Eliminating Neighborhood Blight and Abandoned Property

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“Miserable and disreputable housing conditions may . . . be an ugly sore, a blight on the community which robs it of charm, which makes it a place from which men turn. The misery of housing may despoil a community as an open sewer may ruin a river.”¹

I. Introduction

All across this Commonwealth, blighted and abandoned residential, commercial and industrial properties adversely affect communities by decreasing property values and increasing crime and health hazards to nearby residents.² As a result, many municipalities are forced to expend exorbitant amounts of public funds in an attempt to abate vacant, substandard properties and the myriad of issues associated with blight.³

This narrative provides a solution to Pennsylvania communities that have accepted blighted, abandoned property as an immutable part of the landscape, by presenting the “Property Maintenance and Blight Prevention Ordinance,” which incorporates the most effective tools available to local governments to combat blight in the Commonwealth of Pennsylvania. This narrative also highlights various other tools that are being used throughout the Commonwealth in order to return vacant properties to productive use. By adopting or amending ordinances in a way that incorporates one or more of these tools, local governments throughout the Commonwealth will be able to combat blight and revitalize municipalities by increasing property values and increase tax revenues.

³ According to a 2010 study, Philadelphia spends $21 million each year to maintain blighted properties
Part II of this narrative describes the variety of issues associated with blight, and describes how municipalities can use an effective blight enforcement strategy as an opportunity to redesign communities, increase revenue streams and nearby property values. Part III discusses the importance of local governments to revise existing ordinances in order to implement Pennsylvania’s Neighborhood Blight Reclamation and Revitalization Act. This act significantly expanded the enforcement powers available for Pennsylvania municipalities to abate blight and require owners to maintain and care for their properties by giving municipalities the authority to take action against property owners by placing liens on the assets of owners that have properties in serious code violation. Part III also sheds light on a particular downfall associated with the Neighborhood Blight Reclamation and Revitalization Act, and explains how the “Property Maintenance and Blight Prevention Ordinance” cures the downfall. Part IV provides additional examples of the types of tools and ordinances that are currently employed by municipalities in order to address neighborhood blight and abandoned property, and to the extent such information is available, evaluates the effectiveness of such laws. Lastly, part V identifies and addresses key policy and financial questions and concerns for local government staff and elected officials to weigh and consider. A draft model ordinance reflecting the points made in this paper is attached.

II. Pennsylvania’s Blight Problem and Opportunities Presented by its Effective Enforcement

Declining populations, high unemployment rates, diminishing housing markets, high mortgage foreclosure rates, crime, underperforming schools, and many other factors contribute to a vacant property problem that has emerged as a creeping crisis in the Commonwealth. For some communities, the amount of vacant property is simply impossible to ignore. Not surprisingly, the areas that are hit hardest with high rates of blight – poor urban neighborhoods

and older industrial areas – are usually the most economically fragile and least likely to have the resources available to abate the problem.\(^5\) The economic impact of vacant and abandoned property in these neighborhoods, however, is not confined to the structures themselves. Instead, vacant property imposes a significant toll on residents of a community when property values, tax revenues, and quality of life are reduced.

While the economic toll imposed on taxpayers, homeowners, and municipalities is difficult to determine, Philadelphia is one city that commissioned a study in order to examine these costs.\(^6\) The report estimates that vacant property in Philadelphia reduces market values by 6.5% city wide and as much as 20% in neighborhoods with the most blight.\(^7\) Further, $2 million is lost in uncollected property taxes each year based on the cities’ 17,000 vacant, tax-delinquent properties.\(^8\) In 2013, the Tri-COG Collaborative in the Mon Valley, made up of 41 Pennsylvania municipalities, conducted its own study, finding that vacant properties cost their municipalities $11 million a year in municipal services and another $9 million in lost tax revenue.\(^9\)

Although many local governments and residents feel powerless when it comes to reversing blight, more and more municipalities across the Commonwealth have begun to view blighted and abandoned properties as an opportunity to redesign communities in ways that better suit their downsized population. This can be accomplished by expanding narrow lots in order to accommodate fewer, but wider, more marketable tracts, or by turning abandoned lots and buildings into greenways, recreational spaces, community gardens, or other appealing landscapes

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\(^6\) Executive Summary: Strategic Property Code Enforcement and Impacts on Surrounding Markets, The Reinvestment Fund (2014).
\(^7\) Id.
\(^8\) Id.
that may stimulate local property values. By fighting blight and returning vacant properties to productive reuse, communities are using a proven method to increase tax revenue. 10

III. Revising Existing Blight Ordinances to Implement Pennsylvania’s Neighborhood Blight Reclamation and Revitalization Act of 2010 and how the “Property Maintenance and Blight Prevention Ordinance” Helps Utilize the Act

Prior to 2011, under existing laws in Pennsylvania, municipalities’ efforts to obtain value from blighted property were limited to the worth of the blighted property itself. Often the dilapidated property was worth less than the municipal liens placed against it, putting the burden of repair, renovation, or demolition of abandoned property on municipalities using public funds. For example, if a municipality was forced to spend $50,000 of public funds to demolish a dangerous, blighted building, then a $50,000 lien would have been placed on the blighted building. However, the vacant lot that now substitutes the blighted building may only be worth $10,000, and the municipality would never recover the remaining cost of the demolition. Fortunately, the passage of Act 90 in 2010 radically changed the way municipalities fight blight, particularly when it comes to recovering costs incurred (such as the $50,000 used in the example above) by giving municipalities more power in enforcing property maintenance codes. 11 Specifically, Act 90’s “asset attachment” provision allows municipalities to place a lien against an owner’s real property and personal assets (in addition to the blighted property in question) if the property owner fails to take substantial steps to correct a “serious violation” within six months of a final court order. 53 PA. CONS. STAT. § 6111, 6112 (2010). There is one downfall, however, which hinders a municipality’s ability to place a lien on other properties owned by the

10 Executive Summary: Strategic Property Code Enforcement and Impacts on Surrounding Markets, The Reinvestment Fund (2014)
11 Christine Haines, Governor signs blight reclamation bill into law, Republican & Herald, November 1, 2010, at A4.
owner of a property that has serious code violations as defined in Act 90: there is no statewide
database available to inform municipalities of the properties that may be subject to asset
attachment. Without a database in place to track bad actors and facilitate information relating to
property maintenance code violators, landlords are able to place properties under a business
entity name or limited liability corporation. In these situations, it becomes extremely difficult for
municipalities to know about the properties that may be able to attach under Act 90’s asset
attachment provision.

The “Property Maintenance and Blight Prevention Ordinance,” which coincides with a
municipality’s property maintenance code, seeks to provide a cure to the downfall of not having
a statewide database in place to track property code violators and their assets. By requiring all
owners of residential or multifamily residential, commercial, or industrial property within the
municipality, who also own property outside the municipality, to file a detailed form annually
with the municipal clerk, municipalities can create their own mini database in order to have
access to property owners’ assets. The form to be filed annually should include the physical
address of all property owned within and outside the municipality and Commonwealth. Next, it
should also include the name, address, and valid Pennsylvania driver’s license number for all
owners of the property, or if owned by a corporate entity, then the type of business owning the
property and all owners having a financial interest in the property. Third, the form includes all
information relating to prior property code violations and tax delinquencies within and outside
the municipality. In addition, the ordinance has an “amendment to form” requirement. This
requires owners to file amendments to the form in the office of the municipal clerk within 30
days of their occurrence for changes in ownership, legal status, or property maintenance code
violations involving the properties listed on the form.
The information in the filing section gives municipalities the knowledge to attach liens on an absentee landlord or property owner’s property that is in serious code violation. As a result, municipalities will not be required to spend public funds to repair, renovate, or demolish blighted buildings. It is imperative that municipalities use the tools incorporated in Act 90 in order to adequately address and attack absentee landlords and hold them financially responsible for razing dilapidated properties, and the “Property Maintenance and Blight Prevention Ordinance” helps municipalities utilize the “asset attachment” tool in Act 90.

The ordinance also includes a section regarding online purchases of blighted property. Under this section, all parties involved in a sale of blighted property over the Internet must attest to a notary public that all parties were made aware of all property maintenance code violations. In situations where the online purchase conditions are met, the parties are required to file the notarized form with the municipal clerk within 30 days of the date of purchase.

IV. Tools Used by Municipalities to Eliminate Blight

In addition to the “asset attachment” provision mentioned above, municipalities use many different types of ordinances in order to eliminate blight. Another tool that came out of Act 90 is permit denial, which gives municipalities the authority to deny municipal permits and licenses to property owners who have significant real estate tax delinquencies or a “serious code violation” judgment by a judge anywhere in the Commonwealth.12 This tool gives negligent property owners an incentive to pay their taxes and maintain their properties if they want to invest in additional properties in Pennsylvania. There are a few different ways to implement a permit denial ordinance. The city of Johnstown, Pennsylvania provides an example of a municipality

12 53 PA. CONS. STAT. § 6131 (2010).
that did not pass a local ordinance, rather, it enforces Act 90 directly.\textsuperscript{13} It is worth noting that a denial of a permit does not impose any added costs on a municipality.

Another tool used by municipalities to bring vacant and blighted properties into code compliance is a “doors and windows” ordinance. This type of ordinance enables a municipality to fine owners that do not rehabilitate their buildings by installing functional windows and doors. In order to work effectively, the first step is to find the owners of vacant buildings, which is not always easy. Once an owner is found, a notice of violation is posted on the building and a strict letter is sent to every known address of the owner, warning of the ordinance and the need to address the violation. The owner then has 35 days to comply with the notice of violation. After 35 days, the property is inspected to see if it has come into compliance. If the property still has not been brought into compliance, another letter will be sent to the owner, notifying them that they are liable for a significant amount of fines, which increase each day. If owners are still noncompliant after 60 days, they will be summoned to appear in court.

Philadelphia’s Department of Licenses and Inspections (L&I) launched its “doors and windows” ordinance in October 2011.\textsuperscript{14} Under Philadelphia’s ordinance, owners of over 20,000 structures were identified and informed that, if they failed to rehabilitate their property, they would be fined $300 per day per opening without a functional door or window.\textsuperscript{15} Philadelphia has also dedicated monthly Municipal Court dates (a.k.a. “blight court”) in which L&I can effectively streamline unresolved cases into the legal process for either a settlement with, or default judgment against, the property owner. At 2014 study conducted by the Reinvestment Fund found that to date, L&I has cited approximately 8,000 property owners under the doors and

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\textsuperscript{13} Johnstown, Pa, Municipal Code Ch. 1260 § 1484.99 (Sept. 24, 2011).
\textsuperscript{14} Executive Summary: Strategic Property Code Enforcement and Impacts on Surrounding Markets, The Reinvestment Fund (2014)
\textsuperscript{15} Id.
\end{flushleft}
windows ordinance, half of which took immediate action after receiving the notification letter. Further, the Reinvestment Fund found that properties complying with the L&I citations in Philadelphia increased the sales value of surrounding properties by $74 million. Local government officials will be pleased to hear that the doors and windows program pays for itself through money generated by fines, license fees, and delinquent taxes. Philadelphia generates nearly $1 million through these fees, per year.

Municipalities can also establish a “blight fund” with tax revenue to address blight and dangerous structures. Revenue generated by fines and penalties, taxes, property sales, or other sources can all contribute to a sustainable source of funding needed to address blight. Mahanoy City, a borough in Northern Schuylkill County, created a blight fund in 2013 by adopting an operating budget with a slight, two-mill tax increase, which generates almost $50,000 per year that is used solely on addressing blight. Daniel Lynch, Borough Manager, said that a blight fund was needed because “the borough could not keep dipping into other sources of funding to address its blight problem.” However, there is a policy concern with raising taxes in any situation. In this particular instance, compliant residents may be reluctant to pay an increased tax for noncompliant owners. Municipalities that intend to raise taxes should always promote accountability and transparency, and always report to the public on how the funds are used. Decision makers should also ensure that residents be educated about the high costs associated with blight and how a slight tax will benefit the community.

16 Id.
17 Id.
19 Personal communication, September 26, 2015.
Land banks provide another tool that can address vacant property. A land bank is a government entity that works solely to return vacant, tax-delinquent, abandoned, and foreclosed properties to productive use. Pennsylvania recently passed legislation, PA Act 153, enabling land banks, signed by former Governor Corbett on January 17, 2013.20 Act 153 allows municipalities with a population greater than 10,000 people to create a public agency land bank. Smaller municipalities, such as Mahanoy City, may join together with nearby municipalities to form a land bank.21 According to Senator David Argall, there are seven land banks in Pennsylvania which include: the Dauphin County Land Bank, Westmoreland County Land Bank, Philly Land Bank Alliance, Pittsburgh Land Bank, North East Pennsylvania Land Bank, Harrisburg Land Bank and Venango County Land Bank.22

A land bank has the authority to design, develop, demolish, rehabilitate, or otherwise improve real property. It does so by first creating a public inventory of its real property and must maintain the property up to code standards. The particular governance of the land bank varies between jurisdictions and is defined by statute. One mechanism in Pennsylvania’s Act 153 is that portions of taxes generated by land banks are permitted to be redirected to finance land bank operations. By funding its operation through this targeted tax recapture mechanism, the bank can return properties to tax rolls, which increases tax revenue generated and surrounding property value.

V. Policy Issues

The main policy issue that decision makers must address in proposing, adopting, and implementing any of the above-mentioned tools or ordinances is cost. However, local

20 68 PA. CONS. STAT. § 1239 et. seq. (2012).
21 Id.
governments need to realize is that there are many tools available to combat blight for any budget, even those that are unwilling to increase taxes. For instance, there is no cost associated with implementing the “Property Maintenance and Blight Prevention Ordinance” mentioned in section III. There is no cost associated in implementing a “door and window ordinance” mentioned in section IV. Such an ordinance may even raise public funds through fines and penalties.

Municipalities that wish to implement a blight fund or land bank, on the other hand, may experience some backlash from its constituents. Daniel Lynch, borough manager of Mahanoy City, was able to implement this slight tax increase by educating the public of the documented costs that the borough incurs from the presence of blight on an annual basis. The median value of the tax increase in Mahanoy City is $17.39. 23

Land banks pose a greater policy issue when it comes to start-up costs. For example, a land bank in Pittsburgh that would automatically take all tax delinquent property for five years would cost $3.7 million a year to run.24 Even though the city would likely recover much of those costs down the road, the taxpayers may not agree with spending that kind of money.

Each municipality must take a realistic look at the severity of its blight problems and the resources available to combat the problem. Smaller municipalities should look to partner up with neighboring municipalities in order to share resources and start-up costs for tools such as land banks. The key is for each municipality to take a realistic look at its available resources and determine the best tools to use to combat blight.

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VI. Conclusion

We all know that blight hurts communities, brings down property values, creates safe havens for criminal activity, and decreases a community’s overall quality of life. However, there are tools available for each municipality across the Commonwealth to eliminate blight and bring properties back into productive use. By making blight a priority, especially in areas where vacant properties threaten health and safety, municipalities can gain the attention of negligent owners through significant fines, permit denial, and asset attachment. Lastly, by implementing the “Property Maintenance and Blight Prevention Ordinance,” municipalities can effectuate the intent of the legislature in drafting Act 90 by using the “asset attachment” provision.
ATTACHMENT

ORDINANCE NO. ______

PROPERTY MAINTENANCE AND BLIGHT PREVENTION ORDINANCE

An ordinance that is designed to coincide with [Name of township/municipality] property maintenance code\(^{25}\) in order to support and effectuate the powers given to municipalities in accordance with the Neighborhood Blight Reclamation and Revitalization Act of October 27, 2010.

SECTION 1. Purpose.

WHEREAS, 53 Pa. C. S. Ch. 61, known as the Neighborhood Blight Reclamation and Revitalization Act, provides in part that there are blighted, deteriorated and abandoned properties located in all municipalities as a result of neglect by their owners in violation of applicable State and municipal codes; and

WHEREAS, these blighted, deteriorated, and abandoned properties located in [Name of township/municipality/borough] create public nuisances\(^{26}\); become locations for increased criminal activity including drug related crimes; accelerate threats from fire, including arson; significantly increase fire insurance premiums for residents and businesses owning adjacent property; and subsequently necessitate the expansion of municipal public safety expenditures in order to abate and eliminate the nuisances; and

WHEREAS, the net result of these blighted, deteriorated, and abandoned properties is to decrease the quality of life for residents living in the municipality through: (1) a loss of equity for adjacent property owners who do maintain their properties, as a result of decreased assessed property values reflected by their property’s proximity to the blighted property\(^{27}\); (2) decreased annual general fund property tax revenue to the municipality for public expenditures resulting from lower annual municipal assessed property values\(^{28}\); and (3) a lack of private sector interest in investing in the municipality’s economic development and community revitalization initiatives; and

WHEREAS, in order to promote the public health, safety and general welfare, it is essential to ameliorate blighted, deteriorated, and abandoned properties and sanctioning owners for not adhering to their legal obligations to: (1) improve the quality of life of residents; (2) encourage increased community and economic development; (3) expand municipal property values; and (4) decrease public safety expenditures.

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\(^{25}\) In order to utilize this ordinance, a municipality must either: (1) adopt its own existing property maintenance code by reference, (2) adopt one of several national property maintenance codes, or (3) create and adopt a hybrid property maintenance code of original and national model codes.

\(^{26}\) 35 Pa. C.S. § 1702(f).

\(^{27}\) 35 Pa. C.S. § 1702(b).

\(^{28}\) Id.
NOW, THEREFORE, be it enacted and ordained by the Board of Supervisors of [Name of township], [Name of County], Pennsylvania, and it is hereby enacted and ordained with the authority of same as follows:

SECTION 2. Definitions.

“Building.” As defined in 53 Pa. C.S. § 6103 (relating to definitions).

“Dwelling.” Dwelling means any building, structure, or portion thereof, which is occupied as, or intended for occupancy as, a residence by one or more families, but not including hotels, lodging houses or boardinghouses, tourist homes, travel trailers or other temporary structures.

“Blighted property.” Shall include any of the following: (1) any premises that because of physical condition or use is regarded as a public nuisance at common law or has been declared a public nuisance in accordance with the local housing, building, plumbing, fire and related codes; (2) any premises that because of physical condition, use or occupancy is considered an attractive nuisance to children, including but not limited to abandoned wells, shafts, basements, excavations, and unsafe fences or structures; (3) any dwelling that because it is dilapidated, unsanitary, unsafe, vermin-infested or lacking in the facilities and equipment required by the housing code of the municipality, has been designated by the department responsible for enforcement of the code as unfit for human habitation; (4) any structure which is a fire hazard, or is otherwise dangerous to the safety of persons or property; (5) any structure from which the utilities, plumbing, heating, sewerage or other facilities have been disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use; (6) any vacant or unimproved lot or parcel of ground in a predominantly built-up-neighborhood, that by reason of neglect or lack of maintenance has become a place for accumulation of trash and debris, or a haven for rodents or other vermin; (7) any unoccupied property that has been tax delinquent for a period of two years prior to the effective date of 35 Pa. C. S. 1712.1 (P.L. 796, § 2), known as the Urban Redevelopment Act, and those in the future having a two year tax delinquency; (8) any property which is vacant but not tax delinquent, which has not been rehabilitated within one year of the receipt of notice to rehabilitate from the appropriate code enforcement agency; (9) any abandoned property.

“Family.” Includes a single individual.

“Governmental organization.” The United States, the Commonwealth and any county or municipality within the Commonwealth.

“Rent.” Includes an owner of property making the property available for use or service in return for payment.

SECTION 3. Applicability.

29 42 U.S.C. § 3602(b).
31 35 Penn. Stat. § 1712.1
32 42 U.S.C. § 3602(b).
(a) General Rule. – This ordinance shall apply to all of the following:

(1) A person who owns or rents residential or multifamily residential dwellings in [Name of township/municipality/borough] or the Commonwealth.

(2) A person who owns or rents residential or multifamily residential, commercial, or industrial property within [Name of township/municipality/borough], who also owns residential, multifamily residential, commercial, or industrial property outside of [Name of municipality and county] or the Commonwealth.

(c) Exceptions. This ordinance does not apply to a single family house owned or rented by the owner, provided that the owner does not own more than two single family homes at any one time.

SECTION 4. Format of Filing Form.

(a) General Rules. –

(1) The municipality shall require the form required by this ordinance to be filed annually by a property owner.

(2) The municipality shall prescribe the exact format of the form.

(3) A copy of the form shall be filed annually with the municipal clerk designated by the municipality on the filing form.

(b) The form shall include as a minimum:

(1) Physical address, including name of municipality, county, and state, in which all property is owned within and outside [Name of municipality] and the Commonwealth

(2) Name, address, and valid Pennsylvania driver’s license number for all owners of property, including one’s spouse or, if owned by a corporate entity, then the type of business entity owning the property and all owners having a financial interest in the business. If the owner is not a resident the Commonwealth, then the driver’s license number of the state of residence shall be included.

(3) Any dates on which citations or fines by a municipality for property maintenance code violations were filed against a property. In the case of any fines, include the amount levied, if legal action was initiated as a result of the charges filed, the status of charges, the name of the court the case is before, and the court docket number.

(4) Whether the property tax was, or is currently delinquent.

(5) Whether the property was condemned. If a property has been condemned, the date and current status.
(c) Amendment to form. An owner shall file an amendment to the form in the office of the municipal clerk within 30 days of their occurrence for: (1) any changes involving ownership of the property listed on the form, including the address of any new owners if the property is sold; (2) changes in the legal status of any property maintenance or other municipal code violations filed and pending against any of the properties listed on the initial form; and (3) any new property maintenance or municipal charges filed subsequent to the initial filing of the form, including the property address and parcel identification number of the property against which the new charges were filed and the appropriate court jurisdiction and court docket identification citations for the new charges.

SECTION 5. Online Purchases of Blighted Property.

(a) No person may purchase over the Internet blighted property located in [Name of township/municipality] that is in violation of the [Name of municipality] property maintenance code.

(b) No person may sell property over the Internet located in [Name of township/municipality] that is in violation of the [Name of municipality] property maintenance code without making all code violations known to the person or his agent.

(b) This shall include purchases by individuals residing outside of [Name of township/municipality], the Commonwealth of Pennsylvania, or the United States of America. In circumstances where the online purchase conditions are met, all parties, including any agent, shall attest to a notary public on a form provided by the municipality and file with the municipal clerk within 30 days of the date of purchase.

SECTION 6. Penalties and Enforcement.

(a) Penalty. – A person who violates section 4 shall, upon conviction thereof, be sentenced to pay a fine of not more than $100.00. Each day a violation continues may constitute a separate offense for which a separate fine may be imposed. 33

(b) At the discretion of [Name of township/municipality], liens may be placed upon a property:

(1) Against which fines were issued and for which payment is not received within 45 days of issuance of the fine and for which an appeal is not taken; and

(2) Equal to the amount of monies paid by [Name of township/municipality] for abatement of a violation not paid within 45 days after an appeal was taken and denied.

SECTION 7. Severability.

33 City of Hazleton, Pa., Property Maintenance Rules and Regulations § 7 (October 4, 2012).
The provisions of this Ordinance are severable. If any sentence, clause, or section of this Ordinance is for any reason found to be unconstitutional, illegal, or invalid, such unconstitutionality, illegality, or invalidity shall not affect or impair any of the remaining provisions, sentences, clauses, or sections of this Ordinance. It is hereby declared to be the intent of the Board of Supervisors of [Name of township/municipality] that this Ordinance would have been adopted had such unconstitutional, illegal, or invalid sentence, clause, or section not been included herein.34

SECTION 6. Repeals.

All ordinances or parts of ordinances inconsistent with this ordinance are hereby repealed insofar as they are inconsistent with this ordinance.

SECTION 7. Effective Date.

This ordinance shall become effective five days after enactment.

ENACTED AND ORDAINED THIS _________ DAY of , 20_____.

34 Model Animal Control Ordinance, PSATS Ordinance Database.