COMMONWEALTH OF PENNSYLVANIA
SENATE URBAN AFFAIRS & HOUSING COMMITTEE HEARING

IN RE: SENATE BILL 1291 - NEIGHBORHOOD BLIGHT RECLAMATION AND REVITALIZATION ACT

STATE CAPITOL
MAIN CAPITOL BUILDING
SENATE MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

TUESDAY, JUNE 17, 2008, 10:00 A.M.

BEFORE:

HONORABLE JOHN PIPPY, CHAIRMAN
HONORABLE PATRICK M. BROWNE
HONORABLE JIM FERLO
HONORABLE SHIRLEY M. KITCHEN
HONORABLE JAMES J. RHOADES
HONORABLE MICHAEL L. WAUGH

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P R O C E E D I N G S

CHAIRMAN PIPPY: Good morning. Let me call the meeting to order today. We have a public hearing on Senate Bill 1291, which is the Neighborhood Blight Reclamation and Revitalization Act. With me, to my right, is Senator Rhoades, the prime sponsor of the bill. There's Senator Ferlo, and the Democratic Chairwoman, Senator Kitchen, and also present is Senator Waugh. I'd like Senator Rhoades to now make an opening statement.

SENATOR RHOADES: Good morning.

Thank you, Mr. Chairman.

There's a serious problem in communities across the Commonwealth, and it's very urgent to see some of the organizations and individuals and members of the General Assembly to take an active interest in improving our neighborhoods.

I'd like to thank Senator Pippy, Senator Ferlo, Senator Kitchen and Senator Waugh as well as all my other colleagues who have helped to create and improve this legislation so we can attack this problem on all fronts. And so many times, the vast majority of property owners and the landowners do an admirable job at providing safe, habitable housing across the Commonwealth.

While most our property owners and landlords take care of their properties, some do not. There are

still some who don't care about their tenants. They care only about the equity they can get out of a property before they abandon it, and they usually leave a number of unpaid utility bills and tax liens against the property that must be paid by rate payers and taxpayers.

These blighted properties are not just an eyesore on our community and a burden on taxpayers, but they also reduce the property values of nearby properties and serve as a danger to children playing nearby. Blight is a drain on our communities, and we must take action to prevent properties from falling into a state of disrepair and hold landlords and property owners accountable for the cost of redeeming blighted properties.

This legislation is the product of months of meetings and thoughtful input from legislators and members of the Blight Task Force. And I want to thank all of the members -- I won't cite them individually because we'll be here for another half hour -- and I say that because they have made tremendous progress.

I'm confident that this bill will enable us to improve our communities and eliminate the serious problem affecting both urban and rural areas. A number of organizations and interested parties have joined us today, and I'm grateful that they have taken time out of their busy schedules to testify. Blight is a problem that we

must address to protect our communities and promote economic development, and I look forward to hearing their testimony and viewpoints on this legislation. And, again, I thank Senator Pippy and members of the Committee for holding this hearing on this important topic. Thank you.

CHAIRMAN PIPPY: Thank you, Senator.

As was mentioned, we have six groups scheduled to testify today, each allotted 15 minutes. If you do the math, that's an hour and a half. I want to stay on time. So we'd ask you to summarize the prepared remarks as opposed to reading the entire script if possible.

The first group I'd like to call on is the Pennsylvania Association of Housing and Redevelopment Agencies. Testifying on behalf of them is Mr. Christopher Houston with Cumberland County Housing and Redevelopment Authority. Please begin when you're ready.

MR. HOUSTON: Good morning. I am Christopher Houston, Director of Real Estate Development and general counsel to the Cumberland County Redevelopment and Housing Authorities. I'm here on behalf of the referenced authorities and the Pennsylvania Association of Housing and Redevelopment Agencies, commonly referred to as PAHRA, in support of Senate Bill 1291.

PAHRA represents 136 housing and redevelopment agencies throughout the Commonwealth, and on behalf of

PAHRA, I appreciate the opportunity to testify before you today. I have served as a member of Senator Rhoades' Blight Task Force since its inception. I first wish to acknowledge and to thank personally Senator Rhoades for convening the Blight Task Force, which has spent a considerable amount of time reviewing methodologies to address, in a comprehensive fashion, the issues that many Pennsylvania communities face, both small and large, in dealing with blighted properties.

The legislation at issue is the culmination of the Blight Task Force's efforts. It is not my intent today to discuss section-by-section the legislation, but to express the importance in general terms of the passage of this Act and give a specific example of where this legislation would have helped our agency in dealing with blight in Cumberland County, just across the bridge.

The members of PAHRA are in the front lines, so to speak, in dealing with blight in our communities. We see first hand the negative impact that blight has and are involved, one way or another, in cleaning up blighted properties. And I don't think that anyone in this room here today could dispute the fact that blight diminishes property values, has a negative impact on a municipality's tax base and adversely impacts on the quality of life of those who are forced to live in neighborhoods where blight

exists.

This legislation would give important tools to not only municipalities, but also to the citizens that reside in those communities to take back their neighborhoods from those who allow their properties to become blighted. Let us give additional powers to Pennsylvania communities to fight blight.

The tools made available in this legislation, which could just as easily have been referred to as the Fight Blight Act, will enable communities to effectively deal with blight before it gets out of hand and even more public funds are needed to revitalize those communities. One tool in this legislation, which I do wish to comment on specifically, is the conservatorship provision.

The Cumberland County Redevelopment Authority was involved in a situation where our agency was appointed by the court, which the court has the jurisdiction, to act as an agent of the court to bring a number of blighted properties located in the Borough of Carlisle into compliance with the Borough codes. The conservatorship procedures, as outlined in Senate Bill 1291, would have simplified the blight mediation process, which we undertook in this case.

Briefly, in 2000, the Redevelopment Authority was appointed as an agent of the court pursuant to a

petition filed by the Borough of Carlisle to manage eight properties located in the Borough that were owned by one individual. All the properties were blighted and had numerous code violations. Our court-ordered powers included the ability to undertake the repairs necessary to bring the properties into code compliance and seek repayment from the owner for the cost of the repairs.

If unsuccessful in being reimbursed, the court order gave authorization to the Authority to sell the properties. The situation was a complex one ultimately involving criminal charges being brought against the owner for arson after he burned down three of the properties after our appointment.

Ultimately, after the owner was convicted, sentenced and incarcerated on the arson charge, the Authority made arrangements with the owner's attorney-in-fact to purchase several of the remaining properties in their existing condition, which were later sold to various nonprofit organizations. The nonprofits rehabilitated the properties into for sale and rental affordable housing.

If -- and here's the point: The Authority did not get involved in rehabilitating the properties as an agent of the court. The reason for this was the fact that they were already heavily encumbered, and when the costs of

rehabilitation were added to what was owed on the current mortgages, the total of the rehabilitation costs and loan amounts would have exceeded the sales price.

In other words, there was no guarantee that the Authority would have been fully compensated for the costs of the rehabilitation. The conservatorship provisions of Senate Bill 1291 would have greatly simplified our agency's involvement in dealing with these blighted properties. The court in our case could not have ordered that we be given lien priority over existing encumbrances.

This legislation provides for a lien or security interest for the cost of rehabilitation undertaken by the conservator, which would be a lien with priority over all other liens. In addition, the conservatorship provision that provides for a sale free and clear of liens is absolutely necessary, we believe, in order to facilitate the conservatorship process.

In our situation, there were existing mortgages upon the properties, as I said previously. If the sale free and clear provisions of the legislation had applied, we would have been assured that any purchaser would have obtained clear title, and the costs of rehabilitation would have been reimbursed. It is important to note that there is an important mechanism in the Act which gives an existing lienholder an opportunity not to lose its property

lien status.

Specifically, the legislation provides that the priority lien to be given for the cost of renovations incurred by the conservator can only occur if the conservator first sought to obtain necessary financing from the existing lienholder and this lienholder declined to provide that financing on reasonable terms.

Accordingly, under this situation that our agency faced, we ended up, fortunately, negotiating with the owner's representative in the successful purchase of a number of the properties. The process was complicated, however, and drawn out. If we had not been successful in negotiating to purchase those properties, we may still be dealing with these blighted properties today.

Is the statute in the current form perfect? The simple answer is no. We recognize that amendments will be needed. As an example, with regard to the provision that pertains to state and local government permit denials, we believe that it would be prudent to amend the language so as to provide that the prohibitions regarding permit denial would not apply to those instances where the permit at issue is or the money being sought is for the repair or renovations being performed upon the blighted property for which code violations exist.

It is not surely the intent of the Act to place

unintentional restrictions upon an effort to remove the conditions of blight. We are confident, however, that with the cooperation of the various constituencies involved and with the ongoing support of the members of the Blight Task Force, that agreed upon amendments can and will be made that will give us a piece of legislation acceptable to all and that will, in the end, allow communities to effectively deal with blighted properties.

Let us do the right thing here. Let us give communities the necessary tools to fight blight. Let us protect the rights of impacted property owners. I was involved personally in the drafting of Pennsylvania's new Eminent Domain Code. In the drafting of that legislation, a lot of time, I mean, a lot of time and effort was expended in making sure that private property interests were protected.

We must apply the same logic to this legislation. We must concern ourselves with protecting the rights of those who are forced to live in neighborhoods where blight exists. These citizens include property owners who have land values that are negatively impacted by blight and whose quality of life is greatly diminished.

Section 1 of the Pennsylvania Constitution specifically provides that, and I quote, all men are born equally free and independent and have certain inherent and

indefeasible rights, among which are those of enjoying and defending life and liberty, of acquiring, possessing and protecting property and reputation, and of pursuing their own happiness.

This legislation will serve to preserve and protect affected land owners' property rights and their rights to pursue their happiness and living free from the detrimental effects of blight. That concludes my testimony. I'd be happy to answer any questions.

CHAIRMAN PIPPY: Thank you, Mr. Houston. One question. I understand that there's a House Bill dealing with the some amendments to the conservatorship language?

MR. HOUSTON: Yeah, 2188.

CHAIRMAN PIPPY: Do you believe that to be an acceptable or, as mentioned, agreed to by all parties?

MR. HOUSTON: Yes. We reviewed that, and we do agree the amendments to the conservatorship in 1291 as outlined in 2188 would be acceptable, yes.

CHAIRMAN PIPPY: We'll be following that type of language as well and make sure that we follow it.

Do we have any other questions?

(No response.)

Okay. Hearing none, I thank you very much for your testimony.

MR. HOUSTON: Thank you.

CHAIRMAN PIPPY: Our next presenter is Ms. Elizabeth Hersh. She's Executive Director of the Pennsylvania Housing Alliance.

Please begin when you're ready.

MS. HERSH: Thank you, Senator Pippy. Thank you very much for inviting us here today to speak. The Housing Alliance of Pennsylvania is a statewide organization that is comprised of housing developers, property owners, residents, policy makers and community members who are dedicated to advancing and enacting common sense solutions to the pressing housing problems facing our communities, rural, urban and suburban.

The Housing Alliance has been involved in the blight, fight against blight for many, many years. And in 2002, we were asked by the Pew Charitable Trusts to do an analysis of the state laws that were getting in the way of local communities being able to address blight and abandonment in our communities.

Another result of the work that we have done, the many people who we have worked with and have talked to across the state and this research, we have three conclusions that we think are relevant to the discussion today that I would like to discuss. The first is that -- I think as Chris said and as everybody knows, but it's worth restating because inaction is not an option -- blighted and

abandoned properties have a devastating economic impact on the value of the adjacent properties, as Allen Malick (ph) testified in front of the House a few months ago.

Abandonment and blighted properties are not a victimless crime. In 2001, Dr. Anne Schlay and Gordon Whitman at Temple University researched and actually quantified the impact of a blighted abandoned property on the healthy properties on the same block.

And they found that for a home within 150 feet of a blighted property, that home lost in an average of $65 hundred in its sales price. These are 2001 Philadelphia numbers. And properties that were up to 500 feet away still lost property value of up to $35 hundred in their sales price. So this is having a direct impact on the healthy properties in that community if the blight is not abated.

Similarly, they found that blight has a cancerous effect. What they looked at is a longitudinal study that counted that if there was one blighted property one year and it was not fixed up, that the next year, there were two; the next year, there were three, four, five and so on. So not taking action to address a blighted property not only brings down property value, but it begins to undermine the fabric of that community.

The second finding that we think is very

important to bear in mind that I think we were all familiar with as well and seen by you here today is that blight and abandonment are not just big city problems. Yes, in the City of Philadelphia, we have more. We have -- it's a bigger city. We have more of everything. But these are also small town problems; they're rural problems; they're suburban problems, and they're statewide problems.

We don't know exactly how many blighted abandoned properties there are in the state of Pennsylvania because we have not done an inventory. And one of the things that if you're going to have a retail sale of a property or a retail operation of getting blighted property back onto market, it would be very useful in having an inventory.

But the best number we have is the 3 hundred thousand number, which was taken by the census of 2000. And if you look at those numbers, you will see that while there are a lot of properties that are vacant in Philadelphia and Pittsburgh, there are similarly in Altoona, the city of Lebanon, Lancaster City, Wilkes-Barre.

It's all over the state, and I think you've all heard Representative Argall talk about Tamaqua and the blight there. It's just as difficult to deal with and just as damaging as it is in big cities. So blight, we say blight is the common denominator in Pennsylvania

experience. Everybody has some firsthand experience with blight.

The third point that we want to make is that outdated state laws constrain the ability of local communities to effectively address blight. I think that's the last thing that state legislators want is to get in the way of local communities addressing a very important problem. The good news, the flip side of that is that state leaders, as evidenced by your work here today and over the last several months, have the power to provide local communities with powerful innovative tools to bring blighted properties back into productive reuse.

When we first started doing this work, we were very surprised to find out the extent to which state law had an impact on the ability of local communities to solve this problem. For example, tax sale law, that's really when you see a lot of blighted properties transfer ownership or the results of that sale may result in that property actually getting worse.

These are very, very old laws that were passed in a time when nobody anticipated the kind of blight and abandonment we have today and the tax sale is blind to the immediate interests of the neighbors or that community. It's a revenue law. And so one of the reforms that we think is very important that's included in this package is

to give municipalities a tool to be able to address blighted, vacant, abandoned properties differently through the tax sale; so that when the county holds a tax sale, they would notify the municipality that there's a blighted abandoned property.

The municipality would have the power, first of all, and would hope that they have right of first refusal, but would also have the power to hold that developer or that new owner accountable to a redevelopment plan.

What has been found over the years is that when properties go through tax sale, very often, they're in no better shape a year, two years, three years after the sale because it just goes to the highest bidder with no accountability for that person to find that they have existing code violations, if they have the wherewithal to fix up the house, that they intend to live in it or fix it up and resell it.

And so it's important for every property when you have a blighted abandoned property to be able to have some control and have the needs and interests of the neighbors of that community making that possible is a very important tool, and it maintains all the property rights that currently exist. So that's, I think, one example.

There are many other examples. One of the things that we think that's really worth noting here is

that the state actually has a pretty good track record and starting to chip away at these problems. Thanks to the work of many people in this room, there have been a lot of reforms that have been enacted. It's now possible to have a property be donated to a municipality. It's almost impossible for a municipality to accept a donation, and now they can go to taxing bodies and make a decision about whether they want to accept that property.

It's now possible to have criminal prosecution of a repeat code enforcement violation violator, so that they don't just keep having the same violations over and over again with no consequences. We have -- one of the biggest problems we have in the state is that people, a lot a people who leave their properties without a will or without an interested heir.

And now the Redevelopment Authority can file a letter of administration if there's no will or an interested heir and get that in the interest of the property and get it back onto the market, and the proceeds go back to the estate. So we've made some progress. There are innovative tools that make it possible to address blight in more effective ways. But nonetheless, as Senator Rhoades has noted, this problem really is still, the problem of blight is still continuing and requires dramatic action. The Housing Alliance supports Senate Bill

1291. I'm very pleased to support this. We support the concept. We understand that there are probably some bits and pieces that need to be adjusted so that they do what they are designed and intended to do.

I won't talk and go through every single provision. You do have our testimony. But we believe that, for example, private asset attachment is an important step forward. The tricky part of any kind of blight legislation is separating the wheat from the chaff. We want to protect the good owners and allow them to prosper and take of their property. At the same time, we want to have a way of getting at the owners who aren't upholding their responsibilities.

And so being able to pierce the corporate veil and go after the private assets of a slum landlord who is bringing down property values in the neighborhood is a very important tool. And I think that can make a big difference, something we hear in local communities all the time, similarly being able to reach out-of-state owners.

How often has a local community not being able to get an out-of-state, let's say, rental owner or homeowner to come back in and fix up their property? It seems like a no-brainer, but it requires legislative reform. We're very interested, as I said, in the tax sale reform, to try and have a tax sale process, do a better job

with these blighted properties.

And we're interested in conservatorship, which Chris mentioned, and we've been working very hard, many individuals in this room, to try and find language that is acceptable that both, at the same time, provides an alliance for a temporary guardian to come in and fix up a property when everything else has failed and there is no other alterative; but at the same time, to protect the property rights.

And I do hope that you will look at the language, the amended language from House Bill 2188, so you don't have to reinvent the wheel. All in all, I just want to tell you, once again, we thank you so much for your leadership on this issue. We look forward to working with you in whatever way we can to move the legislation forward and to enact these very important concepts into law. Thank you very much.

CHAIRMAN PIPPY: Thank you.

Senator Rhoades?

SENATOR RHOADES: In terms of looking at the whole bill, any recommendations, plus or minus, that you think should be made to improve the bill as it is right now?

MS. HERSH: We are familiar with the concerns raised by the Association of Realtors on permit denial, and

we do think that that language could be tightened up. So I think the net may be cast a little wide there. This is Cindy Daley, our Policy Director.

MS. DALEY: Actually, I know that a lot of time went into crafting this. I'm trying to think of -- I know that you introduced a couple of companion bills also to go with that. I think it's fairly comprehensive. One thing that Liz mentioned is that right of first refusal for municipalities.

It's actually, an intent was made to do that over a couple of sessions there, and unfortunately, the Legislature pushed on the wrong part of the statute, and I believe we'll be coming to correct that. But I think that this bill is pretty comprehensive. And as we hear from the parties who may represent some concerns, I'd be happy to participate in working out language, but I think it addresses most of the issues.

SENATOR RHOADES: Thank you.

CHAIRMAN PIPPY: Thank you.

Senator Kitchen?

SENATOR KITCHEN: Thank you, Mr. Chairman.

In Philadelphia -- and I imagine it's true all across the state, but in Philadelphia, the majority of abandoned properties are owned by people who only own that property and another one. And it seems like what we're

saying here is the cure is for the owners of the property to just take out the checkbook and start writing to clear up what is wrong or a code deficiency on their property.

Now, is this an effort to get a certain number of properties where groups such as yours or other people can take them over? I'm not clear because this solution is very, very complicated. And often, as bad as it is if the problem is created, is the properties are not owned by people who can just take out and write a check for 60 or $70 thousand just to cure it.

MS. HERSH: Well, as someone who owns a very old house in the city of Philadelphia and one in Lancaster County, I fully appreciate the cost of repair. One of the things that the Housing Alliance very strongly supports is providing for repair programs for people who need the help. We are very supportive of Senate Bill 1400 introduced by Senator Pippy for a state housing trust fund, which one of the purposes would be to establish a statewide home repair program so that homeowners do have the resources they need to fix up those houses.

So we absolutely agree that you can't just use the stick. You also have to have the carrot. If all you do is code enforcement, we believe what will happen is that people will lose those homes and they will become completely inhabitable. The code enforcement is only

really effective if it goes hand-in-hand with the repair program.

SENATOR KITCHEN: Well, it's highly unlikely that any type of homeowner -- I mean, any type of taxpayers' dollars in any form, whether it's fees or it's coming from a general fund, will go towards someone's property that they don't live in. I don't see us -- I mean, that's going to be very difficult.

A lot of those programs are for people who live in houses that they can't repair. So I'm just saying, going forward, please look at that fact, that this is just not a simple kind of a problem that you might just write a check for. Thank you.

MS. HERSH: I agree. Thank you, Senator.

CHAIRMAN PIPPY: Thank you, Senator.

Senator Kitchen brings up a good point, which is you mentioned earlier describing about separating the wheat from the chaff, the ability to provide assistance or recognize those who they live in the property, but also may have financing for repairing, separating those individuals who don't own the properties or abandoned properties or multiple properties.

How do we balance that individual property right with the overall good of the public? Are there examples of that? Are you aware of townships that it may be too

difficult in some ways to take away property rights of individuals? That's a pretty broad question, I know. We're trying to grapple with this issue.

MS. HERSH: Yeah. I guess our view is -- and not to repeat myself -- is really that you need to do both. You need to do fair and consistent code enforcement. That takes into account the wherewithal of the owner. At the same time, you need to provide resources to help the senior citizen, the low income homeowner or the low income rental owner to be able to maintain that property.

And I think that we have to have a balance between these things in order to have the legislation be fair and to have, to actually be effective in these solutions.

MS. DALEY: I just wanted to concur, and as Senator Kitchen said, it's not just homeowners, but sometimes landlords particularly in low rent areas who don't receive enough income to maintain a property. And there used to be a federal program, I guess, which doesn't exist anymore.

I think it's very legislative for the legislation to consider that as a potential or other funds that may come from legislation and also then home repair programs for homeowners, but that are also for landlords who rent to low income families.

CHAIRMAN PIPPY: Thank you. And I think it is important to note that what we're talking about is low income individuals in areas that are depressed areas, where if we invest in property ownership, that has a lot of positive effects above and beyond just owning a home. (Inaudible.)

And as you mentioned, it has slowly gotten out of that business frankly. We work on a lot of issues, but this seems to be an area whether we're receiving less and less federal assistance at the state level. So I want to thank you for your testimony. Thank you for bringing up some of the concern that's we've heard about.

MS. HERSH: Thank you.

CHAIRMAN PIPPY: Our next presenter is from the Pennsylvania Association of Realtors. Kim Skumanick is the Vice Chair of the Legislative Committee.

And, Kim, when you're ready.

MS. SKUMANICK: Good morning, Chairman Pippy, and members of the Senate Urban Affairs and Housing Committee. My name is Kim Skumanick, and I have been a real estate licensee since 1994. I am, as you said, currently the Vice Chair of the Pennsylvania Association of Realtors Legislative Committee.

On behalf of the 34,500 members of PAR, thank you for giving us this opportunity to present our views on

the issue of urban renewal and how to make our communities a vital place to live and work. In January of this year, PAR President Bob Hay established an Urban Renewal Task Force to examine legislation aimed at helping municipalities prevent blight and to remediate abandoned properties.

The task force was comprised not only of realtors from across the state, but of representatives of the Pennsylvania Builders Association, the Apartment Association of Greater Philadelphia and the Pennsylvania Residential Owners Association. We invited these groups, some of which are here today, to join us in reviewing Senate Bill 1291, the Neighborhood Blight Reclamation and Revitalization Act.

I want to make it clear, however, that the comments that we submit today are on behalf of our association and not on behalf of the task force. In determining our position on Senate Bill 1291, PAR considered all facets of the legislation, including the practical nature of implementation, current laws and municipal codes on the subject and how effective the bill will be to eliminate blight and rehabilitate abandoned properties.

We are generally supportive of the intent of Senate Bill 1291, but believe that neighborhood

revitalization can be solved through enforcement of municipal code programs and state laws already on the books. We believe that many components of Senate Bill 1291 are redundant and unnecessary. Our written testimony describes all our concerns as well as our recommendations. Due to time constraints, I'll summarize a few of the key points today.

The bill includes the definition of a residential building as a building or structure containing one or more dwelling units and the land appurtenant to it. We believe that this definition is overbroad, and we suggest that legislation be comprised to mirror the Residential Real Estate Transfers Law. Senate Bill 1291 also allows for the appointment of a conservator if the property has not been actively marketed during the last 60 days, but it provides no definition of the term actively marketed.

We recommend that be defined as an owner has placed a for sale sign on the property with accurate contact information and has done at least one of the following: a, engaged the services of a real estate licensee to place the property in the Multiple Listing Service; or, b, placed weekly advertisements in print or electronic media; or distributed printed advertisements.

This definition would encompass both owners who

engage the services of a real estate licensee or those who decide to sell the property as a for-sale-by-owner. Some of the property conditions that trigger conservatorship are not clearly linked to an imminent threat to public health, safety or welfare. Several state laws only permit the appointment of a conservator if the property is abandoned and poses an imminent danger to the health and safety of the occupants.

We believe the definition in those terms could help protect property owners from frivolous petitions and also allow for specific targeting of abandoned and vacant properties that pose real risks to public health and welfare. Senate Bill 1291 would allow for the state or a municipality to deny an applicant a permit, certification, license or approval for contemplated action if the applicant owns any property which is tax delinquent or in violation of codes.

We oppose the use of tax delinquency as a basis for denial of permits or licenses. We encourage the complete removal of Subchapter E from the legislation. For example, real estate salespersons must be attached to a broker at all times and would be unable to renew their license and to work if their broker does not receive tax clearance.

Furthermore, Commonwealth versus Hoffman, which

was a Commonwealth Court case last year, determined that local taxing authorities lack the express, implied and necessary power to enact the provisions of an ordinance to withhold licenses and permits as a means of collecting real estate taxes and municipal debt.

PAR recommends that absentee owners and landlords who allow their properties to fall into disrepair contribute to the deterioration of our communities and will continue to support legislation designed to make our communities safe and vital, but we also believe that this ideal can be achieved through enforcement of municipal code programs and state laws already on the books and consider many components of Senate Bill 1291 to be redundant and unnecessary.

On behalf of PAR, thank you for inviting me today to speak about this issue and share our concerns. I would be happy to answer any questions that you may have.

CHAIRMAN PIPPY: I just want to make sure I completely understand. Other than the redundant and unnecessary parts of the bill, you're supportive?

MS. SKUMANICK: That would be correct.

CHAIRMAN PIPPY: But we do appreciate your detailed testimony, but I think that we not only value the testimony as was mentioned, we want to address the issue, and we'll be working with all the property owner

organizations to try to come up with language.

Senator Ferlo?

SENATOR FERLO: I loved your testimony. The essence, again, is you basically believe maintaining the status quo. (Inaudible.) We have a significant problem and a problem that will be exacerbated based on data, and having been a former councilman for 15 years as well as a board member of the Redevelopment Authority, it's very difficult because of existing laws in the state that do not allow us to expeditiously acquire a property.

Sometimes bills go into 20 or 30 instances of the forum that are needed, some of which are actually expressed in this legislation. I'm generally very supportive of it, but that basically, despite all the language and innuendos, basically you're saying everything's fine, but it's not fine.

It's getting addressed in this bill, and you're accepting the status quo. So I'm encouraging you to go back and be more explicit about significant reform that's badly needed and long overdue.

MS. SKUMANICK: Thank you for your comments, Senator. But as I said too, if we could find ways to enforce codes in municipalities, we may not see some of the problems that we --

SENATOR FERLO: Give me an example. You keep

saying that. And it's not a one-size-fits-all situation for the housing problems, as we know. But we may have 2 thousand properties in the city of Pittsburgh where there's not even an owner or the owner is now deceased. There are some that abandon their properties that are long gone.

And I can show you. I've been involved in trying to put together master planning to do housing and commercial redevelopment (inaudible). But there's a significant problem, and it's not always the case of the code enforcement issues. There's just nobody there anymore at that property.

MS. SKUMANICK: I agree. Two points that I would like to make about that; that is the conservatorship position in this bill, that when there are abandoned properties and the owner has left the state and can't be found. And additionally too, some of the properties that are abandoned or blighted are actually municipality owned and that's --

SENATOR FERLO: Let me ask you something. I mean, if you have, for instance, we have 5 hundred pieces of property in the city where we know where the person is, and they do have resources and assets. They may have abandoned the property in the city and may live somewhere throughout Allegheny or southwestern counties, and they have financial resources. We want them to move on and do

something with the house.

They don't do that. They have legal and financial and municipal resources to get acquisition to acquire the property, good, better or indifferently. So why shouldn't we have the right to go after them? We're paying for condemnation and demolition costs through federal funds, state funds or local municipal funds. I mean, we should be going after those people. You can't just walk away from your property. I mean, people have to be responsible for the property they own.

MS. SKUMANICK: I certainly agree with you there, that they should be held accountable. (Inaudible) This bill would help us move forward and improve those areas.

SENATOR FERLO: Thank you.

CHAIRMAN PIPPY: Thank you, Senator Ferlo.

Thank you, Ms. Skumanick. We appreciate your testimony, and as we mentioned, it's our intent and desire to try to do something, to try to make a deal with this issue. And so your detailed testimony is helpful and gives us, I think, the provisions that all parties recognize and to move forward with it.

Our next presenter is from the Pennsylvania Association of Community Bankers, a very well-known organization who spends a lot of time and energy helping

our communities in different charitable events. So it's my pleasure to have Mr. Bailey, who's President/CEO of Brentwood Bank. With us today also is Reg Evans from Shumake Williams, P.C.

Gentlemen, welcome. Please begin when you're ready.

MR. BAILEY: Mr. Chairman, members of the Committee, thank you for the opportunity to participate in this hearing today on Senate Bill 1291 of 2008, the Neighborhood Blight Reclamation and Revitalization Act. We thank you for including PACB in this discussion and commend you for having on the table conversation on blighted property in the Commonwealth.

On a personal note, Mr. Chairman, as you know, Brentwood Bank is a full-service community bank located in your district, and it is a privilege for me personally to appear before your Committee. We've had informal discussions for almost a year now with the Housing Alliance of Pennsylvania and have provided testimony to the House Urban Affairs Committee on House Bill 2188, which contains conservatorship for blighted property provisions similar to Senate Bill 1291.

We welcome the opportunity to share our viewpoint on this important topic. Prior to discussing the legislation and sharing some of the concerns that we have

with you regarding the legislation, we believe it is important to share with you PACB's history and the essence of community banking. PACB is the oldest financial services association in the nation dating back to 1877 and currently represents 150 community banks across the Commonwealth of Pennsylvania.

Our member banks serve as the epicenter of community activity, providing key financial services to citizens and funding community-based businesses and programs. Community bankers are dedicated to serving their communities and take great pride in the positive impact we contribute by reinvesting in the community through residential mortgages, small business loans and agricultural and student loans.

As you know, Mr. Chairman and members of the Committee, our relationship with customers go back 75, 100 and 125 years. Prior to any federal or state regulations and mandates, community banks were doing community reinvestment as their principal stock in trade. That continues to be the case today. We've survived wars, depressions, recessions, boom markets and bust markets and continue to be anchors on Main Streets of Pennsylvania towns and cities.

Our members live by the motto, Pennsylvania first, for we truly are the financial institutions

reinvesting in the state. This is not mere rhetoric, but the very reason our members exist. Our combined assets of over 90 billion are almost entirely reinvested in the Commonwealth and its citizens. Collectively, we have been serving Pennsylvania's communities for over 23 thousand years with the majority of our members in existence for over 100 years.

Because of the unique role we play in our communities and unique relationship we have with our customers, we are sensitive to blighted property and the need to ensure these properties are rehabilitated and made useful again to the community. Blighted properties hurt the communities we serve, so we share the goal of this legislation to combat this issue in the Commonwealth.

As for-profit entities that take in deposits and then lend those deposits in the form of mortgages for residential and commercial properties, we have grave concerns about the impacts of this legislation on the mortgage contract and lien.

At this point, I'd like to turn the testimony over to Reginald Evans of Shumake Williams, a former Chief Counsel of the Department of Banking, who will share with the Committee some detailed analysis he conducted including a discussion relevant to our concerns and some possible approaches for the Committee to consider regarding the

legislation.

CHAIRMAN PIPPY: Thank you, Reg. Before you begin, we do have your testimony and had a chance to look at it ahead of time. It's very detailed. So if you could help summarize, that may be --

MR. EVANS: I'd be glad to. Thank you very much for this opportunity to present to the Committee our comments for the conservatorship provision and the other provisions in Senate Bill 1291. To summarize very briefly our comments concerning conservatorship provisions in Subchapters A and D, PACB has provided comments previously to the House regarding House Bill 2188 referenced earlier, and our recommendations were largely accepted into House Bill 2188, P.N. 3698.

Our concerns were largely addressed by those provisions. The only additional revision to reference would be pertaining to the definition of building, which in the present bill, constitutes a residential, commercial or industrial structure and the land appurtenant thereto. PACB recommends that the bill be clarified to cover a residential building and the lot upon which it is located or commercial or industrial buildings within 500 feet of a residential building.

The reason being for this recommendation is that not all commercial or industrial buildings should be

subject to potential conservatorship if they do not impact neighborhoods and there is, of course, the potential loan cost that could be attributed in the event that all industrial and commercial buildings would be potentially subject to the bill.

Moving on to the other provisions in the bill, Subchapter B titled, actions against owner of blighted property, this specifically authorizes a municipality or an aggrieved owner or tenant of real property to commence legal action before a district justice to prevent on owner in advance from engaging in an act that would violate a Housing Code.

PACB recommends that Section 6111, 6112 and 6113 be removed from the bill, the reason being that it would be difficult, if not impossible, to enforce and would appear to be covered already in the law by the requirement to obtain local building permits in the first place in order to engage in certain structural changes on owner property.

Subchapter B also requires a corporate owner to include as an attachment to a deed the names and addresses and photo identifications of each officer of the corporation. PACB's concern in this regard is that this will largely slow down the deed transfer process that would lead to numerous inaccuracies over time given the number of officers and directors over the years who are changed, and

that really doesn't add benefit to the community or to the industry.

So respectfully, we recommend that Section 6115 be removed from the bill. Regarding Subchapter C, responsibilities of mortgage lenders, Subchapter C provides that 30 days upon the foreclosure of a building due to the owner of record's default on a mortgage loan, the mortgage lender in possession of the building shall assume legal responsibility and liability as the owner of record for all exterior municipal Housing Code requirements that are serious violations.

This provision's of concern to mortgage lenders because it appears to shift liability for housing violations from a person who committed the violations, meaning the owner, onto the mortgage lender that forecloses on the building in order to protect the lender's lien position. Also, the determination of what constitutes a serious violation would appear to be a subjective standard, and at this time, is vague.

And that remains to be of concern as well due to lack of a clear standard. Thus, we urge that Section 6122 of the bill be removed. Section 6123 of Subchapter C states a list of entities that are allowed to grant or insure residential mortgage loans pursuant to Subchapter C. This appears to be derived from the Mortgage Bankers and

Brokers Act section.

It's certain that this would be duplicative, and in the future, could cause confusion as to enforcement because if there would be an amendment to the Mortgage Bankers and Brokers Act and no amendment to this law, you would have to describe standards. So it is recommended that Pennsylvania Department of Banking, having this particular item, that it's covered in the law already. I hope I wasn't duplicative in my comments.

Subchapter E, titled state and local government permit denials, would allow the state or local government agency, board or commission to deny a building permit or certification or license if the applicant owns real property for which delinquent taxes, water, sewer or garbage charges are delinquent.

The concern of the banks with this provision is that it could backfire on the ability of an owner, conservator or lender seeking foreclosure to rehabilitate a building in a timely manner. Accordingly, changes to that provision or the elimination of it is recommended.

Subchapter F, state blight data collection system, this would established a property maintenance code violations registry to be administered by the Department of Community and Economic Development.

Property owners in violation of a municipal

property maintenance code would be subject to a surcharge of $100 per violation. The banks are concerned that in foreclosing on abandoned or blighted properties, that the surcharge or fine of $100 per municipal code violation could be imposed on lenders who are not responsible in any way for the municipal code violation on the building.

This would be a charge lenders purchasing and rehabilitating the property as well as other individuals interested in purchasing the property and rehabilitating it, but coming subject to not having a penalty by virtue of taking the property. Based on these concerns and others referenced in the written testimony, it's recommended that if the proposed state blight data collection system is established, that the surcharge provision at Section 6157 be removed from the bill.

Finally, regarding Subchapter H, titled sale of blighted and abandoned properties, this appears to provide that in a tax sale situation, a purchaser of an abandoned property would be required to enter into a redevelopment agreement with the municipality obligating the purchaser to redevelop abandoned property in accordance with municipal codes, with the work to be completed within 12 months and requiring the purchaser to post a bond.

While this provision appears to cover a tax sale as opposed to a foreclosure sale, it is possible that a

lender would purchase a property at tax sale in lieu of filing or completing a foreclosure action. We are concerned that Section 6167, which is entitled requirements for purchasing abandoned property, will greatly delay and inhibit the purchase of abandoned properties from negligent owners by imposing the cost of posting a bond and all the negotiation time necessary to enter into a redevelopment agreement with the municipality.

Accordingly, it is recommended that Section 6167 be removed from the bill. That completes the comments that PACB has at this time. More detailed comments appear directly in our written testimony. Thank you. If you have any questions, we'd be happy to answer them.

CHAIRMAN PIPPY: Senator Ferlo?

SENATOR FERLO: Thank you. First of all, I'd like to commend you for reaching out to individuals with small businesses, but I'm trying to understand a couple of issues. First of all, I don't get the statewide data on the cost of the administration, and it's questionable.

I don't get that and someone maybe has testimony that makes sense to me. (Inaudible) as opposed to local control and local communities and municipalities being able to deal with significant problems. I don't get that it's statewide database.

Again, a lot of this goes back to a

one-size-fits-all, and a lot of the abandoned homes, there is extensively no mortgage lender. Their loan and their obligation is pending. They're not directly entitled to buy the property and extrapolate some (inaudible) for 45 years ago some mortgage for abandoned homes.

So I don't quite understand that, but my experience for the last 25 years is trying to deal with a lot of housing, or deal with blighted housing. Usually, if you reach out to the local banking community, they don't want involved; one, they don't want to lose value because they think there's some value in that mortgage and they're trying to get it back out to use and maintain the property to some working order in order to get it off its books.

They don't want to own the property. Secondly, the banks have usually been not automatically forthcoming, but due to the Investment Act, usually they become part of a solution for a community housing developer if it's done the right way.

And I'm just trying to get your reaction here in terms of the issue of just walking away completely and not sensitive to the fact that being an asset issue and whether or not it's deteriorating or they have a moral or financial obligation to participate in housing and redevelopment issues by the local government and communities. I'm just wondering what your reaction is to that.

MR. EVANS: Our banking institution is very concerned with our local communities. As the Pennsylvania Association of Community Bankers, we as a banking association, are much more locally focused than the gigantic banks that have branches, but don't have connections with the community.

So there's some ongoing concern at any time that a lien position is taken on a particular property. The bank is supporting that particular property, that owner, that neighborhood and is not seeking to have any type of blight occur.

So when an owner walks away from a particular property, it's negative for the bank's bottom line; it's negative for the community and something that the banks are interested in, having worked out the most positive manner possible; while at the same time, recognizing that banks have shareholders or have bottom line needs for their institutions.

And all that needs to be factored into a formula that is going to win the interest to the banks. The bankers sit on numerous boards in local communities, and they're very in touch with housing and local community institutions. And that's part of why we're here today, why you're negotiating this kind of bill, why we've discussed with the Housing Alliance of Pennsylvania over the last

year how we can make this work.

SENATOR FERLO: Can you break down to -- let's say (inaudible). The house forecloses, whatever the situation is, and three years later, the house hasn't sold. What do you feel has been the experience with a regular bank and the management or the responsibility of that physical structure that's in the neighborhood? What is your response? Do you monitor? Do you first --

MR. BAILEY: Yes. I think community banks, unlike other mortgage providers, typically eat the asset on their books as opposed to sell it off. And so we have a valid concern just as you have. The problem that we have is all the legal, the 60-day notices, the 90-day notices, the bankruptcy filings that the owners typically go through that take all the time.

And I guess our concern with this is that, yes, we're on the same side; we want to get something done. The problem is, when it gets to that point, you're losing a lot of money.

SENATOR FERLO: While you may at Brentwood Bank being housed in the community for a larger banking established where you sell your mortgage packages to any number of (inaudible) who no longer have any identifiable community relationship.

I am sympathetic, and we appreciate why this

language is in here, that there's a lot of banks, the lending communities that have sold the mortgages of other institutions that might be out of the country even and it's just the financing, no fiduciary responsibility for the properties.

There's a difference between community credit union versus some of these bigger banking institutions that, in fact, sell mortgage packages and that nobody's really looking at the problems. So I would ask that you all think about that and come back with some suggestions because I still think that part of the problem is one-size-fits-all in this legislation. We need to go after those companies that have sold their mortgage packages and have walked away from the property.

MR. BAILEY: I understand.

CHAIRMAN PIPPY: Senator Rhoades?

SENATOR RHOADES: Back on page 5 under your comments on Subchapter C, responsibility of mortgage lender, the owner of record's default on a mortgage loan; the mortgage lender in possession of the whole building shall assume legal responsibility and liability as the owner of record for all exterior municipal housing code requirements that are violations of blight in the neighborhood, I understand where it comes, where you can't control, whether you send people around.

But I can think of a case of a small community, rural area, row homes, all the homes connect. The bank loaned the lady up to $22 thousand on a home that was assessed at $84 hundred. And then in the process, the children moved away, they just got up and moved away from it.

The end result is is that the heating system went, and that's internal; the roof went, that has to be replaced; the sewage line has to be replaced. And then if you look at the front of the property, the one roof, because of rain damage, it's thoroughly washed its way through. And the front on the other property is falling apart.

And when you look at the other homes, the three homes with that, they have all been renovated, taken care of. One on the other side is the same thing, and my frustration is how does something like that happen where a bank loans $22 thousand on something that's only assessed at 84 hundred and then that really doesn't recover their money, because to fix the place up, they'd have to spend $40 to $50 thousand. Who takes care of that? I mean, the lady died, the husband died, the mother died and the kids are gone; and they're not going to do something because they don't care.

MR. BAILEY: I think it all goes back to

responsible lending, and I don't want to get into a battle of definition of a bank. But I think a responsible lender would have never lent more than what you're describing, the 84 hundred versus the 22 thousand.

But in that case, at some point, it becomes, I assume, a business decision of how much more you're going to put into something if it already has water damage the way you described it, the 84 hundred versus 22 thousand.

SENATOR RHOADES: Yeah. This was my frustration, looking at that, something that was assessed at 84 and the bank gave them 22. And it's deteriorated, and to fix it up now, you got a lot of properties that are joined. And the heating system was, oh, this is all cast iron, and I'm saying, wait a minute, where's your equity; how do you recover, and how can a bank stand losing $16 thousand?

MR. BAILEY: No, and I think that's where I get back into the definition of a community bank. We're more lending to the person than we are to the asset.

SENATOR RHOADES: But see, that's the kind of thing that forces us in this particular case to draft this kind of legislation, to give somebody authority to look after. You may do a tremendous job, and apparently, from what I hear from my colleagues, you do. But we have some, shall we say, citizens that aren't as good as what they

should be.

And part of my thinking is, well, we have to give somebody the authority, and it falls to the municipalities to be able to do something. The object is not to be punitive. The object is to be able to restore those 300 thousand homes, that they become liveable, viable, loanable and useable. And I think that's the bottom line.

CHAIRMAN PIPPY: Thank you, Senator Rhoades.

Gentlemen, thank you for your testimony.

MR. BAILEY: Thank you.

CHAIRMAN PIPPY: Our final group of presenters are representing the Residential Owners Association as well as the Apartment Association. I look very forward to hearing from you and hear how it will be impacting you directly from this type of legislation.

On behalf of Pennsylvania Residential Owners Association, we have Rita Dallago, who's the Executive Director. And then on behalf of the Pennsylvania Apartment Association, we have Christine Young-Gertz and Paul Jay Cohen. Well, I don't see Paul.

MS. YOUNG-GERTZ: Sorry. Mr. Cohen can't be with us today. I apologize.

CHAIRMAN PIPPY: As I mentioned, I was looking forward to hearing from Paul and all parties involved. I'd

ask that -- we do have the testimony, and every member of the Committee will receive a copy of your written testimony. If possible, if you could summarize it, that would be very helpful.

MS. DALLAGO: Okay. Good morning, Chairman Pippy, members of the Senate Urban Affairs and Housing Committee. Again, my name is Rita Dallago. I'm with the Pennsylvania Residential Owner's Association. We represent over 25 small associations across the state of Pennsylvania, over 8 thousand small business owners.

On behalf of PROA, I do need to commend Senator Rhoades and his staff on taking on this very difficult challenge of blight. We share your goals. Blight affects our communities, our livelihoods and our tenants' quality of life. However, looking at Senate Bill 1291, we do have a few recommendations for amendments so that there are not harmful, although unintentional consequences.

The scope of this bill is very far reaching, and it impacts the property rights of property owners; small businesses, large businesses, homeowners and landlords. The bill proposes three mechanisms that impact owners of property. The first creates a right of action against property and owners; the second allows third parties to take conservatorship of an owner's property; and the third allows for the denial of state licenses and permits.

The first segment would allow the neighbor or a tenant of any residential, commercial or industrial property to bring a civil action against a property owner to correct alleged code violations before a district justice. The violations permitting the lawsuit against a property owner would be any violation without regard to the significance of that violation.

The concept of allowing private citizens to enforce public housing codes would institute a new theory into law. Creating a new cause of action for tenants of rental property or a disgruntled neighbor to bring an action has potential to create lawsuit abuse. Frivolous and retaliatory lawsuits brought by tenants or feuding neighbors could explode, the time and legal costs, not to mention clogging up our court system.

We, therefore, recommend that Section 6111(a) be amended to limit those parties and interest to municipalities and other governmental bodies. Senate Bill 1291 would provide that any uncorrected code violation will result not only in a lien against the property, but personal liability against the owner and all the owner's other assets. This change represents a shift in jurisprudence tradition. Matters involving property have always been in rem actions, not in personum.

We recommend that 6112(1) and 6113 be changed to

in rem action and the lien be placed against the property. We are also concerned about requiring corporate owners to provide their driver's licenses as part of public record to go with the deed. We feel that this is not only unfair, but could be somewhat dangerous. We have a concern about personal safety, identity theft and privacy.

We also have a concern about the negative economic impact that this could have. I can't imagine Bill Gates and the Board of Directors of Microsoft to give copies of their driver's licenses before they can set up business in the state of Pennsylvania. Our understanding is that they must register with the Department of State, and the Department of State has their information.

Therefore, we recommend that 6114 be deleted from this bill. The conservatorship section allows any party in interest to sue for conservatorship. In Senate Bill 1291, a right to bring an action would be given to anyone who lives within 500 feet of the property and any nonprofit organization. We feel that Senate Bill 1291 would be best served following the recommendations that are in the House Bill.

We also have a couple other recommendations. The grounds for filing a petition must be for multiple serious violations, not for minor violations. Some of the minor violations that we have seen cited recently are a

dirty oven, cracks in the basement windows and even a ring around the bath tub. We also ask that the parties of interest be limited.

We're concerned about giving tenants the ability to file a conservator petition. The cost to defend against conservator petitioners filed by disgruntled tenants could be astronomical. We could also be creating an open season for investors who have their sights set on certain properties.

We also have a major concern about the permit denial section as well as needing a permit to make the necessary repairs, and we certainly do not want landlords or other property owners making repairs without the proper permit. This is counterproductive. Also, this is not forward recommendations on how to handle issues where there is a legislate dispute.

If a landlord or a property owner is disputing their assessment, a water bill or the like, we feel that there should be steps or recommendations on how to deal with those issues, that their permits should not just be denied because this could cause them to abandon or weigh their due process. And so, therefore, we feel that this Section 6142 as well as Section 6141 should be eliminated or, in the alternate, at least amended to address these concerns. This is a synopsis of our concerns and

recommendations on the bill. And, again, we commend you for taking on this blight issue. Thank you.

CHAIRMAN PIPPY: Thank you.

MS. YOUNG-GERTZ: I'm Christine Young-Gertz. I'm the Government Affairs Director for the Pennsylvania Apartment Association and the Apartment Association of Greater Philadelphia, its affiliate. The Pennsylvania Apartment Association is made up of Apartment Association of Greater Philadelphia and the Apartment Association of Central PA and the Western PA Apartment Association together under the umbrella of Pennsylvania Apartment Association.

All together, we are owners and represent roughly 300 thousand apartment homes of Commonwealth citizens. We are affiliated with the National Apartment Association, who is the leading advocate for quality rental housing in the United States. The PAA is the foremost authority on the apartment industry in Pennsylvania. Our members are owners of larger apartment communities, apartment buildings and apartment areas, as a profession by and large.

We -- and when I say the foremost authority, the reason is is we take our responsibility seriously. We, our members regularly avail themselves of our education programs on responsible property management, fair housing.

Our certification courses in apartment management and maintenance are the most highly regarded in the country.

Additionally, we take our responsibility to be good citizens very seriously as well. For example, we recently published a book, the Landlord/Tenant Lease and Law Handbook at the Pennsylvania Apartment Association. And we're making efforts to make this available to every Magisterial District Judge who deal with landlord/tenant issues. It's our guide to our lease as well as pertinent Pennsylvania law.

And, again, if I could just emphasize, and not just to repeat, we want to find real solutions to the problem that irresponsible property owners, including rental property owners, are causing in our communities throughout the Commonwealth. Blight in our neighborhoods diminishes my members' property values as well and affects the quality of life of our residents.

Keeping our communities strong is central for our industry and our bottom line. I was trying to say, however, that we're the other guys. We take it seriously. It's a great problem throughout the Commonwealth with abandoned properties. And we have properties with irresponsible landlords, and we have to deal with that. We have to work together.

We have to do something that does not hinder the

efforts of conscientious landlords, nor discourage responsible investors from bringing their business enterprise dollars to our Commonwealth. It is a big job, and we're all in it together. And as to the bill, if I could just state, very generally, Subchapter D, which would establish conservatorships, is a promising approach and we support it.

It's the devil in the details, and I would welcome further discussion with any member of the Committee or staff and to perhaps work some of those details out. But it's a promising approach, which is to effectively deal with blighted and abandoned properties. And other testimony today referred to some of the innovative tools that are now available.

Some of the municipalities have at their disposal substantial remedies already available. In fact, I work in the Philadelphia area, our neck of the woods, and I shared that language from this bill with a couple of municipal leaders in surrounding communities in Philadelphia as an example of what kind of approach it could be. However, some other things in the bill certainly need amended. And, again, they're all mentioned here, but I'll briefly state the first one, Subchapter E, I believe, which deals with permit denials.

The language is broad. It would allow a

department or a commission to deny an applicant a state permit, certification or license if the applicant owns any real property in Pennsylvania for which there are delinquent taxes. That's really broad, and I would just like to go on record to say perhaps that language be all together removed or at least dealt with differently in the bill.

The legislative relationship between what the bill is trying to get done and what it would allow is broad. As an example, lots of people are licensed by the state of Pennsylvania, barbers, funeral directors, chiropractors; and I think that professional licensee is put in jeopardy with such a sweeping provision. I'd like to see that looked at more closely.

And, again, Subchapter B, actions against owner of blighted property, you've heard this mentioned a couple times. It's, just to sum up in a couple of words, I believe that it would only serve to encourage frivolous lawsuits and bring nothing new to the table on the issue of blight in our communities. And that's a shortened version of our testimony, but in the interest of time, I would thank you very much for this opportunity.

CHAIRMAN PIPPY: Thank you.

Senator Rhoades?

SENATOR RHOADES: Ladies, thank you for your

testimony. One of the concerns we have -- and I don't know that it would fit -- I'm looking at apartments that you have, the multi-story big jobs, but I go back to just the single properties. And, you know, we're talking about using the driver's license as part of it.

It could become cumbersome, but how do we keep a list that's active and up-to-date of who we go to to deal with that property? We've got it where, in some cases in my small town, our borough manager has gone out because of the dilapidated property who can't find the owner. I mean, the last owner's the person who died and passed away, and there's no one else on there.

And then if you start anything, they come back with legal action against you and you go back and forth. Do you have any recommendation as to what we could use to keep the ownership notification up-to-date and real?

MS. DALLAGO: Well, I know with rental properties in many municipalities, the landlords register their property and give a listing of the tenants. So if the property is registered, you would have that information.

SENATOR RHOADES: Okay. That's been part of our problem, where it's not up-to-date. But thank you very much.

CHAIRMAN PIPPY: Thank you for your testimony.

I'd like to note that Senator Browne joined us earlier. We didn't have an opportunity to acknowledge him. I think it's important. We wanted to have this hearing now during the budget session because we knew there were a lot of details that need to be worked out. Your testimony as well as everyone else's will be provided to every member of the Committee.

And many of us have had other Committee meetings on this, but we thought that we would get this testimony on record. A lot of the organizations worked with my director as well as Senator Kitchen's, herself and her staff. And by working with them during the summer, hopefully we can have some more discussions.

Before I make some final comments, Senator Browne, do you have a question?

SENATOR BROWNE: Thank you, Mr. Chairman.

I just wanted to focus on one area that, regarding your concern with Senator Rhoades' bill and the existing law in the Commonwealth. A lot of us -- and I know Senator Rhoades and his leadership on this bill probably sees the same thing. When you have a certain level of blight in your neighborhoods, it rises to the level of a public nuisance.

And part of the proposal on dealing with a conservatorship recognizes that, that when a court

determines a piece of residential property as being a public nuisance, that's when it rises to the level of conservatorship. Now, within our longstanding concept of private right of action is private rights of action against other public nuisances, and that is properties that are being used for drug activity, properties that are liquor establishments that are public nuisances.

And those longstanding elements of our public policy here allows a group of people, an individual to file action in court to avoid that nuisance. And I'm of the opinion that it's not the activity within the property, whether it be drugs or alcohol; it's whether the issue rises to the level of a public nuisance. And, like I said, in my community, in some cases, that is the case.

You have such blight and such irresponsibility of property owners that it rises to that level. Now, you're saying for public nuisance that relate to just blight of property, we shouldn't go there; we shouldn't allow private rem action, but we have had other public nuisances. I'd like you to consider that in terms of the already-established law. There's some areas of this Commonwealth that have very successful task forces.

I know in the city of Philadelphia, there are task forces for drug uses and alcohol, liquor establishments that have very substantial task forces that

deal directly with those issues and have been successful in abating them. Other than that, I really think Senator Rhoades' efforts in this regard would make a lot of sense for us to consider with our experiences in our communities. Just if you could comment on that.

MS. YOUNG-GERTZ: As I said, we welcome the opportunity to discuss any or all sections of the bill, and it's certainly a great point about drug activities in our neighborhoods. I confer the discussion about specific language as Ms. Dallago pointed out in her testimony. A lot of these can be brought under the umbrella, as she mentioned, rings around the bath tub or cracks in cellar windows, that sort of thing. It is broad sweeping language.

SENATOR BROWNE: If it rises to the level of what would be considered by a judicial officer, which is the standard in other cases of the public nuisance, would you consider that provision to be workable?

MS. YOUNG-GERTZ: Certainly explorable as an option. Our consideration, what we're concerned with now is the opportunity for someone to enter into frivolous lawsuits, and so that's a starting point to explore ways to make it more effective and not sweeping.

SENATOR BROWNE: I appreciate that because I think that is a part of the bill that we should really

consider. Thank you.

CHAIRMAN PIPPY: Senator Kitchen?

SENATOR KITCHEN: Thank you.

I wonder if you could comment on the rising cost to rent an apartment in Philadelphia. Large sections of Philadelphia do not have a rental apartment, do not have rental apartments for people to rent. And one of the reasons is that the cost to rent is so high. I can't understand what's driving that, other than, you know, apartment owners are just allowed to be able to charge that amount of rent.

I mean, $700 and $800 a month for an apartment and it's not even in center city is what is being charged now in my district. And I just can't imagine what is -- well, I know it's for profit because normally, if the owner of the apartment cannot get that type of rent, they'll either see if they can get Section 8 to come in for that apartment, or they'll rent to a college student if they are anywhere near a college, which is making it difficult for people to be able to rent apartments. Can you comment, or is that discussed at all? Do you all see this as a problem?

MR. YOUNG-GERTZ: Generally, we certainly recognize affordable housing, the lack of affordable housing in Philadelphia and around Pennsylvania. I can't

speak to specifics on any apartment community or why somebody's charging a particular rent or not. Actually, you mentioned the basic reason, again, generally speaking, the cost of doing business drives the pricing of whatever it is you're selling or renting or whatever of what would be allowed.

Philadelphia's an expensive area to do business in in terms of regulations and just costs, and everything's going up today with fuel rising, the cost of fuel prices and construction and materials, etcetera. But I can say we do recognize there is quite a need for more affordable housing.

If I could just -- you may be able to speak better to this, but an operation, like a mom and pop operation, old homes to rent or maybe a small building that may be four, five, six units, something like that, it's pretty tight usually to do it responsibly and to handle all the obligations.

SENATOR KITCHEN: But most tenants usually pay the utilities, and a lot of it is not so much affordable, but what is fair. I mean, it is outrageous to rent an apartment for 7, 8 and $900. It's just ridiculous.

MS. YOUNG-GERTZ: 7, 8, $900 sounds like a lot of money to me too, but I just don't know specifically how I can address particular concerns on specific properties.

I can only say that responsible property management owners price their product in keeping with their costs.

SENATOR KITCHEN: Well, it is one of the reasons that blight is created, when property owners are expected those types of rents and can't get them, and then the apartment stays vacant longer and longer.

MS. YOUNG-GERTZ: That is one of the reasons --

SENATOR KITCHEN: Thank you. I mean, I'm sorry. I didn't mean to cut you off. Go ahead, ma'am.

MS. YOUNG-GERTZ: It's probably a very grave concern, especially to folks who own smaller rental properties, and I'm not familiar with the financing of such. But in terms of their investment pressure, we have a problem with my loaners of larger buildings.

SENATOR KITCHEN: Thank you very much.

CHAIRMAN PIPPY: Thanks, Senator Kitchen.

Thank you for your testimony. We also received written comments from the Builders Association and Boroughs as well which will be added to the record. We want to thank you for your testimony. We appreciate your comments and look forward to working with your organizations as we look to tighten the language of this bill. The next hearing for this Committee will be on the road in Pottsville on July 22nd. This meeting is adjourned.

(The hearing was concluded at 11:37 a.m.)

I hereby certify that the proceedings and evidence are contained fully and accurately to the best of my ability in the notes taken by me on the within proceedings, and that this copy is a correct transcript of the same.

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Jennifer L. Sirois, Court Reporter,
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