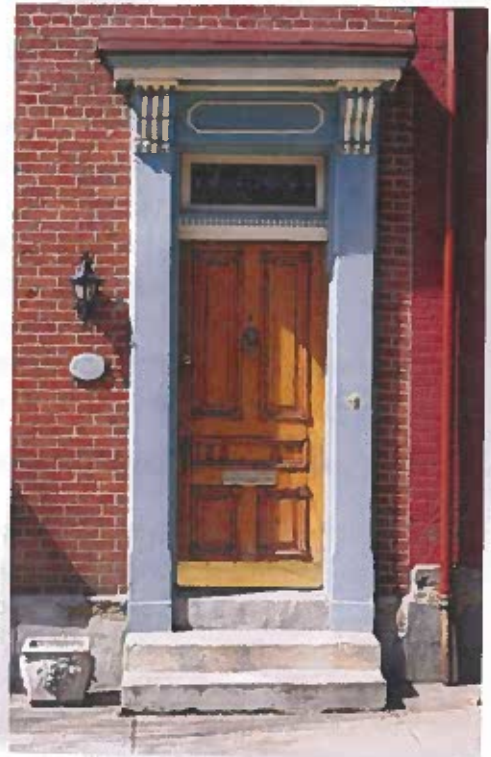
Under the *Abandoned and Blighted Property Conservatorship Act*, a newly appointed conservator receives powers and duties that remain with them until the termination of the conservatorship. All powers and duties are made available to the conservator to bring the property into a state of reuse, bring the property up to municipal and housing standards, and fulfill the activities laid out in the preliminary plan. The law grants the conservator the power to:

- Take possession and control of the building and all property subject to the conservatorship action. This includes bank and operating accounts for the building.
- Collect outstanding accounts receivable.
- Pursue all claims or causes of action of the owner with respect to the building and all other property subject to the conservatorship.
- Contract for repair and maintenance of the property.
- Borrow money and incur credit.
- Contract and pay for the maintenance and restoration of utilities to the building.
- Purchase materials, goods, and supplies to carry out repairs and use the building.
- With the court's approval, enter into new rental contracts and leases for a period not to exceed one year.
- Affirm, renew, or enter into contracts providing for insurance coverage on the building.
- Engage and pay professionals (legal, accounting, appraisal, etc.) to aid the conservator in the conduct of the conservatorship.
- When the building has been designated a *historic property*, consult with the municipality's historical commission or board of historical and architectural review, a local historic preservation organization or, in the absence thereof, the Pennsylvania Historical and Museum Commission for recommendations on preserving the property's historic character.
- Apply for and receive public grants or loans.
- Sell the building.
- Exercise all authority that an owner of the building would have to improve, maintain, and otherwise manage the building, including the extent to which rehabilitation will satisfy the goals of the conservatorship.

⁶ *Abandoned and Blighted Property Conservatorship Act*, Section 6, Subsection (a) as amended by Act 157 of 2014.

Powers granted to a conservator reaffirm the role as caretaker and rehabilitator in the absence of an able or willing property owner. Because of this role, conservators also have duties to uphold that are intended to protect the best interest of the community, ensure that goals outlined in the petition are carried out, and keep the court and parties to the action up to date on happenings in the conservatorship. While in possession of the building, the conservator shall:

1. Maintain the building, keeping it safe and insured.
2. Use all earnings from the building in a manner consistent with this act.
3. Develop a final plan of abatement consistent with the reasoning for filing the petition. If the final plan is found to be impractical or inconvenient, alternative solutions should be outlined – sale, demolition, closing, or sealing of the building.
 - a. If designated a historic building, the conservator shall maintain the structure's historic character.
 - b. If designated a historic building and demolition is necessary, the conservator must design a replacement construction that follows the current law.
4. Implement the court approved final plan.
5. The conservator should submit an annual status report to the court and parties in action detailing how the final plan is progressing. The court may ask that status reports be submitted more often. The status report shall include:
 - a. Copies of contracts entered into by the conservator regarding the property
 - b. An account of the disposition of all revenue generated from the building
 - c. Status of the implementation of the final plan
 - d. A description of proposed actions to be taken in the next 6 months on the property



TERMINATING CONSERVATORSHIP

Terminating conservatorship is the final stage of the process. If everything has gone as planned, where there was once was a blighted property, there is now a structure or lot that is safe and beneficial to the community. At this point, the property should be rehabilitated to the level detailed in the approved final plan and the conservator will be ready to file the final report with the court. The conservator will file a petition to end the conservatorship through public or private sale and the court will rule based on terms and conditions the court sets forth. The court will also decide if a proposed buyer is eligible based on whether it believes the buyer will maintain the property. If the property is authorized for public or private sale, the conservator must give owners and lienholders the opportunity to object through notifying them of the intent to sell.

Other Grounds for Termination

1. Parties in interest, including mortgage holders, lienholders, and owners have intervened in the case and assured the courts that the conditions of the property leading up to the petition filing have been or will be abated. This includes reimbursing the petitioner and conservator for all expenses incurred regarding the property.
2. Conservatorship may be terminated if the conservator has sold the property and proceeds from the sale have been distributed under the guidelines of the act [Section 9, subsection (d)].
3. Conservatorship may be terminated if the conservator is unable to fulfill their duties with regards to the petition and final plan.



Distribution of Proceeds

After a property is sold, all proceeds from the sale shall be applied in the following order⁷:

1. All court costs.
2. Liens of the commonwealth, liens for unpaid property taxes and properly recorded municipal liens.
3. Costs and expenses of sale.
4. Principal and interest on any borrowing or incurrence of indebtedness granted priority over existing liens and security interests under section 8(b).
 - a. Costs incurred by the petitioner in preparing and filing the petition per the requirements of Section 4.
5. **Costs of rehabilitation** and any fees and expenses incurred by the conservator in connection with the sale or the safeguarding of the property for which the lien authorized under section 5(g) was filed.
6. Valid liens and security interests in accordance with their priority.
7. Any unpaid obligations of the conservator.
8. The owner.

If the owner cannot be contacted, their proceeds shall be presumed abandoned and unclaimed and under the control of the commonwealth⁸.

Neglect and abandonment of a property are proven to be deterrents for nearby investment, a cause for decline in community pride and safety, and a drain on public resources. Understanding the use of conservatorship will prepare petitioners and conservators on how to navigate the Conservatorship Act more effectively. Repurposing should take into consideration the history of the community and how the community wants to move forward. The petitioner should consider the community needs that conservatorship would positively address. The legislators who pushed conservatorship in 2008 did so with the intent that this law would help to resolve the blight epidemic that has steadily overtaken many Pennsylvania neighborhoods. As with anything newly implemented, early petitioners and conservators ran into a fair share of problems navigating the law, from rehabilitation obstacles to gaining a common ground understanding of the law's value in benefiting communities. The *Abandoned and Blighted Property Conservatorship Act* has allowed Pennsylvanians to rid their neighborhoods of blight through the reclamation of communities from the inside. As the use of conservatorship continues to increase, improvements to the law can be expected as Pennsylvania works toward making a large-scale impact on blight and abandonment in the state.

⁷ *Abandoned and Blighted Property Conservatorship Act*, Section 9, Subsection (d) as amended by Act 157 of 2014.

⁸ *Abandoned and Blighted Property Conservatorship Act*, Section 9, Subsection (e) as amended by Act 157 of 2014.

Case Studies

Despite there being a set process to handling a conservatorship case, the conservatorship experience can vary depending on a conservator's understanding of the law, the resources it has, support and connections, and the conservator's level of preparedness. Legal officials, community-based organizations, and attorneys have pushed for a clearer understanding of conservatorship. Local organizations have used conservatorship to create affordable housing, acquire multiple properties for the greatest impact on blight, and to target sporadic instances of blight and abandonment in otherwise decent areas. Nonprofits, CBO's, and businesses have been successful in undertaking blight and abandonment using conservatorship due to: community connections, funding opportunities, capital, the history of their work in communities, experience dealing with the court system, and the capacity to file multiple conservatorship petitions at a time. However, residents and families acting as conservator have also successfully used conservatorship to confront problem properties in the communities that they live, work, and serve in.

PCRG TEST CASE: SHERADEN'S COMMUNITY GARDEN

The Sheraden neighborhood was hit hard by the most recent economic downturn. PCRG worked with local residents in Sheraden over a three year period to help identify and address blighted and abandoned properties. Many residents and local political leadership got involved to improve the quality of life of the community. One such Sheraden resident helped in addressing a property neighboring his own home. The house was in extremely poor condition and set to be condemned by the City of Pittsburgh. PCRG staff encouraged the resident to consider petitioning for conservatorship of the property. To help show how conservatorship could work in targeting blighted and abandoned properties, PCRG offered to help the resident by supporting his case. PCRG connected the resident with an attorney and in 2014 the resident filed a petition for conservatorship over the property. PCRG closely monitored and pushed for the case to reach an equitable resolution until the case closed 4 years later in the spring of 2018.

As the conservator, the resident proposed in the final plan that the property be demolished. Demolition of homes and structures is not always the best approach to addressing blighted and abandoned structures.

In densely packed neighborhoods, a few missing structures can make a neighborhood look incomplete. It can be difficult to see the value of a newly empty parcel when considering the loss to municipalities and school districts if there were liens on the previous structure, or how the land can be put into productive reuse. However, in a situation where a structure is having negative economic impacts on property values, poses safety hazards, and/or is a public nuisance, the removal of the property by way of demolition may be the most reasonable option.





Judge Joseph James appointed the resident as the conservator over the property in 2014 approving his plan to demolish the house. A community garden would be developed in its place. At the time, Sheraden was a recognized food desert and the resident decided that a new garden space could be a consistent benefit to the community. The plan was completed in December of 2015. The court ruled that the resident had successfully carried out the terms of the conservatorship, that costs of demolition and repurposing proved reasonable, and the court approved a **conservator's lien** against the property for \$12,000 for the costs of the conservator's personal expenses for demolition, rehabilitation, construction, and development.

With the conservator also interested in purchasing the new garden area out of conservatorship as a side-yard, the goal was that the conservator be authorized to take ownership of the property **free and clear**, as allowed under Section 9(c) of the *Abandoned and Blighted Property Conservatorship Act*. The resident's attorney expressed to the court that it would be judicious to have the past due taxes/municipal liens forgiven. This request relied heavily on the reality that the work the conservator performed under conservatorship relieved the City of Pittsburgh of the time, money, and resources associated with the condemnation process. Under a sale free and clear, the courts may agree to have a property sold "free and clear" of all liens, claims, and **encumbrances**, against the property. If in the distribution of proceeds the profit from the property sale is insufficient in paying all existing liens, claims, and encumbrances, the court may extinguish what is remaining.⁹ The courts declined this request.

In January of 2016, the plaintiffs (resident and attorney) requested that the court show cause as to why the conservator was not ordered relief from paying off the prior liens on the property. The county solicitor and assistant county solicitor, at the time, denied the request to show cause, citing Section 9(d) which lays out the order of the distribution of proceeds after a property sells. This states that after all court costs, proceeds are distributed to "liens of the commonwealth, liens for unpaid property taxes, and properly recorded municipal liens."

“Conservatorship is supposed to work for people like me...”
– Sheraden Resident

The plaintiffs pushed for the defendants (Pittsburgh and Allegheny County) to recognize that the conservator's efforts were a benefit to the city. "Conservatorship is supposed to work for people like me...removing a safety hazard next to my house." The city and county attorneys decided to compromise the real estate tax delinquency, as a "unique exception" in consideration of the amount of money the conservator had put into the rehabilitation, and how these efforts were a benefit to the city and county.

In the spring of 2018, the conservator appeared before Judge Walko and the resident's attorney proposed that with all taxes and liens having been exonerated, that property ownership be transferred to the conservator. Judge Walko expressed that this case was why conservatorship was enacted. The redevelopment of the parcel was a plus for Sheraden, but the positive implications of community-led blight remediation were more far reaching. "I thank you...I saw [cases like] this happening when I pushed the law," said Judge Walko. After four years, it was ordered that the Sheraden resident be transferred ownership of the property which in its current state has productive reuse and will be back on the tax rolls.

⁹ *Abandoned and Blighted Property Conservatorship Act*, Section 9, Subsection (c)(2), as amended by Act 157 of 2014.

ROSENSTEEL & O'DRISCOLL: THE REHABILITATION PROCESS

In 2012, Renee Rosensteel and her husband, William O'Driscoll, moved to the Manchester neighborhood of Pittsburgh. The house next door would take the couple on a 3-year journey through conservatorship, which, at the time, even legal officials were still working to fully understand.

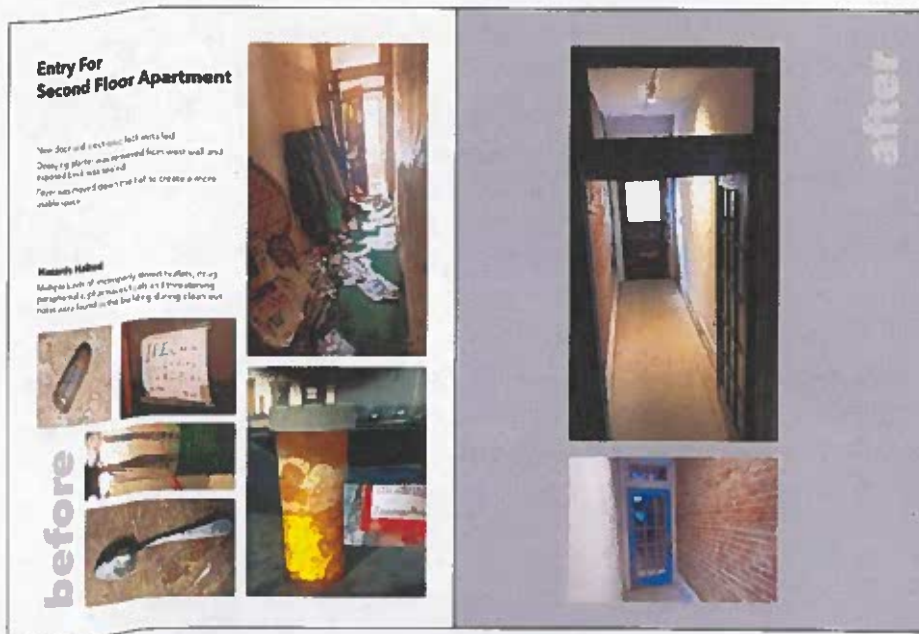
“One way to save money is to buy your own materials.”
– Rosensteel

With the rightful owner deceased, taxes had gone unpaid, the yard was overgrown, and there were hazardous open entry points to the property. Bricks falling from the property's decaying chimney were landing very close to the couple's vehicle. At one point, they were able to prevent an inspector from condemning the structure on grounds that the couple would do *something* with the property. Local community development corporation (CDC), *Manchester Citizens Corporation*, referred the couple to PCRG staff about options. It was suggested that the couple look into the *Abandoned and Blighted Property Conservatorship Act*. Shortly after, they obtained a lawyer and filed a petition for conservatorship. Rosensteel and O'Driscoll became the appointed conservators over the property in 2014.

The Rehabilitation Process

When developing a reuse plan, consider the following:

- Do you have the skills or proper resources to handle the project scope?
- Have you created a budget plan that includes legal fees?
- Do you know what the project scope needs? (an architect, contractors engineers, materials, permits, etc.)
- Can you carry out your plans in a reasonable time?
- Do you have enough support (financial, project load, work-life balance) for help through the process?



It is important to leave room for error – keeping your plans well within your financial and comfort zones to account for accidents, hold-ups, and life's obligations. Considering that conservators only gain legal access to properties following court appointment, it is difficult to accurately assess the scope of work or the costs of rehabilitation beforehand. Pest infestations, outdated systems, and rot are expensive examples of what is happening inside.

Security systems and insurance are two of the first things that a newly appointed conservator should obtain. New work on neglected structures can create an increased risk of fire, flooding, and damage. Oftentimes, buildings newly in conservatorship had been vacant for years, so any new movement in the structure may bring unwanted attention to the property. Rosensteel advises, "The first thing that you are charged to do as a conservator is to secure the building. For us, that meant installing a security system right away and getting builder's risk insurance on the property."

Challenges and Opportunities for Individuals Acting as Conservators

According to Rosensteel, having the right team from the start can make a conservatorship project successful. Consider taking on the rehabilitation process as akin to taking on a second job. Ask yourself: Who is supportive enough to help me through this process? Family and friends may be available to assist in taking care of some daily tasks while you focus on completing the major rehabilitation aspects of your plan. The scope of work, however, will likely go beyond what you alone or family and friends can do, so contracting plumbers, landscapers, roofers, or demolition crews may be necessary. Liability insurance is of major importance since there will be people working on a property site that you now control.



Rosensteel cautions those interested in being a conservator to be mindful of who is contracted into the project, as they will be integrated into the court process. The first contractor she chose was unsuccessful in meeting their needs, costing them unexpected time and money. "We were working with a 100-year-old building. It took us a few tries. Our team changed a lot, but everyone on the final team understood old buildings. One way to save money is to buy your own materials. This reduces costs because the contractor is not billing you for material pick-up (or delaying the job to run to the store.) You control the quality of materials and you can return excess material to the store for a refund. To do this, you must have effective communication with your contractor," says Rosensteel.

The goal was to stabilize the property – bringing it up to code and eliminating any hazards. This included: preventing further decay of the home, securing it, exterior clean up and maintenance, stopping the problems the property was afflicting on neighboring homes, and bringing the utilities up to code. All conservators should remember that the goal for conservatorship is not the opportunity of gaining ownership of a property, but instead it is a targeted solution aimed at the removal of blight and abandonment from a community.

Renee Rosensteel and William O'Driscoll terminated their conservatorship case in 2017. They purchased the property and intend to rent out the upper and lower levels.

ELDI: NONPROFITS REINVESTING IN LMI NEIGHBORHOODS

East Liberty Development Incorporated (ELDI) is a nonprofit working towards the revitalization of the East Liberty neighborhood of Pittsburgh. The organization began using conservatorship in 2015 as an alternative to processes like Treasurer's Sales and Sheriff Sales which take longer to transfer ownership and contributes to further deterioration of properties. ELDI found the conservatorship process to be more practical for nonprofits because it allows organizations to address blight and abandonment on a larger scale, providing the ability to acquire multiple properties at a time. ELDI has passed this benefit on to the community it serves by using conservatorship to create more affordable housing for renters and prospective homeowners.

Having used conservatorship with properties in the Larimer, Homewood, and Garfield neighborhoods of Pittsburgh, ELDI's largest and more challenging property of interest was the former Saints Peter and Paul Church in East Liberty. Under the leadership of Kendall Pelling, the Director of Land Recycling with ELDI, a feasibility study for reuse strategies was developed in 2012. The current property consists of the main church building, an attached 3-story school campus, and a rectory. In the study, costs for demolition of all three structures were estimated at \$705,450. More

recently, costs to completely redevelop the site have been estimated to be between \$4 and \$12 million. Despite the high costs to redevelop, ELDI sees the value in keeping the property a part of the East Liberty community.

After being appointed conservator over the Saints Peter and Paul Church, ELDI made considerable improvements to prevent further deterioration which included the installation of a new roof. On April 16, 2018, Judge Donald Walko – taking into consideration the positive testimony of residents – granted title to ELDI out of conservatorship. After years of decay, ELDI, with the support of the community, has given the Saints Peter and Paul church the potential for revitalization which will have a major impact on the neighborhood of East Liberty. As ELDI develops ideas for how to bring the church into productive reuse, the nonprofit is hosting public site tours of the church to engage community members in the process.

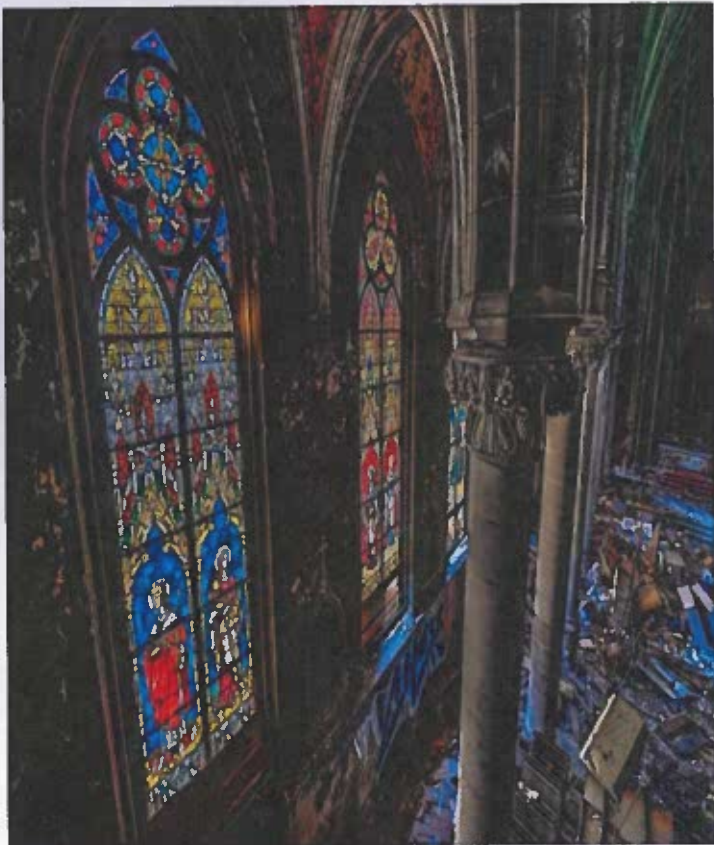


Photo: The Housing Alliance of Pennsylvania, Webinar Recording:
Using Conservatorship to Tackle Blight:
<https://housingalliancepa.org/webinar-recording-using-conservatorship-to-tackle-blight/>

ELDI's extensive experience with conservatorship has not come without its challenges. The organization has struggled with the reality of the high costs of legal fees and redevelopment. The hope is that the city begins to see the value of repurposing condemnable structures as worthy for compromising taxes on properties in conservatorship. Both the City of Pittsburgh's administration and oversight of conservatorship is evolving, however, as it develops its approaches and seeks to act in the best interest of the public. "The city is beginning to view conservatorship by nonprofits as a tool to protect and defend the public interest," says Pelling. Nonprofit collaboration with the city has helped to effect change in how conservatorship is viewed – a tool that benefits Pittsburgh communities and saves the city time and money. ELDI has been working closely with city officials who view conservatorship as an asset. "The counsel to nonprofits has been to engage city administration early so that the conservator may develop a plan and approach that advances the concerns of communities. It is a good opportunity to have thoughtful policy discussions," says Pelling.

Acting on this new momentum, ELDI is in its brainstorming phase for the development of processes that it believes will streamline the conservatorship process for nonprofits in Pittsburgh.

PHILADELPHIA: PUSHING CONSERVATORSHIP FORWARD

Conservatorship was developed to be a proactive means for Pennsylvania to address its blight epidemic. Since then, individuals, businesses, nonprofits, and government agencies have used the process to target properties that negatively affect Philadelphia's neighborhoods. There are key individuals in Philadelphia who have become experts in managing conservatorship cases, navigating the process in innovative and well-thought-out ways, and pushing for amendments to improve the Conservatorship Act.

Mt. Airy USA: Learning the Ropes

Brad Copeland is the Executive Director for *Mt. Airy USA* (MAUSA), a nonprofit community development corporation serving Philadelphia's Mount Airy neighborhood. MAUSA focuses its services on real estate development, business services, Mt. Airy public schools and other areas that are essential to the community. MAUSA has incorporated the use of conservatorship into its revitalization efforts. MAUSA has highlighted target blight areas and assessed properties in target areas for conservatorship eligibility.

When Mt. Airy USA first began using conservatorship, they were filing as the petitioner, proposing themselves conservator, and carrying out the rehab projects. Through performing every role in the process, they realized that they were not addressing Mount Airy's blight problem in a significant way. They improved their use of conservatorship by making partnerships with others. MAUSA now identifies eligible properties, gathers evidence, and files the petitions. They work with trusted developers to get properties rehabilitated and sold. Spreading the work around allowed MAUSA to increase their remediation efforts. Conservatorship has become a regular tool for the organization in combating blight and vacancy. They have since developed a public form that community members can use to identify problem properties in their neighborhoods.

Scioli-Turco: Philly's Blight-Busting Business

Named after the first property Joe Palmer would file conservatorship over, Scioli-Turco would emerge as a leader in Philadelphia's blight remediation efforts. Scioli-Turco is a not-for-profit that focuses its efforts on the rehabilitation of neglected Philadelphia properties. Of the first 100 conservatorship cases filed in Philadelphia, Scioli-Turco reportedly filed 60 of them. That first filing for conservatorship was for a Veterans of Foreign Wars (V.F.W.) building set in a rowed business strip in the Bella Vista neighborhood. At the time, Palmer was living within 1500 feet of the property and contacted the national and regional V.F.W. offices for more information. Representatives from the V.F.W. were under the assumption that they were no longer responsible for the building: it was in a trust and the trustees were no longer living. It turned out that the V.F.W. organization was still responsible for the building and the representatives ultimately decided that it would be easier to have Palmer take the property off their hands by way of a *quitclaim deed*. In this case, the quitclaim deed was used to transfer property interest from a living trust. Once fulfilled, the property was then available to be rehabilitated by Scioli-Turco and the conservatorship case was dismissed. It is a common occurrence that the threat of conservatorship, or any legal action, encourages owners to address issues with their property or get it sold to a capable buyer. As such, many hold the attitude that any resolution to blight and abandonment, with or without conservatorship, is a win for the community.

Conditional Relief: A Success Either Way

Marc D. Collazzo, Executive Director of Mayfair Business Improvement District (Mayfair BID) has been an important champion in the development, use, and enhancement of *The Abandoned and Blighted Property Conservatorship Act*. His early work with Rep. John Taylor helped to develop and push conservatorship into law. Collazzo has helped to bring many residential properties through conservatorship and works to make the process even better for conservators.

Collazzo's first conservatorship project was in Philadelphia's Bridesburg neighborhood. One neglected house was making a negative impact on the property values of the surrounding homes. A relative of the deceased owner had inherited the house and did little to maintain it. Collazzo, then a member of the Mayfair Community Development Corporation, decided to step in with help from Scioli-Turco and the lawyer who had worked on their V.F.W. case, Richard L. Vanderslice, Esq. "As soon as we filed, the owner stepped up," says Collazzo. Adhering to recommendations made by Collazzo in the petition, the owner corrected the home's issues and it was later sold at a very good price. This boosted the property value of surrounding homes and was considered a success for all involved.

In this situation, the owner was granted conditional relief by the presiding judge. Conditional relief afforded the owner the opportunity to halt the conservatorship case by agreeing to bring the nuisance property up to standards – resolving all property complaints mentioned in the petition for conservatorship.

There are times, however, when an owner is unable or unwilling to rehabilitate a property and the case moves forward. In these instances, Collazzo has brought properties through conservatorship by developing teams, using pre-existing connections, and being strategic in keeping project costs low.

Navigating the Costs of Conservatorship

Funding for legal fees and rehabilitation costs is a major determinant in whether a project is affordable to the conservator. Funders may not provide rehabilitation loans or grants for conservators since conservators are only acting as owners. Still, there are ways of managing project costs.

Conservators do not have legal authority to enter a property until they are appointed as conservators, so the full condition of the property is often unknown. The costs of rehabilitating a property can be high considering that most properties are "surprise boxes." Judy Berkman, Senior Counsel with *Regional Housing Legal Services*, suggests that petitioners be very thorough when researching a property to figure out the project worth. The most important item in the research phase is obtaining a title report. Title reports show an extensive amount of information like development restrictions, liens placed on the property, and if the property is a part of an historical district. Berkman encourages nonprofits to understand the uncertainty of recovering costs from properties sold out of conservatorship. The conservator may not see a profit from the distribution of proceeds. The neighborhood that a property is in can have a lot to do with whether a conservator will be recouping costs. In disinvested neighborhoods, the sale price may not cover all the costs put into a property. On the other hand, properties in gentrifying neighborhoods are likely to sell for more because houses can be purchased for more than what was put into them, leaving the conservator with a greater chance of receiving monies in the distribution of proceeds.

Nonprofits in Philadelphia are estimating the costs and risks prior to petitioning for conservatorship. This is helpful in letting a proposed conservator know in advance what costs they can expect. When figuring out costs for rehabilitating a property through conservatorship, the first evaluation can be based on outward appearance. Next, all violations, liens, and owner information should be investigated. To better understand the scope of work needed to fully rehabilitate a property, some petitioners start the conservatorship process, and then ask the court for the opportunity to inspect a property prior to a conservator being appointed.

"Sometimes we do a 'pretty shell' and sell to someone willing to do the interior rehabilitation," says Collazzo. A final plan that focuses mainly on exterior repair is an alternative to delving into some of the major interior issues and can keep project costs within reason. This gives the conservator the ability to address all code violations and hazards and then sell to a developer that can fully rehab the property. This approach brings the property into a state that adds value back to the neighborhood and surrounding properties and prepares it for productive reuse.

Philadelphia's lawyers have also seen the value in conservatorship in eliminating blight, abandonment, and vacancy. A few lawyers have even signed on to aid petitioners and conservators through the process in a way that makes it more cost beneficial. These lawyers have offered pro bono services to clients and, in some cases, waived fees to improve the chances of the conservator recovering some of their investment during the distribution of proceeds from the property sale. It is always best to estimate all costs, liens, and fees beforehand to decide if the conservator can recover costs when the property is sold.

The Significance of Nonprofits and Community Groups

Even if a nonprofit or community group is not directly involved in a conservatorship case, it can still play a significant role in intervening on behalf of the community it represents. Through participation in conservatorship cases, non-profit community groups can protect historic and iconic buildings and provide neighborhood input for the Court's consideration. Intervention can also be used to examine the costs of the project, the intent for reuse, and whether the final project aligns with the values of the community.

In the Chinatown neighborhood of Philadelphia, the building at 125 N 10th Street, which once housed a nonprofit cultural center, became vacant after the organization went inactive. The community was concerned with what would happen with the property. The building's façade was culturally representative of the community and historically certified, making it unable to be altered. Many wondered about reuse options with such an ornate and culturally specific design. The building was placed into conservatorship. The local community group intervened in this conservatorship case and was able to participate in the process to ensure that the project was handled in a way that was beneficial for all involved. Scioli-Turco oversaw the rehabilitation under the conservatorship law, and the property was sold to members of the community. The net proceeds are reportedly intended to be distributed to area nonprofits with similar missions to the nonprofit that once owned the property and used it for community programming. The investors now plan to expand the building and maintain it as commercial space.



Final Thought

Capacity, contacts, and community trust and awareness give nonprofits and community groups an advantage in bringing properties through conservatorship. Across the state, nonprofits have been able to use conservatorship to resolve blight on a large scale through taking on multiple properties at time. Community-based organizations typically have credibility in their communities. When possible, organizations should take advantage of the relationships they have formed to build a team around conservatorship cases. Building partnerships with local developers can be particularly fruitful. In some cases, developers have deferred their fees until the property sells to help conservators in the completion of their plan.

A common theme across all these cases has been the inability to recover a significant, if any, part of an investment following the completion of a conservatorship case. The distribution of proceeds clearly defines the order in which sale profits should be distributed, however, it is still a burden on the conservators who take the greatest financial risk in dealing with problem properties that had been abandoned prior to being placed into conservatorship. The development of the conservator's lien was an important opportunity for combating such losses.

Understanding the risk of not recovering costs should be understood upfront, but many are hoping that legal officials, local governments, and taxing bodies will begin to see the benefit in the work that conservators do and how this tool benefits the community by restoring properties, returning them to productive reuse, and adding them back onto the tax rolls.

Policy

Since conservatorship went into effect in 2009, its use and the interest surrounding the law have increased statewide. This has brought on the identification of challenges with the law and suggestions for improvement. Ideas about change differ depending upon the type of entity that has used or participated in the process. Allegheny County's community-based organizations have found the likelihood of liens to be compromised so low that they are working to see a restructuring to the conservatorship process. Individuals using the law mirror these sentiments viewing their time, investments, and efforts as a benefit to the municipality and their communities.

In December of 2014, amendments to the Conservatorship Act, *Act 157 of 2014*, went into effect, clarifying certain aspects of the law. These amendments included: defining of key terms used in the original law, increased petitioner eligibility with regards to proximity to a property, reimbursement of costs to the petitioner after an owner comes forth to address their property, and permission for conservators to sell a property out of conservatorship in half the time. With all laws, policy recommendation comes about after repeated use of a process, and since 2014, Pennsylvania has worked to make conservatorship rulings more consistent and favorable for conservators.

Act 157 of 2014 – 2014 Amendments¹⁰

- includes vacant lots where a building has been demolished
- specifically defines “developer’s fee” rather than relying on PHFA’s definition
- allows more nonprofits and neighbors to file petitions
- allows the petition to include two adjacent properties if they are owned by the same owner and used for a related purpose
- ensures that the conservator will have lien information from municipal authorities, such as water authorities
- redefines “actively marketed” to preclude owners from avoiding conservatorship by listing a property at an unreasonably high price
- clarifies that the exclusion for properties in foreclosure does not include tax sales
- provides for reimbursement of a petitioner’s costs where the owner agrees to repair the building after the petition was filed
- exempts from the competitive bid requirement a contractor or developer providing its own financing
- allows the conservator to present a final plan for remediation at the initial hearing instead of waiting for a subsequent hearing
- clarifies that references to “senior lienholder” do not include governmental lienholders
- allows for the sale of the building after 3 months rather than 6.

¹⁰ <https://housingalliancepa.org/a-new-and-improved-conservatorship/>

Vacant Land Acquisition

In Act 157 of 2014, the term “building” was defined as “a residential, commercial, or industrial building or structure and the land appurtenant thereto, including a vacant lot on which a building has been demolished.”¹¹ This clarification was a big win for those interested in expanding conservatorship eligibility to vacant land parcels. Preexisting programs in Allegheny County such as the Side Yard Sale program, Lots to Love, and the Vacant Property Recovery Program have made it possible for vacant lots to be remediated and reused. Those interested in the Conservatorship Act view it as an opportunity to gain legal access to vacant lots and prepare them for reuse more quickly.

In 2015, the City of Pittsburgh Planning Committee released the Vacant Lot Toolkit (VLTk). PCRG helped to facilitate the development of the program through participation on the VLTk Advisory Committee. The toolkit consisted of a guide for those interested in vacant lot projects and information on the Adopt-A-Lot program; a VLTk policy guide which clarified and laid out the legal process for the acquisition of vacant land in Pittsburgh; and the Adopt-A-Lot program ordinance. At this time, the City of Pittsburgh Planning Committee estimated that there were 28,000 city- and privately-owned vacant lots in the City of Pittsburgh. The lots were comprised of parcels where structures once stood, side lots, areas used for informal parking lots, and undeveloped hillsides. While the Conservatorship Act does not allow for city-owned properties to be placed into conservatorship, reuse opportunities for vacant land for development and as open space is important to the City of Pittsburgh and to Allegheny County.

In March of 2015, Investment Dynamic Corporation filed a petition to be appointed conservator of a land parcel in Wilksburg, PA.¹² The property consisted of old park remnants and fencing. There was no building on the parcel. With the petition being filed prior to when Act 157 of 2014 went into effect, the petition was declined.

In Philadelphia, there has been at least one instance where a vacant lot has been acquired, but the situation was so complicated that it was difficult to see how it could be universally applicable to conservatorship cases around vacant parcels. Demonstrating conservatorship eligibility for a vacant parcel based on the conditions of conservatorship in the law may prove difficult as well.

Based on the sheer number of vacant and abandoned lots in Pittsburgh and Allegheny County, these properties should also be eligible for conservatorship should they meet the conditions for conservatorship. The Conservatorship Act's goal is to bring about productive reuse of properties. On numerous occasions conservatorship has been successfully used as a means of repurposing and rehabilitating structures, and should be added to the list of methods already available for acquiring vacant lots, regardless of whether a structure was once present.

¹¹ *Abandoned and Blighted Property Conservatorship Act*, Section 3, “Building”, as amended by Act 157 of 2014.

¹² Court Docket: GD-15-016714

Tax Relief to the Conservator

Ideally, and with proper research done prior to filing a petition, conservatorship should not be a time-exhaustive and daunting process. In many circumstances, however, this has been the conservator's experience. If continued, these experiences will prove to be a major deterrent to using conservatorship. While some conservators have seen cases span a few months, other conservators have spent years and accrued tens of thousands of dollars in legal fees in attempts to terminate their case. The benefit to the surrounding area makes conservatorship a valuable tool, yet if conservatorship is experienced as a burden rather than a reasonable process, it may limit its convenience for many eligible parties in interest.

In LMI and disinvested communities, the pressure to have blight and abandonment resolved is most heavily applied by residents and local organizations. Properties that are *underwater* are still in need of rehabilitation or removal, but remediation of these properties comes at a great cost or loss to conservators. If a willing conservator cannot afford to rehabilitate an existing structure and it continues to deteriorate, safety and health hazards will persist, taxes will remain unpaid, and the removal of the structure is likely. The Conservatorship Act states:

“Section 2. Legislative findings and purpose.

(4) If these buildings are not rehabilitated, they are likely to remain abandoned and further deteriorate, resulting in increased costs to the Commonwealth, municipality and taxpayers to secure and ultimately demolish them.

(6) If the owner of a residential, commercial or industrial building fails to maintain the property in accordance with applicable municipal codes or standards of public welfare or safety, it is in the best interest of the Commonwealth, the municipality and the community for the court, pursuant to the provisions of this act, to appoint a conservator to make the necessary improvements before the building deteriorates further and necessitates demolition, resulting in the removal of the building from the housing supply or prohibiting future productive economic use.”

It is evident that the intent of the law is to prevent further deterioration of already blighted and vacant homes and avoid demolition. Although permissible under the Conservatorship Act, demolition is viewed by the General Assembly as restrictive for productive reuse opportunities and an unfortunate removal from the housing stock. Properties under conservatorship in LMI communities should have the municipal and school district liens and taxes exonerated as the conservator's efforts are essential in communities that are not as invested in. The efforts put forth by successful conservators outweigh the monetary loss to the municipality and school district, as it's likely that blighted/underwater properties would be demolished eventually.

Access to Properties before Conservatorship Appointment

As has been done in Philadelphia, petitioners have determined that a total assessment of the property needs to be performed in order to decide if a blighted structure is feasible for conservatorship use. Until the court appoints a conservator, legal access is not granted to enter the structure. Cost of rehabilitation based on the exterior alone are often minimal when compared to the disrepair that may exist inside the property. Because of this, if a court finds that a property meets the conditions for conservatorship, it should be standard for petitioners to ask the court to inspect the property prior to a conservator being appointed. The rights of the property owner should always be taken seriously in this situation. If access to view properties are to be more commonplace, then it should be required that there be a stipulation that the petitioner first make every attempt to notify the existing owner or heirs of the request in the notice of the hearing date.

Building Partnerships with Resourced Local Organizations

Nonprofit corporations and other local organizations have the capacity and the connections to assist in conservatorship cases. These groups are able to help petitioners identify trusted developers that may act as conservators, provide information on potential funding avenues, intervene on behalf of the community in conservatorship filings, or suggest appropriate final plans that meet the needs of the community. Private individual conservators would find this type of partnership beneficial if they have no experience in rehabilitation or demolition, need education on obtaining legal advice, permits, etc., or if they would like contractor oversight to ensure costs and time to rehab remain reasonable and fair.

Education

Educating legal officials, lawyers, community-based organizations, etc. on how to handle cases and how to provide assistance will prove to be one of the more helpful avenues in creating a conservatorship process that is clear and consistent. This requires residents, local groups, and community organizations to take initiative. Reaching out to city and county officials about the effects that problem properties are having on their communities and expressing the value conservatorship would have in combating present blight and abandonment would create better understanding for all involved. Blight and abandonment tells the story of not only the community that the structure or lot is in, but a story of the wider region and the state of Pennsylvania as a whole. Economic health is suffering, historic properties are collapsing, and long-time residents are relocating, creating more disinvested communities. Education is the first step in understanding the implications of blight and abandonment on Pennsylvania communities, and conservatorship has shown to be a sound mechanism “for communities to modernize, revitalize and grow, and to improve the quality of life for neighbors who are already there.”¹³

13 *Abandoned and Blighted Property Conservatorship Act*, Section 2, Subsection (5).

Potential Funding Opportunities

**COMMUNITY GROWTH FUND –
COMMUNITY ACQUISITION AND REHABILITATION LOAN (CARL)**

FHA 203(K) MORTGAGE INSURANCE

GRANTS

THE CARL PROGRAM – COMMUNITY ACQUISITION AND REHABILITATION LOAN

The Community Acquisition and Rehabilitation Loan, or CARL, is a loan product that simplifies the financing process for the purchase and rehabilitation of single family homes or multi-unit buildings with up to 4 units. CARL reduces the cost, time, and complexity of obtaining one loan for acquisition and another loan for rehabilitation. CARL addresses the significant need for financing to home-buyers and allows them to take advantage of Pittsburgh's affordable housing stock and carry out rehabilitation.



Katherine Gassei, Home Closing with Slovak Savings Bank

Paired with *The Abandoned and Blighted Property Conservatorship Act*, CARL may be used as a tool that provides the capital needed to purchase homes out of conservatorship and move a home past the initial code compliance updates to a fully rehabilitated structure. Kathrin Gassei successfully used the CARL program and acquired a home in Pittsburgh's Northside. She considers the rehabilitation portion of this loan to be important in adding value to communities. "This house was falling apart on an otherwise very nice street. There is currently another house in bad shape on our block that has been in the hands of a "developer" for 5+ years who isn't doing anything with it – helping real people to buy and restore houses is what keeps communities in shape, safe, and clean."

FHA 203(K) MORTGAGE INSURANCE

An FHA 203(k) loan combines home purchase financing or refinancing with home improvement funds. The loan may be used by a current homeowner to renovate, repair, or remodel their property. The home must be owner-occupied to meet eligibility requirements for this loan.

For conservatorship cases, an FHA 203(k) loan may be used after a property comes out of a conservatorship. It can be used to continue renovations and other home projects by the new owner that go beyond the scope of work that was carried out in the conservatorship final plan.

GRANTS

Pennsylvania Department of Community & Economic Development (DCED)

DCED is a state agency working towards quality of life improvements for Pennsylvania residents and provides investment opportunities for business owners. The agency provides public access to various grants and loan information that may provide funding to renovate or demolish a property during a conservatorship case or after the conservatorship has been terminated.

Redevelopment Authorities

Redevelopment authorities like the Urban Redevelopment Authority of Pittsburgh (URA) or the Philadelphia Redevelopment Authority may offer funding for conservatorship projects during the rehabilitation phase. In the past, the URA of Pittsburgh has provided grants to nonprofits and businesses to help eliminate blight and restore economic bases in communities.

Alternative Programs for Blight Remediation, Acquisition, and Rehabilitation

Pittsburgh Treasurer's Sale | Allegheny County Sheriff Sale
Pittsburgh Land Bank | Pittsburgh Property Reserve | The Allegheny
County Vacant Property Recovery Program | Direct Purchase

PITTSBURGH TREASURER'S SALE

What is it?

Under the Second-Class City Treasurer's Sale and Collection Act, lands and property within the City of Pittsburgh with unpaid claims to the City of Pittsburgh, School district, and Allegheny County taxes may be placed into public sale. Prospective buyers should be aware that while land or real estate in the Treasurer's Sale is sold for the cost of unpaid city, school, and Allegheny County taxes, they are still subject to any other unpaid claims against the property.

Contact Information

Office of the City Treasurer
City of Pittsburgh
City-County Building
Pittsburgh, PA 15219
412-255-2525

ALLEGHENY COUNTY SHERIFF SALE

What is it?

The county Sheriff Sale exposes properties in Allegheny County to public sale in response to unresolved mortgage foreclosure actions and/or unpaid county, local municipality, and school district taxes. At the time of the sale, prospective buyers should have 10% of the bid, and the remaining balance is due before 10:00 a.m. on the Friday of the same week.

Contact Information

realestate@sheriffalleghenycounty.com
412-350-4702

PITTSBURGH LAND BANK

What is it?

After ten years of development, the City of Pittsburgh Land Bank is now operating. The land bank will enable responsible buyers, from farmers to community organizations, to purchase deteriorated, abandoned, or tax-foreclosed property and bring them into productive reuse. With the single purpose of buying, managing, and maintaining and marketing blighted properties, the City of Pittsburgh Land Bank will be a more deliberate entity in the fight against blight and repurposing vacant and abandoned property.

Contact Information

engage@landbankpgh.org

PITTSBURGH PROPERTY RESERVE

What is it?

For nearly 20 years, the Vacant Property Working Group has been a roundtable working toward the eradication of blight and vacancy in Pittsburgh and Allegheny County. With help from the VPWG, the City of Pittsburgh created the Pittsburgh Property Reserve to aid community groups in their efforts.

To participate in the Pittsburgh Property Reserve or for more information, contact the City of Pittsburgh Department of Finance or Pittsburgh Community Reinvestment Group to inquire about program requirements.

THE ALLEGHENY COUNTY VACANT PROPERTY RECOVERY PROGRAM (VPRP)

What is it?

In the 75 participating municipalities where the VPRP is applicable, individuals, municipalities, community groups, local businesses, and private and nonprofit developers are all eligible to apply for property in the program. On average, 100 – 150 properties are conveyed per year. The process typically takes 9-12 months and after all requirements are met, the title is cleared and the property is sold free and clear. Proposed reuse plans can range from side yards and greenspace to parking lots and multi-million-dollar developments.

Eligibility

Applicant Eligibility

Current on taxes, water, sewage, and refuse bills on all properties owned in Allegheny County

No outstanding code violations or municipal liens on properties owned in Allegheny County

Property Eligibility

Located in participating municipality

Must be vacant land or a vacant structure

Have at least three years of tax delinquency and meet any other applicable criteria related to blight.

To participate in the VPRP, the applicant does not need to be a resident of a participating municipality, but the property must be located in one. There are instances when entities in other states have successfully been approved to participate in the program. Ownership will not be granted until the reuse plan is completed.

There are currently two VPRP programs:

1

Low to Moderate Income Areas

Of the 75 municipalities where VPRP is eligible, 19 of which are considered low to moderate income areas. In these LMI areas, there are a few subsidies not offered to the other 56 municipalities which include a reduction of appraisal costs to 50% and a refundable good faith deposit.

and

2

The Standard Program

56 municipalities – applicant pays all costs

DIRECT PURCHASE

It may save time and be more cost-effective to reach out to the owner directly if possible. Every owner has a different story and may be relieved to find that someone is willing to take a property off their hands. In this case, it is still important to do extensive research on the property and fully understand what owning the property entails. Getting the help of a real estate lawyer is highly recommended to receive professional advice and to avoid obstacles along the way.

Glossary¹⁴

ABANDONED PROPERTY – any property that meets the requirements of conditions for conservatorship as provided in section 5(d).

ACTIVELY MARKETED – a “for sale” sign has been placed on the property with accurate contact information and the owner has done at least one of the following:

- (1) engaged the services of a licensee under the act of February 19, 1980 (P.L.15, No.9), known as the Real Estate Licensing and Registration Act, to place the property in a Multiple Listing Service or otherwise market the property;
- (2) placed weekly or more frequent advertisements in print or electronic media; or
- (3) distributed printed advertisements.

ATTRACTIVE NUISANCE – a property that is an attractive nuisance poses a) a threat to child safety with the presence of items or areas that children may explore, e.g. abandoned wells, old playground equipment, shafts and b) if it is or has been used for illicit purposes not limited to prostitution, drug use, or vagrancy. [Section 5 (d)(5)(vi)]

BLIGHT – per Pennsylvania’s Urban Redevelopment Law of 1945 (Act 385 of 1945), Section 12.1(c), blighted property includes any property which has been declared a public nuisance, is considered an attractive nuisance, is unfit for human habitation, is a fire or safety hazard, has ineffective utilities, is a vacant or unimproved lot or parcel with trash accumulation or vermin, is vacant and not tax delinquent without rehabilitation within the past year after instruction to do so from the appropriate code enforcement authority, and any abandoned property (See Act 385 of 1945).

BUILDING – a residential, commercial or industrial building or structure and the land appurtenant thereto, including a vacant lot on which a building has been demolished.

CODE – a building, housing, property maintenance, fire, health or other public safety ordinance enacted by a municipality.

COMPETENT ENTITY – a person or entity, including a governmental unit with experience in the rehabilitation of residential, commercial or industrial buildings and the ability to provide or obtain the necessary financing for such rehabilitation.

CONDITIONAL RELIEF – after a court finds that a property has met the conditions for conservatorship, conditional relief may be granted to the property owner if the owner states that they are able to remedy the property conditions in a reasonable period [See section 5(f)].

¹⁴ *Abandoned and Blighted Property Conservatorship Act, Section 3 “Definitions”, as amended by Act 157 of 2014*

CONSERVATOR'S OR DEVELOPER'S FEE – a fee equal to the greatest of the following:

- (1) an amount equal to \$2,500, adjusted upward by 2% each year;
- (2) a 20% markup of the costs and expenses for construction, stabilization, rehabilitation, maintenance and operation or demolition as described in the proposed conservator's plan and any subsequent plan approved by the court; or
- (3) twenty percent of the sale price of the property [See section 5(g)].

CONSERVATOR'S LIEN – the conservator may file a lien against the property in an amount based on the costs incurred during the conservatorship, including, but not limited to, costs of rehabilitation, attorney fees and court costs. The lien amount may be adjusted from time to time.

COSTS OF REHABILITATION – costs and expenses for construction, stabilization, rehabilitation, maintenance and operation or demolition, including reasonable non-construction costs associated with the project, including, but not limited to, environmental remediation, architectural, engineering and legal fees and costs, permits, financing fees and a conservator's or developer's fee.

COURT – the appropriate court of common pleas.

DISTRIBUTION OF PROCEEDS –

The proceeds of the sale shall be applied in accordance with the following priorities to:

1. All court costs.
2. Liens of the Commonwealth, liens for unpaid property taxes and properly recorded municipal liens.
3. Costs and expenses of sale.
4. Principal and interest on any borrowing or incurrence of indebtedness granted priority over existing liens and security interest under section 8(b).
5. Costs incurred by the petitioner in preparing and filing the petition in accordance with the requirements of section 4.
6. Costs of rehabilitation and any fees and expenses incurred by the conservator in connection with the sale or the safeguarding of the property for which the lien authorized under section 5(g) was filed.
7. Valid liens and security interests in accordance with their priority.
8. Any unpaid obligations of the conservator.
9. The owner. [See section 9(d)]

ENCUMBRANCES – charges, liens, mortgages, etc. against a property or assets.

FREE AND CLEAR SALE – If all earnings from the sale of the property are distributed according to the distribution of proceeds detailed in section 9(d), the court may order that any unpaid liens, claims, or encumbrances be extinguished [See section 9(c)].

INTERVENTION – the intervening of any party in interest in court in connection with any matter of the conservatorship proceedings.

HISTORIC PROPERTY – a property which is listed on the National Register of Historic Places or is a contributing property in a national register historic district or is located in a local government ordinance historic district.

NONPROFIT CORPORATION – a nonprofit corporation that has, as one of its purposes, remediation of blight, community development activities, including economic development, historic preservation or the promotion or enhancement of affordable housing opportunities.

OWNER – the holder or holders of title to, or of a legal or equitable interest in, a residential, commercial or industrial building. The term shall include an heir, assignee, trustee, beneficiary and lessee provided the ownership interest is a matter of public record.

PUBLIC NUISANCE – a property that, because of physical condition or use, has been declared by the appropriate official a public nuisance in accordance with the local housing, building, health, fire or related code or is determined to be a public nuisance by the court [See section 3 “Public Nuisance”].

SENIOR LIEN – a senior lien is that which is in first position to be paid back in the distribution of proceeds from a conservatorship sale.

SENIOR LIEN HOLDER – the senior lienholder is the entity which holds the senior lien and is the first to be paid in the distribution of proceeds from a conservatorship sale.

SUBSTANTIAL REHABILITATION – repairs to the building where:

- (1) the cost of repairs, replacements and improvements exceeds 15% of the property's value after completion of all repairs, replacements and improvements; or
- (2) more than one major building component is being replaced.

Major building components include:

- (i) roof structures;
- (ii) ceilings;
- (iii) wall or floor structures;
- (iv) foundations;
- (v) plumbing systems;
- (vi) heating and air conditioning systems; and
- (vii) electrical systems.

QUITCLAIM DEED – a quitclaim or quitclaim deed is a legal method of transferring real property interest

UNDERWATER PROPERTIES – underwater property refers to properties that have a market value that is less than the liens, mortgages, claims against them and the cost to rehabilitate

Appendix

The "Abandoned and Blighted Property Conservatorship Act of Oct 22 2014 P.L. 2557 No. 157" was referenced using the Pennsylvania General Assembly website. The act may be directly referenced online at: www.legis.state.pa.us

PROGRAM CONTACTS

Community Acquisition and Rehabilitation Loan (CARL)

Participating CARL Lenders

Farmer's National Bank

1812 East Carson Street
Pittsburgh, PA 15203
Phone: 412-491-1271
Fax: 412-431-1007

First Commonwealth Bank

4900 Liberty Avenue
Pittsburgh, PA 15224
Phone: 724-832-6090

Slovak Savings Bank (SSB)

2470 California Avenue
Pittsburgh, PA 15212
Phone: 412-322-9023
Fax: 412-3221605

Standard Bank

(Formerly Appalachian Valley Bank)
5137 Butler Street
Pittsburgh, PA 15201
Phone: 412-781-1377
Fax: 412-781-6474

PROGRAM CONTACTS (CONTINUED)

FHA 203(k) Mortgage

HUD.gov

Vacant Property Working Group (VPWG)

Pittsburgh Community Reinvestment Group
412-391-6732

Pittsburgh Property Reserve

City of Pittsburgh Department of Finance
412-255-2525

Pittsburgh Community Reinvestment Group
412-391-6732

Vacant Property Recovery Program

Allegheny County Economic Development
Department
412-350-1041

Sabreena N. Miller
GoSabreenaMiller@Gmail.com
(313) 740-1163