

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1682

PRINTER'S NO. 3105

AMOUNT

No Fiscal Impact

FUND

General Fund

DATE INTRODUCED

June 17, 2011

PRIME SPONSOR

Representative Taylor

HISTORY OF BILL

Referred to URBAN AFFAIRS, June 17, 2011

Reported as amended, Dec. 15, 2011

First consideration, Dec. 15, 2011

Laid on the table, Dec. 15, 2011

Removed from table, Jan. 17, 2012

Second consideration, with amendments, Feb. 14, 2012

Re-committed to APPROPRIATIONS, Feb. 14, 2012

(Remarks see House Journal Page), Feb. 14, 2012

Re-reported as committed, Feb. 15, 2012

Third consideration and final passage, Feb. 15, 2012 (180-13)

(Remarks see House Journal Page), Feb. 15, 2012

In the Senate

Referred to URBAN AFFAIRS AND HOUSING, March 2, 2012

Reported as committed, April 2, 2012

First consideration, April 2, 2012

Second consideration, May 21, 2012

Laid on the table, May 23, 2012

Removed from table, May 23, 2012

Laid on the table, June 20, 2012

Removed from table, June 20, 2012

Re-referred to APPROPRIATIONS, June 25, 2012

Re-reported as committed, June 27, 2012

DESCRIPTION AND PURPOSE OF BILL

House Bill 1682 amends Title 68 (Real and Personal Property) by adding new chapter 21, which provides enabling authority to certain municipalities to establish land banks.

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Land banks could be one of the tools that municipalities use to facilitate the return of vacant, abandoned and tax-delinquent properties to productive use. Municipalities (counties, cities, boroughs, home rule municipalities, incorporated towns and townships) with a population of more than 10,000, or two or more municipalities with populations less than 10,000 that enter into an intergovernmental cooperation agreement to establish and maintain a land bank, may elect to create a land bank by the adoption of an ordinance, subject, in a city of the first class, to the home rule charter.

In addition, a school district may participate in a land bank pursuant to an intergovernmental cooperation agreement. Such agreement must specify the membership, if any, of the school district on the board of the land bank and the actions of the land bank that are subject to approval by the school district.

A land bank shall be a public body corporate and politic exercising public powers of the Commonwealth, and it shall have duration until terminated and dissolved upon compliance with the conditions set forth in new chapter 21. A land bank is subject to the Sunshine Act and the Right-to-Know law.

The uncompensated board of directors of a land bank shall consist of an odd number of members and be not less than five members nor more than 11 members. Public officers and municipal employees shall be eligible to serve as a board member. Board members and land bank employees are subject to the Public Official and Employee Ethics Act. An established land bank board shall include at least one voting member who meets the following criteria:

- Is a resident of the land bank jurisdiction.
- Is not a public official or municipal employee.
- Maintains membership with a recognized civic organization within the land bank jurisdiction.

A land bank may employ or enter into a contract for an executive director, counsel and legal staff, technical experts and other individuals and may determine the qualifications and fix the compensation and benefits of those employees. A land bank may enter into a contract with a municipality for staffing services, either from the municipality to the land bank or from the land bank to the municipality.

A land bank shall have powers that include the following, but it shall not possess the power of eminent domain:

- To adopt, amend and repeal its bylaws.
- To sue and be sued in its own name and be a party in a civil action.

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- To adopt and alter a seal.
- To borrow from Federal Government funds, from the Commonwealth, from private lenders or from municipalities.
- To issue negotiable revenue bonds and notes.
- To procure insurance or guarantees from the Federal Government or the Commonwealth of the payment of debt incurred by the land bank, and to pay premiums in connection with the insurance or guarantee.
- To enter into contracts and other instruments, including intergovernmental cooperation agreements.
- To procure insurance against losses in connection with the real property, assets or activities of the land bank.
- To invest money of the land bank at the discretion of the board.
- To enter into contracts for the management of, the collection of rent from or the sale of real property of the land bank.
- To design, develop, construct, demolish, reconstruct, rehabilitate, renovate, relocate and otherwise improve real property or rights or interests in real property.
- To fix, charge and collect rents, fees and charges for the use of real property of the land bank.
- To grant or acquire licenses, easements, leases or options with respect to real property of the land bank.
- To enter into partnerships, joint ventures, and other collaborative relationships with municipalities and other public and private entities for the ownership, management, development and disposition of real property.
- To organize and reorganize the executive, administrative, clerical and other departments of the land bank and to fix the duties, powers and compensation of employees, agents and consultants of the land bank.
- To do all other things necessary or convenient to achieve the objectives and purposes of the land bank or other law related to the purposes and responsibility of the land bank.

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A land bank may acquire real property or interests in real property by any means on terms and conditions and in a manner the land bank considers proper. A land bank may not own or hold real property located outside the jurisdictional boundaries of the entities that created it. A land bank shall hold in its own name all real property it acquires, and the real property of a land bank and its income and operations are exempt from State and local tax; however, such tax exemption does not apply to real property after the fifth consecutive year in which the real property is continuously leased to a third party, unless it is leased to a nonprofit or governmental agency at substantially less than fair market value.

A tax claim bureau may transfer to a land bank real property of the county held by the tax claim bureau, as trustee for the county, in a repository for unsold property. If authorized, a land bank may accept donations of real property and extinguish delinquent claims for taxes as to the property. A land bank shall maintain and make available for public review and inspection an inventory of real property held by the land bank. A land bank may convey, exchange, sell, transfer, lease or grant mortgage interests in real property for consideration.

A land bank jurisdiction may establish a hierarchical ranking of priorities for the use of real property conveyed by a land bank, including use for purely public spaces and places; affordable housing; retail, commercial and industrial activities; and conservation areas.

A taxing jurisdiction may authorize the remittance or dedication of a portion of real property taxes collected to a land bank on real property conveyed by a land bank. Any such allocation of property tax revenues shall commence with the first taxable year following the date of conveyance and continue for a period of up to five years and may not exceed a maximum of 50% of the aggregate property tax revenues generated by the property.

A land bank may issue a bond for any of its corporate purposes, and the principal and interest shall be payable from the land bank's general revenue. A bond and the income from the bond is exempt from State and local taxation. A municipality may elect to guarantee, insure or otherwise become primarily or secondarily obligated in the indebtedness of a land bank. The bond or other obligation of a land bank shall not be a debt of the municipality or of the Commonwealth.

A land bank may discharge a lien or claim to its real property for tax owed to the members of the land bank; however, for tax owed to a school district, the governing body of the school district must approve the discharge. The land bank must file evidence of the extinguishment and dissolution of liens or claims with the county tax claims bureau. To the extent that a land bank receives payments attributable to a lien or claim for real property taxes owed to a municipality or school district on property acquired by the land bank, the land bank shall remit the full amount of the payments to the municipality or school district.

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The legislation provides additional rules with regard to tax claims filed under the Real estate Tax Sale Law, the Municipal Claim and Tax Lien Law, and the Second Class City Treasurer's Sale and Collection Act. A land bank that acquires property through delinquent property tax enforcement shall be deemed to have acquired the real property as an involuntary transfer within the meaning of section 701(b)(1)(vi)(B) of the Hazardous Sites Cleanup Act. These procedures regarding delinquent property tax enforcement shall expire if DCED determines that comprehensive reform legislation on property tax foreclosure has been enacted.

A land bank may file an action to quiet title to real property in which the land bank has an interest, and it may join in a single complaint to quiet title to one or more parcels of real property. Prior to the filing of an action to quiet title, the land bank must conduct an examination of title to determine the identity of any person possessing a claim or interest in or to the real property. The court shall schedule a hearing on the complaint within 90 days following filing of the complaint and as to all matters upon which an answer was not filed by an interested party.

The land bank shall submit an annual audit of income and expenditures, together with a report of its activities for the preceding year, to the Department of Community and Economic Development.

The Act shall take effect in 60 days.

FISCAL IMPACT:

The legislation will have no adverse fiscal impact on Commonwealth funds. Land banks may be used by municipalities to facilitate the return of vacant, abandoned and tax-delinquent properties to productive use, thereby creating the potential for increased property tax revenues.

The impact to local funds cannot be quantified because the number of municipalities utilizing land banks and the potential tax revenues to be collected are unknown at this time.