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(Act 4 of 2020)

SB 692 (Printer's No. 831) Analysis

Date: May 31, 2019

**Amending the Borough Code and Third Class City Code -- Increasing
the Dollar Threshold That Triggers Advertisement When Selling Municipal
Real Property**

Prime Sponsor: Senator Hutchinson

A. Synopsis of Bill

Increases from \$1,500 to \$6,000 the value of municipal real property below which a borough or third class city need not publicly advertise for bids when selling its real property.

This legislation is part of a three bill package. The other two bills similarly amend the Second Class Township Code and Act 34 of 1953 (relating to contracts for incorporated towns).

B. Summary and Analysis of Bill

This bill amends the Borough Code and the Third Class City Code, in Titles 8 and 11 of the Pennsylvania Consolidated Statutes, respectively, by increasing from \$1,500 to \$6,000 the threshold for when municipal real property must be advertised prior to sale to the highest bidder. Prior to selling real property valued at \$6,000 or less without advertisement or competitive bidding, council must make a public announcement of the council's intention to sell the real property at a regular or special meeting of council at least 30 days prior to the sale.

Upon enactment, the law will take effect in 60 days.

C. Relevant Current Law

Section 1201.1 of the Borough Code and section 12402.1(b) of the Third Class City Code provide for the sale of municipal real property by resolution. These sections provide that no municipal real property may be sold for a consideration in excess of \$1,500 except to the highest bidder after due notice by advertisement for bids or advertisement of a public auction. Real estate owned by a borough or third class city may be sold at a

consideration of \$1,500 or less without advertisement or competitive bidding only after the governing body estimates the value of the property upon receipt of an appraisal by a qualified real estate appraiser.

D. Background of Bill

The threshold value of \$1,500 for the sale of real property that determines whether the real property must be advertised was put into both the Borough Code and Third Class City Code in 1978 when it was increased from \$500 to \$1,500.

The new threshold dollar amount of \$6,000 is derived from the U.S. Department of Labor's Consumer Price Index (CPI) inflation calculator which indicates that \$1,500 in 1978 has the same purchasing power as just slightly over \$6,000 in February 2019.

In the 2017-2018 session, the municipal codes were amended to increase the threshold for the sale of *personal* property without advertisement or receiving bids from \$1,000 to \$2,000.

E. Effect of Bill

This bill will save taxpayer dollars by decreasing the need for advertising the sale of municipal real property by raising the threshold that triggers the advertising requirement. Advertising is still required for any sales over the threshold amount. Transparency is maintained for sales below the threshold amount by council announcing its intention to sell the real property at a regular or special meeting of council at least 30 days prior to the sale.

F. Issues, Policy Questions and Stakeholder Feedback

- The Pennsylvania State Association of Boroughs supports this legislation.
- The Pennsylvania Municipal League supports this legislation.

G. Bill History

This bill has no previous history.