

# Opportunities for Commonwealth Leadership to Revitalize PA

## Our Vision

**W**e envision a Pennsylvania in which our communities are vibrant, healthy and thriving places for people to live and work. We see older towns and neighborhoods reinvigorated as unique, attractive places where past and present combine to create a promising future.

We see the thousands of vacant and abandoned properties in our communities not as the eyesores they are today, but as untapped assets. They provide land for redevelopment. Today's deteriorating hulks are the sites for tomorrow's homes and shops.

We see abandoned land, when transformed into productive re-use, as a critical opportunity for our older communities to modernize, revitalize, and grow, and to improve the quality of life for neighbors who are already there.

We are optimistic about the future of our communities.

But these changes cannot happen without a strong partnership of state and local government, private investment, and nonprofit and community contributions. We need leadership from the Governor and our State Senators and Representatives to help make our vision a reality, and to transform our abandoned past into a bright and promising future.

The progress already made<sup>1</sup> is a downpayment on the work to be done. Pennsylvania's elected leadership must be dedicated to:

1. Moving the state from a passive to an active role in attacking blight and abandonment;
2. Supporting effective local efforts;
3. Providing new tools to tackle old problems;
4. Removing the government red tape;
5. Leveling the playing field between green space development and built space redevelopment.

With state leadership supporting local efforts, we can reinvent the future of Pennsylvania's communities.

## Background

*300,000 vacant buildings are spread across Pennsylvania, impeding community and economic development programs and conveying images of old, worn-out communities.*

In small cities, large cities, and rural towns throughout the state, 300,000 buildings stand vacant, including 1,591 in Altoona, 932 in Lebanon, and 2,278 in Wilkes-Barre. Another 35,000 are vacant in Philadelphia and almost 19,000 in Pittsburgh.<sup>2</sup> Though fewer in number, vacant properties also litter small towns throughout rural Pennsylvania. Tools currently available to municipalities for acquiring vacant properties are cumbersome, time consuming, and not consistently available.

Homes in older communities are often vacated by the death of the owner, the inability of the owner to pay property taxes, or by families moving to more modern homes in the suburbs. Because Pennsylvania has stagnant population growth and is losing young people, there is often little demand for the homes left empty in the cities and boroughs. Low demand reduces property values, which in turn reduces opportunities for homeowners to build equity and makes rehabilitation economically infeasible for the private sector alone.

At the same time, the demand for homes affordable to working families is increasing. Where the cost of reha-

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bilitation exceeds the market value of properties, state and local assistance is needed to turn vacant buildings into homes within reach of working families, the elderly, and disabled Pennsylvanians.

## **Obstacles to the Vision**

### **1) Legal remedies available to local governments for reclaiming vacant buildings are outdated and inadequate.**

The most common method of acquiring vacant buildings is the tax sale. Once a property is tax delinquent for two years, the county can list it for tax sale. But Pennsylvania's tax sale laws were designed to raise revenue, not to reclaim vacant buildings. According to the law, the property must be sold to the highest bidder. The local government has no control over who buys the building or what will be done with it. Other remedies, such as appointing a community development corporation or redevelopment authority as receiver of the vacant building, are not available in Pennsylvania.

### **2) Redevelopment in older communities is more difficult and, in the short run, more costly than development of "greenfields." The public investment of dollars is inadequate to meet the needs of revitalization efforts in older communities.**

Redevelopment projects in older communities often require the amassing of numerous parcels of property. Finding owners, acquiring properties through negotiations, tax sales or other means, and clearing title can take years — long enough to dissuade a private developer from undertaking a project.

Moreover, some vacant properties were once home to manufacturing and industrial plants, leaving behind environmental problems. Ownership brings liability for clean-up, and clean-up is costly. Development is easier and cheaper on undeveloped greenfields.

In some areas, the process is complicated by the city's sale of its tax liens to private entities. Developers who try to purchase properties held by these companies often find it more difficult, more time consuming, and more costly than if they were able to negotiate directly with the municipality.

Pennsylvania's spending on community revitalization, although increased in recent years, is woefully inadequate. Funds are needed for acquisition, environmental remediation, site preparation, title clearance, and rehabilitation and new construction. With the resources currently available, local governments are struggling just to tread water.

### **3) Infrastructure in older communities is in poor repair and in need of state support.**

As tax bases in older communities shrink, the local governments' ability to maintain their infrastructure is compromised. Pennsylvania's roads are in dire need of attention, with 56% being rated in fair or poor condition.<sup>3</sup> Similarly, roughly half of the bridges in the Pittsburgh and Philadelphia metropolitan areas are structurally deficient.<sup>4</sup> School buildings and public transportation also show their age. New regulations from the U.S. Environmental Protection Agency will require millions of dollars worth of improvements to existing water treatment facilities. Yet, despite the need for improvements in our existing infrastructure, more and more tax dollars are spent on building new roads, water and sewer facilities, and schools — all of which will have to be maintained in the future.

### **4) Disinvestment in occupied properties is contagious and eventually leads to abandonment.**

Over 50% of Pennsylvania's homes are more than 40 years old. For the 17% of homeowners whose income is less than \$20,000 per year, and for the 28% of homeowners who are elderly,

maintenance and property taxes are major concerns. In addition, landlords in lower-priced areas often cannot command sufficient rents to adequately maintain their properties. Eventually, some of these under maintained properties will be abandoned because low property values do not support the investment needed to modernize and maintain them. Abandonment further reduces neighborhood property values. The local tax base shrinks as wealthier residents and businesses leave for greener pastures. With less revenue, municipal services suffer, further fueling the exodus. While families wait months, if not years, for homes within their reach, properties sit vacant because redevelopment is too difficult and costly. When properties are not maintained, the occupants suffer, the neighbors suffer, and the communities suffer.

### **5) While various state agencies and municipal governments are attempting to address the problems of revitalization, policies and programs focusing on vacant buildings are piecemeal and uncoordinated.**

State agencies have begun to place more emphasis on projects which utilize previously developed sites and existing infrastructure, and which expand the availability of housing choices in communities. Nevertheless, the actions of the various agencies are not coordinated, nor are the resources which the state has to offer.

Greenfield industrial parks are often filled with businesses leaving older communities, rather than new businesses coming into the state. Too often, state-funded economic development projects, which rarely include a housing component, have negative unintended consequences for older communities: higher-wage workers follow the jobs to their new locations beyond the core communities, while lower-wage workers either embark on long commutes or leave their jobs because of lack of transporta-

tion. A Commonwealth commitment to the revitalization of vacant buildings in older communities for both economic development and a range of housing options could reverse this trend.

Some local governments have taken it upon themselves to try to reclaim the vacant buildings within their borders. But lack of coordination makes this difficult. There is no statewide inventory of vacant buildings and little regional planning to address redevelopment issues, including the of vacant buildings. The Commonwealth is large and varied, but abandonment is a common problem that is best addressed in a coordinated way.

### **The Time to Act is Now**

#### **1) Blight is contagious. We must stop it and reverse the trend before it is unmanageable.**

Pennsylvania's older communities have lost population and found themselves with more housing units than households. Lack of demand leads to lowered property values, which in turn discourages investment. Soon properties become blighted, further reducing values. Not only Philadelphia and Pittsburgh, but smaller cities and rural towns across the state have found themselves locked in the downward spiral of abandonment and flight.<sup>5</sup> Before we can expect people and businesses to return to these communities, the public sector must act to stop abandonment and invest in revitalization.

#### **2) New developments in outlying areas are costly to local governments and school district.**

While the cost of new developments on formerly open land may be less expensive for the developer than building in established communities, "greenfield" developments can be very expensive for the area's taxpayers. New roads, water and sewer systems, police and other municipal services, and schools place a heavy burden on residents.<sup>6</sup> This

infrastructure requires ongoing maintenance, continuing to burden the taxpayers for decades after the developer has moved on. To address these costs, some townships are considering charging residential developers \$20,000 to \$30,000 per house constructed to cover these costs. Such a fee would further drive up the cost of already expensive new homes.<sup>7</sup> With leadership from the state, we can take advantage of Pennsylvania's existing resources and infrastructure rather than building more roads, schools, and sewage treatment facilities. In the process, we can revitalize our communities.

#### **3) We cannot afford to waste the investment we have already made in our older communities.**

In earlier years, state and local governments invested in cities and towns with funding for building roads, public transportation systems, schools, and water and sewer facilities. Now those same systems and facilities are in need of funds for maintenance and modernization. Without such improvements, businesses and more mobile residents look to other locations where new facilities can be built. But new facilities are not the answer; what is new today will need to be maintained 10 years from now. Instead, we must act now to protect our original investments and shore up existing resources, enabling those facilities to provide for a population that will find older communities more attractive once the improvements are made.

#### **4) Neighboring states are acting now. Pennsylvania must join them in order to remain competitive.**

New Jersey and New York City have reformed their tax sale laws to allow abandoned properties to be sold to responsible developers, rather than simply selling to the highest bidder. They have also enacted receivership statutes.<sup>8</sup> Maryland targets state funding to development in older communities.<sup>9</sup> In order for Pennsylvania's out-migration to be

reversed, the Commonwealth must act now to counter the deterioration of its older communities.

#### **5) Pennsylvania's out-migration includes a significant loss of young people.**

Between 1990 and 2000, Pennsylvania experienced a total net out-migration of 131,296. In the age group 25-34 year olds (those who were 15-24 in 1990), 120,597 left. Recent studies show that young people prefer to live in vibrant, diverse urban areas.<sup>10</sup> Pennsylvania is quickly aging and losing the workforce necessary to support those unable to work. In order to stop the "brain drain" exodus of young people, Pennsylvania must act now to revitalize its urban communities.

#### **6) Those regions of the state which are experiencing in-migration have a unique opportunity to plan their growth.**

Residents of New York, New Jersey, and Maryland are moving to Pennsylvania's border communities, creating a high demand for development. Local municipalities, backed by state policies and investments, can use this opportunity to provide incentives for developments that contribute to the revitalization of older core communities. Unless the state acts now, uncontrolled development will eat up greenfields, moving population centers further away from blighted communities.

In addition, this in-migration is fueling a dramatic rise in property values in those regions. While higher property values may bode well for revitalization efforts, they leave more and more working families unable to afford homes in the communities where they work. The revitalization of older communities and the of vacant buildings for affordable homes can reverse this trend.

## Solutions

### 1) Adopt legal remedies and proven programs to make redevelopment easier and turn vacant properties into assets for reinvestment.

*Reform the state's tax foreclosure laws* to allow local governments to sell abandoned properties to responsible developers, rather than to the highest bidder. Follow the examples of New York and New Jersey to establish special tax sales.

*Enact a receivership law for abandoned properties* so that court appointed third parties can oversee the rehabilitation of vacant properties. Allow municipalities, redevelopment authorities, and community development corporations to be appointed receivers.

*Encourage local governments to create land banks* to assemble parcels of land for development. A state program providing funding for acquisition, land clearance, and staff would allow municipalities to attract developers looking for buildable sites.

*Ensure that the process for property acquisition is fair and balanced*, adequately compensating homeowners, protecting intact neighborhoods, and promoting the revitalization of blighted communities.

### 2) Level the playing field for development in older communities and those on greenfields. Increase funding for programs that work.

Penn HOMES, Homeownership Choice, Mixed Use Facilities Financing Initiative, Main Street, Elm Street, and Housing and Redevelopment Assistance have all successfully contributed to community revitalization efforts and to the development of homes within reach of working families. But much more remains to be done. Support for these programs needs to be increased, and a new pre-development fund should be created

for acquisition and site preparation costs. These programs aid Pennsylvania's working families, elderly, and disabled citizens, and fuel private investment as the renewed health of older communities becomes apparent.

### 3) Invest in the Commonwealth's existing infrastructure.

Focus state funding for infrastructure on maintenance of existing facilities.

*Make efficient use of limited transportation resources* by spending a higher percentage of funding on maintenance and reconstruction.

*Support public transit* by establishing a dedicated source of funding.

*Prioritize water and sewer investments* in older communities by targeting funding for improvement of existing systems and by establishing an expedited permitting process for those projects.

### 4) Invest in occupied properties to prevent abandonment.

*Create a statewide property repair program* to assist lower income property owners in maintaining their homes and apartments.

*Prevent mortgage foreclosures*, which can lead to abandonment, by increasing funding for the Homeowners Emergency Mortgage Assistance Program (HEMAP) and housing counseling, and by strengthening anti-predatory lending laws.

*Prevent tax foreclosures* by helping low-income and elderly homeowners in paying their property taxes. While Pennsylvania does have a property tax rebate program for the elderly and disabled, it needs to be modernized to raise the eligibility limits and the amount rebated. Homeowners would also be better served if the program provided direct payments to the taxing authorities and did not require homeowners to first pay their bills in order to qualify for the rebate.

*Assist landlords and tenants* with a Renters Emergency Assistance Program and a Rental Assistance Program, both designed to enable tenants to pay rent which would otherwise be unaffordable and to maintain a cash flow to landlords who are often struggling to maintain their properties.

*Reduce the adverse possession time period* on occupied single family homes from 21 years to 10 years, allowing long-term residents to clear title and gain access to home improvement loans and grants.

### 5) Strengthen Pennsylvania's commitment to older communities by coordinating state resources and providing incentives to developers.

*Create new incentives and promote existing ones*, such as tax increment financing (TIFs), historic preservation programs loans and grants for the purchase and repair of older homes, impact fees, and tax abatement.

*Encourage new approaches*, such as land banking, side yard programs, and making predevelopment funds available to nonprofit developers.

*Target state resources to older communities to promote conservation of resources instead of waste.* Following Maryland's Priority Places Strategy, institute a comprehensive strategy of targeting state resources — not just economic and community development funds — to projects in older communities. Maryland has established an Interagency Coordinating Committee made up of ten departments to work together on designated projects and target resources. The Committee includes the Departments of Transportation, Natural Resources, Housing and Community Development, General Services, Environment, Business and Economic Development, Budget and Management, Agriculture, Planning, and the Higher Education Commission.

With strong leadership from the Governor and the General Assembly, Pennsylvania can promote the revitalization of older communities by linking growth to existing resources, bolstering current infrastructure, coordinating development with existing or well-planned transportation, and encouraging the reuse of vacant buildings and previously developed land for commercial, cultural, and residential development. Offering environmental, historical, and educational resources to these projects will serve as further incentives to the revitalization of our older towns and neighborhoods.

## Benefits

**1) Preserving Pennsylvania's rich heritage.** Pennsylvania's older communities are windows to our past. Not only famous buildings, but the many and varied neighborhoods and towns can take us back to glimpse colonial times, the young Republic, coal mining days, the industrial revolution, and immigrant cultures from around the world. Once gone, these windows cannot be reopened.

**2) Conserving Pennsylvania's resources.** Revitalizing our older communities also helps us conserve the state's rich farmland, forests, mountains and streams by directing development away from them. One of the most beautiful states in the nation, Pennsylvania can approach development in the 21st century with an eye toward conserving and preserving our resources.

As we move forward, we must also think about conserving energy. Revitalized older communities allow families to live close to their work, schools, and activities. Families save the cost of fuel, and the state reaps the benefit of less air and water pollution.

**3) Strengthening Pennsylvania's economy.** Pennsylvania's older communities are a tremendous asset to the state. By capitalizing on our heritage and resources, including human resources, we can attract businesses and new residents to our communities — once we return vacant buildings to productive reuse. We can produce jobs which are accessible to the workforce, and affordable homes close to businesses. Community revitalization is contagious, bringing more investment and energy into our communities.

**4) Building vibrant, active communities.** By reclaiming vacant buildings and investing in older communities, Pennsylvania can attract young people to the state. Pennsylvanians young and old will benefit when young adults live alongside families and older Pennsylvanians, contributing to our economy and, more importantly, to a better quality of life.

## Glossary

**Adverse possession** - A legal concept which allows a person who has used land openly, publicly, and continuously for a designated period of time to file a petition with a court for title to the land. In Pennsylvania, an adverse possession action currently requires continual use for 21 years.

**Department of Community and Economic Development (DCED)**- The executive department responsible for administering programs to promote the health and growth of Pennsylvania's businesses and communities. Community development programs include Housing and Redevelopment Assistance and the Main Street and Elm Street programs.

**Elm Street** - A state funded program of grant funds for planning, technical assistance and physical improvements to residential and mixed use areas in proximity to central business districts.

**Greenfields** - Land which has never been developed.

**Homeowners Emergency Mortgage Assistance Program (HEMAP)** - A program to provide temporary assistance to homeowners facing foreclosure through no fault of their own. HEMAP was created by the General Assembly in 1984, and is funded both by the state and repayments of HEMAP loans. HEMAP is administered by PHFA.

**Homeownership Choice** - A PHFA initiative to create more homes available for ownership by low and moderate income families, and to revitalize communities. The program has three components: the Homeownership Construction Initiative, the Mixed-used Facility Financing Initiative, and the Neighborhood Revitalization Initiative.

**Housing and Redevelopment Assistance** - A state-funded program providing grants for community revitalization and economic development activities at the local level. The program assists the communities in becoming competitive for business retention, expansion and attraction.

**Main Street** - State-funded grants to municipalities to help downtown economic development efforts. The funds allow local organizations to manage downtown revitalization efforts by hiring project coordinators.

**Mixed Use Facilities Financing Initiative**- A component of the Homeownership Choice program designed to encourage the revitalization of commercial corridors by providing financing for storefronts and other mixed used buildings.

**PennHOMES** - A PHFA funded and administered program of 0% interest loans to assist in the development of rental homes for low-income families.

**Pennsylvania Housing Finance Agency (PHFA)** - Created by the General Assembly, PHFA administers

numerous programs to create and maintain homeownership and rental opportunities for lower and moderate income families, and to support community revitalization efforts. Most PHFA programs are funded with bond revenue raised by the Agency. Some programs also receive state funding. In addition, PHFA administers the federal Housing Tax Credit program.

**Predatory lending** - A type of subprime lending utilizing high cost mortgages and generally targeted at unsophisticated borrowers, including elderly and minority homeowners, with substantial equity in their homes. Predatory lending may include fraudulent documentation, high pressure sales techniques, or a disregard of the homeowner's ability to repay the loan.

**Receivership** - The appointment by a court of a third party to take possession and control of a property in order to make repairs and return the property to productive use. Receivership allows a property to be salvaged when

no party in interest is willing to step forward to make the necessary repairs.

**Responsible developer** - A developer willing to enter into a redevelopment agreement with the local government to use the property in a way that benefits the community, and to complete the necessary renovations or construction within a set period of time.

#### Endnotes

<sup>1</sup> A number of programs and amendments to existing laws have been passed over the last few years which are designed to help municipalities deal with vacant and abandoned properties. See, e.g., "Commonwealth and Local Government Efforts to Ameliorate Blight", Legislative Budget and Finance Committee, March 2004, p. 139. See, also, Acts 83, 161, and 163 of 2004, and Acts 12 and 18 of 2006.

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

<sup>3</sup>*The State of Our Nation's Roads, Decoding Transportation Policy and Practice #9, Surface Transportation Policy Project (2003); Paying the Price for Inadequate Roads in Pennsylvania: The Cost to Motorists in Reduced Safety, Lost Time and Increased Vehicle Wear*, The Road Information Program (November 2003).

<sup>4</sup>TRIP analysis of 2003 Federal Highway Administration data; *Bumpy Roads Ahead: Cities with the Roughest Rides and Strategies to Make our*

*Roads Smoother*, The Road Information Program (April 2004); *Showing Their Age: Pennsylvania's Deficient Bridges Strategies to improve the condition of Pennsylvania's bridges and keep them in good shape*, The Road Information Program (June 2003).

<sup>5</sup>From *Liability to Viability*, *ibid.*, p. 7.

<sup>6</sup> *The Cost of Sprawl in Pennsylvania*, Clarion Associates, Inc., for 10,000 Friends of Pennsylvania, January 2000.

<sup>7</sup> "Making Builders Pay up", *The [Lehigh Valley] Express-Times*, 2/26/06. Also see, HB. 2550 and HB 2564 of 2006.

<sup>8</sup> New Jersey's tax sale and receivership laws are both part of the Abandoned Properties Rehabilitation Act, NJSA 55:19-78 et seq. New York City's tax sale law is found in Local Law 37 of 1996.

<sup>9</sup>Information on Maryland's Priority Places Strategy is available at <http://www.priorityplaces.com/index.htm>.

<sup>10</sup>See, e.g., *The Memphis Manifesto*, The Creative 100, 2003.

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