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Office of Mayor Luke Ravenstahl

Testimony of Kim Graziani,
Director of Neighborhood Initiatives
Office of Mayor Luke Ravenstahl

House Bill 712 Pennsylvania Land Banking

Senate Urban Affairs and Housing Committee
Thursday, September 16, 2010, Beaver County PSU

Good morning Chairman Yaw and Members of the Senate Urban Affairs and Housing Committee.

Thank you for the opportunity to speak about House Bill 712 and Land Banking in Pennsylvania. On behalf of the Mayor of the City of Pittsburgh, Mayor Luke Ravenstahl, I would like to thank Chairman Yaw, Senator Ferlo and Senator Fontana and the other members of this committee, and your staff for the opportunity to present testimony on House Bill 712.

My name is Kim Graziani. I am the Director of Neighborhood Initiatives for Mayor Luke Ravenstahl in the City of Pittsburgh. Our goal in the Mayor's Office of Neighborhood Initiatives is to create clean, safe and green neighborhoods. In order to achieve this goal, the majority of our work is focused on engaging residents, community groups and other stakeholders in innovative strategies to tackle blight throughout Pittsburgh's 90 neighborhoods.

One key strategy to address blight has been the creation of the Mayor's Land Recycling Task Force of which I serve as primary staff person. Members of this taskforce include City, County and State representatives, local authorities, community development professionals, real estate attorneys and advocates. The members of this taskforce have been charged with developing a plan to comprehensively re-use or recycle tax delinquent and abandoned properties. This is no small task given the context of Pittsburgh:

- The City of Pittsburgh has lost 50% of its population in 50 years (vs. 15% of housing stock);
- Approximately 1500 structures are condemned; and in every neighborhood there are more condemnable structures;
- There are approximately 6,000 vacant buildings;
- There are approximately 14,000 vacant lots; and
- Almost 15% of our parcels are tax-delinquent for at least two years.

While some may view these statistics as only liability, we see opportunity. We are certainly not starting from scratch at addressing the problem with the Land Recycling Task Force. As an older industrial town with 30+ years of blight and abandonment, we have been working to address the issue for nearly as long. The City of Pittsburgh is embarking on its first ever Comprehensive Plan to engage residents in what our City will look like in 25 years. Through the Mayor's Green Up Pittsburgh program we have transformed hundreds of vacant lots into community green spaces and cared for side yards. Understanding the correlation between blight and crime, we increased our funding for and tripled the number of demolitions and are at a 40-year low in serious crimes throughout the City.

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Most pertinent to the discussion today is the City of Pittsburgh's more than 10 years of experience with its land recycling system-- that integrates tax foreclosure, using our 2nd Class City Treasurer's Sale and Collection Act, with our land holding mechanism, which we call Pittsburgh's Land Reserve. I'm going to dive into some of the details of our processes because Pittsburgh has pushed the envelope on land banking without HB 712.

Under Pittsburgh's Land Reserve procedures, in order for tax delinquent parcels to be recycled into new public or private ownership, they must first be put through a Treasurer's Sale, or public auction, where it can be sold to the highest qualified bidder. Community groups are able to initiate this public sale process for tax delinquent parcels. Community groups are also able to place parcels into the City's Land Reserve. Parcels in the Land Reserve are held by (and costs are incurred by) the City for the community group's future redevelopment. The City of Pittsburgh partners with the Pittsburgh Community Reinvestment Group's Vacant Property Working Group to manage the community group initiation and tracking of parcels through the Treasurer's Sale and Land Reserve procedures. Community groups are able to assemble properties at a very low cost over an extended period of time. Base costs are as low as possible; vacant lots can be purchased at $100 and stay in the Land Reserve for up to five years, and structures can be purchased for $1000 and stay in the Land Reserve for up to two years. This is an incredibly valuable tool that is considered to be Pittsburgh's own version of a land bank. However, the Land Reserve is capped at 300 parcels due to resource constraints. 300 parcels doesn't nearly come close to addressing our scale of tax delinquent and abandoned parcels in the City of Pittsburgh.

While the land recycling system here in Pittsburgh is competitive compared to other cities, it still takes up to two years to clear title on a property. Significant costs are incurred by the City in order to get clear title and to sell the property to the end buyer. Given the City's current portfolio of properties and the costs associated with maintenance, we do not generally take any properties through the Treasurer's Sale process unless there is an end buyer/use. Currently there is not enough market demand to capture the full-supply of tax delinquent parcels in our neighborhoods. We are also very limited in our ability to market our existing portfolio of properties given resources at hand. Therefore, we are continuously looking at ways by which we can recycle more tax delinquent properties quicker and cheaper; adequately maintain and market these properties; get them back on the tax rolls in the long term; and in the interim, become less of a blighting influence on adjacent properties. As you so well know, this is no small undertaking with easy answers.

With all of that said, HB 712 does not significantly expand land recycling powers beyond what the City of Pittsburgh can currently legally do. It does however provide a solid legal framework for large (or small) scale land banks, including preliminary guidelines for governance and financing mechanisms. This is in and of itself a very commendable undertaking and will benefit so many of the municipalities throughout the Commonwealth. All parties involved deserve credit for all of their hard work to date on this piece of legislation. And, although this will not clearly impact Pittsburgh per se, we do believe it has the ability to give other municipalities the tools to address tax delinquency and abandonment. HB 712 is certainly a positive step in the right direction toward better land recycling policy.

While this bill does provide some financing options, we still have more work to do on this front. In this day and age of municipal financial challenges, we have to ensure that sustainable financing streams are in place for any and all legislation which is enacted. HB 712 begins to address such financing provisions like tax recapture, borrowing money and receiving money for services rendered; although in our research to date, this is not enough to sufficiently finance all of the operations of a land bank. We look forward to sharing the expertise the City of Pittsburgh has developed with its Land Reserve with all of you as we do our own due diligence on our tax collection and foreclosure processes and explore ways to make these more efficient and effective and sustainable.

We all share the common goal of making our communities the best they can be. To do this, we have to recognize the negative cost that tax delinquency and abandonment have on all of our municipalities throughout the Commonwealth given the increase in public safety services and decrease in value and equity of adjacent properties. We also need to recognize that a land bank not only helps get properties back on the tax rolls but also stabilizes the markets and equity of our neighborhoods.

Again, on behalf of the Mayor of the City of Pittsburgh, we appreciate your leadership on HB 712, and your continued leadership on sustainable financing of land recycling in Pennsylvania.

Thank you for your time and we look forward to sharing with you our final plan of the Mayor's Land Recycling Task Force.

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