Land Banks in Pennsylvania:

A Handbook for Counties and Municipalities

"Introduction and Executive Summary"

Issued by Right-Sized Places

The neighborhood policy arm of

Right-Sized Homes, LLC

September 2013

Full length handbook is available as a PDF at:

www.Right-Sized-Homes.com

Introduction & Executive Summary

In January 2013, Pennsylvania enacted land bank enabling legislation, allowing local governments in the Commonwealth to establish land banks as a new tool to address vacant, blighted and tax delinquent properties. Building upon earlier models in other states, Pennsylvania put in place one of the most thoughtful formats for local land banks to act with goals and administrative structures that specifically address the scope and causes of blight in their communities.

Land banks are a relatively new planning and land administration tool, enacted by only a handful of other states to date, although several individual cities and counties across the country have set up land banks crafted to work within existing property and governmental laws where no statewide land bank enabling legislation exists. Pennsylvania's law allows quasi-governmental bodies to be established to address blight and tax delinquency and to plan for long-term productive reuse of problem properties.

The first land banks were established in the late 1970's in rust belt cities including Cleveland and St. Louis as a response to increasing property vacancy. These "first generation" land banks were limited in scope and ability, but represented an important step towards current land banks. The "second generation" emerged after tax reforms were passed in Ohio and Michigan, enabling cities in those states to reorganize their approach towards addressing vacant, blighted, and tax delinquent properties. The "third generation" is still emerging as states including Pennsylvania, New York, and Nebraska pass statewide enabling legislation in response to the recent foreclosure crisis. The federal Neighborhood Stabilization Program spurred interest in land banks, having allowed land banks to be recipients of properties and funds to fight rising foreclosure and vacancy.

Vacant, blighted, and tax delinquent properties create a myriad of problems for local municipalities. Vacant properties decline in value and tax assessment, and decrease the value of nearby properties. This often leads to an increase of deferred maintenance issues, and the resulting cost to improve properties makes it harder to sell these properties through tax lien sales, creating a disincentive for counties to undertake the time and expense of pursuing tax lien on many problem properties.

Vacant properties are often catalysts for increased criminal activity. Without a full time occupant, houses can quickly become overtaken by drug activity, vandalism, and theft. Criminal activity will increase degradation of the property and the ability of the city to return the property to productive use.

Pennsylvania is facing a series of demographic challenges that threaten the commonwealth's ability to address housing vacancy. The population is aging, a greater number of residents are living on a fixed income, and young people have been moving away from older towns. First ring suburbs are beginning to face similar issues of poverty and decline experienced in urban core areas as a result of outdated housing and the increasing suburbanization of poverty. Older commercial spaces, including first ring suburb strip malls, are struggling to compete with larger commercial centers in newer suburbs and present a new problem of vacancy and tax delinquency.

At the opposite end of the spectrum, the boom in shale gas exploration and drilling has created new development pressures. The cost of housing in new drilling communities is rapidly increasing and many small towns cannot adjust quick enough to meet housing demands. Land banks provide a vehicle for developing much needed affordable housing in these areas.

Each land bank will bear responsibility for defining the footprint of their authority, for designing the size and membership of its oversight board, for deciding how it will staff day-to-day operations, and for bringing on board all the taxing authorities within its boundaries. This locally driven organizational structure presents challenges and opportunities for the leaders of these new land banks. Broad coopera-

tion and agreement is needed, and an education process is necessary to inform stakeholders of the scope of the problem of vacant, blighted and tax delinquent properties, and how a land bank can address the issues in new ways than have been available under pre-existing state legislation.

Community involvement in land bank proceedings is written into the structure of the oversight board. Each board will require at least one community representative member, and the land bank must follow state "Sunshine Laws".

Different funding schemes will be necessary for the initial establishment of a land bank and for regular operation. At the point of creation, there is no dedicated funding source for land banks. Acquiring the necessary funding to begin operations presents a challenge. However, once the land bank has reached a state of normal operation, reoccurring revenue can come from property tax revenue sharing agreements with municipalities, sale or lease of properties, and many other sources. It should be noted that properties held by the land bank are tax free, except when they have been leased at market rate for five consecutive years. Property tax revenue sharing provides a potent method of raising funds for operation, as land banks may receive 50% of tax revenue for five years on properties disposed by the land bank

The legislation is written to enable local government to manage these new tools efficiently, providing for the land bank to contract with existing government agencies or organizations to manage day to day operations, or to provide these services, for fee, to municipalities and counties within their jurisdiction. This could help reduce operating budgets of existing governmental units, or provide a level of expertise that smaller boroughs and townships cannot afford to maintain on staff.

This new legislation provides local taxing authorities with flexible and targeted methods for acquiring tax delinquent properties in a proactive way, with the ability to take groups of properties through tax lien sale for redevelopment, instead of processing each property individually, in a competitive bidding process. These new tools help communities limit the ability of speculators and irresponsible landlords from acquiring properties and leaving them in blighted condition or to continuing to avoid tax payments.

Land banks are specifically prohibited from using eminent domain, or from having redevelopment authorities use eminent domain to acquire new properties for the land bank. This restriction is common across most land banks because of the contentious and costly nature of utilizing eminent domain.

While holding property, land banks are afforded the ability to do anything a private firm could with the property. Demolition, rehabilitation, or redevelopment are all options on the table, as well as being able to partner with other public or private entities to carry out these actions. Property is tax exempt while being held by the land bank, but is still held to municipality license and inspection standards.

The ultimate goal of land banks is to dispose of property for redevelopment or for land conservation or open space. Land banks can sell properties at full market value, or may sell at reduced or nominal value for projects where a public purpose, e.g. affordable housing or recreation, justifies the reduced sales price. The land bank must maintain a publicly available inventory of the property it holds, and must establish a hierarchy for its preferred reuse of property that will guide its disposition procedures, and is required to take existing land use plans into consideration in its disposition decisions.

Description of Handbook Sections

There are four main sections in this handbook; the first three provide an introduction to land banks generally and the issues they address, and provide a brief summary of the specifics of Pennsylvania's land bank law. The fourth section goes into more detail on Pennsylvania's law, describing how various aspects of the law apply to local conditions, pointing out challenges that may exist in the process of setting up and administering a local land bank, and the opportunities provided by the new management tools in the legislation. This section also points out the challenges and opportunities presented by the mandated cooperation among various taxing authorities and community members, with suggestions on navigating through the various steps where these items arise. Additional Pennsylvania specific and generally applicable land bank resources are included as Appendix 1; the full transcript of the Pennsylvania land bank enabling legislation is included as Appendix 2.

Purpose of The Pennsylvania Land Bank Handbook

This handbook provides useful information related to Pennsylvania's recently passed land bank enabling legislation, including a brief introduction to land banks in general and the issues that brought about their establishment to address vacant, blighted and tax delinquent properties. While these property issues have existed in many older communities for years, the recent mortgage foreclosure crisis, while less severe in Pennsylvania than in many other states, left many municipalities with a spike in vacant and tax delinquent properties as local tax revenues were declining and state and federal community development and housing funding was being reduced, meaning resources to address this issue were dwindling as the problem was growing.

Land banks, particularly as evolved recently in Michigan and Ohio, are quasi-public entities well suited to more adeptly move vacant, blighted and tax delinquent properties into productive, tax generating redevelopment, or into long term conservatorship or public use. This handbook explains specifically the Pennsylvania legislation including analysis and recommendations useful as Pennsylvania counties and municipalities review their local property and market conditions, and evaluate if and how a land bank would benefit them in addressing vacancy, blight and property tax delinquency.

This handbook is primarily written for county and local municipal officials and to learn about Pennsylvania's new land bank law and the context in which it was passed in the State legislature, with broad bi-partisan support, so they can proceed to use this effective new tool to address problem properties in their communities. This handbook will also be useful for local community organizations, non-profit and for-profit developers who regularly deal with the negative impact of blighted properties, and for taxing authorities, including school boards, who are affected by the loss of revenue from tax delinquent properties.

About Right-Sized Homes/Right-Sized Places

Right-Sized Homes, LLC. is a sustainable redevelopment company working in older urban neighborhoods addressing neighborhood preservation and revitalization, affordable housing, vacant land and housing policy, and the quality of life in the places we live, work, shop and play. The company brings over two decades of experience with redevelopment of blighted and vacant land to writing this guide, along with having worked closely with many parties bringing the land bank legislation to passage in Pennsylvania.

Right-Sized Homes is the property development arm of the company, directly building sustainable homes in existing neighborhoods and providing project management services to municipal, non-profit and private real estate developers. Right-Sized Places works at the neighborhood, city and state level advocating for and developing policy and programs supporting affordable housing and neighborhood improvement.

David W Feldman, President of Right-Sized Homes, has been working towards Pennsylvania's land bank legislation for several years, at the state level as a member of the Housing Alliance of Pennsylvania, and locally, meeting with local and state officials as vacancy, blight and tax delinquency issues were reviewed in relation to the tools land banks would bring. He has been consulting to the City of Flint/Genesee County Land Bank on affordable housing they are developing on land acquired and prepared for redevelopment by the land bank.

Right-Sized Homes, LLC

"Smarter, Sustainable Neighborhoods"

1315 Walnut Street, Suite 900
Philadelphia, PA 19107

215-370-6043
dfeldman@right-sized-homes.com

Full length handbook is available as a PDF at:
www.Right-Sized-Homes.com