



Testimony of the Housing Alliance of Pennsylvania on HB 2445 June 23, 2008

Good Morning. My name is Cynthia Witman Daley. I am the policy director of the Housing Alliance of Pennsylvania. The Housing Alliance was founded in 1985 to work for a safe, decent, affordable home within the reach of every Pennsylvanian, especially those with low incomes. We are a statewide organization made up of housing developers, property owners, residents, policy makers and community members committed to advancing and enacting common sense solutions to the pressing housing problems facing our rural, urban and suburban communities.

The Housing Alliance has been involved in the "fight on blight" for many years advocating for safer, more prosperous communities, healthier homes for children and families and the productive reuse of land. In 2002, the Pew Charitable Trusts asked the Housing Alliance to research the role of the state law on the ability of local communities to address blight and abandonment. We learned three things that are as relevant today as they were when we first published our research in *Reclaiming Abandoned Pennsylvania* in March 2003.

1) Blighted, abandoned properties have a devastating economic impact on the value of the adjacent properties.

In 2001 Dr. Anne Schlay and Gordon Whitman at Temple University systematically researched the impact of unabated blighted, abandoned properties on the nearby homes. They documented conclusively – and these are 2001 numbers in Philadelphia – that one abandoned property on a block caused a net decrease of \$6,467 in sales price on the other homes on that block. More abandoned properties on a block brought larger net losses in value. At five abandoned properties on the block, local sales prices experienced a net decrease of \$10,043.

Not surprisingly they found that “housing within 150 feet of an abandoned unit experienced the greatest decrease in values, a net decrease in sales price of \$7,627. Those within 150-299 of an abandoned unit experienced a lower but sizeable net decrease in sales price of \$6,810. Housing within 300-449 of an abandoned unit experienced a net decrease in sales price of \$3,542. Conversely, the absence of abandonment had a positive effect on sales prices. All else being equal, sales prices increased by \$6,715 by virtue of having no abandoned property on the block.”¹

Schlay and Whitman also clearly documented that blight is like a cancer. Unabated, it spreads. Blocks that started with only one abandoned, blighted property soon came to have two, then three and more abandoned properties. Unless blight is stopped, it spreads.

2) Blight and abandonment are widespread Pennsylvania problems that affect rural, urban and suburban communities.

Contrary to public perception, blight and abandonment are not just big city problems. In small cities, large cities, and rural towns throughout the state, an estimated 300,000 buildings stand vacant, including, for example, 1,591 in Altoona, 932 in Lebanon, and 2,278 in Wilkes-Barre; another 35,000 in Philadelphia and almost 19,000 spread throughout Pittsburgh². Though fewer in number, vacant properties also litter small towns throughout rural Pennsylvania. While the numbers are smaller, the impact is equally devastating.

The causes of blight and abandonment vary but are generally rooted in the historic loss of economy and population, an aging housing stock: over 50% of Pennsylvania’s homes are more than 40 years old. For the 17% of homeowners whose income is less than \$20,000 per year, and for the 28% of homeowners who are elderly, maintenance and property taxes can be major problems.

Blight is a common-denominator in the Pennsylvania experience.

3) Outdated state laws constrain the ability of local communities to effectively address blight. Conversely, state leaders have the power to provide local communities with innovative, powerful new tools to help bring blighted properties back into productive reuse.

Addressing blight is largely a local responsibility, yet state law provides the framework for the acquisition and disposition of blighted and abandoned property, especially when code enforcement fails or is inadequate. State law sets out the range of allowable practices under tax sale law, eminent domain, property donation, urban redevelopment and spot condemnation.

¹ Blight Free Philadelphia, 2001, Anne B. Schlay and Gordon Whitman, Temple University, Philadelphia, PA

² *From Liability to Viability; A Technical Resource Guide for Action*, The Housing Alliance of Pennsylvania, 2004, p. 9.

Many of these laws are antiquated, enacted in a different era when no one could have foreseen the problems of today. For example, tax sale laws date back to the 1920s when Pennsylvania was still an industrial power. Tax sale is one of the main ways that property transfer takes place when something goes wrong and taxes end up unpaid. Tax foreclosure and mortgage foreclosure, for example, go hand in hand. But the tax sale laws are blind to the interests of the next door neighbors or the community. The highest bidder can get the property whether or not that person has dozens of unabated code violations outstanding, whether or not they have the wherewithal to fix up the property – or even the desire. Yet the law says that the property must go to the highest bidder regardless. Pennsylvania's tax sale laws provide a sound revenue generating mechanism that has become a tool for the proliferation of blight. Without being modernized, it can hamstring the ability of local officials to get a handle on a problem property or problem owner. This is just one example.

There is good news. The General Assembly has been "chipping away" at these cumbersome old laws and replacing them little by little with provisions that give local leaders the ability to address blight. For example, today repeat code violators can be criminally prosecuted; municipalities can choose to accept the donation of property to redevelop it; properties can be bundled for tax sale making the process less costly while maintaining needed owner protections; some properties can be conveyed to a non profit for local community development without a bidding process, and redevelopment authorities can file a letter of administration as an interested party to get property back onto market when an owner dies without a will or interested heirs. Both DCED and PHFA have developed new financing mechanisms, tax credits and incentive programs such as Main Street, Elm Street, Mixed Use Facilities Financing (MUFFI), Neighborhood Assistance Program and Homeownership Choice, to name a few of the more notable and effective tools in use.

Progress has been made to modernize the blighted property system. There is evidence throughout the state that blight can be addressed. Properties can be fixed up and returned to market. Communities can be revitalized – but it takes leadership, vision and the innovation, which is why we are here today. These changes cannot happen without a strong partnership of state and local government, private investment, and nonprofit and community contributions. We need leadership from the Governor and our State Senators and Representatives, as we are seeing here today, to help make our vision a reality, and to transform our abandoned past into a bright and promising future.

But if we had done everything we could, we would not all be here today. There is still more to be done. Communities need stronger, more powerful tools to fight blight and create vibrant communities. That is why the Housing Alliance strongly supports HB 2445. It provides a range of new tools for local communities to better equip them to fight blights and bring buildings back.

Based on our many years of experience and our hundreds of conversations with local community leaders, I would like to highlight some aspects of HB 2445 and why they are so important:

Private Right of Action – Empowers the people closest to the problem to take action instead of waiting for government to act.

Private Asset Attachment – Allows local governments to seek reimbursement for money it expended to board up or demolish a building, not just by placing a lien on the property but by attaching the owner's assets.

Corporate Responsibility - Requires corporate owners to list corporate officer's names and addresses on deeds and file a copy of their driver's licenses to give local government a way of finding the people behind the corporate name.

Reaching Out-of-State Owners - The nature of property ownership has changed in the last decade. The problem of out of state owners is no longer limited to people who once lived in PA and have moved away, nor is it just a problem in border communities where, e.g., Philadelphia properties are owned by NJ residents. Now properties are being bought and sold on E-Bay by owners who never see the property but hope to make a profit by flipping it. Local officials must have a way of bringing these owners to PA for prosecution.

Conservatorship or "temporary guardianship of troubled properties" - When all else fails, neighbors or a local organization could petition the court to appoint a qualified conservator to fix up a blighted, abandoned property and return it to market. Conservatorship has been used effectively in other places, most notably Baltimore. It is a powerful new tool. One note, the Housing Alliance has been working closely with bankers and state and local officials to come up with amended language. We urge the Committee to adopt the amendments in House Bill 2188.

Statewide Database – This provision would allow municipalities to find out if a potential buyer of municipal property has code violations elsewhere, so a slum landlord can't spread blight. The database would be paid for by surcharge on code violations.

Grants to Establish or Enhance Code Enforcement Programs – Nearly one-third of all municipalities lack a property maintenance code. Even those that have a code are often hampered by the inability to fully enforce. For example, at the Republican Policy Committee hearing on blight in Norristown two weeks ago, local officials testified that despite progress and concerted effort, they are still unable to inspect every rental unit annually. Lack of money is a major obstacle facing municipalities in the battle to enforce the housing code. Not unrelated, they also need money for acquisition, rehab, and demolition.

Tax Sale of Abandoned Properties – Properties bought at tax sale should not be allowed to remain blighted for years into the future. This provision ensures that blighted, abandoned properties sold at tax sale would be redeveloped.

Availability of Property Insurance – Unfortunately, the state needs to make sure that insurers do not refuse to issue or renew a policy on the basis of conditions of surrounding properties.

Training Programs for Judges – Judges on the front lines, including Magisterial District Justices, need education and training on blight related laws to help them do their jobs as well as possible.

Housing Courts – The president judge of a county can establish a specialized court to focus a judge's expertise on code enforcement and related matters. This model has been proven effective elsewhere.

In sum, the Housing Alliance supports H B 2445 and is dedicated to working with the members to ensure that all provisions are fair, effective and balanced. We stand ready to work with you to address the blight that undermines our communities, our competitiveness and our rich heritage. We thank you for your leadership in envisioning and working for a more prosperous future for Pennsylvania.