

Blight Narrative for Representative Tim Twardzik

Testimony to be submitted for official record

Downtown Shenandoah Inc. (DSI) is 501(c)3 nonprofit organization located in Shenandoah, PA. This organization was established in 2003 with a mission:

To stimulate economic development by encouraging cooperation and building leadership in the business community, to develop a marketing strategy that will provide an improved retail mix, strengthen the tax base, increase investor confidence, to build a viable tourism effort, to promote a unified, quality image of downtown Shenandoah as a center of goods and services, and to create an attractive coordinated visual impression of Shenandoah throughout façade improvements, streetscape and historic preservation of our existing buildings.

It's important to note that at one time, Shenandoah was a community with 30,516 residents and a downtown that was described as a mini New York City with all the shops and activity. Every storefront, every home and apartment were occupied. With the decline of the coal industry and the garment industry, job opportunities decreased, people left the area leaving a population of approximately 5,000 people and infrastructure built for 30,516. This led to empty buildings and unsightly blight that continues today.

As in many parts of Schuylkill County, blight is common. Shenandoah has many unoccupied, blighted buildings

Many blighted buildings, for example, the Capitol Theatre and The Cooper School Building as well as multiple abandoned churches feature historic architecture. Through the years, these buildings were sold and the owners removed everything of value from the buildings including vintage signage and sold it for profit. Then, the buildings were either sold to another buyer or abandoned and are blighted.

This causes an eye-sores throughout the community and in many cases a danger for the Main Street area and nearby neighborhoods. Blight makes our towns look and feel unsafe, not only to community members but to visitors. Some unoccupied buildings have broken windows, damaged walls, leaking roofs and are full of "unsightly trash" that can be viewed through the windows.

Many blighted buildings are owned by out-of-town residents who neglect to keep them repaired and up to code. The Shenandoah Borough works with these landlords to enforce updates, but due to the many legal steps needed to take, or because of the expense involved, the buildings remain in terrible condition.

Thanks to our designation, DSI has had the opportunity to work with The Pennsylvania Downtown Center, Main Street America and DCED to secure funding to improve facades in the Main Street designated area. This façade grant funding was match with private investment to enable the renovation of 42 facades in our main business district. Most

recently we received a façade improvement grant are accepting applications for additional façade improvements. Past projects DSI has taken on to improve our community include building a Gazebo for the community creating a park for the community to enjoy, took on the repairs and maintenance of the Miners Memorial, purchased two lots where buildings were destroyed by fire.

We are now just about to begin construction on our biggest and most exciting project – **The Center for Education, Business & Arts (CEBA.)** We were able to purchase land on Main Street where Davison Furniture once stood and after much research the decision was made to build a center to provide our communities with the tools to be the creator of jobs, not to just look for jobs. This is a major project that will be a catalyst for economic growth in our region. CEBA will be a community center that will be a hub for new and existing businesses, entrepreneurs, and artists to network, gain access to mentors and classes to start and/or enhance their business. CEBA will include a culinary kitchen, conference/event center with a catering kitchen, and a classroom for higher education.

Providing this collaborative environment will enable individuals to grow their businesses to a point where they can open their own storefronts that will fill empty buildings, thereby helping to revitalize our communities and create jobs.

We need to remain focused on taking action to removing the various unoccupied blighted buildings that line Main Street and are scattered throughout the Shenandoah neighborhoods. This exhausting, time consuming legal process continues to favor in the property owners favor and is hurting our community. Taking swifter action would provide opportunities for future affordable housing, an attractive business environment and create a safe, friendly community to live, work and visit.

On behalf of the DSI board of directors and the entire Shenandoah community, thank you for working diligently to remove blight throughout Schuylkill County. Thank you.

The Coronavirus State Fiscal Recovery Fund in Pennsylvania

October 1, 2021

The Economic Impact of Blight

As much as the introduction of blighted properties onto a block, into a neighborhood, in a municipality can lead to a downward spiral of increased disinvestment, the mitigation of blighted properties can lead to economic opportunities for a block, a neighborhood, a municipality. The removal and rehabilitation of blighted properties can:

- Stabilize and increase the tax base
- **Invigorate the local construction industry**, supporting construction and trades jobs
- **Retain residents and businesses**, retaining the community fabric and local jobs
- Encourages existing owners to make improvements to their properties
- Create new economic development opportunities by conversion of blighted properties into development lots
- Lead to new construction, new housing, new commercial properties, and a new property tax base
- Attract new residents and businesses

The Opportunity at Hand

Pennsylvania has a once-in-a-lifetime-opportunity to address persistent challenges of blight, abandonment, and emergency home repair needs exacerbated by the COVID-19 pandemic. The Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act¹ can be used to address the negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector.²

Blight affects all communities in Pennsylvania from former coal mining and steel towns to rural communities to our Main Streets. While communities were responding to the public health crisis, they had to reprioritize their staffing, funding, technology investments, and overall capacity. The State Fiscal Recovery Funds will help communities get back to needed community investments that were halted due to the pandemic. We are grateful for the flexibility provided in the Interim Final Rule of the Coronavirus State and Local Fiscal Recovery Funds. The economic impacts of the COVID-19 pandemic have been far reaching and have affected all communities in our state.

¹ American Rescue Plan Act of 2021, <https://www.congress.gov/bill/117th-congress/house-bill/1319/text>

² Interim Final Rule. Coronavirus State and Local Fiscal Recovery Funds. May 17, 2021.

<https://www.federalregister.gov/documents/2021/05/17/2021-10283/coronavirus-state-and-local-fiscal-recovery-funds>

The Housing Alliance respectfully requests that the Coronavirus State Fiscal Recovery Fund be directed towards the following uses.

Emergency Home Repairs

Families across Pennsylvania experienced wage and job loss due to the pandemic, with those working in essential but low paying jobs, facing some of the largest financial losses. Families were forced to prioritize their financial needs, delaying necessary home repairs. As home repairs go unaddressed, the damage to the home and the effects on the health of those living there increase, along with the cost to make the repairs.

Demolish Blighted, Vacant, and Abandoned Buildings

Funds and program capacity that are often used to remove blighted properties were directed to immediate public health needs of the pandemic. The longer blighted properties remain, the increased economic, fiscal, safety, and health impacts they impose on their communities and local governments. Blighted properties also lead to loss of residents, businesses, and jobs. The economic impacts of the pandemic have exasperated the challenges faced by businesses and families in low-income communities, including delays in removing the harm caused by blighted properties.

Following, we provide information on the extent of the need for these programs, and the eligibility of these uses within the American Rescue Plan and the Interim Final Rule for the State Fiscal Recovery Fund.

Emergency Home Repairs

Pennsylvania has a relatively old housing stock, with mostly multi-story homes. That means the need for and cost of home repairs are high. Across the state, more than a quarter of our homes are more than 80 years old and 70 percent of our homes are at least 49 years old (see Figure 1 in Appendix B).

The cheapest way to address blight in our communities is to prevent it. Home repair is the least costly method of blight prevention. It also reduces negative health consequences of living in a home in disrepair (for example - asthma and allergy mitigation) and prevents added costs to our local governments to address a blighted property. Some home repair costs end up being more than the value of the home, so even if a homeowner has equity in their home that they can borrow against, it will not be enough for the needed home repair. Even in these instances, home repair for major home repair needs is often still cheaper than buying a new home or demolishing a home and rebuilding. The average cost of building a house is between \$122,736 and \$450,633 (does not include the cost of demolition).³

Cost of Home Repair

The Federal Reserve Bank of Philadelphia conducted a nationwide study of home repair costs by homeownership status and income level. It estimated the average cost of home repairs for older units is

³ Home Advisor, How Much Does It Cost to Build a House? <https://www.homeadvisor.com/cost/architects-and-engineers/build-a-house/>

\$4,162 and for moderate-age units is \$3,447.⁴ Common home repair needs listed by the Federal Reserve Bank include electrical, heating, leaks and mold, pests, plumbing, and structural.

Demolition

Extent of Blight in Pennsylvania

There is no database of blighted properties for the state; therefore, to understand the potential scale of blight in Pennsylvania, we used U.S. Census data. In Pennsylvania, there are 640,208 vacant properties. Of those vacant properties, 264,387 properties are classified as “other vacant” (more than 40% of our vacant properties) which is one of the most accessible estimates for blight across Pennsylvania (see Figure 2 in Appendix C).⁵

Cost of Demolishing Blight

Depending on the condition, size, location, and if there is a basement, demolition costs for a 1,500 square foot home range from \$3,000 to \$45,000. One source had estimates for home repair in Pennsylvania for homes with and without basements. Consistent with what we have heard verbally from our partners, the average of its costs was \$11,200 to demolish a home in Pennsylvania (see Figure 3).

The Authority to Use the State Fiscal Recovery Funds

Emergency Home Repairs

Emergency home repairs are an explicitly allowable use of the State Fiscal Recovery Funds per the Interim Final Rule adopted by Treasury on May 10, 2021.

Assistance to Households. Assistance to households or populations facing negative economic impacts due to COVID-19 is also an eligible use. This includes: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance (discussed below); emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker’s occupation or level of training.⁶

Demolition of Blighted Properties

Uses, such as demolition, are allowable under the Interim Final Rule even if not explicitly stated. The Interim Final Rule implements these provisions by identifying a non-exclusive list of programs or services that may be funded as responding to COVID-19 or the negative economic impacts of the COVID-19 public health emergency, along with considerations for evaluating other potential uses of the Fiscal Recovery Funds not explicitly listed.

⁴ Divringi, Eileen et al. “Measuring and Understanding Home Repair Costs. A National Typology of Households.” *Federal Reserve Bank of Philadelphia and Policy Map*, September 2019 <https://www.philadelphiafed.org/community-development/housing-and-neighborhoods/measuring-and-understanding-home-repair-costs>

⁵ Other vacant includes properties in foreclosure, needs repairs, abandoned, legal proceedings, being repaired, family reasons, preparing to rent or sell, held for storage of furniture, extended absence, specific use, and other. For the full definition, see <https://www.census.gov/housing/hvs/definitions.pdf>

⁶ 86 FR 26794 <https://www.federalregister.gov/d/2021-10283/page-26794>

The Interim Final Rule also provides flexibility for recipients to use payments from the Fiscal Recovery Funds for programs or services that are not identified on these non-exclusive lists but that fall under the terms of section 602(c)(1)(A)⁷ by responding to the COVID-19 public health emergency or its negative economic impacts.

As an example, in determining whether a program or service responds to the negative economic impacts of the COVID-19 public health emergency, the Interim Final Rule provides that payments from the Fiscal Recovery Funds are designed to address an economic harm resulting from or exacerbated by COVID-19. Municipalities can assess and document the connection between the negative economic harm (blighted properties) and the COVID-19 public health emergency, the nature and extent of that harm, and how the fiscal recovery funds and use of the funding would address such harm.

Local governments bear the burden of remediating and removing blighted properties. During the pandemic, communities in Pennsylvania re-directed their capacity to deal directly with the public health emergency. Due to lost tax revenues and fees, some communities furloughed their codes departments, which further exacerbated blight in their communities. The longer blighted properties persists, the more costly their remediation and the greater negative effect they have on our communities.

⁷ 502c1a REQUIREMENTS.

(1) USE OF FUNDS.—Subject to paragraph (2), and except as provided in paragraph (3), a State, territory, or Tribal government shall only use the funds provided under a payment made under this section, or transferred pursuant to section 603(c)(4), to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024—

(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality

Appendix A

Note about Qualified Census Tracts

The Interim Final Rule uses Qualified Census Tracts (QCTs) as eligible areas in which to make investments. However, investments of State Fiscal Recovery Funds are not limited to QCTs. Under, “Eligible Uses to Address Disparities in Public Health Outcomes,” the Interim Final Rule states the following:

Eligible Uses to Address Disparities in Public Health Outcomes.

In addition, in recognition of the disproportionate impacts of the COVID-19 pandemic on health outcomes in low-income and Native American communities and the importance of mitigating these effects, the interim final rule identifies a broader range of services and programs that will be presumed to be responding to the public health emergency when provided in these communities. Specifically, Treasury will presume that certain types of services, outlined below, are eligible uses when provided in a Qualified Census Tract (QCT), to families living in QCTs, or when these services are provided by Tribal governments, Recipients may also provide these services to other populations, households, or geographic areas that are disproportionately impacted by the pandemic. In identifying these disproportionately-impacted communities, recipients should be able to support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served.³

(Sentences underlined by the Housing Alliance for emphasis)

Appendix B

Figure 1: Year Homes Built in Pennsylvania

Year Built	Number	Percent
Built 1939 or earlier	1,489,147	26%
Built 1940 to 1949	418,038	7%
Built 1950 to 1959	774,942	14%
Built 1960 to 1969	576,577	10%
Built 1970 to 1979	705,411	12%
Built 1980 to 1989	546,775	10%
Built 1990 to 1999	545,026	10%
Built 2000 to 2009	471,594	8%
Built 2010 to 2013	91,429	2%
Built 2014 or later	74,375	1%
Total	5,693,314	100%

Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates, Table DP04

³ 86 FR 26791 <https://www.federalregister.gov/d/2021-10283/page-26791>

Appendix C

Figure 2: Residential Vacancy Status in Pennsylvania

Vacancy Type	Number	Percentage
For Rent	91,773	14%
Rented, not occupied	22,230	3%
For sale only	56,396	9%
Sold, not occupied	29,387	5%
For seasonal, recreational, or occasional use	175,246	27%
For migrant workers	789	0%
Other vacant	264,387	41%
Vacant	640,208	100%

Source: U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates, B25004, Vacancy Status

Appendix D

Blight's Impact on Government Revenues and Expenses

The Tri-COG Land Bank in Allegheny County did a study on the fiscal impacts and property value impacts of blight across its 41 communities.⁹ The analysis found that:

“Overall, the economic impacts of blight and vacant properties results in a total impact to the Tri-COG Communities of over \$19.3 million in direct costs, with an estimated loss in property value of between \$218 and \$247 million. Repurposed sites would generate an additional \$11.8 million in one-time construction fiscal impacts and \$8.2 million in recurring fiscal impacts.”

The direct and indirect economic impacts analyzed in the report are listed in Figure 4. Also analyzed in the report were the lost opportunities for economic development and the subsequent one-time losses suffered by local construction industry, which includes local construction and trades employment.

⁹ Delta Development Group, Financial Impact of Blight on the Tri-COG Communities, Executive Summary, September 2013, <https://securereservedn.net/198,71,233,231/kvq.5af.myftpupload.com/wp-content/uploads/2019/11/BlightImpactFullReport.pdf>

Figure 3: Direct and Indirect Costs of Blighted Properties (Ongoing)

Direct Costs of Blight (Ongoing)	
<p>Increased Expenses – Municipal Services</p> <ul style="list-style-type: none"> • Code Enforcement • Police • Public Works • Demolition 	<p>Lost Tax Revenue</p> <ul style="list-style-type: none"> • Real Estate Taxes – Blighted Property • Real Estate Taxes – Neighboring Properties • Earned Income Tax – Vacant Structures • Earned Income Tax – Vacant Lots • Delinquent Tax Collection Efforts
Indirect Costs (Ongoing)	
<p>Impact on Property Values</p> <ul style="list-style-type: none"> • Loss of Property Value at 15% • Loss of Real Estate Tax Due to Loss of Property Value 	<p>Loss of Economic Benefit</p> <ul style="list-style-type: none"> • Real Estate Taxes • New Resident Earned Income Taxes

About the Housing Alliance

We are a statewide coalition working to provide leadership and a common voice for policies, practices and resources to ensure that all Pennsylvanians, especially those with low incomes, have access to safe, decent and affordable homes. We promote common-sense solutions to balance Pennsylvania's housing market and increase the supply of safe, decent homes for low-income people.