

Housing Alliance of Pennsylvania Blighted Property Legislation (June 2009)

Tax Sale for Abandoned Properties

Pennsylvania's tax sale laws are designed to produce revenue for the taxing authorities, and so properties must be sold to the highest bidder. But selling to the highest bidder is not always in the best interest of the municipality, not if the purchaser neglects the property so it continues to be a blight on the community.

SB 286 (Browne, R-Lehigh) and HB 711 (J. Taylor, R-Phila) have been introduced to require purchasers of properties which meet a statutory definition of abandoned to enter into a redevelopment agreement and post a performance bond. SB 286 been referred to the Senate Finance Committee; HB 711 is in House Urban Affairs.

Adverse Possession

For those properties where the owner of record can not be found or has died, the occupant of the property - a tenant or an heir - can not qualify for home improvement loans or local grant programs. As hard as they try to maintain the property, often paying property taxes, these families will eventually abandoned the house if they can not get help.

Rep. Wheatley (D-Allegheny) has introduced HB 1322. The bill would lower the time period to file a claim of ownership in adverse possession from the current 21 years to 10 years for occupied single family dwellings on one acre or less, providing shorter time frames for occupants with color of title (3 years) or who have been paying the property taxes (7 years). This will allow long term residents to obtain clear title to their properties.

Land Banks

In distressed communities across the country, local governments are taking steps to turn their abandoned properties into municipal assets. Properties acquired by the local government through tax sale or purchase are placed into a land bank where they can be packaged with other parcels to create attractive sites for developers. Land banks may hold properties while adjacent sites are acquired, and will often clear title and clear the site.

The new Housing and Economic Recovery Act passed by Congress in July includes funds for the acquisition and rehabilitation of abandoned and foreclosed properties (the Neighborhood Revitalization Program). Eligible uses for the money include establishing land banks to acquire foreclosed properties.

Rep. J. Taylor (R-Phila) introduced HB 712 specifically authorizing the creation of local land banks and detailing the functions and powers of land banks. A hearing on the bill was held by the House Urban Affairs Committee on May 28.

Blight

Last session's SB 1291 (Senator James Rhoades, R-Schuylkill (deceased)) would amend Title 53 (Municipalities Generally) by enacting the Neighborhood Blight Reclamation and Revitalization Act. The bill will be reintroduced by Sen. Argall (R-Schuylkill), although several of the section which requires funding may be removed in recognition of the state's growing budget deficit. The Housing Alliance of Pennsylvania supports SB, which will help municipalities prevent blight and remediate abandoned properties through several new programs and rule changes.

Briefly, SB 1291:

Allows municipalities to take actions against owners of buildings, housing or land that is in violation of building or housing codes for an amount equal to penalties and the amount spent by the municipality to abate the violation.

Provides for a lien against an owner's assets in certain circumstances.

Provides for out of state owners of real estate to be extradited to the Commonwealth for criminal prosecution.

Requires owners to address serious code violations or other violations that contribute to neighborhood blight within specified time periods after taking possession of property

Requires entities in possession of a building after foreclosure to assume responsibility for serious code violations and those which contribute to neighborhood blight within 30 days of taking possession of the property.

Allows applications for state permits and approval, municipal building permits, zoning permits, zoning variances, municipal permits or other municipal actions, to be denied if the applicant is delinquent on taxes, water, sewer or trash collection charges or the applicant owns property that is in serious violation of codes and has taken no substantial action to bring the property into code compliance. Allows applications for permits and approval to be denied if the applicant owns property in violation of fire codes and has taken no substantial action to bring the property into compliance within 60 of notification of the violation for a State permit, or within 6 months for a municipal permit. This section has been amended to exclude professional permits, licenses, and certificates.

Requires DCED to establish a Property Maintenance Code Violations Registry to track property maintenance code violation reports filed by municipalities

Imposes a \$100 surcharge for each inspection that reveals municipal property maintenance code violations, in addition to other applicable fees or charges collected by the municipality and court to be collected by the municipality and forwarded quarterly to the Commonwealth. The funds generated by the surcharge will be used to fund the implementation of the Property Maintenance Code Violations Registry and to conduct training for judges.

Authorizes DCED to implement a program to provide matching grants to municipalities to reduce blighted property conditions, specifically for municipalities that establish special code enforcement programs to address blighted property and to hire and train code enforcement personnel. No municipality may receive a grant for more than 3 years.

Prohibits insurance companies from denying policies based on the condition of surrounding properties.

Requires the development of annual ongoing education and training programs for judges related to blighted and abandoned property

Authorizes the establishment of housing courts.

Letters of Administration

Rep. J. Taylor (R-Phila) introduced **HB 709** to allow community development corporations (CDCs) to act as estate administrators for vacant properties. The estates law was already amended to allow redevelopment authorities to administer estates.

Right of First Refusal

In order to give municipalities and redevelopment authorities greater control over properties sold at tax sale, the right of first refusal would allow municipalities or their designees and RDAs to match the bid of a purchaser and take title to the property.

Preferred Purchasers

Another idea being drafted into bill form would allow entities designated as "preferred purchasers" to have the first opportunity to purchase a party at judicial tax sale. (the judicial sale is held if no one buys the property at the upset sale. It is only at the judicial sale that liens can be removed so the property can be sold free and clear.)