COMMONWEALTH OF PENNSYLVANIA
SENATE URBAN AFFAIRS & HOUSING COMMITTEE HEARING

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

SCHUYLKILL COUNTY COURTHOUSE
POTTSVILLE, PENNSYLVANIA

TUESDAY, JULY 22, 2008, 10:07 A.M.

BEFORE:

HONORABLE JOHN PIPPY, CHAIRMAN
HONORABLE PATRICK M. BROWNE

HONORABLE JAMES J. RHOADES

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P R O C E E D I N G S

CHAIRMAN PIPPY: Good morning, ladies and gentleman, and welcome to the second hearing on Senate Bill 1291. My name is John Pippy. I have the pleasure of being the Chairman of the Senate Urban Affairs and Housing Committee.

Today, at the request of Senator Rhoades, we are here to have a second of a series of hearings on blight and urban issues. We expect to be joined by Senator Pat Browne as well who's the Chairman of the Finance Committee. And initially, I'd like to turn it over to the member who asked for it, so Senator Rhoades, please.

SENATOR RHOADES: Good morning, and thank you, Senator Pippy, and good morning to all. I'd like to welcome the Urban Affairs and Housing Committee to the 29th Senatorial District, and I thank you for traveling here. If you don't know, Senator Pippy's from Allegheny County, so he's come all the way across the state to be with us today, and I appreciate that.

He deserves a lot of credit for his work on this issue, and it's an honor for our district to host the Committee as we address one of the most serious issues facing our area. Blight is a drain on our communities. Blight can present dangers to children playing nearby, reduce the property values of nearby properties and prevent

businesses from relocating into our community.

Blighted properties also serve as the hot bed for illegal activity, and these abandoned buildings are a frequent target of arsonists and others' intent on causing property damage. By allowing a building to fall into this sorry state of disrepair, an irresponsible property owner can drag an entire neighborhood down.

It's a shame that so few bad apples have soured the good name that so many responsible property owners have worked years to create. While most owners take care of their properties, some are concerned only with the equity they can milk out of a property. They leave behind eyesores in our communities and greater burdens on taxpayers.

It's time that we held these slumlords accountable for the problems they create. Senate Bill 1291 is the result of months of hard work by legislators, community organizations and some of the foremost housing experts in Pennsylvania. And I am pleased that we have produced a bill that would eliminate blight without harming responsible landlords.

I'm confident that this bill will enable us to improve our communities and eliminate a serious problem affecting both urban and, I'll say, suburban and rural areas. In addition to the legislators who are here, John

Pippy -- and Senator Browne is supposed to be joining us for today's hearing -- a number of organizations and interested parties are here to testify on the problems caused by blight and the remedies proposed in Senate Bill 1291 and to give us additional ideas. That's the purpose of the hearings.

Your testimony is an invaluable resource for our Committee and for me, and I thank you for taking the time out of your busy schedules to testify. Thank you for being here to offer your input on this serious issue of communities across the Commonwealth, and I look forward to hearing the testimony today.

Again, thank you all for being here and a special thanks to Senator Pippy for holding the hearing here in Pottsville, our County Seat for Schuylkill County in the district to talk about the support of the bill.

Senator, thank you very much.

CHAIRMAN PIPPY: Thank you, Senator Rhoades.

Our first presenter is from the Pennsylvania Housing Finance Agency. We're very fortunate to have Brian Hudson. He's the Executive Director and CEO of the agency.

Brian, please feel free to begin when you're ready.

MR. HUDSON: Chairman Pippy, thank you.

Senator Rhoades, thank you for the opportunity to talk to you, to testify today about Senate Bill 1291. It's

a pleasure to be here. I would like to also acknowledge my Director of Government Affairs, Mr. Bill Fogarty (ph), as many of you know. What I'd like to talk about is Pennsylvania Housing Finance Agency's programs and what we are doing to support the revocation of blight through some of our programs and the needs going forward.

PHFA was created in 1972 by the State Legislature. Our mission is to provide safe, decent affordable housing. We operate three core programs. The first that we engaged in in 1982 was single-family homeownership. We raise our funds through the sale of tax (inaudible) and tax-exempt securities in the capital markets, and we service all of our mortgages that we originate in our headquarters in Harrisburg.

We originate about 7 thousand loans a year. Our current interest rates range from 5 7/8 to about 6 1/8 percent currently. We sell anywhere from 5 hundred million to 8 hundred million of these bonds. Currently we are servicing about 50 thousand mortgages in Harrisburg, PA. And they are serviced here in Pennsylvania, so you're not dealing with a servicer in another state for that manner.

When a homeowner does get into trouble, because we have been selling these bonds since 1982, we have the ability to modify the loan to keep them in their home for that period of time. As you know, the mortgages have been

very volatile, but PHFA's mission is to, first, do old-fashion underwriting. So we don't have any variable rate loan. All of our loans are fixed rate, 30-year loans.

We have no interest-only loans, no fancy financing techniques, and that's why our foreclosure rate is less than one-half percent on our portfolio through those techniques. We've been doing this program since 1982. We have over 3 billion of bonds outstanding, and we are a top-rated credit. Our credit is double A plus.

Since 1983, the Commonwealth created a program known as the Homeowners' Emergency Mortgage Assistance Program, HEMAP. HEMAP was created as a result of the downturn in the steel industry. Steelworkers were losing their homes, and as Senator Rhoades spoke of earlier, it was destroying neighborhoods.

HEMAP, which is entirely funded by the State Legislature, has received over $2 hundred million in appropriations, and we have lent over $480 million in the HEMAP program. We've saved over 40 thousand Pennsylvania homes from foreclosure. HEMAP has been recognized by Harvard University as one of the top 18 innovations in American government, and we continue to work with homeowners who are in trouble.

Sometimes they need a rigorous loan to get back on their feet, and in other cases, it may be a continuing

loan to help make a portion of their mortgage payment. The criteria for securing a HEMAP loan is that you have to be in default from no fault of your own. Most cases, it's a job layoff or a medical reason that it's triggered a problem for the homeowner.

So it's a great program. Three states are now starting the HEMAP Blight Program. Delaware has now a DEMAP program. North Carolina has started one, and also Tennessee is looking at it. So it's a model that's to be used on a nationwide basis. The average HEMAP loan is around $10 thousand. For comparison sake, the average cost of carrying on an FHA loan is $35 thousand, so it's money well spent.

And the bottom line is that it protects neighborhoods. It stabilizes those neighborhoods, and we've been doing that since 1983. We also operate the Low Income Housing Tax Credit Program, and I might add and mention also that all of PHFA's programs are geared to strengthening the neighborhoods eradicating blight.

So we support Senate Bill 1291 in its entirety because our program is designed to do just that. We look at where there's a need, where can we help. So we operate the Low Income Housing Tax Credit Program, and it's designed to provide affordable housing, rental apartments throughout the Commonwealth. The state receives an

allocation, a federal allocation of about 24 million.

That 24 million brings over 2 hundred million in equity to the table as soft financing to get the projects done. PHFA currently administers about 5 hundred (inaudible) under its portfolio. In addition, we supply soft second financing known as our PennHomes Program to support these low-income housing tax credit projects.

We are lobbying the Federal Legislature to provide more assistance along these lines, and we think we will have some bills passed in the next couple weeks that will allow us to stretch and leverage our resources further to provide affordable housing. In 2000, we created a program to deal directly with blighted areas around the Commonwealth known as the Homeownership Choice Program.

We wanted to bring urban, suburban developers into urban areas to rebuild communities where there were vacant shells or homes in substantial need of rehabilitation. So we put our capital on the table which requires a match from the municipality. This is currently known as our Homeownership Choice Program.

Since we've created this program in 2000, we've created over 2 thousand homes for over 62 communities. We have dedicated $74 million of our resources under the Homeownership Choice Program, and it's leveraged another $464 million in private capital. That's a very successful

program, and it does deal with the blight issue.

In 2003, we realized that under Homeownership Choice, you were required to do 25 new units of construction or 50 new units of construction depending upon the population. So we modified the program to be able to, for the developer to use substantial rehab and new construction.

And that's known as the NRI, and that's been very helpful in smaller communities where they could not develop 25 new units of construction or 50 new units of construction. And then we took it one step further. We said, well, in some communities, you build new homes. Now you need maybe a library or a bakery or a grocery store on the corner.

So we created a mixed use program, a mixed use financing, which will allow for those type of commercial establishments along with rental property upstairs. So it's been very successful, very competitive. We do one funding round per year under this program. It comes out of our reserves. We set aside $10 million this year. The applications came in last month, and we are hoping to make awards in October or November of this year.

It's been very successful. As I mentioned, we've done over 2 thousand homes in 62 communities, and we expect that to be continuing. Last year, given the

mortgage crisis, we realized that Pennsylvania has exposure under this current mortgage crisis. Are we fairing better than our counterparts in other states? Yes. I mean, we don't have the 4 hundred percent foreclosure rates that you're seeing in Michigan, California, Florida and New York.

Nonetheless, Pennsylvania, we know that we have over 2 hundred thousand sub-prime mortgages. Of those 2 hundred thousand mortgages, approximately 70 thousand are adjustable rate mortgages or ARMs. So we created two products to deal with those homeowners. We want to get them refinanced, out of those adjustable loans into fixed rate loans. The first product is known as REAL, refinance to an affordable loan.

With REAL, we originate that product with 80 lenders statewide under our criteria. We buy the loans from the lender, and, again, those loans are serviced right here in Pennsylvania. The next loan is for those homeowners that are upside down in their mortgage. They owe the lender more than the property is valued.

PHFA underwrites that loan in-house. We negotiate with the lender on behalf of the homeowner to write down the mortgage. We will actually go out and get a new appraisal on that property and tell their current lender that this property needs to be written down. Once

it gets written down, then we will originate a new loan for that homeowner, 30-year, fixed rate mortgages. So far, we've committed about $17 million into both of these programs, and we're looking at federal legislation that will allow us to offer lower rates through tax-exempt financing going forward.

I mentioned our Homeownership Choice Program, and I just want to give you an example of how we turned around a blighted neighborhood in Philadelphia. In 2001, in the section of east north Philadelphia, known as the Badlands, a nonprofit group had a vision to revitalize the neighborhood.

Blight of epic proportions characterized the area; vacant lots, deteriorating shells, abandoned buildings, narcotic dealing, violent crime and an overwhelming aura of despair accompanied the blocks it described. It's blight in its worse scenario that we've seen occurring in Pennsylvania.

With the help of our Homeownership Choice Program -- PHFA provided a $1.7 million loan leveraged with another 6.5 million in additional funding from other sources -- 50 new homes were built in the first reclaimed, formerly blighted area known as the Badlands. These new homes were all sold prior to completion and, one year later, appraised at 60 percent more than their original

purchase price.

With subsequent approval of funds from our Homeownership Choice Program, an additional 55 new homes have been built. They too were all sold prior to completion. The second HCP, Homeownership Choice, applicates that $2.7 million generated more than 9 million of additional private capital.

A third phrase involving 1.6 million from our Homeownership Choice Program from the neighborhood will provide 8.5 million and will build 35 new homes. This investment in the neighborhood has also triggered other private investment. A shopping mall has been developed along with other stores and businesses. Blight is being driven back across the area.

The revitalization is very apparent for an area which is known as the Prairie, a safe, decent, affordable and desirable neighborhood in which to live. And it's an example of our, PHFA's program of what we are attempting to do.

So we totally support Senate Bill 1291 and offer our support as you may see

*AZ fit going forward to provide blight assistance so that we can turn our neighborhoods around in Pennsylvania. I thank you for the opportunity to testify before you today, and I am happy to answer any questions that you may have.

SENATOR RHOADES: I guess one of the things I see is that it seems like that 30-year fixed seems to be the answer to a lot of this instead of the balloons and the variable rates and everything else. Do you want to comment on that in terms of the low -- what was it -- a half a percent you have of loans defaulting?

MR. HUDSON: Our less than one-half percent of our default ratio, and that's correct, Senator. We do not do any variable rate loans. And as we tell our story to investors as we do raise our funds in the capital market, I think they're somewhat surprised, quite truthfully, that we don't have variable rate or interest only or piggy back loans or 80/20s, all of the different gimmicks that you see that have put us in this current mortgage crisis.

And investigators are pleased, but that's one of the reasons why; it's plain vanilla. We still underwrite that way, and we work with the homeowner. When the homeowner is 15, 16 days late on their mortgage payment, we're calling them on the phone so we can find out what's going on, what's happening, if something happened that particular month that your debts are getting out of hand, how can we help.

And I think that helps drive down on foreclosure rate. In addition, I do also want to mention that we support a statewide counsel network that offers free

counseling to all homeowners, whether or not they have a PHFA mortgage. As a result of some things that happened in 2003, we did a statewide study. And it showed that, at that point, Pennsylvania had a high concentration of sub-prime lenders. So we said, we don't want to see Pennsylvania rank eighth or ninth ever again in foreclosure activity.

We teamed up with the Department of Banking and came up with a package of bills that the Governor just signed a couple weeks ago, but it allows us to, number one, we created the Counsel Network. It allows banking enforcement powers to disclose what lenders are under investigation, but more importantly, we want to bring an educated home buyer to the table.

We are in the homeownership business, but I'll be the first to tell you it's not for everyone. And people don't like to hear no, but that's one of the reasons for our success is that we'll keep them in that pipeline until they are truly ready for homeownership.

SENATOR RHOADES: Okay. I guess that was my second question too in terms of qualifiers for these programs for the counseling and that. I will assume anyone's eligible for, but for the loan and all, you take a good look at their background, securities and what they can provide before you tell them what they can or can't do?

MR. HUDSON: Absolutely. We do full-blown underwriting, which was a rarity when we entered into this crisis. It was stated income, undocumented income. What we do is we take a look at how they've been paying their mortgage, or their rent rather, and their installment debt and their history.

Credit score is one factor, but we want to know what else has been happening before they go to homeownership because once we get them in that home, we want to make sure they stay there.

SENATOR RHOADES: Thank you, Brian.

CHAIRMAN PIPPY: During the budget hearings, we had a discussion. We were and still are looking to put together a trust fund to help supplement these programs. Unfortunately, we had a record protection of a couple hundred million dollars short. So we have to start, or increase funding when we're cutting for others.

One of the questions or concerns that came up during that debate was is it the government's responsibility at all to be doing this. If individuals are buying or taking up mortgages much larger or greater than they can handle, why are we, quote, I heard the term bailing people out when other people have been scratching and living by their means?

Now, I don't see it that way, but I would like

to hear your thoughts on that, and maybe as an organization, we can start looking at different ways to describe this because that's not what you're doing.

MR. HUDSON: Well, first of all, let me say thank you for your support with the housing trust fund legislation, and we're looking to continue the effort, of course. As you know, over 30 of my counterparts in other states have such a trust fund to do the things that we're currently doing out of our own reserves in Pennsylvania.

In answer to your question, there's a couple reasons; number one, we created HEMAP as a result of foreclosure activities for layoffs and things like that. And HEMAP has proven itself that it does protect these neighborhoods. So, you know, foreclosure hurts not just that particular homeowner; it destroys communities.

And that's the number one reason why we want to take a look at how can we help these individuals. Number two, there clearly were speculators in some of the instances of foreclosure, and we're not talking about helping those who were buying second homes.

We're looking for it to be, number one, their primary residence. And given the study that we did in 2003, there clearly were some instances where homeowners were taken advantage of. They actually thought they were getting a fixed-rate mortgage, and it turned out to be a

variable-rate mortgage. They thought they had a certain equity, and it's just not there.

There were inflated appraisals. You name it. There were a lot of things that happened to homeowners, and I think that's why we think we should help these homeowners. And we don't, as you mention, we don't view it as a bail-out. We view it as protecting Pennsylvania's neighborhoods, quite truthfully.

CHAIRMAN PIPPY: Thank you very much. We appreciate the work you're doing and look forward to continuing discussions.

MR. HUDSON: Thank you for your support, and I look forward to working with you. Thank you.

CHAIRMAN PIPPY: Our next organization that will be presenting is the Pennsylvania League of Cities and Municipalities. And with us today we have the Mayors of Pottsville, Mr. John Reiley; and also the Mayor of Lebanon, Robert Anspach.

SENATOR RHOADES: Well, the Mayor, I've known for I don't know how many years. This goes back years.

CHAIRMAN PIPPY: Gentlemen, please feel free to begin when you're ready.

MR. REILEY: Good morning, gentlemen. And good morning, Senator Pippy, and welcome to the City of Pottsville and also Schuylkill County; Greg, with your

staff. We appreciate you coming here. I'm John Reiley, Mayor of the City of Pottsville and immediate past President of the Pennsylvania League of Cities and Municipalities. With me today is Bob Anspach, Mayor of Lebanon, and who succeeded me as the President of the Pennsylvania League of Cities.

We are here today on behalf of the League of Cities' membership as well as our own cities to offer support for Senate Bill 1291 and encourage the Senate passage of this bill.

Bob?

MR. ANSPACH: I'd like to start our presentation by thanking Senator Rhoades for forming the statewide task force that shaped this legislation. The Pennsylvania League of Cities is very pleased to be a part of this discussion and will continue to offer our resources and assistance in moving this bill forward.

Thank you to you, Senator Pippy, as well for the invitation to present testimony here today. Every day, public and private interests struggle with blight. Municipalities expend precious dollars and time tracking down absentee and sometimes elusive property owners, fighting with habitual code violators and addressing the public safety concerns of vacant buildings.

While responsible homeowners work to keep their

properties in good repair and they only find that their property values are severely affected by neighboring blight. Families worry about criminal activity in vacant buildings and the attractive nuisance that such buildings create for their children. While blight can be found in both urban and rural communities, it tends to gain momentum and do more damage in built-up communities.

There are several factors that make blight more pervasive in urban areas. For one, there are many more properties in need of remediation. Another reason, our older housing stock is more difficult and expensive to keep in good repair. Additionally, our older communities have a higher concentration of elderly and poor, which can affect on an owner's, have an effect on an owner's ability to pay for and perform normal property maintenance.

Finally, urban municipalities often do not have adequate funding to fight blight under our current laws. The Pennsylvania League of Cities and Municipalities has long been a supporter of legislation designed to give communities the tools that they need to effectively remediate current blight and control future blight.

Senate Bill 1291 is replete with such tools, and we would like to take a few minutes to specifically address the importance of these tools for our daily struggle against blight. Regarding the local permit denial and

statewide registry of violations, these provisions go hand-in-hand establishing a statewide registry code of violations and giving municipalities the ability to deny municipal permits, variances, licenses and certifications when an applicant is delinquent on real property taxes, water, sewer or refuse collection or when an applicant has serious code violations that he has not taken substantial action to correct.

It's important that new tools have teeth, that a property owner with serious violations or delinquencies will suffer a consequence for inaction. These provisions, while probably receiving the most negative comments by interest groups, will help to control the spread of property owner inaction from one municipality to another by alerting municipalities of prior violations.

They will also encourage compliance because of negative consequences to their livelihood. For example, the permit denial provision will have much greater chance of encouraging a business owner with property violations to remediate his property because of the potential loss of a business license. In Lebanon, we spent many years working to rid ourselves of a particular slumlord who lived in Lancaster.

And he was already known to Lancaster as a problem landlord. If we had a statewide database to which

we could refer, we could have begun the process of bringing this slumlord to justice much earlier. Many slumlords move from one municipality to another with impunity. When one area gets too hot, they move to another. Again, we can't stress enough the need for legislation with teeth.

Regarding requirements for sales tax of abandoned property, currently blighted property purchased at the tax sale often remains blighted. Senate Bill 1291 addresses this problem with a simple solution. A purchaser of a blighted property at a tax sale would be required to enter into a redevelopment agreement with the municipality in which the property is located.

The agreement must have a schedule for completion of the project and include remedies for noncompliance. The purchaser must also provide a bond naming the municipality as beneficiary. This provision will ensure that there will be a positive outcome following a tax sale purchase. In Lebanon, years ago, we had a historic theater that had fallen into significant disrepair.

The theater was bought *-RBGSat a judicial sale for a few dollars. The theater, it was gutted for anything of value, and the new owner walked away from the property. The City of Lebanon then absorbed the $250 thousand cost for the demolition of the

building. Regarding responsibility of mortgage lenders, currently no one entity is responsible for property upkeep on a foreclosed property.

This provision would place the requirement on the mortgage lender as the owner of record. The lender would be responsible for correcting exterior building and property maintenance code violations that are considered serious and contribute to the blight of the neighborhood. This is especially important in the current housing market where many more homes are sitting vacant because of foreclosure.

We had a property on Federal Street in Lebanon upon which the bank had foreclosed several years ago. The occupant was displaced and no longer allowed to reside in the home, and the bank took control. I emphasize the word control and not responsibility.

The bank did not file a deed of ownership, so when the house fell into disrepair and eventually required demolition, the bank elected to take no action. In fact, they chose not to respond to city officials. The taxpayers, of course, bore the brunt of the bank's actions or inactions and paid for the demolition of that house.

MR. REILEY: I will address conservatorship. The concept introduced in this bill provides a great opportunity for revitalization of vacant and abandoned

homes and businesses. This tool grants nonprofit redevelopment agencies control over abandoned blighted properties and has potential for future economic use, situations that lend themselves to the promise of a future buyer if the property is rehabilitated.

This tool will help to keep revitalization efforts moving in the right direction instead of being stalled by pockets of abandoned buildings in the middle of a developing or redeveloping area. Blight education and training of magisterial district justices; Senate Bill 1291 requires magisterial district justices to have training on the impact of blight and the importance of following the law and handing out adequate penalty.

Our judicial system allows slumlords to continually violate the law with little or no penalty. Many district justices do not recognize property violations as serious and allow repeat offenders to continue to operate unchecked. Many slumlords are making a good living by renting slum properties, yet when faced with fines, a payment plan is created by the court system that does not punish or encourage future compliance.

Instead, the liberal payment plans enable slumlords to continue to have a negative impact on the community. Magistrates need to uphold the laws currently in place and not allow slumlords to repeatedly work the

system and remain in operation. Corporate ownership and private asset attachment; local officials need better tools for locating absentee owners and owners that hide behind corporations.

Senate Bill 1291 would require that when property changes title, any individual with a financial interest in the property would file a copy of his or her driver's license with the deed. City officials would then know who the individuals are that own the property and would have a better chance of locating them to serve process for code violations.

Additionally, the bill would allow municipalities to institute actions against the owners of record. Owners would no longer be allowed to hide behind a corporate veil, but would be held personally responsible for serious code violations. Finally, Senate Bill 1291 allows for the extradition of out-of-state property owners back to Pennsylvania so they cannot avoid their housing code violations.

MR. ANSPACH: Continuing regarding homeowner protection, two provisions in the bill provide protection for homeowners in the vicinity of blighted property. This is important because through no fault of their own, homeowners are negatively impacted by blight in their neighborhoods. First, the Bill allows for a private right

of action to prevent or abate code violations by anyone adversely affected by buildings with serious code violations.

Such action would be brought at the district justice level, and the entity bringing the suit must show that his property or person is substantially affected by the blighted property. The second homeowner provision prohibits insurance companies from refusing to issue or renew policies on real property on the basis of surrounding properties being unoccupied.

Finally, it comes down to funding, and there is some grant money in the Bill to assist code enforcement efforts in communities. However, the Pennsylvania League of Cities contends that either in this bill or separately, the Commonwealth needs to provide an adequate consistent funding stream for blight remediation.

Such a funding stream would have an immediate impact on local efforts to stabilize blighted properties and demolish buildings that are blighted beyond repair. It is costly for a city to stabilize or pay for the demolition of an unsafe blighted building, oftentimes more than the building is worth. And it's also not always a win for a city to intervene, but sometimes there's no other option.

Without a funding stream to cover the costs of stabilization or demolition, the current residents and

taxpayers pay the price with higher taxes and lower property values. Blighted and abandoned properties litter our streets much longer than anyone would like to see. We currently have three properties in the City of Lebanon that are in definite need of demolition.

We are prioritizing the projects and determining funding streams, but we need your help to move ahead. There have been numerous blight studies and packages of blight bills over the years that for one reason or another have not come to fruition
cxs -FPLT. It's time to move forward and make the tools in Senate Bill 1291 a reality.

As local elected leaders, we need to know that the Commonwealth supports our efforts to remediate blight to make our communities safer, more attractive and economically viable places to live. Irresponsible property owners need to know that there are true consequences for their inaction.

The success of our local efforts has a direct impact on the health and viability of this Commonwealth. We urge passage of Senate Bill 1291 this fall and offer our full support to Senator Rhoades, Senator Pippy and this Committee in reaching that goal. I thank you for your time, and we would certainly be willing to try and answer any questions you may have.

SENATOR RHOADES: Mayor, one of the things is the funding stream that you're asking for too. Do you have any idea how much money you actually have that's spent of the taxpayers' money today? I mean, I know -- I'm not looking for an exact number, but I'm looking at what you're tearing down, what you're trying to rehab and the other things.

And then you put your code enforcement officer out there and you go through all those things. What kind of dollars you think are expended or even a percentage of your money out of your budget you go to, I should say watch over these things, take care of these and process through them?

MR. ANSPACH: I would say, in Lebanon -- and I can certainly give this Committee an exact figure, but right now off the top of my head, I would say we're in the area of about $4 hundred to $5 hundred thousand that we're spending every year on that.

Some of it is recouped, but as I mentioned in my testimony, many times if we're doing a demolition project, what's left there -- we've paid $30 thousand for the demolition to get it down, and now we have a quarter-acre lot that we might be able to sell for a thousand or $2 thousand.

SENATOR RHOADES: And then I looked to, at one

point, $250 thousand to tear a theater down?

MR. ANSPACH: Yeah. That was a, it was an old brick theater with two gigantic I-beams running through it with the three balconies, and it was additionally attached to a row of other brick buildings in the downtown, which added to the cost. But when you're looking at the cost of demolition, in order to return a site to usable, to a usable site, the costs are significant.

It's not just knocking the building down. You're bringing in equipment to crush stone to fill, to lay it in there so that you have a viable building lot. In some cases, especially in the cities where you recognize we all have the row homes, if the one in the middle of the block is the one that needs to come down, then it becomes an engineering nightmare sometimes; that you need to brace up the homes on both sides, tear down the one in the middle, reside and insulate those houses. And sometimes, we've had situations where they have shared foundations.

We actually had to built a new foundation to hold the other side of the house up. These are all very expensive things to do, and even -- I think the one was a three-bedroom home at the end of a group of row homes. I believe the bill for actual demolition was about $18 thousand and then another $15 thousand in construction in order to rebuild the foundation and keep the house next

door inhabitable.

SENATOR RHOADES: Do you have a tough time finding out who, in cases, owns it, where they live and trying to get them for cooperation?

MR. ANSPACH: We have a pretty good system of figuring out where the, who owns it. We can do that. It becomes difficult in corporate issues sometimes and if it's a corporation. That becomes difficult, and getting them to do something -- here again, I mentioned with the issue of banks.

It's sometimes, if it's an out-of-town bank -- I would say with the local banks, we've never experienced any problem with the local banks. They're there in the city. They understand. But the out-of-town banks, it's really tough sometimes

cxs -FPLT. They just don't answer your calls.

MR. REILEY: Senator, also with the banks, you have the mergers, the consolidations; and you might have a title of a property go through four, five, six, seven different mortgage holders. And some of them might be, probably never knows where Schuylkill County is. They're down south someplace. We've had a number of instances of that right here in the city.

SENATOR RHOADES: And then we have to go try and chase them to get a hold of all of them.

MR. REILEY: Right.

MR. ANSPACH: We have a lot of, more and more landlords who are living in New Jersey and New York City, and that can become difficult sometimes. As Mayor Reiley testified, one of the things about this is it allows us to go out-of-state to get folks and charge them criminally because it is very difficult sometimes too. If they live in New York or New Jersey, it's difficult to get their attention sometimes.

MR. REILEY: A purchaser may do it over, via the internet. They buy these properties on the internet and never set foot in Pottsville.

SENATOR RHOADES: Or even know what the property looks like or that there isn't a set of steps that go up to the second floor, that the roof is leaking and it's dripping on the rest of the property, and they never check it out. Thank both of you and thank you for your testimony.

MR. REILEY: Thank you, Senator.

CHAIRMAN PIPPY: Thank you, gentlemen. You mentioned the need for adequate funding. Would that be spent directly on the demolition costs associated with it, or are there other needs as well?

MR. ANSPACH: There's always an expense based on the guidance of the Legislature. But I think the ideal

thing would be to be able to spend that money on the demolition or rehabilitation. One of the things that I think most local governments have been successful in doing with the state's guidance on is taking the state's money and then parlaying it into larger amounts; so if we had a home that was in bad shape that we may be able to acquire for $15 thousand, and then we acquire it and turn it over to someone to flip it and help them get through that.

That's great because they're willing to put money into it. Additionally, sometimes it's just demolition. I think we all get very resourceful in how we fund those they things, using block grant moneys, but this would help us many times. That block grant money just isn't usable for some of the things, and we need to look at other venues.

CHAIRMAN PIPPY: One of the issues that came up during the last hearing was this concept of the driver's license. I think you mentioned that during the corporate ownership and private asset attachment. That would be a relatively new concept.

MR. ANSPACH: It would be a new concept, yes.

CHAIRMAN PIPPY: It may be challenging to implement. Is there another way to get to where you want to go without necessarily taking that path? The issue here is you're trying to properly identify -- and I'm trying to -- identify the property owners. As was mentioned,

corporate boards change all the time. The Legislature changes a lot. You should look at some of the old pictures they have there.

So it's -- well, I understand the need for that, and it's part of the bill. But that's one of the areas that's getting a lot of discussion, that and having the bank being held responsible for every mortgage. But I think we'll be hearing from them on that after you.

Is there -- have you thought about that? Senator Rhoades has been great about working with people to try to get, find our end result. Is there another potential way to do that without providing driver's licenses or that type of information?

MR. REILEY: Not that I'm aware of, Senator, but I'm sure we'd be willing to try and come up with some other avenue. But with a corporate structure, you know, I don't think they'd have to list all the officers, but the responsible officer.

CHAIRMAN PIPPY: Okay. Gentlemen, I appreciate your testimony. Thank you very much for your time.

The next presenter is from the Pennsylvania Bankers Association. Mr. Tom Petro, he's the President and Chief Executive Officer of Fox Chase Bank.

I'm very happy to have you here, Tom.

MR. PETRO: Thank you.

CHAIRMAN PIPPY: Feel free to begin when you're ready.

MR. PETRO: Thank you, Senator Pippy, and Senator Rhoades. I appreciate this opportunity to testify on behalf of the Pennsylvania Bankers Association concerning Senate Bill 1291. My name is Tom Petro, and I'm the President and Chief Executive Officer of Fox Chase Bank, which is headquartered in Hatboro, Pennsylvania.

On a personal note though, Senator Rhoades, my great grandfather became a naturalized citizen right here at the Schuylkill County Courthouse 141 years ago in 1867.

SENATOR RHOADES: Listen, we got contacts all over.

MR. PETRO: It's great to be back here. And, Senator Pippy, I was born and reared in Pittsburgh, and so I'm a die-hard Steelers fan.

CHAIRMAN PIPPY: You don't have to say anything else.

MR. PETRO: Previously, I served as President and Chief Executive Officer of First Federal Bank in Hazelton, now part of National Penn Bank, which has a significant presence here in the district, especially here in Pottsville with local bankers and banking offices and through the Higgins Insurance Agency, which is located here in town.

I'm also a member of the Pennsylvania Bankers Association's Government Relations Policy Committee. I've been a banker in the Commonwealth for 28 years, having begun my career in Pittsburgh with Mellon Bank. In addition to my career as a banker though, I am deeply committed to tackling the most difficult and pressing issues facing the poor in our cities and towns, in Philadelphia, throughout our Commonwealth and in cities across our country.

While I've volunteered a myriad of capacities to help the poor in towns and cities, allow me to speak from my involvement with two organizations that deal directly with the issues of blight. I serve as a board member of the Leadership Foundation of American, an international network of faith-based organizations that brings together local faith and community leaders, churches, social service groups and other organizations to reclaim our neighborhoods.

I also serve as a trustee and the Finance Chair of Eastern University, a Christian university built on the principals of integration of faith, reason and social justice with specific programs affecting the poor in neighborhoods in north Philadelphia. My work as a banker and as a social entrepreneur has afforded me the opportunity to witness the issues of blight from two very

distinct perspectives.

And while blight is often seen as a uniquely urban issue, I can say with certainty that it reaches into our most affluent communities as well. The Pennsylvania Bankers Association is a statewide trade association representing approximately 2 hundred financial institutions of all sizes located throughout the Commonwealth, including national and state banks, bank and trust companies, trust companies, savings institutions and their subsidiaries and their affiliates.

The Pennsylvania Bankers Association appreciates this opportunity to state our concerns regarding Senate Bill 1291, which would address commercial and residential property maintenance. Banks and savings institutions do care deeply about the communities in which we operate.

The health and vitality of these communities has a direct impact on financial institutions themselves, and it's always been our best interest to work towards making our neighborhoods and communities strong and vibrant. The Pennsylvania Bankers Association supports the legislative intent of this bill to preserve properties and neighborhood values by timely intervention when properties are deteriorating through neglect or through abandonment.

Banks take an active role in dealing with such properties by inspecting them to determine vacancy,

securing and boarding them, cleaning debris, mowing the lawns, and otherwise maintaining the properties through the delinquency/foreclosure process. When notified of code violations, banks contact borrowers to determine their plans to correct the violation. Mortgage payment default and abandonment of the property often go hand-in-hand.

Because Pennsylvania has one of the longest foreclosure processes in the nation, properties in mortgage default may deteriorate for more than a year before the lienholder is able to acquire title through foreclosure, access the property to inspect it and secure it and to ascertain the need for repairs. Property preservation costs paid by mortgage servicers in Pennsylvania during 2007 are significant.

In fact, a single vendor was paid over $10 million for such services. This figure includes inspection, preservation, grass mowing, insurance inspection and other services. Add to that the total amounts paid to other property maintenance firms that banks in the Commonwealth utilize and one would have a better picture of the banks' significant efforts and expenditures to preserve properties in which we bankers have an interest.

Not only do banks care about what happens to their real estate collateral, our regulators care. The

Federal Deposit Insurance Corporation recently reminded institutions that it regulates that maintaining other real estate owned -- that's properties acquired through the foreclosure process -- according to local property codes contributes to an institution's safety and soundness and is subject to regulatory reporting.

There are a number of concerns in Senate Bill 1291 and similar legislation pending before the General Assembly which the Pennsylvania Bankers Association believes needs to be addressed before enacting. If time permits, I would like to describe briefly each of our nine concerns regarding Senate Bill 1291.

First, Senate Bill 1291 imposes property maintenance responsibilities and liability on mortgage lenders 30 days following foreclosure on a property, Subchapter C beginning on page 11. I mentioned previously that Pennsylvania has one of the longest foreclosure processes in the nation. Owners facing foreclosure often neglect or even intentionally damage properties prior to vacating them.

Given this long period during which lenders cannot access the property to prevent damage or neglect, 30 days following foreclosure is insufficient to adequately assess and correct the property's maintenance and repair needs prior to shifting the liability to the lender for

code violations. In addition, does foreclosure mean notice of intent to foreclose; initiation of a foreclosure proceeding; entry of an order of foreclosure?

A better trigger of responsibility might be entry of an order giving the mortgage lender the right to occupy the property or upon surrender of the right to possession by a delinquent borrower. Before such an order is issued or occupancy rights surrendered, a mortgage lender might not have the legal or practical ability to take action to remedy code violations.

Number 2, not only is the lender not fully able to require mortgagors to maintain properties while the mortgage is enforced, its ability to do so rapidly declines when the mortgagor lacks funds to pay their mortgage, let alone perform routine maintenance and repairs. Shifting repair and maintenance liability to a lender who already faces a significant loss on its loan and the value of its collateral is unfair in those cases where the cost of repair is not justified by the remaining property value.

Such a liability shift would increase mortgage lending risk dramatically and place lenders more in the role of a property casualty insurer than a lender. Therefore, the bill should be amended to stay the assignment of liability for code violations to a mortgage lender foreclosing upon title to a property until one of

two conditions are met; one, pending the disposition of a petition to establish a conservatorship; or, two, upon the filing by the lender of a notice of assignment and lien to a municipality, municipal authority or community development organization providing the assignee the right to possession to correct code violations and a lien with priority over the interest of the lender to recover the cost of bringing the property into compliance with requirements.

With regard to the conservatorship process, Subchapter D beginning on page 15, we believe that the bill's process for notifying lienholders, such as bank mortgagees, is likely to result in Pennsylvania Bankers Association members not receiving actual notice in time to notify the Court of other litigation involving the property that might preclude the need for conservatorship, such as a pending sheriff's sale by which the lender would gain title and access to the property for the purpose of possible repair or other disposition.

This risk would exist because Section 6131(C) beginning on page 16, provides presumption that service of the notice of a petition for conservator is complete if the mailed notice is not returned to the petitioner within 15 days. Fifteen days is simply not enough time to effect notice in these circumstances and is likely to result in

unnecessary procedural conflict and increase time and expense, both for petitioners and for lienholders.

Number 4, the bill does not define the qualifications of conservator, nor does it define conservator or conservatorship. While the legislation does state that the Court may appoint a nonprofit corporation or other competent entity, it does not adequately specify the criteria the Court must consider in determining a conservator to be suitable.

We believe the legislation should be very specific in these regards. We are also concerned that the conservator's fiduciary duty needs to be explicitly stated. Otherwise, the potential for self-dealing and conflict of interest would exist.

Number 5, beginning on page 17, the bill lists what we believe are vague and subjective conditions for conservatorship in our opinion of finding that only two of the eight listed conditions exist is insufficient for the purpose of naming a conservator. How can one be certain that a property has not been legally occupied for at least 12 months? Again, I note that a foreclosure proceeding can last at least 12 months in our Commonwealth.

Number 6, the bill defines, quote, public nuisance as a property which, because of its physical conditions or use, is regarded as a public nuisance in

accordance with local housing, building, health, fire or related code. Whose regard would be determinative in that finding?

Number 7, a major area of concern is the bill's authorization to a conservator to incur debt with a priority over the lender's first mortgage lien. This potential loss of a lender's first lien position creates even more risk and uncertainty.

A property in vacant or poor condition could still be sold to a responsible party through a short sale, meaning selling it for less than the loan amount, which is one of the common loss mitigation options available for banks. Permitting a conservator to incur new, priority debt deprives the lender of a viable asset preservation option. PBA strongly recommends that this provision be deleted from the bill.

Number 8, the bill awards broad powers to the conservator, including management of the property. Under the bill, management of properties would be transferred to third parties who might not have the expertise to prudently award contracts, control expenses, repair and rehabilitate real estate or conserve the assets of a mortgagee and the mortgagor.

The bill does not even require the conservator to obtain multiple bids before awarding contracts. The

conservator would not have a vested interest in obtaining the least-costly bid. The Pennsylvania Bankers Association suggest that the legislation be amended to require the conservator to obtain multiple bids before awarding contracts and document the advantages of the successful bid.

Number 9 and finally, the Pennsylvania Bankers Association is also concerned that the bill allows the sale of a property by a third party who does not have actual ownership or even an interest in mitigating losses since those losses would be borne by the lender or investor, not the conservator.

In addition, the legislation provides a pay-out of sale proceeds that ensures a conservator is compensated for all debts incurred, including his management expenses, before the mortgage is satisfied. This could create additional losses for lenders, thus increasing mortgage lending risk overall in a time when mortgage lending in general has become riskier due to market forces.

We do hope you will consider these comments in the manner in which they're intended to improve upon the framework of this important legislation so that financial institutions can continue to partner with local neighborhood and community organizations to maintain and improve their communities for the benefit of the citizens

of our Commonwealth. Pennsylvania Bankers Association welcomes the opportunity to work with the bill's sponsors and others concerned with this issue. I'd be happy to answer any questions you have.

SENATOR RHOADES: Thanks for your testimony. I appreciate it. I think it's the concern of the Bankers Association, and I think it's necessary. You probably do most the lending anyway. You got money involved. And the other thing I constantly hear, you don't want to own property or have property; you just want to provide the loan to be able to get it.

But I think part of the reason this came out is because -- and I'll say this from the broad sense. One of the things, when I put the group together, I used the government bodies who are in charge of the enforcement or the decision making and those with financial interests. So I didn't include the banks or the lenders or anyone else.

It's nice to see what it's going to take to clear it before we get into it. And in looking at your ideas here, I'm saying that in a very general sense, these are some good ideas. Now how do we develop them?

I mean, I'm looking at even the first part; the home may be deteriorating for more than a year before the lienholder is able to acquire title to a foreclosure, access the property to inspect and secure it and ascertain

the need for repairs. Okay? I've got to be honest. I'm not going to say I didn't know that that occurred, but often too times I didn't see that it occurred. Okay?

You may be doing it with your bank, and I applaud you for that. But I'm not sure if everyone else is. And then I got to say, are they doing it across the entire area or just in certain areas? And so my idea on that is, what ideas do we have and do we discuss besides your nine points on how you get that access to be able to maintain

cxs -FPLT the property?

Personal experience, home behind me, a loan was given up, I think it was $22 thousand. It was assessed at 84. The heating system was busted. The system had to be, $3 thousand was put in there. There's been a new roof put on, which even buying materials and the contractor put it on, still ran close to $4 thousand. Okay?

And that doesn't even begin to include what has to be done inside and nothing was taken care of. In other words, outside has to be redone and will be redone. What I'm looking at, what I'm saying is, how someone could loan $22 thousand to a property that's only worth 84 when there's probably another 30 to 40 that have to be put back into it again?

That thing can't go on because the rest of the

block, all the properties were in fine shape, in good shape. Okay? And that's what I worry about is how do you get access to that. And in this case, the bank had it and had the big interest. If they would have inspected it or had access for the inspection, the heating system would probably still be good today.

Okay? The roof wouldn't be leaking, and it was. These are the things that I'm saying shouldn't go on. They were only really asking for the exterior so it looks good outside, but it may be rotten inside. And I don't want to do that. I want to be able to make sure that it tries to maintain itself.

MR. PETRO: Yes, similar to your experience, Senator, we had a property that we foreclosed on that it took over a year to gain title and access to the property. We had no legal right to enter the property for any reason. We were not able to turn the water off in the building, and it entered the winter period.

All the pipes froze; it filled the basement with water, and as a result of subsequent freezing then, blew out the foundation of the house. So what was a home in reasonable property, or reasonably good condition, if we would have been able to gain legal access to the property in a timely manner, we could have prevented and would have prevented, it would have been in our best interest to

prevent substantial damage to the property that occurred during the winter months.

SENATOR RHOADES: Yeah. Well, that's one of my key things. When I looked through this, let's see, 30 days following procedure is insufficient to adequately access and correct a property's maintenance and repair needs prior to shifting liability to the lender for code violations.

I'd be asking you -- well, what would be the days, in other words, for the recommendation of that; and also, like, what's the threshold, what's the time and how do we get that access? Fifteen days is simply not enough to effect notice in these circumstances and is likely -- that's under your point 3.

It's like, okay, well, then let's talk about how much is right. If it's not 15, is it 16, 17; is it 30? And part of the thing is, remember just as it's hard for you to get all of this so you can get inside, we also don't want it that it gets hung up by the banker or by the lender that we can't get inside.

In other words, because for the other 30 or 60 days, that water may be getting in. The heating system may not be checked. All of those other things might be going. The issue of public nuisance in regard, probably we're going to have to work between all of us and the government agencies, the local municipalities because they're the ones

that can determine that.

I'd like to have it a little more objective so people feel more secure with that as far as that goes too. And I think, you know, you have nine points, nine things we can work on. We can work together. I'm getting notes here.

One of the notes I know I got before too is that the conservatorship, which much of you have had, is in House Bill 2188 too, which I guess is presently on our calendar as far as it goes. So I know there's been some amendments that were offered in the House. I'm not sure if yours were addressed. We'll have to take a look again and see if it is.

MR. PETRO: Some were; some were not. We can speak to you further about that.

SENATOR RHOADES: And we would be implementing those anyway to make sure they're carried. I guess the question I'm asking, was there anything missed in House Bill 2188 that went through the House and Senate Urban Affairs in regard to conservatorship? I think you kind of defined them in here, and that's the one thing we should be planning to talk about more just to make sure that we have it intact. Thank you.

CHAIRMAN PIPPY: Thank you, Senator Rhoades.

A couple issues, on 2188, it's in appropriations

right now. We're not going to let that go until we get a lot of those questions answered, but we do want to make sure it got a little further than it was. I know that caused some concern earlier this year. Senator Rhoades did an excellent job. I was going to ask you what time period you want instead of 30 days.

You defined your trigger point in point 1 pretty well. You mentioned the 15 days. You also said that two of the eight listed conditions is insufficient when trying to determine the purpose, or determining whether it should be in conservatorship. A number would be helpful.

MR. PETRO: Okay.

CHAIRMAN PIPPY: And why if -- I know the PBA -- let me make this clear: We're very happy the way you do things as a whole. We've never really had issues. The issues are what you heard the mayors talking about when it's out-of-state, internet banks and all those, which a lot of these type of lenders, they're not going to the local community bank. They're working it out of New York or some other areas.

So, however, as you're aware, we can't write laws for PBA members and laws for non-PBA members, so that's why it's important that we have language that addresses the need without restricting or hampering. What we don't want to do is if we make it so strict, then we're

going to have a situation where no one will want to provide loans in certain areas.

And so, I mean, there is a balance here, and not to mention the property rights of owners. Senator Rhoades asked all the questions I had. The only other comment I would make is you have a good group of government relations people that keep us informed, and I see them in the crowd, by the way. Let's keep on talking about this.

We want to make sure -- we do want to get something done, but we also want to make sure, as Senator Rhoades said, that we do it in a way where we're addressing the problems and the concerns without putting too many restrictions on our own people and protecting the property rights. That's not an easy thing to do.

It was mentioned earlier, I was on the Urban Affairs Committee in the House back in the late '90's, or mid '90's with Dave Argall, who's a local representative, and a lot of these issues aren't new. So unless you have any other comments, I don't have any questions.

MR. PETRO: Thank you.

CHAIRMAN PIPPY: Thank you very much.

Our next presenter is from the Pennsylvania State Association of Boroughs. Mr. Gursky is the President of the Tamaqua Borough Council, Dave Argall's area.

MR. GURSKY: Yes, it is.

CHAIRMAN PIPPY: And you're obviously -- oh, you were a young guy back then.

MR. GURSKY: I was much younger.

CHAIRMAN PIPPY: Now you're old, graying around the edges. Dave doesn't look any different though. Please, feel free to begin.

MR. GURSKY: Thank you, Senators, and good morning. Welcome to Schuylkill County. I'm Micah Gursky, President of Tamaqua Borough Council, and I feel a great weight of responsibility today as I have only 20 minutes to offer testimony and answer questions on this issue that so dramatically impacts Tamaqua and other boroughs throughout Schuylkill County and Pennsylvania.

Since 1911, the Pennsylvania State Association of Boroughs has represented the interest of Pennsylvania's 960 boroughs by shaping the laws that empower them. Through our, through the 960 boroughs of PSAB, we represent 91 hundred borough officials, such as myself, who, in turn, serve more than 2.1 million borough citizens across the Commonwealth.

These borough officials strive to deliver quality leadership and service to borough citizens across Pennsylvania. I am pleased that you want to hear Tamaqua's experience and input because, quite frankly, we've been fighting urban blight for many decades. One of my earliest

memories growing up in Tamaqua is the demolition of an entire block of historic, yet blighted buildings in the first block of our main street.

I am pleased that our plight is being heard today by the Urban Affairs Committee, and I often laugh when Tamaqua is considered a rural community because there's nothing really rural about row homes, doubles and downtown walk-up apartments. When I say we, I'm not just referring to myself.

I'm referring to a strategic team of elected officials, municipal employees and nonprofits in Tamaqua who have been throwing everything but the kitchen sink at the blight problem. There are many, but in the interest of time, I will only submit their names into the record without reading them.

I shutter to hear sometimes when people either offer first-hand testimony or second-hand whispers that local communities and elected officials have enough tools already to deal with blight and that the current laws are strict enough. To be perfectly clear, we do not and they are not.

Local elected officials in Tamaqua, our code enforcement officers, our housing rehab officers, our police officers who deal with the negative impact of blight certainly don't think so either. More importantly, our

responsible law-abiding property owners don't think so. And in my experience with dealing directly with negligent property owners for the past 13 years, I'm convinced that they not only know that the current laws are easily circumvented; they know exactly how to do it.

I can also tell you that the neighboring residents who bring a dead rat in a bag and drops in on our borough manager's desk certainly does not think that the laws are tough enough, and that has happened on more than one occasion, I'm sorry to say; nor does the elderly woman whose neighbor's unheated home, bursting pipes and leaky roof caused damage to her home while her heating bills rise and her property value plummets and we use her tax dollars to tear down her neighbor's building.

It is a very hollow feeling for me when I have to tell a Tamaquan who takes pride in their community that the building falling apart next door to them will continue to deteriorate because we are doing all we can. Of course, many elected officials can and say that we are doing all we can, but why should anyone, including -- maybe not the Senators today, but other members of the General Assembly who are a justifiably-sceptical group, why should they believe us when we say that we're doing all we can in Tamaqua?

Maybe we're just not using everything we have at

our disposal, or perhaps we're not smart enough to use the existing laws effectively, or maybe we just lack the political will to enforce existing anti-blight measures in our community. That's hogwash. You and your colleagues can rely on this testimony as evidence to know that even when a community takes the fight seriously and uses every anti-blight measure at its disposal, there are still gaps, and we really do need the anti-blight measures in 1291.

In our community, we've done everything from cite our own council people for violations to using the politically-unpopular KOZ tax-free program to actually address blight. We have spent our good taxpayers' dollars purchasing blighted buildings, rehabbing and demolishing them. Our district judge, we're fortunate, has actually sentenced people to jail for ignoring code violations, and they have served jail

cxs TAOEUPLtime.

We have been creative and we have used the tools currently available, and Tamaqua has only made a dent in our problem. I'm going to give you some examples of how Tamaqua has used existing laws and resources successfully, followed by how some of the things and measures that are listed in 1291 will fill some of the gaps in those laws.

In Tamaqua, we've used everything from Transportation to Heritage Park funding to restore a blighted train

station, which now houses an upscale restaurant and shops. We've used Main Street and Conservation and Natural Resources funding to construct Depot Square Park, a park and garden where a gasoline station was being abandoned and would have certainly become blighted, as they had done in other communities.

We cited property owners under a Local Historic District Ordinance, which is not a popular thing to do, which prohibits demolition by neglect. We've used private funds and preservation funding to acquire and restore blighted properties like the Daniel Shepp House Mansion. We've acquired 50 Mauch Chunk Street at a tax sale and sold it to the highest bidder who now runs a successful pub and restaurant.

We've placed 12-16 Mauch Chunk Street into KOZ program. The property went through a sheriff's sale as a KOZ program where the bank purchased it and then sold it to a developer who ran an unsuccessful pub and restaurant. We've created a partnership with the local trust, the John Morgan Trust, Lehigh Carbon Community College and the Tamaqua School District to construct a new community college campus where a junior high school was being abandoned and would have become blighted.

We've implemented an aggressive demolition program to eliminate blight. In the past ten years,

Tamaqua has spend more than $373 thousand demolishing 30 blighted properties. This is just the demolition costs and does not include legal fees, countless hours of enforcement officer and borough employee time, the unpaid taxes, the unpaid water bills, sewer bills and refuse bills. In addition, dozens of properties were taken to the point of demolition, but the property owners either abated their own violations or demolished the structures themselves to avoid the demolition lien filing.

Up until this year, Schuylkill County contributed 50 percent toward demolition costs, and the Tamaqua School District contributed 12.5 percent. Tamaqua had always been proud of our enlightened school board for understanding that eliminating blight is a good investment. School boards typically don't get involved in these types of issues, but they certainly have a lot at stake.

We restored a blighted factory, the former boot and shoe factory, which lay vacant for many, many years by partnering with some of the people in this room, including the Alliance for Building Communities, the Federal Home Loan Bank of Pittsburgh to use historic tax credits, Pennsylvania Housing and Finance funding, Housing Tax Credits and PennHomes financing.

We've really used a lot of negotiating consent orders with property owners that allow the property owners

the time to address the code and blight issues. One property owner who I want to mention, not by name, but by action, he purchased two properties sight-unseen at the same sheriff's sale in Tamaqua using an agent. And he was given time to address the code violations after he purchased them, and he agreed to allow the borough to actually hold the deed in escrow until those issues were addressed.

The owner, of course, did not address the property, and Tamaqua executed the deed and took ownership. Unfortunately, the home burned down before we could rehab it. Tamaqua also had to demolish the second property as well, and to this day, I don't think the man ever set foot in Tamaqua to see what he had purchased. Tamaqua has routinely used and enforced consent orders as a way to address blight.

Tamaqua also runs a substantial housing rehab program, which we've done for more than 30 years, helping hundreds of property owners. We also operate a Residential Rental Property Inspection Program and Registration Program, and we inspected residential rental properties once every four years.

Just to note, our fire chief once found an electrical circuit box in the shower of a basement apartment, which we didn't know about until we inspected

it. Fortunately, the shower was not being used. We worked closely with our Water and Sewer Authorities to strictly enforce routine shut-offs to prevent delinquent properties from spiraling into delinquency and blight. We monitor very closely our sheriff and judicial sales to try to acquire blighted properties for demolition or rehab and also to ensure that purchasers are aware of their obligations to address code violations.

We cut untold amounts of grass on abandoned and neglected properties, knowing that we are unlikely to recoup these costs simply by filing a lien. We file the liens anyway. We placed more than 18 vacant and blighted properties in the KOZ and KOEZ program, which is not a political easy thing to do, and many of these sites are now quality, highly-desired apartments and locations for small businesses.

We've launched and sustained a full-fledged Main Street program and committee that includes dedicated annual funding from the borough to sustain the program now that the state funding is no longer available. We've recently launched an Elm Street committee and program in our South Ward to address blight in that residential neighborhood.

We've even organized volunteers from the New Life Assembly of God Church who repaired a roof of one of our neighborhood residents to prevent it from becoming

blighted. In the past, that church was looking to other states to address blight. And I said, why don't you stay in our community and do it, and they did. We've worked with Schuylkill Community Action, who you're going to hear from later, to construct a new single-family detached home where we demolished a blighted double home.

We've raised $1.3 million of all private funding to construct a community center where our Victoria Theater collapsed and a vacant lot sat for many years. We routinely perform fire inspections on our commercial properties. We've completed a $2.6 million streetscape improvement project, and we maintain a staff that includes a code enforcement officer, assistant code enforcement officer and two housing rehab officers.

We offer low-interest housing rehab financing, sidewalk financing and commercial property financing specifically to address code violations; and we seek and have sought the maximum penalties, including jail time, for repeat violators. And we're a community of 68 hundred people. We're the largest growing in the county, but by no means, a large community.

We've used every tool available to us because the problem is so vast. Despite these and other efforts, there are still blighted properties that cannot be addressed without the measures of 1291. An excellent

example is the former Mitchell Furniture Building at 205 West Broad Street in Tamaqua. The property owner has failed to maintain heat or address code violations since purchasing the building in 1996.

The large front store windows are broken. The upper floor concrete window sills had to be propped up because they came crashing to the sidewalk. The property owner actually fought us when we tried to include his property in the streetscape improvement project, despite having been cited for his own deteriorating sidewalks.

This building is a contributing structure in our historic district, and he has been cited, found guilty, fined more than $10 million and sentenced to jail for his violations. Apparently, that's not enough to motivate this negligent property owner. And our goal, of course, is to get this blighted property addressed, not to put them in jail or collect fines.

And at this point, we have literally done all we can. However, if we had the permit denial, the asset attachment and the statewide database measures of Senate Bill 1291 in place today, we would be using those tools to have the property owner address the violations. We have no doubt that he would too because just a short three blocks away, this same property owner owns and runs a bar with a liquor license.

By making the future of his bar, his liquor license and other assets tied to the blighted assets three blocks away, the property owner would not be so willing to ignore the violations

cxs -FPLT. This property owner should be listed in a statewide database so other communities can see that he has a history of destroying properties by neglecting them.

Moreover, this database can be used to demonstrate a history of violations, where now the only way for a municipality, including us, to show that an owner has a history of not correcting violations is to wait until it happens repeatedly in that particular community. Currently he knows that, like so many other property owners have done in Tamaqua, he can just let it crumble and the municipality will end up demolishing the building or property after a sheriff's sale.

He can do this knowing that his other assets just a few blocks away are safe. The new reporting requirements of Senate Bill 1291 are also necessary so that this property and other property owners cannot just hide behind an incorporated name or a post office box. What would happen if this property owner skipped town or stayed in New Jersey where he resides?

Senate Bill 1291 will allow Tamaqua to bring him back to Pennsylvania to face the citations. In a way,

we're fortunate that this particular absentee property owner does own a bar in Tamaqua. At least he is around for our police and our constable to serve warrants. This would not be the case for our other out-of-state property owners who may chose to hide behind the state line and the lengthy court process needed to bring them to justice.

The other pieces of 1291 would also address, help us address properties that we cannot address currently. The asset attachment; there have been several instances where property owners buy blighted properties at tax sale often sight-unseen. These purchasers will think twice about ignoring their responsibilities as property owners if their Florida, New York or Tamaqua assets are going to be at risk.

The state database and registry; this would be a simple, but powerful tool. It will allow communities to assess a property owner's record. In addition to assisting in permit, variance and special use determinations, this will also help communities make better decisions when negotiating with utility-delinquent owners, for example, because we will have a better idea of whether the delinquency is a pattern or a one-time occurrence.

The tool will also be useful to counties wishing to avoid selling properties at sheriff's sale to repeat violators, something that's impossible now. Such a

registry will also help a community seek maximum fines and penalties for repeat violators. The owner recording requirements; part of the time-consuming back and forth of due process is the notification requirements. Negligent property owners are good at pushing time limits and finding loopholes.

Having good names and addresses for property owners will shorten the time a negligent owner can hide behind a corporate name or P.O. Box. The returning of out-of-state property owners to Pennsylvania to face criminal prosecution, the only thing I have to say about that is the fact that this is currently not a state law indicates that Pennsylvania still does not consider code violations as a serious criminal matter.

Since repeated code violations are a criminal offense, offenders should be treated as criminals. Receivership and conservatorship; this aspect of 1291 would have limited applicability in small communities like Tamaqua since we often do not have the nonprofits or community resources necessary to properly deal with a marginal property.

We do, however, often become receivers of the property because after a property has deteriorated and its value is gone, taxes and utilities are ignored and the owners dump the property on the municipality by virtue of

it becoming a health and safety hazard that must be addressed. We end up being the owners. The receivership/conservatorship provisions should include a mechanism for municipal and tax liens to be removed or paid over time by the receiver.

*KWREU/-RBGS/WE/EPBD/UP/PW-G/-T/OEPB/STP-R

Mortgage lender responsibility; in my experience, the most uncaring property owner is the special assets department of a bank. And I understand it's their job, but they certainly do not consider themselves to be property owners with property owner responsibilities.

When a property is in this position, there is no owner, and a community must often sit idly by as the foreclosed owner ignores violations and the lender, whether it's a bank or other lender, looks to unload the property to cut its losses. Holding a lender responsible is a good idea, but don't let the original property owner off the hook.

Increased lender responsibility needs to be linked with the private asset provision so the original property owner stays on the hook to address the blighted property. In addition, lenders need to be encouraged to protect their assets by using the proposed right of action mechanism, the private right of action mechanism prior to and throughout the foreclosure process.

By using lender responsibility, private right of action and private asset attachment together, banks and municipalities will be a powerful team to prevent and remediate blight. Banks and communities could and should work together instead of as adversaries in this struggle. As far as private right of action, the neighboring property owners and lenders are often most impacted when a property is left to deteriorate.

Allowing private right of action will bring those specific owners into the process directly, whereas municipalities tend to use general health and safety arguments when enforcing our codes. Municipalities are often brought into neighbor disputes under the guise of code violations and property maintenance issues.

This private right of action provision will allow municipalities to avoid being inappropriately used by allowing citizens the ability to file their own action. Municipalities can then use the precious time of our code enforcement officers and attorneys more efficiently.

I would like to, if I may, offer some additional recommendations for Senate Bill 1291 or other legislation. I recommend the consideration of additional measures to address blight. First, consider requiring liability insurance for structures that are attached to adjacent structures or even for all properties, in the way

automobile insurance is mandated.

Second, eliminate the disincentive for property owners to improve their properties by eliminating the property taxes, and that does happen. Finally, work with the Attorney General's office to establish an anti-blight agent, similar to drug task forces, who can work with local District Attorneys to assist in fighting the criminal violation of building codes by notorious multi-community offenders.

I would like to conclude by restating that Tamaqua has and will continue to do everything within its power to fight blight in our community. We are unique in that we have the will to do what needs to be done and have put the resources towards making it happen, but it's not easy and it's not enough.

Most property owners have pride in their property and in their community, but there are those notorious owners who cannot be budged with the existing laws. They are willing to face jail time and fines to let their properties become a devaluing and dangerous presence in our communities. The measures of 1291 will certainly help us win our fight in Tamaqua.

There are many smaller communities who do not have the experienced and talented staff that we have, and we still struggle to fight blight. Senate Bill 1291 will

allow them a stronger opportunity to make meaningful progress in their neighborhoods. We are fortunate to have all the means to throw the book at notorious property owners.

I would like to thank Senator Rhoades and Senator Pippy today for helping us with this issue because sometimes we just need a heavier book. I want to thank you for your time and consideration, and I'd be available to answer any questions that you may have.

SENATOR RHOADES: I was going to ask you, did you forget anything? You did a comprehensive job on this, and I'll tell you, I compliment you on serving as a borough council member and now as the President of Borough Council for Tamaqua that you've taken these aggressive steps. I mean, it's evident within the borough.

You can see that; the train station, the main areas of the homes that you're taking down. You make that improvement, but it's still there. And I think the key thing is is we all want to improve the quality of life in our communities, and we want to minimize the hurdles that we have to jump through without penalizing anyone except those who are violating it, those who want to not care for the properties, devalue properties around them and make properties where illegal activities take place.

No, that's out -- you guys have tapped just

about anything. I'd like to see if we can make it simpler so that you can get into it, but I complement you on the job you have done and that recommendations you've made. Thank you.

CHAIRMAN PIPPY: Thank you, Senator Rhoades.

Thank you for your very specific comments. That's helpful. So many times when you receive testimony, you get the intent, but it's not the intent that we need. We really need specifics, so I want to commend you on this testimony. We will continue to use it as we move forward.

The only other thing I would add is most of my council members wouldn't call me a heavier book, but you know Senator Rhoades and what he does with the football program. He does attempt to put together these very, big, heavy books, so he's a good person you want behind you.

We may be coming back to you on a couple of the other ideas that you had, in particular with the Attorney General's office and the blight officer there. That may change. That anti-blight agent there, that may be an option. Have you discussed that with them at all?

MR. GURSKY: No, I have not.

CHAIRMAN PIPPY: Okay. We'll follow up with you on that. You didn't miss anything.

MR. GURSKY: Thank you.

CHAIRMAN PIPPY: Thank you very much.

Our next presenters are from Schuylkill Community Action. Jeff Feeser, he's the Director of Housing, as well as Michael McGeever. He's the Elm Street Manager. That's interesting. Being a House member of Urban Affairs and now the Chairman of the Senate Committee, these terms aren't new, and so it's good to see you gentlemen.

I'm starting to pick up where a lot of the good ideas that we get in the Legislature were coming from and, in particular, from the Council President of Tamaqua as well and some of the things you did.

MR. FEESER: Good morning. My name is Jeffrey Feeser. I'd like to thank you for the opportunity to provide testimony today from a nonprofit perspective. I'm the Director of Housing and Community Development for Schuylkill Community Action. SCA is a private, nonprofit community action agency serving the needs of the lower-income residents of Schuylkill County since 1965.

SCA is a PA DCED CHDO, a certified Community Housing Development Organization. SCA is also a US HUD-certified house counseling agency since 1994. The agency funding is derived from public and private resources such as US HUD, PA DCED, USDA, PHFA -- thank you, Brian -- local lending institutions and others.

SCA's expenditures average been $3 and $3-and-a-

half million annually, and contract administration exceeds $6 million on an annual basis. SCA has taken a proactive stance on affordable housing and community revitalization concerns for over 25 years. SCA's affordable housing program includes, but is not limited to demolition, new construction, housing rehabilitation and repair, accessibility modifications, rental development and, of course, community revitalization.

Over the past 12 years, SCA has completed over 50 homeownership projects consisting of either whole house renovation or demolition and new construction. I've attached pictures of two community revitalization initiatives that were recently completed by SCA in the Boroughs of Mahanoy City and Shenandoah.

I'm also proud to report, the picture to our right, those buildings have been razed. We have a partnership going on right now with the Borough of Girardville. They were demolished last September. In fact, we broke ground several weeks ago.

We're constructing three new single-family residential homes at that site and expect it to be completed perhaps by year end or early 2009. These projects involved the elimination of neighborhood blight through the acquisition, demolition and new construction of single-family residential homes.

Strong municipal partnerships and funding from the Pennsylvania Department of Community and Economic Development enabled SCA and the respective boroughs to eliminate blight and provide homeownership opportunities for lower-income families. Deteriorated, blighted and abandoned properties have a serious and adverse effect on adjoining properties as well as the neighborhood and municipality as a whole.

Vacant, blighted properties devalue the neighborhood and municipality, degrade quality of life, create a loss of tax base to local governments and school districts, are a public and attractive nuisance, serve as an incubator for rodents and pests, create health and safety hazards and provide for the potential for catastrophe.

Senate Bill 1291 will establish processes to effectively deal with blighted, vacant and abandoned properties. This bill will provide a legislative mechanism for our court system, municipalities, redevelopment authorities, nonprofits and citizens to combat blight and potentially return these blighted properties into productive reuse.

Demolition, new construction, housing rehabilitation or the development of green space will help fuel revitalization efforts which are necessary for the

stabilization and well-being of our local municipalities. Senate Bill 1291 will enable a municipality or competent entity to deal with blighted properties on a more expeditious basis.

Recent legislative initiatives have supported community revitalization efforts and the fight against blight. However, we must continue to fight the battle to re-establish our once-vibrant communities. Further legislation action such as Senate Bill 1291 as well as continued financial commitment will certainly help support community revitalization efforts to eliminate blight.

I would like to offer my comments on the following provisions of Senate Bill 1291: Out-of-state owners of real estate; an ever-increasing problem in Schuylkill County as well as in the Commonwealth is the abandoned blighted property owned by an out-of-state proprietor or landlord.

Adding to the problem are eBay vendors acquiring properties at tax sales, sight-unseen, in an effort to flip the property for profit. When the out-of-state purchaser fails to resell the property in a reasonable period of time, the normally-blighted property to begin with continues to decline.

Without an effective and expeditious means to induce this owner to correct serious code violations, the

property continues to decline, oftentimes to the point of no repair. A legal process to hold this owner accountable through extradition and the pursuit of criminal prosecution may persuade the owner to bring the property into code compliance.

Responsibilities of mortgage lenders; unoccupied buildings deteriorate at an alarming rate. Failure and deterioration of roofs, windows, doors, lead-based paint and foundations are cause for major concern. Foreclosed properties, if not blighted at the time of repossession, can fall into a hurried state of disrepair.

A provision to encourage mortgage lenders to remediate serious code violations before irreparable damage occurs may salvage the building. This becomes even more apparent when foreclosed properties remain unsold for long periods of time. Duty of corporate owners; the passage of legislation to allow in personam action against the legal owner for serious building or code violations should enable municipalities to better enforce their building codes.

The right to place a lien against the assets of the owner upon receipt of judgement should additionally enhance the code enforcement officer's legal remedies. Conservatorship would enable a party in interest to intervene when a property is vacant, blighted and the owner is not accepting responsibility for its condition.

Perhaps a process of last resort, a conservatorship may help save buildings before ultimate decline sets in and the structure becomes a demolition project in-waiting. The more streamlined and expeditious the conservatorship process, the more likely the structure could be saved and perhaps returned to productive reuse. The establishment of a Property Maintenance Code Violations Registry would enable municipalities to report maintenance code violations that have gone unabated.

The establishment and maintenance of such a registry could help municipalities in their permitting process and the Commonwealth in their licensing and certification processes. The registry would give more clout to the code enforcement officer and better enable him or her to enforce the municipal building codes.

*PWER/TPHAEUBL/HEUPL/OR/HER/TO/EPB/TPORS/PHUSSale of blighted and abandoned properties; as trustee for unpaid taxes, the Schuylkill County Tax Claim Bureau currently has an inventory of approximately 13 hundred properties which have been exposed to Tax Upset Sale. Furthermore, an additional 250 to 300 properties are exposed to Upset Sale each year due to unpaid taxes.

It is fair to assume that a majority of these properties offered for tax sale are blighted. A serious

problem exists when a blighted property is sold to a buyer who has no plan or no intention of improving the property and no recourse exists for the taxing authority.

An executed redevelopment plan and agreement with the municipality, along with a remedy for noncompliance, will strongly encourage the purchaser to bring the property up to code standards in a reasonable period of time. A required performance bond will certainly help ensure compliance that the blighted, vacant property is brought up to code.

Senate Bill 1291 is a proactive effort to effectively deal with blighted and abandoned properties. Providing a legislative mechanism to transform these blighted properties into productive reuse will help support revitalization efforts and better serve the residents in the affected neighborhoods, municipalities and the Commonwealth as a whole. Thank you for your time.

MR. MCGEEVER: Good morning. I'm Michael McGeever, Elm Street Manager for the City of Pottsville. I'm employed by Schuylkill Community Action, which is the implementing agency for the city's five-year Elm Street Program. The Elm Street Program is a statewide initiative that focuses on residential revitalization in neighborhoods that are in close proximity or adjoin to the Commonwealth's municipalities' downtown districts.

The Elm Street Program is funded by the Pennsylvania Department of Community and Economic Development. Many elements of Elm Street are implemented by the Pennsylvania Downtown Center, which is an influential and active proponent for the fight on blight.

The goals of the Elm Street Program are not only to undertake improvements in a designated neighborhood's infrastructure, provide first-time home buyer down payment assistance and carry out home renovation programs for qualified homeowners; but equally important is the strong plank in Elm Street's platform of renewing pride in a particular neighborhood, to give homeowners, business owners and residents a sense of ownership and community while enabling them to solve some of their problems as a neighborhood on their own, as neighbors.

Ultimately, it is hoped that the residents of a designated area will sustain these ideals long after programs such as Elm Street move on from their area. The continued, long-term presence of blighted, deteriorated and abandoned properties only hinders the endeavors and goals of initiatives such as Elm Street Program and its downtown business district counterpart, the Main Street Program.

Without the success of Senate Bill 1291 and the ability of municipalities to deal more swiftly and effectively with this issue, further frustration will be

heaped on responsible home and business owners who work within the guidelines of these programs, some of whom invest their own money as matching funds to the grants and the loans for which they have successfully applied.

The ability of municipalities to deal with blighted, deteriorated and abandoned properties, as they should be empowered to do, results in an overall decrease in the value of a neighborhood, an obstacle for realtors to market homes in a neighborhood and also makes the prospect less attractive for potential businesses to move in an area, some of which may provide much needed amenities for a particular district or neighborhood.

Meanwhile, the consequences for a municipality's tax base are glaringly obvious. There are numerous studies to support these remarks, and I'd be happy to furnish them to the Committee as additional testimony since time does not permit their oral submission today.

Those are some of the potential economical ramifications of blight, but what about the social and psychological impact that chronic blight has on a community? How can homeowners or business owners be encouraged to invest in their properties when on a daily basis, year after year, they witness sections of their blocks literally crumbling around them?

How can I, as a neighborhood revitalization

specialist, urge homeowners to participate in home renovation programs such as Elm Street and, in some instances, ask them to invest their own hard-earned money when irresponsible property owners on their blocks laugh in your face when they are confronted about the deplorable conditions of their properties?

And that's only dealing with some local property owners, let alone those from out of the area, if they can be found. These situations can only be counter-productive to what the state revitalization programs such as Elm Street and Main Street have been designed and legislated to achieve. These frustrations are chaired by municipalities' code enforcement departments.

As Elm Street Manager, I'm fortunate enough to have a great working relationship with Pottsville's code enforcement team. On a day-to-day basis, they communicate a desire to obtain the ammunition to fight the blight. Code enforcement is on the front line. As outlined in Subchapter G of Senate Bill 1291, the Commonwealth's municipalities must be given additional tools and funding to augment existing code enforcement regulations to deal with the spread of chronic blight.

Such additional firepower would allow code enforcement to initiate preventative measures and tailor them to their needs. For example, in the recent past,

structures, many of historical significance in Schuylkill County, could have been saved if the owners of these properties were compelled to or forced, at least, to put a roof on the structure to prevent water damage.

There is potential to refurbish some of the existing housing stock and make properties across this Commonwealth attractive to potential buyers from all walks of life. That possibility evaporates if the housing stock, as well as potential business premises, are allowed to rot due to lack of action by the owner and the absence of resources for communities to reverse the situation.

The hurdles faced by municipalities, their code enforcement departments and the responsible property owners are spelled out in the lead story of yesterday's edition of the Republican Herald. I have attached a copy of that news story onto my testimony. This situation is not exclusive to

cxs ROT/PWEU/-T/OEPB/STPER/AEPB/-T/HRABG/-F *AEZ/A/TKEUGS/AEPB/AOEUF/A/TAFP/-D/TOlarge urban areas.

In fact, and unfortunately, blight seems to have more of an impact on smaller communities probably because it's more noticeable more quickly. All you have to do is look out the courtroom windows here of the 400 block of Laurel Boulevard, and you'll see what I'm talking about. I know because I live there.

At the county level, tax bureaus and related administrators need to work more closely and uniformly with municipalities or responsible entities such as Schuylkill Community Action that seek to acquire the described type of properties for demolition or renovation with the purpose of targeted community revitalization.

Meanwhile, properties acquired through tax sales that have previously been deemed blighted, abandoned or deteriorated must have their conditions addressed in a timely manner. Parties acquiring these types of properties should have background checks to investigate whether they possess other properties that are in serious code violation.

At the time of tax sale, stipulations should be put in place to mandate the rehabilitation or demolition of the structure in a certain time frame. If purchasers do not meet their responsibilities, then municipalities must be empowered to seek recourse to bring the property owner to task or pursue criminal prosecution and/or seize assets.

Setting conditions and stipulations for tax sales potentially will make the opportunists, especially out-of-town, state property buyers, think twice before buying blighted properties with the intention of making a quick buck by flipping the property, say on eBay, without actually even crossing the threshold of the properties.

*SRAOEU/HRAEUGS/-FPLT/T-T/-F/STEUP/HRAEUGS/SHUB/PUTThere have been great strides taken to fight the blight across the Commonwealth. It is quite evident that programs such as Elm Street and Main Street have made substantial impact on renewing the vibrancy of many of the Commonwealth's diverse communities.

The provisions detailed in Senate Bill 1291 will provide much needed leverage to the broad spectrum of the Commonwealth's community revitalization initiatives while giving municipalities additional and more effective ammunition to fight the blight. This bill can be a significant step in securing Pennsylvania's rich history while adding another chapter to it. Thank you for your time.

SENATOR RHOADES: Gentlemen, thank both of you for being here.

Jeff, on the first one, 50 homeownership projects consisting of either whole-house renovation or demolition and new construction, and I want to call attention to my colleagues here on the last two pages of that are -- well, one you have a whole block ripped down in Shenandoah, and then you can see two brand homes that were put up; have done the same in Mahanoy City, where there were six properties went down, and they have two brand new

homes that are up.

And then they're doing the same thing over on the side. We can't see. It's an angle behind us. It's Girardville, and they're putting

cxs -RBGS two new homes up in there too -- three -- I'm sorry; thanks, Jeff -- three new homes up in there. So I'm saying it's not that things aren't being done, but the amount of hurdles you have to go through, the paperwork you have to go through.

And that's the question actually that I have for both of you is -- and that's one other thing. Let me add. We just got the article, Mike, that you included from yesterday's Herald. I think there's a fellow here by the name of Steve Pytech (ph), right there, that did it.

Good job, Steve.

But it points out the problem we have, and it's everywhere. And is there any priority list we have, like, here's step 1; here's step 2; here's step 3; here's step 4? How do you go about doing this? Is this just a potpourri of grabbing everywhere you possibly can to get everything addressed in terms of ownership, liabilities, tearing down? I mean, how do you get a handle on it?

MR. FEESER: We work very closely with municipalities. If there's capacity at the municipality level, if they're an entitlement community, have a borough

manager or an infrastructure manager, I go about talking with them, identifying potential projects. Especially with the new construction, normally you have to have several lots, several adjoining lots.

It makes a bigger impact, but it also makes some projects not viable if it's a single-family home on a 12-and-a-half-foot-wide lot. So we work a lot with the municipalities. I can cite that the Borough of Schuylkill Haven, Borough of Mahanoy City, Girardville, Shenandoah, City of Pottsville, they all welcome us into their community. One of big -- we're guided a lot by the Home Guidelines from Pennsylvania Department of Community and Economic Development for homeownership projects.

SENATOR RHOADES: But you have to match all of that up?

MR. FEESER: Yes. It's a program that we, that I developed in Schuylkill Community Action. And I've looked at other programs across the state when I go to conferences and talk to people, develop the program, get it funded and then start talking to the communities and lining up properties. They may identify properties that are falling down that are more of a priority, and we certainly look at every project that they have, they offer to us.

SENATOR RHOADES: Mike, did you have something to add?

MR. MCGEEVER: I guess maybe it's a, kind of an expression of frustration that when, for example, we're doing the infrastructure improvements in the downtown Pottsville on North Center Street there, the new sidewalks, the antique style street lighting. We had abandoned properties in which I showed you that we wanted to get a hold of.

It took us a year. Maybe sometimes I'm too inpatient, but it just seems that we're putting the cart before the horse, where we're doing such improvements such as new sidewalks when these abandoned properties are still there. And it seems like the more improvements you do, the more these blighted properties stick out like sore thumbs.

And some of these issues could have been addressed, and it might have been a little more cost effective as well to have these problems addressed before some of those infrastructure improvements were undertaken. So you grab what you can. Then you have to go back and remediate the situation. So luckily, and thanks to great help from the city, we finally did get those buildings down.

SENATOR RHOADES: Yeah. See, part of my concern, we want to protect property owner's rights. Okay? I mean, that's key to all of this. But if I'm a good property owner and have those properties, as both of you

has said, next door to you, it depreciates the value of my property. If you got water coming down one, a back door busted off, you don't know who's going to go in there.

They may start a fire or something, and pretty soon, it's not just that dilapidated property that's going down; it's your business and your property that's going down with it. And then you're putting life at risk, and then you're also, you know, destroying a livelihood in the process.

And that's what I'm looking to try to say is, how can we make this as easy and as simple as we can, but also as understandable? I don't want people going around saying they're trying to take our property. I thought it was important to mention that because when I look at what you've done, I mean, you look at the homes that get put up.

There's people, I mean -- it's horrible. It just changes the whole neighborhood. It just looks all together different in the process. So I applaud you for that, and thanks for your testimony too.

CHAIRMAN PIPPY: Senator Browne?

SENATOR BROWNE: Thank you, Mr. Chairman.

One of the terms of urban investment and revitalization that Senator Pippy was the sponsor of that just recently passed, a very strong measure, it has to do with the extension of a KOZ permits.

And one of the things that's being used in the City of Allentown and I think a couple other places throughout the Commonwealth is using a KOZ for a residential investment as a way to offset the cost of that new owner having to do additional investment that otherwise wouldn't occur in a suburban development.

Is that something that Pottsville or other cities in Schuylkill County have considered? Do you see that as any value?

MR. MCGEEVER: The only thought I have on that is kind of on Elm Street. The Elm Street districts, as I said, they're in close proximity to the downtown districts, the Main Street districts there. But your downtown districts, your KOZs, they can only be as vibrant as the surrounding neighborhoods.

So you're addressing the residential reinvestment. The ebb and flow that that has on the downtown districts and the business districts, it goes hand-in-hand. That's why Elm Street -- before Elm Street and Main Street Programs really didn't come together on a whole lot of issues.

Now they're working more closely together, sharing resources and sharing committee members, because it's for the common goal. Your downtowns, your business districts are only as vibrant as the neighborhoods around

them.

SENATOR BROWNE: One of the dynamics that's occurring in some, mostly third-class -- well, not exactly. Well, in Pittsburgh, I've seen this too. There's too much housing stock in the existing population. The population is shrinking, so we have just an excess of housing inventory.

And it makes it really hard when you have a house or an inventory of homes where you just don't have the people that live in a community to reside in the house, which we'll just maintain that home as an abandoned property. What do you do in that circumstance?

MR. FEESER: I can talk from a Schuylkill County standpoint. We had a population of 235 thousand people in 1930. The population today is right around 150 thousand. Again, a glut of housing stock, not enough people to fill them out.

What we're doing is combining lots through demolition and adding single-family homes, which now it allows off-street parking in a municipality, which is very difficult to find. It also allows for green space, a side yard, a rear yard, a patio. That's one of the things we're doing.

SENATOR BROWNE: There's nothing worse for a house than just years of being abandoned. Eventually they

just fall apart. Some are fortunate and have cities that are growing, but there's many cities across the state that aren't. So that seems like the way you would have to do it is just consolidate the lots.

MR. FEESER: And we find out with lead-based paint issues that are going on and the deteriorating paint on the houses that have sat vacant, that cost to abate the lead-based paint even before going in to start renovation. We're finding it not as cost effective as going in and demolition and creating a new housing stock.

We changed our programming about four or five years ago and have gone with demolition and new construction as opposed to whole-house renovation, not that we would not do a whole-house renovation. In fact, we're doing one in Mahanoy City this fall, but it's become fewer and far between; and we find out, again, combining the parcels.

To get back to your KOZ issue, one of the problems we're faced with is when we build a new construction house, our millage rates are very high, and we're building a house with a higher assessed value. And when you apply the higher millage rates to the home, taxes on a property in Shenandoah may be $24 hundred to $3 thousand annually, which our homeownership program, we're selling to low and moderate income families, 80 percent of

median income.

It becomes an issue when the real estate taxes, the escrow is $250 a month when the mortgage payment may only be 5 or 6 hundred. So we're finding that as a problem, so perhaps with the KOZ and being applied to residential for the abatement period, it very well could be extremely helpful in our situation.

SENATOR BROWNE: Thank you.

CHAIRMAN PIPPY: Thank you, gentlemen. We appreciate you basically summarizing a lot of the issues that we're trying to deal with in an effective way. Senator Browne and I had a discussion previous to this hearing on the value and the importance of potentially using KOZs and KOEZs. I know Tamaqua's doing it for getting people to move in and being able to deal with some of the property tax issues.

Our only frustration is that, as I mentioned earlier, we can't change the rules depending on where you live. So we have people buying million-dollar condos in Philadelphia and getting a tax abatement, but, you know, we have to take it with the good and the bad and uniformity there.

But I would ask, if you're interested in that, we can maybe try to help you there. Other than that, gentlemen, thank you very much for your testimony. We

appreciate it.

Our final presenter is someone I know well and knew when I first came into legislation back in the mid '90's, Jeri Stumpf, who's now with American Planning Association of the Pennsylvania Chapter.

Now, Jeri, I know you well enough to tell you that you're starting eight minutes after. We were supposed to adjourn in seven minutes, so feel free to just answer questions or try to shorten the presentation you have there if you have the opportunity. But we appreciate it. Good to see you again.

MR. STUMPF: Good seeing you.

Chairman Pippy, Senator Rhoades, Senator Browne, for the record, my name is Jeri Stumpf, President of Jeri Stumpf and Associates, a community development and governmental affairs consulting firm, and a member of PBA Legislative Committee.

I know you have a tight schedule, and I just want to highlight a couple things that I see as an overview. I know you've heard a lot of this before, but I will be brief and then, you know, open to any questions. First of all, blight's an economic crime. That's the most significant thing that people don't get.

Billions of dollars is being lost in Pennsylvania as far as lost taxes. Let me give you an

example. When I go and speak, I say, if I go down the street and rob a bank and take people's money, I go to jail.

But if I'm an investor and take an apartment building and milk all the equity out of it and abandon it with tax liens, sewer liens, water liens and people lose all the equity; and a person who's in their 70's who their life savings is in the equity of that home and they lose it overnight because of me, a greedy investor abandoning that property, didn't I take their money and isn't that a crime?

And that's the difference that people don't get. In addition, lost equity, and I know you've heard other places, it costs municipalities millions of dollars in lost property tax revenue needed to provide municipal services. Then municipalities have to raise taxes to make up for those losses.

And then it's the taxpayers who do maintain their properties, but they now even have to pay higher property taxes to make up for the lost property tax revenue. Municipal costs for police and fire costs for blighted abandoned property continually go up. The taxpayers end up paying higher property costs to make up for that.

Then the taxpayers pay higher fire and casualty insurance premiums, even if they can get insurance if

there's blighted properties in the building. And what's ironic is to me and I'm sure to you, the slumlords who created the mess pay nothing. They don't pay their property taxes; they don't pay sewer bills; they don't pay water bills; they don't pay trash bills.

And municipal liens against their properties to collect this money from municipalities are worthless. Oh, yes, and did I mention curious kids that like to get inside of these buildings die in the abandoned properties; residents die in fire in these blighted and abandoned properties, as you know, a favorite target of arsonists.

Police and fireman die responding to calls to the properties; being a location and a choice for criminal activity, criminals and innocent people also die from crimes committed in these properties. And then there are the other repercussions that you've heard about. They jeopardize state tax funded economic development enhancement programs.

As you know, I was with the Governor's Office of Economic Development and Housing (ph) for three years. We spent all this money and all these billions of dollars that we're trying to leverage the 3 billion that the state and the Legislature passed to triple and quadruple.

That's great, but if we don't do something to get a handle on blighted properties in the marginal areas

around these capital investments and do something about the blight that isn't even started yet -- 30 years from now, we'll be tearing down these economic development projects funded by the taxpayers and doing urban renewal all over again, like we did in the '50's and '60's.

It's got to stop. It costs municipalities lost opportunities when investigators come to these communities and see this blighted property. They want to leave. They don't know. They'll ask, what are you doing; well, we're trying to get a handle on it; well, I'm not going to invest my money until I know for sure what's happening.

So it discourages investors; it discourages visitors and tourism. Tourism is a great thing, but unless we can get a handle on the blighted properties in there -- our museum and historical buildings and things we're trying to rehab is wonderful, but we've got to deal with the blight thing too.

And another important thing I think that we forget, we talk about the brain drain. It discourages young people from wanting to stay in the community, or when they graduate from college to come back and live and raise their family. It's demoralizing. So I think the point is, the Legislature's done a great job, but just didn't go far enough.

Several years ago, as you know, the Urban

Affairs Committee and House Resolution 91 took a look at the issue. Slumlords now can go to jail for up to five years. You now can give blighted properties for a dollar if municipalities end up with title for affordable housing or community economic development. That's great, but what do we need to do yet?

CBDG money shouldn't be used for demolition. There's too little of it; it's needed for other important projects, and the point is, slumlords created these conditions. Let them pay to clean up the mess, not the taxpayers. Senate Bill 1291 allows that. Also, the permit denials, better identification of slumlords, statewide database; the interesting thing, I think with respect to the banks -- because I've read all the testimony of people that oppose this with the idea of, well, let's look what objectively they had to say, and let's deal with that.

There's nothing very objective about it. They're against it. Take out this section; take out that section. We worked three years with the lenders in the state and the banks and had them this close to agreeing that you've got to maintain the roof because there will be structural damage if it isn't. A couple years later, it's going to be torn down.

That may result in tearing down historical buildings adjacent to that. So fix the roof, maintain the

outside so it looks like any other property. You have the legal responsibility, but they don't foreclose. They don't take that legal action. And, in essence, what you have is a limbo situation, and it deteriorates. But they were close to agreeing.

Now, it seems like what I read from the lenders, they're not very supportive at this point in time, but I agree with what I heard previously. They should be a partner, as everybody should. I just can't see anybody opposing this legislation. So, in essence, I think that what we need to do is give the municipalities more tools because the laws aren't working.

I heard other testimony where it says, well, we have existing laws in the books; they can solve the problem. If the laws were working, we wouldn't have blight today. So the point is, we need to go after their assets; and not the taxpayers should be paying for this, the people that create the problems. And then I think we need funding.

As Senator Rhoades has pointed out, let's not have vacant lots for 30 years, but let's tie -- let's make communities have a blight plan, if you will. We're going to acquire what's structurally unsound; we're going to demolish that and lien the assets of the people that created those problems, and let's rebuild affordable

housing and let's do economic development because it can be the stimulus to turn communities around.

So with that, that's all I really had to say. I can submit information for the record, but if you have any specific questions, I'll be happy to answer them.

SENATOR RHOADES: I don't think, Jeri, I have to ask you questions. My biggest thing is I got to thank you for all you have done. And I point out to the audience that's here, it was actually Frank Zuckus (ph), who's our Economic Development Executive Director, sat down one day we were talking about this. No, I think it was the solicitor for the borough now, or for the county, Eric Micha (ph), that brought it to my attention.

And there was an article with your name in it. I asked Jeri to come in. We sat down, and we talked about it and talked about a task force doing it. And I'm going to say this: With all the background you have working with both of these gentlemen in the House on what you developed, we just carried it on. As you said here, if people want to stop it, we can't let them stop it.

In other words, if we're going to improve the quality of life -- and I think everyone today has defined what all the problems are. In other words, all the things that happen from my property next door losing its value to being damaged to having people break in to having drug

operations in there to having all kinds of things go wrong and saying all kinds of things that are wrong about your community, you don't change it.

We have no one to blame but ourselves. Okay? And I appreciate all the work you've done on this. I mean, if anybody needs your expertise -- like I said, I'm not asking any questions. I think you've already told me what the answers are anyway, and I appreciate that. So you've done the omen's work. We're not finished yet, but we'll get this over the hump.

And like I said, it's everybody holding hands on this thing. We do it all together; we understand each other's roles, and it's going to happen. Okay? This is one of those jobs. You got three guys big enough. Senator Browne can carry the ball. Senator Pippy and I, we'll block for a while. We're used to doing that. Okay?

MR. STUMPF: Thank you very much, Senator. I appreciate that.

SENATOR BROWNE: I also just want to reiterate, according to Senator Rhoades, we go back 15 years on this now. It's more than a couple years that you've been involved. The House and Senate action in this area has been a tremendous asset to all of us in terms of what we need to do to attack some of these problems, and your comments you had really defined in big picture terms what

this is.

It's an attack on a community, an economic attack on a community. And one of the aspects of this bill that I haven't seen before which I think is really interesting that I think we should talk about is empowering the community itself, not just the government agencies that take action.

There's a provision in here that allows, similar to a drug nuisance abatement or an alcohol nuisance bar abatement for the community that's affected around the blighted property to step up and take action in court, as similar to a nuisance action, so those who are directly affected have a stake in this matter and they have rights and additional powers in trying to deal with a problem that's affecting them personally and economically.

As of right now, I think mostly, many groups that have evaluated Senator Rhoades' bill have stated that that provision, they're not comfortable with.

We're hoping to have discussions on all of the provisions of this bill as something that can be reconsidered because I think there are areas in the state that have really been very good at enforcing the drug and nuisance bar abatement provisions in the law, and it's been very effective. And in terms of its effect on people and the communities that we serve, it can have just as dramatic

an effect.

MR. STUMPF: If I can make just a comment as far as an addition or a possible consideration or amendment, there apparently are a couple states that have enacted a blight tax, which is a couple mills against property taxes to provide revenue to municipalities for demolition or in police and fire costs, what have you. As you know, Act 511 is the smorgasbord of municipal taxes.

I don't think that that probably could be done in Pennsylvania presently, but maybe you want to take a look it an amendment to the Act that would allow municipalities to levee, like other states have, a blight tax because you can go to court for additional millage on police and firemen. But the point is, if we're going to go after their assets, that's well and good, but maybe in the interim, we could levee a blight tax just on those properties to get that money while we're taking the time through the courts to go after their assets; so, again, just something for consideration.

I know Brownsville out near Pittsburgh is a client of mine, and they started looking at borough council to start looking at that and a couple municipalities out there. So it's something that is new that a lot of people haven't been talking about. But maybe it's something the staff would want to look at, and maybe it can be amended

into the bill when it finally is enacted.

CHAIRMAN PIPPY: Jeri, I want to thank you for your comments and also echo the words of my colleagues about the work you've done over the last decade and a half in particular. I know you've been working on these issues much longer.

For those in the audience, if there are any questions or concerns, our staffs are committed to getting as much input as possible. We appreciate the testimony of all the individuals who are here today, and I'll call this meeting to recess. Thank you.

(The hearing was concluded at 12:23 p.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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