

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

HOUSE URBAN AFFAIRS COMMITTEE
SENATE URBAN AFFAIRS AND HOUSING COMMITTEE
JOINT PUBLIC HEARING

NORTH OFFICE BUILDING
HEARING ROOM 1
HARRISBURG, PENNSYLVANIA

WEDNESDAY, OCTOBER 30, 2019
9:00 A.M.

JOINT PUBLIC HEARING ON
SB 775 AND HB 1559

BEFORE:

HONORABLE JUDY WARD, SENATE MAJORITY CHAIRMAN
HONORABLE KATIE MUTH, SENATE MINORITY CHAIRMAN
HONORABLE SUE HELM, HOUSE MAJORITY CHAIRMAN
HONORABLE THOMAS CALTAGIRONE, HOUSE MINORITY CHAIRMAN
HONORABLE ROBERT BROOKS
HONORABLE DONNA BULLOCK
HONORABLE MATTHEW DOWLING
HONORABLE CRIS DUSH
HONORABLE JOSEPH HOHENSTEIN
HONORABLE MARYLOUISE ISAACSON
HONORABLE MOVITA JOHNSON-HARRELL
HONORABLE MIKE JONES
HONORABLE ANDREW LEWIS
HONORABLE LORI MIZGORSKI
HONORABLE JAMES RIGBY
HONORABLE GREG ROTHMAN
HONORABLE JAMES STRUZZI
HONORABLE MARTINA WHITE
HONORABLE DAN WILLIAMS
HONORABLE DAVID ARGALL
HONORABLE DANIEL LAUGHLIN
HONORABLE SHARIF STREET

HOUSE COMMITTEE STAFF PRESENT:

ANDY BRIGGS, MAJORITY CAUCUS STAFF

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*Pennsylvania House Of Representatives
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

(See submitted written testimony and handouts online.)

PROCEEDINGS

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SENATE MAJORITY CHAIRMAN WARD: Good morning.

I'm Senator Judy Ward, Chair of the Senate Urban Affairs and Housing Committee, and I'd like to welcome everyone to today's joint public hearing with the House Urban Affairs Committee on Senate Bill 775 and House Bill 1559.

I am pleased to join with Representative Sue Helm's committee to hold this hearing at the request of Senator Dave Argall on these measures aimed at requiring all potential bidders to preregister prior to a tax sale and add a layer of transparency to the process and ensure bidders can be screened in advance.

We thought a public hearing on this measure would be beneficial to members to better understand the issue and the legislation at hand.

We would like to thank our witnesses who have agreed to testify and share with the Committee their thoughts and comments on Senate Bill 775 and House Bill 1559.

Given our restrained time, we would like to ask our witnesses to limit their remarks to about five minutes and summarize your testimony to allow adequate time for members to ask questions. If members have questions of a

1 witness that they are unable to ask due to time
2 constraints, we would ask Senate and House members to
3 submit those questions to your executive director who can
4 obtain a response from our witnesses following today's
5 hearing.

6 For anybody interested, today's hearing is being
7 recorded and will be available on my public website along
8 with any written testimony that has been submitted.

9 That said, I would like to offer Representative
10 Helm, Chair of the House Urban Affairs Committee, as well
11 as Minority Chairs, Senator Muth and Representative
12 Caltagirone the opportunity to offer any brief opening
13 remarks.

14 Representative Helm.

15 REPRESENTATIVE HELM: Thank you. First I'd like
16 to thank Senator Ward for holding this joint hearing. I'd
17 also like to thank Senator Argall and Representative
18 Heffley for being here as we learn about two very important
19 pieces of legislation in the fight against blight in this
20 Commonwealth.

21 There are many issues surrounding tax sales and
22 loopholes that can easily be exploited by shell
23 corporations and negligent property owners who purchase
24 property at a sale and do nothing further to enhance or
25 even maintain the property. These bills seek to look at

1 this issue. I'm very interested to hear from the
2 stakeholders who are here today about how these bills would
3 make a difference to them on the ground dealing with tax
4 sales and fighting the blight in our communities everyday.
5 Thank you.

6 SENATE MAJORITY CHAIRMAN WARD: Since Senator
7 Muth has not arrived yet, Representative Caltagirone, I
8 don't know if you have some remarks?

9 No? Okay. Thank you and we welcome you.

10 (Parties confer.)

11 Okay. To begin the hearing we would like to give
12 the prime sponsors of the bills, Senator Argall and
13 Representative Heffley, the opportunity to offer some brief
14 comments before calling our first witnesses.

15 Senator Argall.

16 SENATOR DAVID ARGALL: Good morning.

17 And thanks to the two chairs for hosting today's
18 hearing.

19 I served as chairman of this committee in both
20 the House and the Senate, so I understand how difficult it
21 can be to seek a compromise on some of these issues.

22 For the last several years, I've chaired a
23 bipartisan statewide blight taskforce of House and Senate
24 members with other interested parties who work together to
25 fight blight in Pennsylvania communities large and small.

1 We work with people who deal with this issue every single
2 day.

3 Many of the taskforce initiatives which have been
4 enacted into law came about because of meetings just like
5 this where we listened to the folks at the forefront
6 fighting this battle. Local officials, code enforcement
7 officers, people in our county tax claim bureaus, they are
8 the boots on the ground, and they can tell you
9 unfortunately about how people can circumvent well-meaning
10 laws to their advantage. And the issue that we are
11 addressing this morning is a perfect example.

12 I represent Schuylkill County which lies at the
13 heart of the anthracite coal region, and I see every day at
14 home how economic decline can impact the overall well-being
15 of a community. Many of the municipalities I represent
16 have seen significant declines in population over the last
17 50 years. And as a result many homes and other structures
18 sit vacant, fall into disrepair, and end up on the
19 delinquent tax sale list.

20 Just to give you a brief snapshot, between two
21 small boroughs in Shenandoah and Mahanoy City there are
22 currently over 800 properties at some stage in the
23 delinquent tax sale process. And these properties become
24 ripe for unscrupulous investors to buy at greatly reduced
25 costs at tax sale or in repository.

1 I've traveled all over Pennsylvania to listen to
2 concerns and to share ideas regarding blight.

3 We consistently hear that local communities are
4 experiencing problems with corporations and LLCs purchasing
5 properties. This has become a popular way to buy property
6 at delinquent tax sales.

7 We have laws in place to prevent negligent and
8 unscrupulous property owners from buying new properties
9 while their other existing properties lie in a serious
10 state of disrepair or are tax delinquent.

11 But unfortunately some owners -- and it's only
12 some. Some owners try to circumvent these laws by using
13 numerous corporate names when purchasing properties at
14 these tax sales in order to hide their identity. This
15 allows the purchaser to hide behind the corporate veil
16 making it difficult to cite the appropriate parties for
17 code violations and to hold them accountable.

18 It also allows them to continue buying properties
19 while avoiding their tax obligations on other properties
20 which they already own.

21 Many of these properties have been sitting empty
22 for years and when someone purchases one of them, it's
23 often already in decline. And so if it's purchased through
24 a corporation or an LLC, there is no way for a code
25 enforcement officer to track the actual owner.

1 And I recognize the value of our corporate laws.
2 I also know they were not created to give negligent
3 property owners easy cover in order to avoid prosecution
4 for serious violations.

5 This morning you are going to hear some firsthand
6 testimony from the folks who deal with this problem every
7 day. I applaud every one of them for their hard work and
8 effort and thank them for joining us today to share their
9 experiences about what is really happening.

10 And again to the two Chairs, thank you very much.

11 SENATE MAJORITY CHAIRMAN WARD: Thank you,
12 Senator Argall.

13 Representative Heffley, would you like to offer
14 some comments?

15 REPRESENTATIVE HEFFLEY: Thank you, Senator.

16 As the representative from Carbon County we have
17 some communities -- as every community, as every district
18 does -- that have some blighted properties and blighted
19 areas.

20 I think it's important to note that -- talking to
21 an engineer one time, he said to me, he said anything you
22 put in the ground or you build, the second it's built it
23 starts to deteriorate. Right. So every community
24 eventually is going to deal with this at some time. Some
25 sooner than others.

1 So we are trying to give our communities the
2 tools that they need.

3 And I want to thank Chairmen Ward and Helm for
4 holding this hearing today and Senator Argall for all the
5 work that you do.

6 Before the testimony from the stakeholders who
7 are here, I'd just like to say a few words about my bill
8 which is a companion piece to SB 775.

9 House Bill 1559 is primarily aimed at creating
10 more accountability for bidders at tax sale as well as
11 assisting municipalities in fighting blight and piercing
12 that corporate veil negligent property owners hide behind.

13 The bill creates a preregistration requirement
14 for potential bidders, and any potential bidders must
15 appear at the tax claim bureau no less than 14 days before
16 the scheduled sale.

17 Registration requires providing contact
18 information, a signed affidavit stating that they are not
19 delinquent in any tax or municipal utility bills or that
20 they are engaged in any unsafe property management
21 activities.

22 The tax claim bureau then provides a list of
23 applicants to the municipality at least ten days prior to
24 the sale to verify that bidders are not delinquent on taxes
25 or having outstanding code violation.

1 The reason that the preregistry is so important
2 that is -- because under current law, property owners who
3 are delinquent on tax sales otherwise are not permitted to
4 bid at tax sale. But yet they can easily bid at the sale
5 and purchase a property.

6 It is then only after the sale that counties may
7 realize that the individual is prohibited from purchasing
8 property at a tax sale. This allows the counties to
9 identify any potential bidders who are not able to bid
10 prior to the sale instead of trying to play catch up after
11 the property has already sold at the tax sale.

12 I'm aware that there have been questions
13 regarding the provision of the bill that prohibits family
14 members of the property owners from purchasing the property
15 at tax sale.

16 This is the result of a hypothetical scenario
17 where property owners who for personal reasons have not
18 been able to keep up with their taxes and have a family
19 member repurchase a property to allow the owner to remain
20 in the property.

21 I believe that it's important to note that the
22 language of this bill does not remove the right of a family
23 member to go to the county offices at any time prior to the
24 sale and pay the back taxes so that the owner can remain in
25 the property.

1 As such, I feel that this concern is invalid as
2 there is plenty of time and recourse available prior to the
3 sale that would allow the family members to keep the
4 property in the family. And that would be easier than
5 allowing the property to go to tax sale.

6 I am also aware that there have been concerns
7 raised about the amount of time that potential bidders need
8 to register prior to the sale. The reason the bill is set
9 at 14 days is to allow the tax claim bureaus enough time to
10 compile a list of potential bidders, allow the
11 municipalities to check their tax records and provide time
12 for counties to review the list. To expect that to happen
13 in a matter of hours, in my opinion, is unrealistic, though
14 I do agree that maybe some discussion can occur on how the
15 time needs to be compiled.

16 The final concern that has been raised about my
17 bill is regarding the applicability to the City of
18 Philadelphia. I'd like to note that Philadelphia is not
19 under the real estate tax sale law which my bill amends.
20 Therefore, this bill does not apply to Philadelphia. If
21 anyone would like to make a similar change to
22 Philadelphia's tax sale laws, I'd be glad to co-sponsor
23 such legislation.

24 With that said, I'd like to note that this bill
25 is a priority for the bicameral, bipartisan statewide

1 blight taskforce this session.

2 Again, thank you for allowing me to say a few
3 words about my bill and the importance of this fight
4 against blight across the Commonwealth.

5 SENATE MAJORITY CHAIRMAN WARD: Thank you,
6 Representative Heffley.

7 Now we'll call our first witness. Our first
8 witness will be Dave Patton who is the Code Enforcement
9 Officer for the City of Harrisburg.

10 I'd like to welcome you and -- yes, that's great
11 -- and just make sure the green light is on your microphone
12 there. And you can begin whenever you're ready.

13 DAVE PATTON: Well, I appreciate being here to
14 speak.

15 [Inaudible 12:19 to 14:39:1] . . . when the
16 repository sale occurs, the municipality gets the
17 opportunity to at least have some level of screening.

18 Right now we don't have that with judicial sale.
19 We have to wait until the actual deed transfers, and then
20 we have to go to the law bureau and petition the court for
21 a set-aside sale, so we've got to waste municipal time. We
22 have to waste county time.

23 We need to have that ability to screen some of
24 these individuals. It's not a panacea solution, but it is
25 very important that this legislation go through with the

1 strength that it was originally designed to do.

2 A lot of what happens with the repositories --
3 and, like I said the internet is -- it's absolutely
4 horrible especially with the repository.

5 We've had people sit in their Florida home with a
6 laptop and just buy properties off the internet. They
7 don't even have to show up. They just submit whatever
8 documentation and next thing you know I have properties;
9 owners and they are sight unseen. They don't even look at
10 them. Look at none of these properties.

11 As far as the comment on the 14-day timeframe, I
12 mean, that's extremely important to have ample time to have
13 the county accumulate and get all the necessary information
14 from the registrants. And I have to have time to be able
15 to go through and just at least, you know, vet some of
16 these particular owners so we're not getting to this
17 particular point.

18 Because absent having the strength of this -- the
19 way this legislation was originally designed -- then this
20 legislation you might as well write it on water because
21 it's not going to have any -- with all -- with this
22 effectiveness it's not going to be effective at all.

23 Any questions?

24 SENATE MAJORITY CHAIRMAN WARD: Are there any
25 questions from the members?

Representative Lewis.

REPRESENTATIVE LEWIS: Thank you for being here, and I think this is such an important issue to address with the kind of the rising problems of blight and especially as a Dauphin County representative very vested in what happens in the City of Harrisburg.

So I do have a couple of questions. Before I ask them, I do want to recognize I have an intern here, Anna, who is shadowing me for the day and also a district aide, Eric Rivers, as well. So, welcome them to the committee.

You talked about -- and just to frame this I'm supportive of the concept of -- very supportive of this concept of really dealing with these tax sales so that advantage isn't being taken of the system.

That being said, I'm slightly concerned to add a layer of making it more difficult to bid on tax sales when my understanding is once a property is purchased, one of the first things that has to happen is the back taxes have to be paid.

When you talked about the friends and family plan, how a property was recently purchased by a family member, ended up back in the hands of the owner -- were the back taxes paid in that situation?

DAVE PATTON: When they buy a judicial sale, they can get them free and clear. All they need to do is file a

1 filing fee for each action. You file a filing fee for the
2 lien. You file for the back taxes. Whatever. It's like
3 20 some dollars per action, so they walk out of that free
4 and clear. The only thing they pay is the auction price.

5 That's what I'm saying. You allow these -- they
6 ended up sitting and become delinquent again and then
7 revisit. And after 24 years of actually seeing properties
8 come through for the third time.

9 REPRESENTATIVE LEWIS: So they can purchase it
10 for the auction price, transfer it and never pay those back
11 taxes. Is that what you're saying?

12 DAVE PATTON: They can, but they don't.

13 REPRESENTATIVE LEWIS: Okay.

14 DAVE PATTON: That's the whole purpose behind a
15 judicial sale as the same as a repository. Repository,
16 it's automatically -- you don't have to -- everything is
17 wiped clean, but with the judicial you pay that filing fee
18 which everybody does and that way they can get that
19 property free and clear. Otherwise it just ends up back on
20 the tax sale in a shorter timeframe.

21 REPRESENTATIVE LEWIS: Okay.

22 I had -- and last question if I may, Madam Chair,
23 I have introduced an amendment to this. I wanted to get
24 your thoughts on it as well as any thoughts that the other
25 members had and see how you feel this would kind of address

1 the problem, protecting the legitimate actors who want to
2 invest in these properties and develop them and get rid of
3 the blight and then rent out these properties.

4 One of the changes I was hoping to make was to
5 change the definition of person within the bill to anyone
6 residing outside of a 250-mile radius because I think the
7 problem is folks bidding on these properties that don't
8 live in the area, have nothing to do with the area, and
9 it's like kind of a ghost bid. You send in the bid. And
10 so this would kind of eliminate that problem by saying,
11 this applies to you if you live outside of 250 miles and
12 also it would enable you to register online as long as you
13 designated someone in the Commonwealth to be responsible
14 for that property.

15 What do you think of those changes? Does that
16 still move us in a good direction, and does it help to
17 solve this problem while protecting legitimate investors
18 who may not have the ability to come to the courthouse 14
19 days out and do a registration? What do you think?

20 DAVE PATTON: Quite honestly, you know, whenever
21 the internet is involved, it becomes a problem because
22 although you can designate someone -- we have that same
23 sort of situation with rental properties. You can
24 designate someone, but then all of a sudden they are not a
25 designated person anymore. They dissolve whatever

1 partnership they have, and I'm back in the same church,
2 different pew. You know, I'm back with an owner that's out
3 of state.

4 New York is very popular, for whatever reason.
5 Judicial sales. They travel down here from New York and
6 buy these properties, and they are never for noble
7 purposes. I have one individual that even locally who
8 lives in an apartment, he bought a block of six.

9 I mean there has to be some type of vetting
10 process that we can go through.

11 The internet has been a problem especially with
12 the repository.

13 And in all candor, you know, you can designate
14 someone, but they can dissolve that designation status at
15 any point down the line, and I'm going to have the owners
16 in Australia and all over the place again. So I'd rather
17 have them -- they're going to appear -- and even when they
18 do appear now we still have that problem. It's just our
19 biggest problem is I can't vet them beforehand like I do
20 with the repositories.

21 REPRESENTATIVE LEWIS: Last follow up question,
22 if I may.

23 In your mind does this -- are there any concerns
24 on your end of this, creating this kind of difficulty with
25 say a businessman or investor, businesswoman wants to

1 purchase these properties, but they are unable to come down
2 to the municipality or to the city and register so they are
3 not able to so you're having a lot of properties that are
4 not purchased by valid good investment-type scenarios.

5 Is there any concern in your mind that this would
6 put a -- would hamper that process and then you just have
7 these properties sitting there with uncollected back taxes?

8 DAVE PATTON: No, I think that's a good gauge of
9 their seriousness of wanting to rehab a particular property
10 is they actually show up in person for it. Most of them
11 don't even -- if they can't show up in person then
12 obviously they haven't even looked at the property and
13 that's generally what happens a lot of times. They don't
14 even look at them. They'll look at a dated Google street
15 view map.

16 You know, I always use the analogy, you know,
17 whenever something comes through with the repository, it's
18 condemned. And we have a lot of condemned properties on
19 the tax sale.

20 You know, I always make a personal phone call to
21 them on the repository. Have you looked at this property?
22 Do you realize it's condemned? Well, no. I said have you
23 looked at it? They said, no. I said well let me ask you
24 this? Do you drive? When you bought your car did you just
25 buy it assuming there's an engine in it? Or did you just

1 buy it, you know, sight unseen? But most of the ones are
2 bought sight unseen.

3 Having them there physically and then a lot of
4 times they do look at the properties, but most often times
5 they don't even look at it so having them there, I think,
6 gauges their seriousness as wanting to do something with
7 that property.

8 REPRESENTATIVE LEWIS: Okay.

9 DAVE PATTON: Because right now everything
10 happening, it's at the hardships of the citizens of
11 Harrisburg. These properties just sit. And their fire
12 insurance gets canceled. Their homeowner's insurance gets
13 canceled. And they just sit, and they sit, and they sit
14 while they get frequent flyer miles being sold throughout
15 the country.

16 REPRESENTATIVE LEWIS: I appreciate it. Thank
17 you.

18 SENATE MAJORITY CHAIRMAN WARD: Representative
19 Helm.

20 REPRESENTATIVE HELM: Thank you.

21 You talked about the timeframe to register. In
22 the bill it says a person that intends to bid at a
23 scheduled sale must appear and register at the bureau not
24 less than 14 days before the scheduled sale.

25 There is another amendment out there that is

1 asking to lower that to 36 hours. Could you give your
2 comments on that?

3 DAVE PATTON: I mean -- that would be such an
4 unreasonable time. Say if the spring sale was 230 -- over
5 230 applicants/registrants for the sale. That means, you
6 know, the county has to get -- go through all their
7 paperwork. Then it has to come to me. And then I have to
8 go through all the vetting procedures that I go through.
9 That would be such an unreasonable amount of time. It
10 would just spearhead the whole intent of the legislation.

11 REPRESENTATIVE HELM: Thank you.

12 And having sold real estate for years in
13 Harrisburg, believe me I want this to be cleaned up.

14 DAVE PATTON: I've talked to you before.

15 SENATE MAJORITY CHAIRMAN WARD: Thank you so
16 much.

17 I have a question. How often does the City file
18 a petition to reverse the sale?

19 DAVE PATTON: Last time we did a set-aside
20 position, and this is, you know, with the -- I've been --
21 this is my third administration and the -- unfortunately,
22 the law bureau hasn't been with the rotation and the
23 revolving door there.

24 We haven't been able to do set aside, but the
25 last one was 2006 where I reversed the sale of three

1 properties and took that set-aside petition and whenever
2 they paid for that -- we took that money and put it toward
3 their already existing back taxes. That was the reason why
4 we did a set aside. They had back taxes.

5 Most of the times with a lot of these purchasers,
6 you're not going to see a lion's share of the back taxes
7 and everything, but you do see the code violations that
8 exist that are public safety related that give me the
9 grounds to do set asides.

10 I just don't want to have to -- I mean that's
11 just such a labor intensive measure to file a petition and
12 waste the court's time and then have the individual come in
13 and have a hearing. It's just very labor intensive.

14 We just want to do it the same way -- to do the
15 repository. Just have those reviews at the beginning.

16 SENATE MAJORITY CHAIRMAN WARD: Very good. Any
17 other questions from members?

18 Representative Lewis.

19 REPRESENTATIVE LEWIS: Can you talk me through
20 the process of vetting? If a buyer registers -- if say
21 they do this 14 day -- what is the process that you would
22 have to go through to vet them, and how many on average
23 right now do you decline based on their past history?

24 DAVE PATTON: I haven't had the opportunity to
25 decline any judicial sale. I've declined quite a number

1 through the repository sale, but once they come in and
2 register I'm supposed to get the list of all these
3 individuals and their addresses.

4 That goes through our Treasury Department to look
5 for any kind of back tax and utilities.

6 I in turn go through all of our data base to see
7 what -- you know, if they are a bad actor, a good actor or
8 what the situation is.

9 And again, what's nice with doing the way the
10 procedure with repository, not that it's perfect, but I
11 personally call. I reach out. I have their phone numbers,
12 you know, in that repository and I reach out. Do you know
13 this is condemned? Do you know this is on my demolition
14 list? I want you to go into this with eyes open, you know,
15 and a lot of people -- they decline the sale then.

16 I don't have that opportunity with -- even though
17 I have the system -- the Dauphin County system updated to
18 denote condemned.

19 They even have a document that I created, the
20 legal document that they sign acknowledging that this
21 property is condemned or can be condemned. Sometimes they
22 still buy it.

23 I show up at the sales. It's -- the sales are
24 crazy. It's like a bazaar. I've actually had people come
25 up to me and say, what does condemned mean. And I just --

1 go away.

2 SENATE MAJORITY CHAIRMAN WARD: Senator Laughlin.

3 SENATOR LAUGHLIN: Thank you, Chairman.

4 Mr. Patton, thanks for being here today.

5 The City of Erie falls within my senatorial
6 district, and we have significant blight issues as well.

7 One of the things that our city council did
8 recently was passed a quality of life ticketing program,
9 and I didn't know if you had heard of this or if the City
10 of Harrisburg has anything similar to it. And the reason
11 that I find it a significant tool in fighting blight is
12 because as a code enforcement officer you are aware that
13 you can write somebody a citation, but it might take a year
14 or two or longer to get any action out of that.

15 DAVE PATTON: Yes.

16 SENATOR LAUGHLIN: But this quality of life
17 ticketing that the City has enacted in Erie is more like a
18 parking ticket where they can just write them a modest fine
19 to get something taken care of and it's -- from what I
20 understand, it's a much quicker enforcement tool that might
21 help in this fight at least.

22 I know that's not why we're here today, but I
23 thought I'd ask.

24 DAVE PATTON: No. I mean, I'm familiar with the
25 program and actually in all honesty all it is is a more

1 fashionable term than instant citation. We do the instant
2 citations, and it's critical that we issue the citations
3 with the date of births, with all the necessary information
4 that has to be on that particular citation for it to go to
5 warrant. So that's why I've enacted the instant citation
6 in 1999.

7 And now it just became fashionable to say it's a
8 ticket system. I know it's for high grass and weeds, snow
9 removal, and sanitation. But having that citation with all
10 the necessary personal information, social security, date
11 of birth, all those sort of things. That gives us the
12 ability when someone who stops for a warrant, you know they
13 get stopped for a traffic stop, they have all the
14 information in J-Net, you know, that they have a warrant
15 for their arrest.

16 SENATOR LAUGHLIN: Thank you. Thank you.

17 SENATE MAJORITY CHAIRMAN WARD: Representative
18 Dush.

19 REPRESENTATIVE DUSH: Thank you.

20 And, Mr. Patton, I appreciate your testimony.

21 I have one quick question as it relates to your
22 investigations.

23 Whenever you're trying to find out if they are in
24 delinquent status, is your scope limited to just the
25 Harrisburg City or can you look elsewhere in the

1 Commonwealth?

2 And you said people coming from New York. Are
3 you able to, when you're vetting these people, reach out to
4 those other jurisdictions and find out if they are
5 delinquent in other areas?

6 DAVE PATTON: No. That's difficult to jump
7 across state lines. You know, my -- since I have some of
8 the Department of Public Safety and part of the police
9 department, I have the access for countywide search and
10 outside whatever compatibility our certain in-sync system
11 has. And also I have the justice system, so I can go
12 statewide in terms of J-Net to research and see if they
13 have any outstanding warrants relative to, you know,
14 property maintenance issues.

15 REPRESENTATIVE DUSH: Thank you.

16 SENATE MAJORITY CHAIRMAN WARD: Senator Street.

17 SENATOR STREET: Good morning.

18 DAVE PATTON: Good morning.

19 SENATOR STREET: Question. So, your -- the
20 concern that you have -- just to make sure I understand it
21 -- is that there are parties purchasing properties in the
22 City of Harrisburg that are just speculating on them and
23 not doing anything with them.

24 DAVE PATTON: That's absolutely correct.

25 SENATOR STREET: And the belief is that by

1 vetting the parties you could prevent speculators?

2 DAVE PATTON: I can narrow the playing field. I
3 can't absolutely say it's a panacea solution, but it gives
4 me the opportunity to at least reach out to the individuals
5 because a lot of them -- people that buy some of these
6 condemned properties -- they have no idea how the world is
7 going to change and what our capabilities are.

8 I mean I can go misdemeanor. I can put them into
9 the national crime information computer for public
10 nuisance, for reckless endangerment, whatever the case may
11 be.

12 So it gives me the opportunity to reach out to
13 these individuals so they go into this with open eyes and
14 not -- all of a sudden they're getting all kind of mail and
15 charges levied against them that could impact their
16 employment. I mean, because if I put them in the national
17 crime information, it goes nationwide. Anywhere they go, a
18 warrant is going to pop up.

19 SENATOR STREET: So --

20 DAVE PATTON: At least, I have the ability to
21 reach out to them and to just narrow the playing field a
22 little bit.

23 SENATOR STREET: So when you say narrow the
24 playing field, what -- I mean how would that conversation
25 go? So if I was a prospective purchaser, I register. What

1 kind of question would you ask me?

2 DAVE PATTON: I would ask him, one, if they know
3 that the property is condemned? Do you realize that this
4 property is on the current demolition list of the City of
5 Harrisburg? This is what happens. When the ownership
6 changes deed, you're going to get a condemnation order.
7 You're going to have a prescribed time to act, either to
8 fix or repair that property. If you don't, then the
9 situation goes bad. It elevates to a citation. It can
10 elevate to this. If the property collapses while it's
11 under your ownership, you're looking at this. You're
12 looking at that. So I lay everything out for them as to
13 what they're staring at, you know, if they go down this
14 path so that they go into this with eyes open. And
15 sometimes they do. A lot of times they don't.

16 But at least I like to have the option of at
17 least giving them the option of not having a life-changing
18 purchase.

19 SENATOR STREET: And the idea would be that they
20 would know what the responsibilities of owning a
21 dilapidated property are?

22 DAVE PATTON: Yes. Yes, sir.

23 SENATOR STREET: And they would therefore -- and
24 so that a person who was not interested in meeting those
25 responsibilities wouldn't purchase?

1 DAVE PATTON: That's correct, sir.

2 SENATOR STREET: And the belief is that there are
3 other folks who may be lower bidders who would then
4 purchase and be more likely to be responsible?

5 DAVE PATTON: I mean anybody can put any
6 property, regardless of state, if they have enough money
7 they can rehab a particular property. That doesn't
8 withstand the market value of that particular property.

9 SENATOR STREET: No. What I'm getting at is --
10 so what happens is -- let's say I just say, oh you know
11 what? Thanks I'm not buying --

12 DAVE PATTON: Okay.

13 SENATOR STREET: -- the property. I'm not going
14 to bid.

15 DAVE PATTON: Okay.

16 SENATOR STREET: So you've removed a bidder. The
17 property still sits in the same dilapidated condition.

18 DAVE PATTON: Right.

19 SENATOR STREET: The only -- I'm trying to follow
20 your logic.

21 So the premise would be that a bidder who would
22 have been outbid -- because if I'm not going to win, then
23 it has no effect on the process. So presumably a lower
24 bidder would win and be more likely to be responsible. Is
25 that the basic premise?

1 DAVE PATTON: Usually when they have the auction
2 price, once the sale is concluded it doesn't go to the next
3 lowest bidder.

4 SENATOR STREET: No. But, but --

5 DAVE PATTON: I mean, somebody conceivably could
6 --

7 SENATOR STREET: Right. But I'm talking about
8 the effect of this legislation would be to remove bidders
9 before the auction takes place.

10 DAVE PATTON: Correct.

11 SENATOR STREET: And so in order for it to have
12 had any effect, there would have to have been someone who
13 then purchases it and conducts themselves in a responsible
14 manner as a consequence of this legislation.

15 Other than that, all we've done is reduced the
16 amount of money that's collected and given to the -- and
17 remitted back to the municipality, and we haven't
18 effectuated any real change in the condition of the
19 communities that are represented.

20 I mean, I represent a lot of areas that have
21 dilapidated properties and I was counsel to the sheriff of
22 Philadelphia, outside counsel for a number of years. I'm
23 familiar with the process.

24 I'm trying to understand how you believe the
25 effect of this bill is going to increase and improve the

1 situation, and that is the direction of the question. So
2 the question is, is your supposition that when you
3 eliminate those bidders who don't want -- that some other
4 -- that these bidders are of the high or tend to be the
5 high bidders -- and that that some lower bidder is going to
6 be more responsible?

7 DAVE PATTON: I can't say who is going to be more
8 responsible than another.

9 But I know once that property exists and we vet
10 out -- it ends up on my in-house demolition team. I run an
11 in-house demolition team.

12 We're finally starting to see the light with a
13 lot of these properties, but we can't -- it's hard to
14 breathe with all the people coming and speculating we have
15 to start over and start over and start over and start over.
16 It's so increasingly labor intensive and we're just wrapped
17 up in hours and hours. We've spent so far 48 days
18 cumulative hours in court on a lot of these properties.

19 We're just trying to eliminate some of these
20 potential purchasers that don't have any noble reasons for
21 owning them.

22 SENATE MAJORITY CHAIRMAN WARD: Thank you.

23 SENATOR STREET: Madam Chair, one last question.
24 I indulge your patience.

25 You know, and I'll -- just this comment.

1 I understand the need to want to reduce the
2 number of bidders who are not responsible. I'm just --
3 maybe at another time because I know we're out of time.
4 I've not understood how you've established a connection
5 between how this will accomplish that goal for you. And
6 that's not to say it isn't, but I just haven't gotten that
7 answer.

8 SENATE MAJORITY CHAIRMAN WARD: And maybe Mr.
9 Patton will be available after the hearing.

10 Representative Dush.

11 REPRESENTATIVE DUSH: Thank you, Madam Chair.
12 Just a quick follow up.

13 Mr. Patton, do you have access -- you were
14 talking about J-Net. Do you have access to actually place
15 warrants?

16 And number two, do you know how often people who
17 are in your situation, in your type of position, around the
18 Commonwealth avail themselves of that if they have such
19 access?

20 DAVE PATTON: I'm actually one of the only people
21 that has access through permission from the district
22 attorney's office to have access from that broad spectrum
23 of databases.

24 REPRESENTATIVE DUSH: You've received yours
25 through the district attorney's office. Does that happen

1 in other jurisdictions that you're aware of?

2 DAVE PATTON: No. It does not.

3 REPRESENTATIVE DUSH: I think it's probably a

4 good idea that we should be able to [inaudible 00:36:28].

5 Thank you.

6 DAVE PATTON: I've actually imparted some of that
7 possibility to other ones that I've done assessments
8 through while working through DCED on Local Government
9 Services assistant. And they were a little reluctant to
10 grant any kind of access.

11 Because I can get PennDOT. I can see if they're
12 getting checks from assistance programs, if they're going
13 to an address -- a different type of address. So I have a
14 broad level of just searching for people. That's one of
15 the biggest things is just trying to find people. It's so
16 easy to hide. I spend a lot of my time -- hours, you know,
17 just going for search for people. LLCs, that's a whole
18 other game.

19 REPRESENTATIVE DUSH: It's a very effective tool,
20 and I greatly applaud you for the way you're going about
21 it. Thank you.

22 SENATE MAJORITY CHAIRMAN WARD: Okay. Seeing no
23 other questions, we're going to continue on.

24 Thank you so much, Mr. Patton.

25 DAVE PATTON: Thank you. Thank you.

1 SENATE MAJORITY CHAIRMAN WARD: We appreciate
2 your time here today.

3 Next we have Crandall Jones who is the Municipal
4 Administrator for the Municipality of Norristown.

5 Good morning.

6 CRANDALL JONES: Good morning.

7 SENATE MAJORITY CHAIRMAN WARD: Thank you for
8 being here today.

9 If you can just make sure your -- when you're
10 speaking -- that your microphones -- the green light is on
11 with your microphones.

12 CRANDALL JONES: Absolutely.

13 SENATE MAJORITY CHAIRMAN WARD: And you can begin
14 when you're ready.

15 CRANDALL JONES: Thank you so much. Thank you
16 very much, all of you, for allowing the Municipality of
17 Norristown to have an opportunity to talk about this very
18 important issue and this legislation.

19 I'll also introduce -- with me at the table is
20 the brains of our operation as it relates to code
21 enforcement and building issues in Norristown. This is Mr.
22 Amrinder Singh who is our Building and Codes Manager for
23 Norristown.

24 Certainly, Mr. Patton covered a lot of the issues
25 that we experience in Norristown, so I wanted to kind of

1 paint a quick little picture of Norristown and the issue we
2 have related to this problem and why we're really excited
3 about the original legislation that was put together.

4 And again, thank you for your consideration of
5 this legislation.

6 Norristown is the county seat of Montgomery
7 County. We are about 3.5 square miles. We are very dense.
8 If you go to the census, it would say that Norristown, in
9 that 3.5 square miles, has 34,000 people. Actually it's
10 probably closer to 50,000 people in Norristown.

11 And over the course of the last ten years, what
12 we have seen is that a community that was once 60 percent
13 home ownership/40 percent rental is now 60 percent rental/
14 40 percent home ownership. So we have a lot of issues
15 related to blight that we've been dealing with.

16 One of the most recent stories we had was a row
17 of properties that had burned down probably about a week
18 before I came to Norristown as a manager which was in 2013.
19 Those properties still remain in disrepair in 2019.

20 But those properties got purchased, and we
21 actually went through the process of trying to get the
22 property owners in that row of properties to deal with
23 them. And it was very, very difficult.

24 So probably about a month and a half, two months
25 ago -- three months ago we gave notice that these buildings

1 are imminently about to collapse, and we need you to deal
2 with them. And we tracked and tracked and tracked and
3 finally found one of the owners who gave us lip service
4 that he was going to deal with, and ultimately we had to
5 take the property down because it was an imminent danger to
6 the community. We did so.

7 The properties next to ours needed to be taken
8 down. That property owner, which happened to be Habitat
9 who had great intent, went to take that one down and as a
10 result of that, three properties collapsed. And people on
11 the end who were already there complaining about the
12 connected bad properties ended up having to vacate their
13 properties because of the collapse. And we're still in the
14 process, one, of trying to -- at least Habitat is trying to
15 help make them whole.

16 And number two, we still do not and have not
17 recovered our expense for having to take the properties
18 down. And we do that consistently as a small municipality,
19 one of the poorest communities in Montgomery County, we
20 actually don't have the luxury of having a whole lot of
21 money that the municipality can devote to demolition.
22 Certainly, we put some of that aside every year. But as
23 you know, certainly the recovery of those funds is a whole
24 other matter particularly when you're dealing with absentee
25 owners who are, as was previously said, bad actors.

1 A few of the statistics I'll share real quickly
2 with you is that 37 percent of our properties are owned by
3 outside entities. And so they are not local people to
4 Norristown or even to Montgomery County to a large extent.

5 We have owners of properties that are represented
6 -- represent 30 of the 50 states in the country. We have
7 over 600 mailing addresses for these owners, and it is
8 incredibly difficult to track them down.

9 About 17 percent of those property owners, which
10 is about 1,700, almost 1,800 owners, are corporations and
11 LLCs. We have property owners who have multiple LLC names
12 and addresses, and it's very, very difficult to find
13 someone who we can hold accountable to this.

14 Very quickly, as relates to the 14-day period
15 that was originally introduced, we support that. We think
16 it does give some chance at being able to hold these folks
17 accountable and track them down and vet them properly.

18 I think for -- certainly in Montgomery County,
19 the current honor system of an affidavit, we think, is not
20 thorough enough in terms of being able to vet folks who are
21 interested in obtaining properties.

22 If ultimately that there is a move toward
23 shortening that 14-day period rather than go to an honor-
24 based affidavit system, we would recommend that maybe you
25 consider having a certificate of good standing that maybe

1 comes from the municipality where we've done our work with
2 the prospective buyer in advance so that at least when they
3 go for the sale that they have some record on hand that the
4 municipality has prescreened rather than rely on the honor
5 system where we all end up on the back end of it trying to
6 track it down.

7 I think those are the comments that I'll make
8 initially. I'd certainly be welcome to try to answer any
9 questions you have, and I'd again say I'm going to always
10 point over here for the technical questions.

11 Thank you so much.

12 SENATE MAJORITY CHAIRMAN WARD: Thank you so
13 much.

14 Representative Heffley.

15 REPRESENTATIVE HEFFLEY: Thank you for being here
16 and thank you for your testimony.

17 You had mentioned something that sparked my
18 curiosity -- the certificate.

19 So if you have people that go -- folks may go to
20 a lot of these tax sales and businesses, that this is their
21 model. And they're doing the right thing.

22 But yet every 14 days they got to go in and you
23 have to research it. So if you're looking at a model of to
24 say, well maybe if you're a frequent purchaser you get a
25 certificate. Or if you're in good standing.

1 How often would you need though to follow up to
2 make sure that they didn't in the last say month or two
3 months or three months fall behind on some taxes or some
4 other issues? That was just my question. How could that
5 be managed if you come out with that certificate? Would it
6 be like for three months or six months or a year? And how
7 would you then just verify that that property owner who was
8 always in good standing didn't somehow fall behind.

9 CRANDALL JONES: Go ahead, Amrinder.

10 AMRINDER SINGH: Thank you.

11 One of the ideas that we had was that just like
12 how Montgomery County requires bidders to register at least
13 one day prior to the sale happening, what the potential
14 bidder can do is reach out to whichever municipality they
15 are wanting to purchase any property at and reach out to
16 that building department or the finance department and
17 reach out to them and request a certificate of good
18 standing where the finance department and the building and
19 codes department would be able to do the research and hand
20 them a certificate prior to each sale.

21 So the certificate -- we would not want it to
22 just be a blanket certificate for six months prior to them
23 going for every sale which usually happens once a month,
24 once a quarter. Or if it's a repository, it can happen at
25 any given time -- that they obtain that certificate from

1 whichever municipality they want to purchase a property at.
2 And then be allowed to register to bid for that property.

3 REPRESENTATIVE HEFFLEY: So you would say that
4 they wouldn't have to show up. They could just call or
5 register if they have that certificate?

6 ARMINDER SINGH: They would be able to fill out
7 the application. If they want to submit it to us online or
8 in person, it'll make the process a little bit easier.

9 The whole purpose is we want to make sure that
10 responsible property owners are purchasing these properties
11 so if we are able to vet them and if they don't need to
12 come in, I think that would not be an issue.

13 But if they come in and or if they send it to us
14 online, we can go through their records to make sure that
15 they don't have any taxes that are delinquent, that they
16 don't have any properties that are in disrepair, or have
17 any open property maintenance issues, or have any of their
18 licenses revoked for housing.

19 REPRESENTATIVE HEFFLEY: Okay. We'll follow up
20 afterwards. I have a couple more questions on that.

21 But thank you.

22 SENATE MAJORITY CHAIRMAN WARD: Thank you.

23 Representative White.

24 REPRESENTATIVE WHITE: Thank you, Chairman.

25 I had a question regarding what means do you go

1 through in order to attempt to get the monies back when you
2 do the demolitions?

3 CRANDALL JONES: Well we certainly put a lien on
4 the property. We do diligent searches of trying to locate
5 the owners of the property as well.

6 But as you know, the problem with liens is that
7 if there's not going to be any movement on the property in
8 terms of a transfer or a sale of the property, then we're
9 just in kind of a wait mode as far as that's concerned.

10 We've certainly been working now with Montgomery
11 County. We are in discussions about land banking property
12 and creating an opportunity for us to put properties like
13 this in a land bank so that they ultimately can be sold.

14 And as a result, you know, we are dealing with
15 the discussions of imminent domain and takings, et cetera,
16 regarding that. And property rights. But we think land
17 banking is an option for us.

18 REPRESENTATIVE WHITE: The other thing, I know
19 earlier you had brought up, you know, a large percentage of
20 your area has been comprised of renters. People who are
21 owning these locations and then they are renting them out.

22 And truth be told, I mean, the millennial
23 generation, that's like what they do and that's been the
24 trend over these past several years, is just that they like
25 renting. So I don't know how this legislation in your

1 opinion would assist that generation in terms of being able
2 to get these rental properties.

3 CRANDALL JONES: Well we do a lot now in terms of
4 development, and good property owners, good actors do
5 provide for millennial housing.

6 You know, we built recently new projects --
7 millennial housing projects in Norristown over the last two
8 or three years. So we're actively participating in it.

9 Our concern is about these properties that get in
10 a state of blight and disrepair.

11 We have some owners and developers who are
12 really, really excited about our location. I think we are
13 a millennial haven in terms of our transit, being a transit
14 hub and being close to Philadelphia, being close to King of
15 Prussia mall, so we're seeing a lot of millennials come in.

16 The problem is we have, we think, some good
17 housing stock that is going to waste and fallen into a
18 state of disrepair by a lot of bad owners who are not
19 making it available to millennials and others who want to
20 purchase the property.

21 So for us, if we can get these properties into
22 the hands of people who are actually interested in working
23 on them --.

24 We have an active home program where we work with
25 folks to do improvements on the property. Biannually we

1 bring in 400 volunteers to help with properties in a state
2 of disrepair so that we can encourage renters, owners,
3 whoever to have occupants in the properties.

4 It's this 300 or so in Norristown now -- 300 or
5 so properties in Norristown now -- that should be
6 demolished, and those are the ones that we're trying to
7 prevent folks from just holding on to and taking us through
8 this process.

9 REPRESENTATIVE WHITE: So do you think that maybe
10 we should be giving you more authority to, you know, if
11 there's a lien on a particular parcel where you did
12 demolish it, do you think we should be giving you more
13 authority to say, you know, maybe not necessarily
14 preventing people from being able to bid on these
15 properties but instead give you the authority to take over
16 the ownership sooner or give you more authority in that
17 capacity instead?

18 CRANDALL JONES: I think the authority should be
19 directed toward dealing with the owner, the original owner.

20 The one thing that we as a municipality don't
21 want to do is own the property because obviously that takes
22 it off the tax rolls and lowers our ability to be
23 sustainable.

24 But certainly if from giving judicial authority
25 the ability to take stronger measures with those bad

1 property owners, and if we can do things administratively
2 to facilitate that, we certainly support that.

3 REPRESENTATIVE WHITE: Okay.

4 Thank you very much, Chairman.

5 SENATE MAJORITY CHAIRMAN WARD: Thank you.

6 Representative Lewis.

7 REPRESENTATIVE LEWIS: Thank you.

8 Thank you for being here, sir, and for your
9 insights and for taking time out of your day to be here.

10 Question. On the 14-day registration -- as these
11 potential purchasers register and you're vetting them, how
12 subjective is the vetting when it comes to -- is there
13 clear criteria that they need to meet? Who has the power
14 and the authority to say, no you are not an approved
15 bidder, and what is the criteria that they have to meet?

16 CRANDALL JONES: I'm going to let Amrinder answer
17 a part of this if need be, but one of the things I'll say,
18 what we're looking at is objectively. Do you have back
19 taxes in Norristown? Do you own properties that are in a
20 state of disrepair? Do you have existing liens that you
21 haven't paid? Do you have trash bills related to those
22 properties that you haven't paid? So it's all very
23 objective in terms of what's important in a municipality.

24 If you're a good actor and you want to buy a
25 property -- and we work with plenty of them who want to buy

1 a property -- by all means do so. And we'll do everything
2 in our power to do it.

3 But if you're a drag on the tax rolls, if we're
4 carrying your debt to the municipality for the services we
5 provide, then no, we don't want you to add to that burden.

6 REPRESENTATIVE LEWIS: Fair enough. And just to
7 follow up.

8 My concern -- because it does sound like you have
9 a very clear cut -- in your municipality, and then in
10 Harrisburg, Mr. Patton -- very much of a clear cut
11 methodology and a way of analyzing this, but it sounds like
12 it would differ based on your municipality.

13 And I think there are probably in other
14 municipalities across the state -- I assume there may be
15 somebody, a code enforcement officer somewhere or an
16 administrator somewhere who may have a certain bias toward
17 this developer versus that developer and might use this as
18 an opportunity to kind of say, well I've got 14 days to vet
19 you. These guys I don't want. These other guys I do want.
20 My fear is that may happen.

21 That could be an unintended consequence of this
22 bill versus having a very clear criteria for who qualifies,
23 who doesn't, that's consistent across the board.

24 CRANDALL JONES: Well thank you for that
25 observation.

1 I'll say for the municipality of Norristown and,
2 you know, we are, I guess, medium sized by Pennsylvania
3 standards in terms of a municipality, but from a working-
4 with-a-developer standpoint in terms of projects, that's
5 not vested in the codes department. They play a role in
6 terms of permitting and inspections et cetera.

7 But in most municipalities, you know, and I'll
8 yield to very small ones. But in most municipalities, the
9 whole interface with the developer, particularly in our
10 instance, is myself, our planning and development director
11 and it is all based on objective criteria.

12 It's not about -- there are developers I
13 absolutely can't stand in terms of personality. But do you
14 do your business correctly in Norristown? And I think
15 you'll find that in most municipalities with appropriate
16 staffing, that's the case.

17 Amrinder.

18 AMRINDER SINGH: Thank you.

19 I've actually had the opportunity to work in
20 Berks County, Dauphin County, as well as now Montgomery
21 County. I worked for the City of Reading. I worked for
22 the Borough of Steelton right here in Dauphin County and
23 now for the municipality of Norristown.

24 And at a building and code department, our goal
25 is not to have vacant properties. We actually want every

1 property to be occupied. We want properties to be code
2 compliant.

3 So if we have a potential bidder who is going to
4 be a responsible property owner, we will do everything we
5 can to help expedite and facilitate the process for them to
6 be able to purchase that property.

7 But if they are a person that's known as somebody
8 that's continuously not maintaining their property or
9 somebody that's just going to purchase a property and let
10 it sit for many years while they're planning or working on
11 getting funds to develop that property, we would much
12 rather they not be able to purchase that property at the
13 tax sale and they actually go to somebody that's a
14 responsible property owner right away because we get
15 numerous phone calls from community members on that block
16 saying, why isn't codes doing anything? Why is this
17 property sitting this way?

18 And when we tell them we can't find who the owner
19 is, or this person just bought this property -- and I know
20 I've mentioned this in a previous meeting with Act 133, how
21 we have to give property owners a whole year to fix this
22 property. They look at us like we're crazy giving people a
23 whole year to fix the outside of their property.

24 And, you know, we want people to be able to enjoy
25 their blocks. We want to help raise the quality of life.

1 We want to help maintain and increase property values. But
2 it makes it very difficult when we have shadow LLCs and
3 corporations buying these properties and we're not able to
4 track them down and hold them accountable because even if
5 we do issue citations, they don't go anywhere. They're
6 using P.O. boxes. We don't have an officer name. They are
7 just going to sit there in a warrant status.

8 For example, in Norristown 40 percent of the
9 citations we've issued in the last three years, they are
10 just sitting in a warrant status.

11 There's no accountability being held so these bad
12 actors, they just continually keep opening new LLCs using
13 virtual addresses, using P.O. boxes to keep getting away
14 with this over and over. And it's not just happening in
15 Norristown. It's happening in every community across the
16 state unfortunately.

17 REPRESENTATIVE LEWIS: Thank you. And it's clear
18 to me that you are running -- are doing a tremendous job.
19 And that's why you're here.

20 My only concern was in some municipalities that
21 I've seen -- how they are run -- I hesitate to tilt the
22 balance of power in a way that could be disadvantageous to
23 a legitimate good investor who wants to come in and benefit
24 a community.

25 Thank you for your response.

1 ARMINDER SINGH: Yes, sir.

2 SENATE MAJORITY CHAIRMAN WARD: Thank you so
3 much.

4 Senator Argall.

5 SENATOR ARGALL: Thank you, Chair.

6 It's very appropriate that Norristown is
7 represented here today because, as I told you at the last
8 meeting of our bipartisan taskforce, Norristown is where
9 this effort really began decades ago after a terrible fire.

10 And Representative Fichter brought these
11 interrelated issues, and the end result was dozens of
12 meetings, dozens of public hearings all across the state,
13 dozens of new laws.

14 I think at one of those meetings Representative
15 Wright from Lower Bucks County pointed out to all of us
16 that any community -- large or small, east or west, wealthy
17 or impoverished -- is going to have blight because every
18 community is going to impact some kind of economic issue
19 somewhere.

20 And so I guess to follow up on all of the bills
21 that we've passed -- I mean millions of new dollars for
22 counties for demolition, conservatorship, land banks,
23 expediting bad actors from out of state.

24 I want to follow up on Senator Street's question.
25 If we pass this one bill -- because this has been an

1 incremental process, piece by piece by piece -- but if we
2 passed this one bill, how would things change in Norristown
3 or upriver in Reading or Pottsville?

4 ARMINDER SINGH: Thank you.

5 I think it would really be beneficial.

6 For example, just on our September 26th upset
7 sale, 28 of the properties that were on the upset sale --
8 out of the 28, 14 of them, so 50 percent of them -- were
9 owned by LLCs.

10 So they just let their properties sit there and
11 deteriorate, and so this is going to be a great addition to
12 all of the great things all of you guys have implemented,
13 all of the tools you've given us in our tool belt to help
14 fight blight.

15 So this is going to be an additional benefit to
16 codes departments and building departments across the
17 state. And this will help make sure that more responsible
18 property owners are being allowed to purchase these
19 properties, and it's going to kind of weed out the bad
20 actors, so we would really appreciate if you guys would
21 look into the recommendations that were made by the Housing
22 Alliance and some of our other partners across the state as
23 far as not really going from 14 days to 36 to allow
24 municipalities enough time to gather the data, to go sort
25 through the data. And if you are willing to make it 36

1 hours instead of 14, require some type of certificate of
2 good standing that the bidder has to obtain from the
3 municipality. That way, even if it is 36 hours, the due
4 diligence is on them to get that certificate to be able to
5 register in such a short amount of time.

6 And then also the other item mentioned was 250
7 miles.

8 Now from Pittsburgh to Philadelphia is 305 miles.
9 And like we just mentioned earlier, a lot of the property
10 owners in Norristown don't even live in Norristown or
11 Montgomery County.

12 So if something happens at your property or if
13 your property needs to be maintained, 250 miles is a long
14 way for you to carry your weedwhacker and your lawn mower
15 to maintain your property or shovel the snow.

16 So if there were some type of additional wordage
17 or verbiage that can be added to possibly reduce that or
18 require some type of formal requirements as far as
19 obtaining a realtor or a professional property manager, not
20 just being able to just designate anybody to be a
21 responsible person, but actually have some type of
22 credential. That way, there will be some type of follow
23 up. And it's not just something that's being put on there
24 that where you can make, you know, your friend from high
25 school or your cousin or somebody, just a responsible

1 person, just to be able to purchase this property and then
2 let it sit there and just deteriorate.

3 CRANDALL JONES: If I might also just -- I think
4 one of the things -- and Senator Argall, you hit it right
5 on the head.

6 One of the things that this legislation adds to
7 the tool belt is an opportunity to further stabilize
8 existing neighborhoods.

9 What we see with these property owners -- these
10 bad property owners -- is so much destabilization of good
11 neighborhoods, of folks who are trying to do the right
12 things in their communities.

13 And bad actors come in, buy a property, don't
14 improve it over time. And, of course, the property values
15 continue to go down. People decide it's not going to get
16 any better because codes is doing everything they can, but
17 nobody understands we're limited as a municipality in what
18 we do.

19 So we think that this adds another rung, leg to
20 the stool of trying to stabilize neighborhoods and
21 communities.

22 SENATE MAJORITY CHAIRMAN WARD: We're getting
23 short on time. We've got time for two more questions.

24 Representative Rothman.

25 REPRESENTATIVE ROTHMAN: Thank you.

1 And thank you for being here.

2 Just first of all, I wanted to -- you mentioned
3 37 percent of Norristown properties are owned by non-
4 Norristown residents. I don't think that's unusual.

5 I represent a very suburban district in
6 Cumberland County where 45 percent of our properties are
7 non-owner occupied, and most of those are owned by people
8 who live outside of the district.

9 So I'm not sure that 37 percent is necessarily a
10 bad number.

11 But I am concerned about, or curious about your
12 thoughts on why we're limiting this just to tax sales.

13 I mean, if you have irresponsible property owners
14 or bad actors, do you think that we should extend this to
15 private sales too; and you shouldn't be able to buy a
16 property in Norristown if you're not responsible and if you
17 own other properties? I think the bill as it reads -- it's
18 not just delinquent taxes in or code violations in your
19 municipality, but it's throughout the Commonwealth.

20 So would you support extending this to all sales
21 and all ownership?

22 CRANDALL JONES: I'm not sure that certainly we
23 should get into private market in terms of all sales.

24 But certainly when you've got properties where we
25 have history of bad behavior, where we have a history of

1 deterioration, where we have money uncollected on our tax
2 rolls or fees or fines uncollected on our tax rolls about
3 that, and we can identify particular entities or groups of
4 entities that have some impact on doing that I think that
5 certainly we should deal with them.

6 I think just in terms of general sales and
7 somebody coming into the market privately wanting to buy --
8 I think it's America and they should have the right to do
9 that.

10 If they become bad actors, then we'll deal with
11 them afterwards.

12 REPRESENTATIVE ROTHMAN: Thank you.

13 Thank you, Madam Chair.

14 SENATE MAJORITY CHAIRMAN WARD: Thank you.

15 Representative Heffley.

16 REPRESENTATIVE HEFFLEY: Just to follow up on
17 that last question.

18 I would say that mortgage companies aren't going
19 to give a mortgage. You have to have a home inspection.
20 There's a whole different set of criteria than that. And
21 that's not really what the bill deals with.

22 But I wanted to -- Representative Lewis had
23 mentioned about the criteria and that is in RETSL -- the
24 criteria -- so when you sign that affidavit as to what the
25 requirements are to qualify, you sign an affidavit that you

1 meet those requirements. It's already in RETSL. It's
2 already in statute. So we're not setting the bar higher or
3 changing everything that's already there as to what the
4 requirements are and who would be able to bid.

5 I just wanted to clear that up.

6 Thank you.

7 SENATE MAJORITY CHAIRMAN WARD: Thank you so
8 much.

9 Thank you, gentlemen, for your testimony. We
10 appreciate it very much. Our next --

11 CRANDALL JONES: Thank you.

12 SENATE MAJORITY CHAIRMAN WARD: Yes. Thank you
13 for being here.

14 Our next witness will be Lisa Schaefer, Acting
15 Director Appointee with the County Commissioners
16 Association of Pennsylvania.

17 Lisa, thank you so much for being here. Just
18 make sure your green button is on there.

19 LISA SCHAEFER: Good morning. And thank you for
20 the opportunity.

21 As you know, the counties are the ones who
22 operate the county tax claim bureaus so are basically going
23 to be the ones who will be responsible for implementing the
24 provisions of these bills to create this preregistration
25 process.

1 So I just want to provide a little bit of
2 background in my few minutes on our tax sale process and
3 what this would mean for counties.

4 For us, the most frequent -- we're the entity
5 that most frequently collects the delinquent property taxes
6 on behalf of all of our local governments.

7 So we have a process in RETSL, the Real Estate
8 Tax Sale Law, whereby if those taxes are not collected in
9 that 21-month period, we take those to an upset sale
10 process. If they're not sold there, there is a judicial
11 sale, a repository sale, and so forth.

12 And as -- the key point of RETSL that I want to
13 emphasize that Representative Heffley just made, is that
14 the current law already prohibits an individual who has
15 their landlord license revoked, who has delinquent property
16 taxes in any taxing district where the property is located
17 or has outstanding municipal utility bills are currently
18 prohibited from getting the deed transferred to them post
19 tax sale. This bill does not change that criteria in any
20 way. It keeps, as Representative Heffley said, the bar
21 exactly where it is.

22 The change would be that the law right now says
23 that post sale a municipality has 20 days to challenge
24 someone who's purchased a property because of -- and has
25 any of those outstanding factors.

1 These bills would allow us -- put in statute a
2 process where we can register bidders ahead of time and
3 have them verify that they are already eligible to bid. So
4 instead of waiting until the post sale process, we can do
5 this on a presale basis.

6 As we've heard, tax sales can be -- properties
7 can be very tempting to bad actors. So we see folks and we
8 can't always capture them with the post sale process.

9 I think that -- so for CCAP, we support the
10 concept of this bill very much. We know -- you'll hear
11 from the tax sale, tax claim bureau directors here in a few
12 minutes that we have some counties that have already
13 established their own process like this as a best practice.
14 And they are having good success with it.

15 So what the bills do is kind of memorialize that
16 practice in statute that we're hoping will encourage more
17 counties to look at it as an option for use in dealing with
18 these same issues in their counties.

19 There's a couple of really good points to the
20 bill.

21 One, it also lets us get at delinquent taxes and
22 municipal liens across the Commonwealth that a potential
23 bidder might have.

24 So right now we can only look at those that are
25 in the municipality where the property is located. It does

1 not put an affirmative duty on the county to go out and
2 search the entire Commonwealth for those liens and those
3 back taxes.

4 But we know our tax claim directors talk to each
5 other. We know that there are, quote/unquote, frequent
6 flyers of bad actors, and so they know who those folks are,
7 and they could better vet those folks and try to capture
8 some more of these bad actors that we can't get to right
9 now.

10 It does put the compliance on the individual to
11 confirm on their affidavit that they do not have those.

12 The big thing about these bills for us is that we
13 do believe that they should be optional rather than
14 mandatory.

15 We understand they've been a great -- the
16 preregistration has been a great tool for many counties,
17 but we also know that there are other counties who have
18 developed other ways of working with their municipalities
19 for instance. Cooperating with their municipalities have
20 been just equally effective in getting at some of these bad
21 actors.

22 And we know from some of our counties in our more
23 rural areas, they take very small numbers of properties to
24 their tax sales.

25 So for instance, one of our sixth-class counties

1 reported exposing just 36 properties to their tax sale.

2 Another just 60.

3 So for them creating a registration process and
4 going through all of this would probably -- the cost
5 benefit analysis just wouldn't equal out for them. So we
6 think that optional would be preferable.

7 We also note too that at least one of our
8 counties allows for preregistration by mail, and there is
9 some discussion to be had on that point. There certainly
10 is a preference to having somebody come into the office,
11 you know, verify that they are who they say they are.

12 But again, some of our rural areas, even for
13 folks who are local in the county, that coming in person
14 may keep some folks who we do want to get properties from
15 getting into the office and getting preregistered.

16 So some additional discussion on how we make sure
17 that we're balancing the keeping those bad actors away from
18 properties but also not discouraging the good actors from
19 getting these properties and putting them back on the
20 productive tax rolls. I think that further discussion is
21 warranted on that point.

22 Some of the prior testifiers had also noted this
23 issue of shadow LLCs.

24 We absolutely see that at the county level where
25 folks will come in and register under a different LLC name

1 that doesn't have back taxes or outstanding property code
2 violations, but the individual who's behind it has another
3 LLC that does and because they're registering under a
4 different LLC, we can't violate them under the law to keep
5 them from getting properties.

6 So we think that it would be beneficial to
7 explore that further -- how we can address that particular
8 situation. We know the Department of State might have some
9 data access that might be helpful to our counties in
10 getting a better understanding of who's all behind these
11 different LLCs and working through that process.

12 We have been asked to comment on the two proposed
13 amendments.

14 The one that limits based on distance, I think
15 we've talked -- a lot of the folks who have these
16 outstanding violations are from out of the community.

17 Two hundred and fifty miles though, as we've
18 heard, is kind of a defacto statewide blanket so that we
19 can't really -- we're assuming that all the bad actors are
20 basically out of state and we're only asking these out of
21 state folks to register. And I think what you're going to
22 find is that while they might not be from the community
23 directly, there is more local and more regional problems
24 that do happen that it would be helpful to not have that
25 distance put in the statute.

1 The other amendment that I just want to touch on
2 is dealing with -- it takes out the language that would
3 prohibit immediate family members from being able to
4 purchase a property at a judicial sale.

5 That language that's in there we think would be
6 helpful.

7 We'll note that when a property gets to judicial
8 sale, it is being sold free and clear of all liens so by
9 the time a property gets to that point, if a family member
10 is waiting out to that point, they are basically waiting
11 for a chance to wipe clear the liens of their family
12 member. Then there are multiple opportunities for an
13 individual or anyone else to pay off the taxes to pull it
14 out of the tax sale process prior to and to deal with it up
15 to the point where they would get to a judicial sale
16 anyway.

17 So I don't think that having that language in
18 there prohibits opportunities to get family-owned
19 properties back in those hands if that would be the case.

20 So with that said, I will stop and see if there
21 are any questions.

22 SENATE MAJORITY CHAIRMAN WARD: Thank you so
23 much.

24 Any questions from members? Okay.

25 Thank you so much. We appreciate you being with

1 us today.

2 And next we're going to have a panel.

3 Stacy Phile, Director of Berks County Tax Claim
4 Bureau and First Legislative Officer of the Tax Claim
5 Association of Pennsylvania. And she's joined by Rachel
6 White with York County Tax Claim Bureau and Renee Roberts,
7 Director of Carbon County Tax Claim Bureau.

8 We appreciate you all being here today, and we
9 welcome your remarks.

10 STACY PHILE: Good morning.

11 My name is Stacy Phile, and I am from the Berks
12 County Tax Claim Bureau. I am also the First Legislative
13 Officer for the Tax Claim Bureau Association.

14 So I want to -- am I too far away? I'm usually
15 really loud, so I'm sorry if it gets too loud. I
16 apologize.

17 So we wanted to just thank you guys to give us
18 the opportunity to speak as we are the soldiers on the
19 field. We all run the tax claim bureaus, so we have
20 firsthand experience on what it is like to work in the tax
21 claim bureau.

22 I have been the Tax Claim Director for 13 years
23 for Berks County.

24 So I can tell you that tax claim bureaus
25 initially -- we are created to collect taxes. We are not

1 created to sell properties first and foremost.

2 I can speak on behalf of Berks County. We start
3 out with 9,000 delinquent taxes every year. By the time we
4 go to our first tax sale which is the upset tax sale, which
5 takes 21 months, we expose about 250 properties. So we go
6 from 9,000 to 250 that we will expose to sale.

7 The upset sale price is set -- the opening bid to
8 sell a property at an upset sale, just so everyone
9 understands, includes all of the back taxes. It includes
10 unpaid municipal liens. And it also includes Commonwealth
11 state liens.

12 So when a property is exposed at an upset sale
13 and it's sold, we are collecting enough money to pay back
14 all of the back taxes as well as the unpaid municipal liens
15 as long as they are provided to us as the tax claim bureau.

16 We generally will expose about 200 to 250
17 properties at our upset sale. We will only sell 20 because
18 again, these properties are being sold with all of their
19 liens, so a lot of purchasers don't want to purchase those
20 properties because they don't want to take on that debt.
21 They don't know how to do the homework. They don't
22 understand.

23 Once a property has been exposed to an upset
24 sale, it now moves to what's called the judicial sale which
25 is also known as the free-and-clear tax sale. By the time

1 I expose my properties to a judicial sale, my list drops to
2 approximately 100 properties. I will sell 99 of those
3 properties at my judicial sale.

4 My judicial opening bid amount is simply the cost
5 that I have spent in the tax claim bureau. I had to
6 advertise in the newspaper. I had to send the sheriff out
7 to post the property.

8 So my opening costs are maybe \$900, so my
9 properties start at an opening bid of \$900. So it
10 generates a lot of potential bidders to come to my sale.

11 In June, I had 585 people registered for my
12 judicial tax sale.

13 I, in Berks County, do have preregistration. I
14 require every registered bidder to come into my office. I
15 require them to fill out a form, sign an affidavit. If
16 they register under a corporate name, I require them to
17 show me the corporate documents that that corporation
18 exists, in addition that they have the authority to act on
19 that corporation. And I make a photocopy of their driver's
20 license.

21 I then take that list and recently -- last year
22 was the first year I sent my registered bidder list to all
23 of my municipalities. In anticipation of this bill coming
24 through, I wanted to see how the process would work.

25 I sent the list to my municipalities 14 days in

1 advance, asked them to respond to me in 5 days so that I
2 would then have time to contact that bidder to say, look
3 the City of Reading says you're not allowed to bid. You
4 need to go work that out with the City of Reading. I don't
5 know what the problem is. I don't care what the problem
6 is.

7 The issue that I found in the city was that my
8 registered bidder that came in to register was Jose
9 Gonzales. Well, in the City of Reading there's probably
10 400 Jose Gonzales'. So they wanted to ban my gentleman who
11 owned no properties in the City of Reading. So that was a
12 hiccup that I experienced just recently.

13 As far as no other municipality -- I have 76
14 municipalities in Berks County -- no other municipality
15 responded to my list with code violations, with anything.
16 The only municipality that responded was the City of
17 Reading.

18 And so I -- the morning of the sale I read the
19 BIN number -- BIN number 989576. You will not bid at my
20 tax sale. You need to leave my tax sale. And I had a
21 sheriff escort them out of the room.

22 So that's how we handled it, and I just wanted to
23 give you a brief overview of kind of how the tax claim
24 bureaus work as a whole and what we do.

25 As far as these potential bills are, as a tax

1 claim association, we met at our fall conference in the
2 third week of October. There were 34 counties there
3 represented by the State of Pennsylvania, and we discussed
4 these bills in length at our conference and, as a majority,
5 we are in favor of the bills and we do support the bills.

6 There's just minor tweaking in language and
7 different things that we would like to see changed. For an
8 example, in the one section, under Section 501a, it
9 indicates that a person that intends to bid at a scheduled
10 sale must appear and register. Scheduled sale is not
11 defined anywhere in our statute, so the question becomes --
12 is that an upset sale, a judicial sale, a repository sale,
13 a private sale. It's not very clear.

14 With a repository sale, we have to have the
15 consent of the municipalities anyway, so it would seem
16 redundant to require preregistration for a repository sale
17 or for a private sale. It seems that it would work better
18 for a judicial sale and an upset sale.

19 So if that language could be cleaned up by just
20 clarifying those tax sales instead of keeping it vague with
21 the word scheduled sale.

22 In addition, as far as sending the registered
23 bidder list -- to clarify, you know, for me I have 76
24 municipalities. I don't want to print that list of 500
25 bidders, put it in the mail, and mail it to my

1 municipalities. I can email it. I have everyone's email
2 address. It's super easy to email it or to fax it. It is
3 a lot faster and easier for us as the directors.

4 In terms of our upset sale, like I had indicated,
5 my tax sale list, upset sale list is created on July 1st and
6 has 4,000 properties on it. By the time the upset sale
7 comes in September, I am down to 200 properties.

8 So our offices are very busy, and we are heavily
9 hit with people coming in and making payment plans and
10 paying their taxes. Two weeks before the sale, I don't
11 have a lot of time as a director to focus on bidders coming
12 in, so I need to make the process as simple and easy as
13 possible procedurally for me and my staff so that a) I know
14 that I do it, and it gets done correctly, so putting so
15 much burden on us isn't feasible. Again, we're not here to
16 sell properties. We're here to collect taxes at the end of
17 the day. It is, you know, my solicitor's famous words as
18 well as, you know, I've stolen them from him as well.

19 So and as I'd indicated before, it's just minor
20 language changes. I think that we had focused on wanting
21 to change -- and I guess really ultimately for me it's
22 educating the bidders more so than it is banning the
23 bidders.

24 So in Berks County at my tax sales I will lie and
25 advertise that the tax sale starts at nine o'clock and at

1 nine o'clock my 400-500 people come in, and I will conduct
2 a Q and A session and I will say, okay if you purchase a
3 property, if you have not gone to the property, please do
4 not buy the property. If you haven't visited the city to
5 see if there's code violations, or if the property is
6 dilapidated or falling down, or the back of the property is
7 missing because there was a fire, then please don't bid on
8 the property.

9 I try to educate them and explain to them what
10 they're getting so that they understand the opening bid is
11 \$900. You are not buying a mansion. You are not going to
12 turn around, walk in this house, and it's going to be
13 beautiful and you're not going to have to do anything to
14 it. You know the water authority, the municipalities are
15 going to come after you because it has been sitting for so
16 long, and it has a lot of violations on it. And everyone
17 just wants it fixed up so that it can become a livable
18 property again.

19 So we do a half an hour Q and A session which I
20 feel helped.

21 I think the biggest issue as the association that
22 we all talk about is -- and we all share an email
23 collectively as a group. There are, I think, 170 members
24 on that email in the tax claim bureaus across the State.

25 We have a lot of registered bidders that register

1 under multiple company names. So they know that Company
2 ABC has delinquent taxes and already bought a property, so
3 they'll just recreate another company, register it with
4 Pennsylvania, come in with the paperwork for me, and be
5 like, Stacy, I'm now Company 123 Inc., and I have to allow
6 them to register because there's nothing in the statute
7 that stops me.

8 And that's probably, I know, a huge thing as well
9 as the banning bidders or not allowing bidders that are
10 delinquent in other counties, I don't have access to see
11 that, but I have emails, and I know who Rachel's bad
12 bidders are from York County because we email each other.
13 Hey, did so and so come to your tax sale? We all know who
14 they are. We all talk amongst each other. And this bill
15 would allow us to be like, oh we know he has delinquent
16 taxes. Yay. We can tell him no, and we now have the law
17 to back us in that sense.

18 I don't know. I know that's a lot of
19 information. I don't know if -- I know I speak too fast,
20 so I apologize.

21 (Panel witnesses confer.)

22 Oh and yes, the definition of the family members
23 is important to us especially for a judicial tax sale.

24 You know, I had a gentleman's father come in and
25 bought his son's property at a free-and-clear sale, wiped

1 out a \$40,000 mortgage on the property, wiped out \$4,000 in
2 back taxes. And dad bought it and then three months later,
3 dad conveyed it back to the son, and I had no way to stop
4 it. I knew it was the father because someone in my office
5 was the neighbor and knew them personally.

6 So to us, I think, that language is important to
7 define family members and immediate family members from not
8 doing that because it's not fair to the rest of the
9 taxpayers in Berks County who actually pay their taxes. I
10 mean, if it's that easy, we could all just stop paying our
11 taxes, let it go to tax sale, and have our parents buy our
12 houses free and clear.

13 So I think those were the big issues, or not
14 really big issues, minor issues.

15 SENATE MAJORITY CHAIRMAN WARD: We've got a few
16 questions.

17 Any additional comments from Rachel or Renee?

18 RENEE ROBERTS: We may get to them with
19 questions. Stacy pretty much covered it.

20 SENATE MAJORITY CHAIRMAN WARD: Okay. Very good.

21 Senator Argall.

22 SENATOR ARGALL: One of the challenges in dealing
23 with this issue over the last couple of decades is exactly
24 what you'd identified. How do you crack down on the bad
25 actors without hurting the good ones -- the legitimate

1 versus the illegitimate, the educated versus the clueless.

2 STACY PHILE: Right.

3 SENATOR ARGALL: I'm sure you have -- well it
4 wouldn't be your county, but we see that, you know, when
5 people are buying these properties, they don't know the
6 difference between Pottsville and Pottstown, okay, and so
7 I'm curious how -- is this a minor tweak or will this
8 really produce some major results if this legislation
9 passes with the amendments that you have suggested?

10 STACY PHILE: I think that, to be honest, even
11 though it's not in our statute, I think a lot of us are
12 already doing a preregistration and we're already vetting
13 our bidders.

14 I know Rachel does it in York County. Carbon
15 County does it. We don't necessarily send the list to the
16 municipalities. Rachel, I know, does. Again, that was
17 something I just started this year and last year. I'm not
18 sure if you send it.

19 But I at least require them to physically come in
20 to verify that John Smith is registering for my tax sale,
21 and he really is John Smith. I make him give me a photo
22 ID. I ask for his current mailing address so that if he
23 does buy a property, I at least have the right guy and can
24 send him notices.

25 So I think as a whole some of us are already

1 doing that, so I don't know what more it will help with.
2 Maybe with sending it to the municipalities in advance and
3 allowing them the opportunity to say, hey this person owns
4 a property that has caused a health and safety condition,
5 so don't allow them to buy any more properties. Then yeah,
6 that's a huge advantage for us, and I think that that will
7 help.

8 RENEE ROBERTS: Yeah, I think if I may speak. I
9 think a lot of it also is moving it to be preemptive
10 instead of reactive after the fact.

11 Because if we end up dealing with it 20 days
12 after the sale, that property then sits there for another
13 year before I can relist it and then get it back through
14 another sale.

15 So if we have the legal standing to be able to do
16 these preemptive measures ahead of time, then it will
17 certainly help us, you know, ward off a lot of those
18 issues.

19 I get money in -- after my registration I get a
20 lot of tax money in because someone wants to bid. There's
21 a property on the list they want to buy, and they know they
22 have delinquent taxes on other properties so they will pay
23 them in order to bid. So they'll maybe pay them sooner
24 than what they -- they wouldn't ever let their own property
25 get to the sale because a lot of the people at our sales

1 are, you know, good investors and they do keep coming back
2 but they still work the system, right? So they're not
3 going to, you know -- they'll just pay those taxes a little
4 earlier.

5 SENATOR ARGALL: Do you see any negative impact
6 on legitimate businesses as a result of this legislation?

7 STACY PHILE: You know, when I shut my
8 registration down 14 days early, I had some bidders call me
9 all irritated.

10 Well, I'm from New York and I got to come down,
11 and I'm like - listen, you're buying a property at a tax
12 sale. I'm not a realtor. I was like, and yes it's an
13 investment property, so if you're truly interested in the
14 property, you should come and see the properties and then
15 you shouldn't rely solely on Zillow or Google maps because
16 the building might have been there in 2015 but is no longer
17 there. So you should drive by it to see it.

18 And so I think the first year I did it, I got a
19 little push back from my bidders like, oh Stace, and blah
20 blah, but it's been fine ever since.

21 SENATOR ARGALL: So I'm going to put that down as
22 a no.

23 STACY PHILE: No. Surprise. Sorry. The long-
24 winded answer would be no.

25 SENATE MAJORITY CHAIR WARD: Thank you so much.

1 Representative Helm.

2 REPRESENTATIVE HELM: Thank you.

3 I'd just like to hear your comments about a
4 statewide data base. Do you think it would be appropriate
5 to create one?

6 STACY PHILE: I think it would be amazing to have
7 one.

8 I think in Berks County, we are currently in the
9 process of getting a new system for tax claim.

10 I don't know how you could get -- we all use
11 different computer software systems for collections, so I'm
12 not sure how you could take that data to put it into a data
13 base that would be viewable on a county level. I think it
14 would be great if it could happen. Absolutely.

15 RENEE ROBERTS: Well, can I just add to that
16 also. I know the law the way the statute reads right now
17 says you can't buy a house in this municipality if you owe
18 taxes in this municipality.

19 The county is a taxing authority in and of itself
20 so in my mind if they owe taxes in any municipality within
21 my county, shouldn't they be paid before they are allowed
22 to bid? So that definition would certainly help us too.

23 Even though I can't look outside of my county, I
24 should be able to say, no you have delinquents period in my
25 county.

1 So opening it up for us to possibly be able to
2 look across county lines -- absolutely, having that in
3 there would most definitely help because we do talk,
4 especially when those, you know -- those common names -- we
5 all know certain people. So yeah, having it there whether
6 we can do it yet or not -- having it in place so we could
7 do it down the road would be of great benefit.

8 REPRESENTATIVE HELM: I like your answer, and I
9 know we're trying to figure out how you can do it. That's
10 the challenge but I'm glad to hear you think it's a good
11 idea.

12 RENEE ROBERTS: Oh, it'd be great.

13 SENATE MAJORITY CHAIRMAN WARD: Ashley Sheaffer
14 has a question.

15 ASHLEY SHEAFFER: I just have a question about
16 the family member provision. I know there's been some
17 concerns about having that in there and how that could
18 negatively affect certain people.

19 And I just kind of as a thought -- instead of,
20 you know, the amendment would remove it completely -- I
21 just was curious on your feedback.

22 What if we did something where you cannot
23 transfer the property after you purchase it at tax sale to
24 another person until it is brought into code compliance.
25 Or they could get some sort of waiver from the municipality

1 saying, okay we approve you to go ahead and transfer that
2 property without correcting those code violations instead
3 of an outright prohibition on family members purchasing?

4 STACY PHILE: Well I think the issue with that is
5 that your municipalities don't collect delinquent taxes.
6 The tax claim bureaus do, so we're the ones that have that
7 information, not them.

8 So if the property has the delinquent taxes and
9 it sells at a free-and-clear sale, those taxes now get
10 wiped clean.

11 And so if the father purchases it and then three
12 months later conveys it back to the son, I don't know what
13 codes really would do to help that situation. You just
14 wiped out all of those back taxes as well as mortgages and
15 any other liens that are being held against that property.

16 So I don't know if getting a certificate from
17 your municipality -- it still doesn't -- selling it at that
18 free-and-clear sale is the moment it wipes out those taxes.
19 So transferring it later doesn't prevent that or having a
20 certificate doesn't not wipe out those taxes.

21 RENEE ROBERTS: Can I ask you a question? You
22 said about -- you were concerned about it affecting the
23 family members. Like what -- can you give us a scenario?

24 ASHLEY SHEAFFER: There's just been scenarios
25 raised about an elderly -- let's say there's an elderly

1 homeowner, and they haven't been keeping up with their
2 taxes. The property goes to tax sale, and the family
3 member goes, hold on, I'm going to buy this property so
4 they can stay in their home. That's --

5 STACY PHILE: What would be cheaper for that
6 family member is to come in and pay the back taxes and not
7 buy the property at the tax sale. Or come in and get on a
8 payment plan for the back taxes for that because anyone can
9 pay taxes. We don't -- we'll take money from anyone,
10 right? So it doesn't matter who comes in.

11 So I think my response to that would be they
12 shouldn't be waiting to come to a tax sale to buy it anyway
13 because what if they got outbid. Now grandma is going to
14 be homeless. You know what I mean? They should come in
15 and get on a payment plan and work out something with the
16 tax claim bureaus to pay the back taxes, I think.

17 SENATE MAJORITY CHAIRMAN WARD: Thank you. We've
18 got time for one quick question.

19 Representative Jones.

20 REPRESENTATIVE JONES: [Inaudible 1:34:18].
21 Bidders -- they're being asked to qualify like every time
22 there's a sale. I mean, is there not a scenario where we
23 can say this is a qualified bidder and they're good for,
24 like a [inaudible 1:34:32] they qualify there's another
25 sale two weeks later. Or are there not that many people

1 bidding that frequently?

2 STACY PHILE: I think that it's easier, I guess
3 procedurally with our systems and the processes that we
4 have in place -- it would be too hard for me to be like
5 okay, John bid at my upset sale. Where am I stashing
6 John's information so that when he comes back for my
7 judicial sale in June, I can repull all of that
8 information. Like I don't have a system that can hold all
9 of that. I do it now all on spreadsheets. So I'm not
10 sure.

11 So for me I would rather require them, and I do
12 do it that way. I hold three tax sales a year, and I just
13 require them every tax sale to come in. And they are
14 buying properties at a very low value and so we don't get a
15 lot of push back with regards to that. I don't think.
16 Because of that reason.

17 REPRESENTATIVE JONES: That answers it.

18 And then -- and this is another one that may or
19 may not. I might not be reading it. Maybe I'm not reading
20 it correctly. But if some of the people fail some of these
21 criteria, it sounds like we're dictating they can't bid as
22 opposed to you making a decision.

23 Is there a scenario, for example, that, you know,
24 I'm down in York County so maybe we've got somebody who's a
25 really good landlord with a good track record in my little

1 town, in my town of Dallastown. But they had a little beef
2 with the City of York, and the City of York said, we're
3 revoking your landlord license over one property [inaudible
4 1:35:35] So we potentially have a known good actor who had
5 maybe a little bad incident and why should -- are we
6 dictating that just versus saying we're making information
7 available to you so you can make an informed decision, not
8 us necessarily telling you who can and can't bid. Or maybe
9 the bill doesn't do that. I don't know. Is the state
10 dictating who can bid, why don't we just dictate what
11 information to make available to folks like we've heard and
12 let them decide what they [inaudible 1:36:24].

13 SENATE MAJORITY CHAIRMAN WARD: Representative
14 Heffley.

15 REPRESENTATIVE HEFFLEY: Yeah, the criteria is
16 already in statute in RETSL so we're just following that
17 same criteria. We're not changing any of the criteria.

18 Right now the process is if somebody does bid,
19 they then have to go -- have 20 days to go after and prove
20 that they weren't eligible to bid.

21 All we're trying to do is get them to precert --
22 to prequalify rather than try to go to that whole system
23 which is expensive and the legal process to get the
24 property back. So we're not changing any of the
25 requirements. It's already in statute.

1 SENATE MAJORITY CHAIRMAN WARD: Thank you so
2 much.

3 Thank you, ladies. We appreciate your time and
4 your testimony.

5 Our next witness will be Andrew French who is the
6 Executive Director of Redevelopment Authority of Fayette
7 County and Legislative Member of PA Association of Housing
8 and Redevelopment Agencies.

9 Mr. French, thank you so much. Thank you for
10 being here.

11 ANDREW FRENCH: Good morning.

12 SENATE MAJORITY CHAIRMAN WARD: Good morning.
13 You can begin when ready.

14 ANDREW FRENCH: Okay.

15 As you indicated, my name is Andrew French. I am
16 the Executive Director of the Fayette County Redevelopment
17 Authority, and today I'm representing our state association
18 which is the Pennsylvania Association of Housing and
19 Redevelopment Agencies, or PAHRA.

20 PAHRA has 225 member organizations, either
21 housing authorities, redevelopment authorities, or
22 affiliate members, and we work across the Commonwealth.

23 As Senator Argall indicated, we are on the front
24 line. Many of our members are kind of spearheading blight
25 initiatives in their different communities.

1 In Fayette County, we've been in charge of
2 dealing with blight since our inception in 1949 which is
3 what redevelopment authorities really were created to do.

4 I'm also proud to say that in 2018, we became the
5 first county in the Commonwealth to adopt an ordinance
6 allowing us as a redevelopment authority to have the same
7 powers as land banks which was legislation that was
8 initiated by both of these Committees, and we obviously
9 appreciate your support.

10 Just in the last ten years in Fayette County,
11 we've invested about \$65 million in various initiatives.
12 About 7.1 million of those has dealt with blight.

13 So we do a lot of rehabilitation programs to try
14 to stem that blight, but unfortunately a lot of our
15 communities are extremely blighted and it's the last
16 resort, you know -- is obviously we're pursuing demolition.

17 As I indicated, we are the last resort, so often
18 times redevelopment authorities and community development
19 agencies that are dealing with blight -- we get involved in
20 the end when all other recourse is not an option. So it's
21 already -- a lot of things have been exhausted in the
22 private sector, and often times we are coming in at the end
23 to remedy the blight.

24 In my testimony, I kind of relayed a couple of
25 scenarios that we encountered in Fayette County, one of

1 which was a property owner that came through our homeowner
2 rehabilitation program to receive assistance to bring their
3 home up to code.

4 And it was in one of these patch communities that
5 we have in the county, so where they used to mine for coal.
6 And it was a patch home, so they're duplexes. You've got
7 two sides.

8 Well, we discovered that the homeowner did
9 qualify for our program, but the home that was attached to
10 her home was falling down. And when we did more research,
11 we discovered that it was owned by an LLC. We did not --
12 we had tremendous difficulty finding out where the
13 principals of that LLC resided. We did eventually find
14 them.

15 We also discovered that this particular LLC that
16 was actually headquartered in Las Vegas, Nevada, had
17 purchased about 44 different properties in the county over
18 a span of about 10 years. And this was one of them, so
19 they were sitting on it.

20 We also discovered that the particular -- once we
21 found the principal of the LLC -- they were actually in a
22 penitentiary in Las Vegas, Nevada, for similar fraud
23 purposes.

24 So in the end, we were able to intervene because
25 they didn't pay their taxes, and it was repeated over and

1 over again that these companies -- they come in -- they
2 purchase the property. This particular property they
3 bought for \$168 out of the county's repository. They
4 purchase the properties. They try to flip them or market
5 them using sites like Craigslist or something like that.
6 But this one they obviously couldn't sell and so the cycle
7 repeats itself. So it goes back into the -- you know,
8 three years of delinquent taxes -- goes back into the tax
9 sale, and we were actually able to secure the property
10 through the county's repository by intervening and
11 purchasing the property.

12 I will say, too, even though this unique
13 situation dealt with an absentee property owner -- somebody
14 who was out of state -- we also have local potential
15 developers that are doing the same thing.

16 One of our communities there was a potential -
17 well, he was a nefarious developer that purchased over 120
18 properties, many of which were through the tax sale. All
19 of those properties are now in the repository.

20 So he purchased 120 properties, and I think if
21 these bills were to have been in place, obviously that
22 would have been halted at some point because the
23 municipality would have alerted the tax claim bureau that
24 this particular individual as he was acquiring these
25 properties wasn't dealing with the code enforcement issues

1 that plagued his properties. So those are just two
2 examples.

3 Again, we see our particular county tax claim
4 bureau -- they have about 300 properties in each tax sale
5 that they administer each year. And then we also have a
6 county repository that has about 450 properties in it that
7 again -- people are purchasing the properties relatively
8 cheap.

9 So on behalf of PAHRA and our members, we do
10 wholeheartedly support this legislation. We think it would
11 be a benefit not only to our members but also to the
12 municipalities that we work with.

13 And with that, I'll open it up if you have any
14 questions.

15 SENATE MAJORITY CHAIRMAN WARD: Thank you for
16 keeping your comments brief.

17 I don't see any questions, but I just have one
18 quick question.

19 What are your thoughts for making the bill
20 optional rather than mandatory?

21 ANDREW FRENCH: I think -- well, and I can
22 understand potentially that there might be some communities
23 that would struggle with that. I think PAHRA would support
24 making it mandatory just because it would further
25 strengthen the bill for the communities across the

1 Commonwealth.

2 SENATE MAJORITY CHAIRMAN WARD: Okay.

3 Rob Gardner.

4 ROB GARDNER: Sorry, I've been hiding in the
5 back.

6 Quick question.

7 You mentioned that all 120 properties turned over
8 to you. Does it make sense that some sort of change needs
9 to be made so that it's easier to transfer properties to
10 redevelopment authorities like yours prior to it, you know,
11 having to go through a second or third round of these, you
12 know, bad actors buying the houses, forfeiting on them
13 again. Should we look at some sort of change in the
14 repository law to indicate if a county has that has a
15 redevelopment authority turn those properties over to you
16 instead of selling them for 130 bucks and getting them back
17 in three years?

18 ANDREW FRENCH: Yeah. And I think that Act 33 of
19 2018, which provides redevelopment authorities the same
20 power as land banks, accomplishes that.

21 We're actively going in to the county's
22 repository and purchasing property. Obviously, we're
23 prioritizing and trying to identify the most strategic
24 properties because we've got limited resources. So I can't
25 go and take all 400 properties that are in the repository.

1 We're trying to focus kind of on those high priority
2 properties.

3 So I think having those abilities -- it is easier
4 for us to act in that capacity.

5 ROB GARDNER: Yep. Thank you very much.

6 ANDREW FRENCH: Thanks.

7 SENATE MAJORITY CHAIRMAN WARD: Thank you.

8 And thank you so much for your time today, for
9 your comments. We appreciate it greatly. Thank you so
10 much.

11 ANDREW FRENCH: Okay. Thank you.

12 SENATE MAJORITY CHAIRMAN WARD: Our final
13 testifiers are Winnie Branton who is the Blight and Land
14 Bank Training and Technical Assistance Program Manager with
15 the Housing Alliance of Pennsylvania.

16 She is joined by Lavana Layendecker who is the
17 Deputy Director with the Housing Alliance.

18 Ladies, thank you so much for being here with us.
19 I apologize. We got a little bit behind in time but we're
20 anxious to hear your comments. Who would know that there
21 is so much interest in blight, right?

22 Thank you.

23 WINNIE BRANTON: Thank you for inviting us here
24 this morning.

25 The Housing Alliance is a statewide coalition

1 that works to provide leadership and a common voice for
2 policies, practices and resources to ensure that all
3 Pennsylvanians, especially those with low incomes, have
4 access to safe, decent, and affordable homes. The Housing
5 Alliance promotes common-sense solutions to balance
6 Pennsylvania's housing market and increase the supply of
7 safe, decent homes for low-income people.

8 In the context of that mission, the Housing
9 Alliance has also taken on the blight banner along with
10 Senator Argall and the statewide blight taskforce and many
11 of the partners who testified here this morning.

12 Tax sales present an opportunity, as Stacy
13 testified, to collect overdue real estate taxes, right?
14 But they also provide an opportunity for buyers to get
15 properties at deep discounts. So requiring buyers to jump
16 through a couple hoops in order to get access to those
17 properties is reasonable, and it supports the scrutiny
18 that's necessary to ensure that those purchasing the
19 properties have the resources and the capacity to bring
20 them into compliance.

21 So the Housing Alliance is here to say that it
22 supports SB 775 and HB 1559. And we offered some comments
23 and recommendations in our written testimony that was
24 submitted, but I was going to start off with Senator
25 Argall's question that if you pass the bill, how would this

1 help?

2 And there's three things that I want to
3 highlight.

4 One is there's a pool of potential bidders that
5 want to go to these sales. So by requiring
6 preregistration, what you're doing is looking at these
7 bidders in advance of the sale in order to see if they meet
8 the already-established criteria under 619. You don't have
9 to wait until post sale, file a court case, and proceed
10 that way. So you're looking at the pool of potential
11 bidders and you're saying, hey look under the law you're
12 already not allowed to bid, so we're taking you out at the
13 beginning and not requiring the process post sale of
14 litigation. So that's number one.

15 Number two is that when dealing with problem
16 properties, what's critical is information, right?
17 Information is the key to figuring out who's responsible
18 and trying to hold them accountable for taxes as well as
19 codes. So what the bills do is provide information to the
20 tax claim bureau which then shares it with municipalities
21 regarding the entities that are purchasing these properties
22 so that they have it now, and they have it if they are the
23 winning bidders.

24 For instance, when we talk about LLCs and the
25 information that is often held private, one of the

1 recommendations we had is that the application require
2 additional information where an LLC is the applicant, the
3 bidder. Where the applicant is an LLC, require that the
4 application include the names of all members, managers, and
5 any other persons with an ownership interest in the LLC.

6 Right now, the legislation just talks about
7 officers, and that suggests that maybe it's not an LLC
8 because those partners are usually referred to as members
9 and managers.

10 So just to clarify the language so that it
11 incorporates identifying those members so that when you get
12 to the point where there are issues or when you are
13 scrutinizing for compliance with Section 619 in RETSL, you
14 have the information you need to make that investigation
15 and that assessment.

16 The other point that I wanted to highlight is
17 that when you're having the affidavit that's required under
18 the law for preregistration that there be included in that
19 affidavit language that says, if you don't tell the truth
20 that you're subject to state penalties for not telling the
21 truth. Just another reminder that this is serious. This
22 is real. Don't lie, and you'll remain above reproach.

23 Sharing the list of registered bidders with
24 municipalities is critical. So that list being shared 14
25 days in advance -- I understand that is a burden and could

1 be a burden for the tax claim bureaus but reducing it down
2 to 36 hours would just really water down the benefit
3 providing by sharing that list with municipalities.

4 As Dave Patton testified, that would not give him
5 time to review it. And working with the municipalities to
6 the Housing Alliance, that would be the case as well.

7 Sorry about that.

8 So, yes, for those municipalities, they need the
9 time to review it and as this becomes more indoctrinated, I
10 think that the counties will see a better response from the
11 municipalities in terms of understanding what the rules are
12 under RETSL and how they can disqualify bidders at tax sale
13 to prevent that from happening.

14 The last thing I want to mention is repository
15 sales. The repository sales -- you can purchase properties
16 for as low as \$200 in some counties.

17 And the bill here talks about adding
18 responsibilities to set a minimum purchase price. That
19 seems reasonable.

20 Requiring as a condition of sale that the
21 purchaser sign an affidavit similar to what's required for
22 a judicial sale makes perfect sense to me. And hopefully
23 that will allow some of the repository sales to be not
24 consented to by municipalities because right now RETSL
25 provides that consent may not be unreasonably withheld, and

1 I often get questions from municipalities as to what does
2 that mean. Like what are the grounds for me to say that I
3 want to withhold my consent from a repository sale?

4 So having language in this bill that would say or
5 qualify the fact that if you don't sign this affidavit, or
6 if you don't share the information -- you could also
7 include a requirement that a person who wants to buy a
8 property from the repository list has to make an in-person
9 appearance as well so that you can have that conversation.
10 What are your plans for the property? Are you really
11 committed to redeveloping the property?

12 Because the repository list properties are really
13 the bottom of the barrel. No one has bid on them through
14 the judicial sale where all the liens are cleared, and it
15 sits in repository and continues to deteriorate and leaves
16 municipalities often with the burden of having to take care
17 of those properties when no one else is available or
18 around.

19 So in conclusion, the Housing Alliance supports
20 the bills.

21 On the two amendments that were offered, the
22 reducing the amount of time to 36 hours -- that would not
23 work to satisfy the objectives of the bill.

24 On the immediate family members, again the
25 history and experience has shown that family members do use

1 this as an opportunity to start fresh for their family
2 members and avoid paying taxes.

3 There are also existing remedies under RETSL
4 where counties can have extensions of time for seniors and
5 there's payment plan obligations. I think it's Section
6 503.1 of RETSL and 504.

7 So there's remedies in there that can address
8 some of the issues that have been raised about immediate
9 family members, and we would hope that those amendments
10 would not restrict any further the scope of the bill which
11 we think would really do a good job at helping to avoid
12 having buyers come to these sales who are ineligible under
13 RETSL already, purchase the properties, and then have the
14 municipalities later either have to challenge in court or
15 deal with a bad actor property owner.

16 SENATE MAJORITY CHAIRMAN WARD: Thank you.

17 Lavana, any question -- any other further
18 comments?

19 LAVANA LAYENDECKER: I don't have anything to
20 add. I mean, Housing Alliance feedback that we get from
21 communities is that this would be a great way for them to
22 be able to manage their properties, so we thoroughly
23 support it and I think Winnie summed it up very well.

24 SENATE MAJORITY CHAIRMAN WARD: Yeah. You all
25 are boots on the ground and you see a lot and so your

1 testimony here today is very important to us.

2 Are there any questions? Any further questions?

3 Okay.

4 Well, we're going to thank all of our witnesses
5 today for being here and taking time to share their
6 thoughts and comments on Senate Bill 775 and House Bill
7 1559.

8 I think we've all learned quite a bit, and it's
9 been helpful as we move through this process with these two
10 bills.

11 Our hearing is closed today.

12 Thank you again, everyone, for being here.

13 (Hearing concluded at 10:54 a.m.)

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C E R T I F I C A T E

I hereby certify that the foregoing proceedings are a true and accurate transcription produced from audio on the said proceedings and that this is a correct transcript of the same.

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