

Clearfield County Blight Task Force Report

April 2014

I. Background

In January 2014, the Clearfield County Commissioners appointed a Blighted Property Task Force to work with the *County Planning Commission* to identify the most appropriate strategies for addressing the growing problem of blighted properties.¹ Task Force members included representatives from local government, business organizations, the Housing Authority and the County Commissioners. The Task Force met for the first time in late January to discuss the nature and extent of blighted properties in the county. A 2011 survey of municipalities conducted by the Planning Commission provided valuable information on the nature and extent of the abandoned and blighted property problem in the county. The thirty three municipalities that responded to the survey identified a total of 323 properties that were abandoned or blighted. The top reasons given for abandoned and blighted properties included absentee landlords, owners who did not perform necessary maintenance, and owners, such as seniors, who lacked resources to maintain their properties.

Early in the process the Task Force formulated some guiding principles for addressing blighted properties in the county. These principles included:

- The process and outcomes must be respectful of the rights of property owners in the context of creating an environment that will encourage private investment with the desired effect of improved quality of life and a more stable tax base.
- This is a balancing act that will require considerable discussion throughout the process.
- Localities are in the best position to decide if a strategy is appropriate and workable.
- Collaboration among various players will be important in developing and implementing strategies.
- The process is very much an educational one that will share information with key players and stakeholders.

II. Priority Strategies

While local government representatives on the Task Force expressed frustration in dealing with problem property owners who allow their properties to deteriorate, there are several new state laws that give local governments new tools to address blighted properties. Task Force members were provided with specific

¹ Task Force members and organization that represent (in parentheses): Heather Bozovich (Clearfield Revitalization Corp.), William Wood (Clearfield Bank and Trust), Roy Markle (Mahaffey Borough), Kim Demi (Clearfield County Tax Claim Bureau), Zack Lawhead (Dubois City), Sister Therese Dush (Young People Who Care), David Singer, Nancy Micks (Commerce and Economic Development), Joe Mitchell (Dubois Redevelopment Authority), P.J. Patterson (Irvona Borough), Mary Ellen Read (Curwensville Borough), Lori Rowles (Moshannon Valley Council of Governments), Sue Straw (Clearfield County Housing Authority), Rob Swales (CCEDC), Andy Rebar (Decatur Township), Joan Robinson McMillen (Clearfield County Commissioner), John Sobel (Clearfield County Commissioner), Mark McCracken (Clearfield County Commissioner), Jodi Brennan (Clearfield County Planning and Community Development Office), Lisa Kovalick (Clearfield County Planning and Community Development Office)

information about how these new tools work. As the work of the Task Force unfolded, members were asked to prioritize specific strategies for addressing blighted properties in the county.

Top Tier Strategies

The top tier of blight prevention strategies identified by the Task Force includes:

- A public education process about the tax sale process and bidding on tax sale properties may be developed
- Municipalities may enact an ordinance that requires absentee landlords who live outside of a certain radius to provide contact information for a local manager of the property.
- The County may conduct a feasibility study for establishing a land bank under state law.

A public education process about the tax sale process and bidding on tax sale properties may be developed

Cambria County recently hosted a seminar to share information with individuals about the process of acquiring properties that are tax delinquent. The purpose of the seminar was to provide information to teach people how to acquire run-down properties that may be rehabilitated or torn down and repurposed for another use including a side lot next to the property they may already own. The seminar included information on upset sales, judicial sales, private sales, and county repository sales, as well as sheriff's sales.

A similar seminar could be organized for Clearfield County. Officials from the Planning Commission and Tax Claim Bureau, and local attorneys and real estate professionals could plan the seminar and be possible presenters. The seminar could be an effective prevention strategy for keeping tax delinquent and foreclosed properties out of the hands of real estate speculators.

Municipalities may enact an ordinance that requires absentee landlords who live outside of a certain radius to provide contact information for a local manager of the property.

Many problem property owners are absentee owners who do not live in the community. An effective way to improve communication and compliance with these owners is for municipalities to enact an ordinance that requires that an absentee owner designate a local managing agent who would be contacted when code, police and fire safety issues arise. Typically, the ordinance would require that the absentee owner provide the name and address of the local managing agent, phone number and e-mail address. A provision in the ordinance could provide for stiff fines in the event the absentee owner does not provide this information.

How an absentee owner is defined can vary from ordinance to ordinance. Some communities define an absentee owner as one that lives outside a municipality or the county; others specify a radius within

which the owner must live to be exempted from the ordinance. This radius can range anywhere from ten to as far as fifty miles.

The County may conduct a feasibility study for establishing a land bank under state law.

A 2012 state law enables all counties and communities with populations over 10,000 to form a land bank authority for the purpose of acquiring property for future redevelopment.² The law gives a land bank the authority to acquire tax delinquent or foreclosed properties that are rapidly deteriorating as a result of neglect. These properties can result in a downward spiral and neighborhood decline.

Without a land bank, such properties may be purchased by speculators with no specific plans for the property who may do little, if nothing, to maintain the properties. The goal of a land bank is to acquire these properties and make sure they are adequately maintained until market conditions improve and a responsible buyer is found. Land banks are especially useful in areas where there is a high concentration of tax delinquent and abandoned properties, with no short term market for their sale and reuse.

In some areas of the Commonwealth, Redevelopment Authorities carry out similar functions. However Clearfield County does not have a Redevelopment Authority and state law gives land banks the ability to trump other bidders at the judicial tax sale stage-a power that Redevelopment Authorities do not possess.

Case Study: Westmoreland County

The Westmoreland County Commissioners approved the formation of a land bank in December 2013 to acquire blighted, tax delinquent properties. The county has over 500 properties on the delinquent judicial sale list. Initially, about ten communities are expected to participate in the land bank. Each will pay \$5,000 per year and will responsible for the maintenance of the properties acquired by the land bank until the properties are sold. The land bank is entering in agreements with the participating municipalities, school districts, and the county which will allow the land bank to retain 50% of any real estate taxes for properties that are redeveloped for a period of five years. These funds will be used to cover the operating costs of the land bank and for future property acquisitions.

Other Effective Strategies

In prioritizing strategies the Task Force identified a number of other strategies that could be effective in addressing properties that are blighted. These strategies have been grouped into three areas-those that prevent blight, those that can be helpful in remediating properties that are already blighted, and those that are useful in redeveloping blighted properties.

Other Effective Strategies-Prevention

- *A consumer-oriented maintenance "how-to" guide may be developed.*
Property owners, especially younger households may lack the know-how about what is required to maintain a property. This topic is sometimes, but not always, included in

² Act 153 of 2012

counseling for first-time homebuyers that is required by lenders. The guide should feature exterior and interior items and should track with the property maintenance code that is in effect in that jurisdiction. New move-ins to the community or others who are interested in getting ahead of property maintenance issues would benefit from such a guide which could be made available to the homeowner by the municipality at no or nominal cost.³

- *Municipalities may enact an ordinance that would require a code inspection prior to the sale of any rental property; also owner-occupied properties that have outstanding code violations in the municipality should be reinspected by the municipality at the time of sale to insure the repairs have been completed.*

Many municipalities have enacted an ordinance which requires that the seller arrange for a code inspection when the agreement of sale is executed by the buyer. Under the terms of the ordinance the buyer must be provided with a copy of this inspection during the due diligence period when a home inspection and testing for pest infestation occurs.

Requiring code inspections of rental properties at the time of sale arguably is a good idea since a disproportionate number of rental units are blighted and without such an inspection the blighted property may be transferred to the new owner with code issues being addressed.

Municipalities that enact such an ordinance will need to do outreach to realtors and attorneys to insure that the inspection is not overlooked prior to the sale of the property. They will also need to make sure that they have adequate staffing to perform such inspections. The ordinance may provide that the seller should correct all deficiencies prior to closing or require that the buyer correct all deficiencies within a defined period of time following the closing.

- *Municipal efforts to deal effectively with blighted properties may be enhanced by enacting a property maintenance code*

³ The City of Wichita, Kansas has developed an excellent maintenance manual that includes maintenance and step –by- step instructions for do-it-yourself common household repairs. The manual can be found at <http://www.wichita.gov/Government/Departments/Housing/Pages/Documents.aspx>

The Moshannon Valley Council of Governments (MV COG) has identified sixteen municipalities in its service area that are interested in enacting or revising their property maintenance code. The COG is discussing a draft ordinance that is appropriate given the nature and extent of the blighted property problem and the capacity of communities to address the problem. The study completed by the Planning Commission in 2011 indicated that 70 of the 323 blighted properties identified by municipalities as blighted are located in municipalities with no property maintenance code.

The lack of a property maintenance code makes it difficult, if not impossible to address blighted properties because there is no basis to hold property owners accountable. A property maintenance code is the base line for what is acceptable and what is not. Without this base line property owners have no guidance as to what the municipality expects from them in terms of property maintenance.

With the approval of participating municipalities, MV COG may also want to pursue a Municipal Assistance Program application through the PA Department of Community and Economic Development to fund a shared codes enforcement officer when the review of the draft ordinance is completed and a number of municipalities have enacted the draft ordinance.

- *The County may want to capture data on properties that are at risk of becoming blighted in the near future.*

Arguably this is one of the most important strategies for preventing blighted properties. There are certain warning signs that can raise a red flag about whether a property is at risk of becoming blighted, including:

- Properties that have been encumbered by municipalities to correct code issues
- Properties that been condemned as unfit for human habitation due utilities being shut off.
- Properties that have delinquent taxes or municipal utilities
- Properties that have been listed for Sheriff or Tax Sales

While this strategy could provide a very effective tool, it requires the cooperation of municipalities to report information to a central repository, such as the County Planning Commission, and the willingness of the county to perform this task. The county could request municipalities to voluntarily sign an agreement to provide information to the county and/or the county could require that municipalities that receive CDBG or other funding such as Liquid Fuels sign a sub-recipient agreement that includes this language.

The County Planning Commission could share this information with municipalities on a monthly basis or add this information to the County's web-site. Ideally the county GIS Department would be able to layer the relevant information on maps to assist the municipalities in addressing problems properties. This information will help the County validate the need for funding from CDBG or other sources as requested by a municipality for the purpose of dealing with blighted properties and demonstrate a compelling need for state funding.

- *Municipalities may develop education and recognition programs for property owners and tenants.*

Many municipalities publish newsletters to keep property owners and residents informed about the workings of municipal government. One thought is to include a regular article in a newsletter or other publication about a common code compliance issue such as abandoned vehicles or high vegetation. By informing property owners and residents about what the code says and how they can comply, the municipality may reduce the number of code violations because people will have a better understanding of the local law.

Another option is to develop a program that regularly recognizes property owners that have done a nice job maintaining or improving their property. This approach creates an incentive do good and costs the municipality very little, perhaps a plaque that would be presented to the property owner. Nominations could be received each year and a committee of the local government would meet to recommend award recipients. Moshannon Valley COG has had a similar program in recent years; it may want to consider expanding the scope of this program if the program has been effective in encouraging owners to improve their properties.

- *Municipalities may implement rental licensing and/or inspection programs.*

Frequently the number of blighted rental properties is disproportionate to the total number of blighted properties. In many cases this is because of lax property management. One way to address this problem is to enact a registration or rental inspection program.

A registration program typically requires landlords to provide contact information as well as names of people who are on the lease. The municipality may charge a modest fee for the registration of units. A registration ordinance is particularly effective when used in tandem with Act 90 which provides that if the owner is found to be in violation of a local code or if the property is tax delinquent or delinquent in paying utilities, a

permit may be withheld by the local government, including the renewal or issuance of a rental housing license.

The enactment of a rental inspection program requires more municipal resources, especially the capacity to do inspections on regular intervals (2-3 years) and to follow-up the inspections to ensure code compliance. However, larger municipalities have found this to be an effective way to address blighted properties.

Other Effective Strategies-Remediation of Blighted Properties

- *Municipalities may enact ordinances that ticket for code violations as a summary offense*
An effective tool for getting the attention of owners who are out of compliance with codes is to ticket violators much in the same way that a municipality tickets someone for overtime parking. Several municipalities in Pennsylvania have enacted a ticketing ordinance with good results. The advantage of this approach is that violators are ticketed if they do not respond to a warning. While the code violators may appeal the ticket, based on the experience to-date, the vast majority pay the ticket rather than appealing. The tickets may be issued by the authorized representative of the municipality such as a codes enforcement officer or a police officer. The fines increase if the code issue ticket is not resolved by the owner of the property in a timely manner. A sample ticketing ordinance can be provided to municipalities that have an interest in this approach.

Case Study: Coal Township, Northumberland County

Coal Township, Northumberland County (population 10,383) implemented a ticketing ordinance for code violations in 2012 with good results. According to Township Manager Rob Slaby, approximately 95% of the code violators pay. The Coal Township ordinance provides that the ticket must be paid in ten days. If there are future violations of the same offense the fines increase. For example: for the first offense the ticket is \$25; the second offense fine is \$50, and the fine increases to \$100 and \$300 for the third and fourth offense, respectively.

- *Municipalities may implement the provisions in Act 90 of 2010*
*Act 90 of 2010 (Neighborhood Blight Reclamation and Revitalization Act)*⁴ gives Pennsylvania municipalities substantial powers to deal with blighted properties. Under this Act, municipalities may place a lien against *any* of an owner's properties in

⁴ 53 Pa.S.C.A Section 6111, 6112, 6113, 6131

Pennsylvania to the extent the municipality has incurred costs in dealing with a blighted property for which its owner has been found guilty of code violations and violations have not been corrected after six months. One example is the demolition cost that a municipality incurs in tearing down a dangerous property after repeated attempts to have the owner address the property conditions. The lien that the municipality places on the property may also be placed on other properties owned by that property owner in Pennsylvania, including the owner's personal residence. To the extent that properties are encumbered, this restricts the owner's ability to sell property without satisfying the lien against the property which has priority over most encumbrances.

Act 90 also allows municipalities to deny permits to owners of properties that have been found guilty of code violations that have not been corrected after six months. This would include, but is not limited to, zoning and building permits. The law also allows municipalities to deny or revoke a rental housing license if an owner has been convicted of a code violation that has not been corrected after six months. This can be a powerful tool, because in effect this would prevent a landlord from earning any rental income from the property.

- *Taxing Authorities may accept the donation of tax delinquent properties in exchange for waiver of tax liens.*

State law provides a procedure to coordinate the three taxing bodies' waiver of their tax claims upon receipt by one of them of the donated tax delinquent property.⁵ Act 12 and 18 of 2006 make it optional for a taxing authority to accept the donation of a property in exchange for the waiver of tax liens. The recipient of the property approaches the other taxing authorities to negotiate the release of the liens on the property.

Obviously it would only be in the interest of the taxing authorities to agree to waive tax liens if the value of the property exceeded the liens. An owner may be willing to donate the property in this instance because of the costs of maintaining the property, concerns about liability, or the hassle of owning a property, especially if the owner has been cited for code violations.

- *The Housing Authority or a non-profit corporation (s) may acquire blighted property through a negotiation process with the owner and rehabilitate or repurpose the property.*

The Housing Authority or a non-profit corporate may want to consider the purchase of blighted properties that are located in a designated community revitalization area or

⁵ 72 P.S. Sections 5860.303, 5860.309; 53 P.S. Sections 7108.1, 7143

can be repurposed quickly for an emerging redevelopment opportunity. In order to succeed in negotiating property purchases it is necessary that the buyer understand what is or may motivate the seller to part with the property. This could include the seller's need for cash for retirement, to pay outstanding tax liabilities, or to get out from under the burdens of property ownership, especially managing rental housing.

Case Study: Carlisle, Cumberland County

The Redevelopment Authority of Cumberland County acquired over 25 blighted properties in a Carlisle neighborhood revitalization area in the late 1990's to undertake a comprehensive redevelopment project that involved the rehabilitation of existing structures, the demolition of blighted structures and the construction of new in-fill housing as well as streetscape improvements. None of the properties were acquired through eminent domain. The owners and the Redevelopment Authority split the cost of appraisals and the Authority offered the appraised value for the property. Many of the owners had been cited for code violations or were delinquent in taxes or utilizes and were motivated sellers. Owners that agreed to sell the property to the Authority for less than the appraised value could take a charitable deduction for the difference on their federal tax return.

Other Effective Strategies-Developing Blighted Properties

- Municipalities may enact programs to incentivize private development.

Municipalities can encourage owners to maintain and improve properties by enacting ordinances that provide for the phase-in of real estate taxes on improvements to residential and commercial properties in deteriorated areas. Under state law,⁶ two or more taxing authorities (municipality, county, and school district) may agree to exempt taxes on real estate improvements that normally increase the assessed property value. The exemption only applies for participating taxing authorities. Typically, real estate taxes on improvements are phased in for a period of up to ten years. It is possible to cap the amount of improvements that are exempted from taxes to limit the overall benefit that the taxpayer is receiving.

These programs can be helpful in creating an environment that encourages the commercial and residential property owners to invest in a community. They also address a concern that is sometimes voiced by property owners that the current system penalizes people for making property improvements by increasing their taxes.

⁶ 72 P.S. 4711-203; 4711-303

Another incentive for commercial redevelopers is the enactment of a National Register Historic District which provides owners of income producing properties to receive federal historic tax credits in the amount of 20% of the rehabilitation cost. If the owner desires to qualify for the credit they must agree to rehabilitate the property consistent with federal historic preservation standards.

Case Study: Newport, Perry County

The Borough of Newport (population 1,574) enacted a National Register Historic District to encourage the redevelopment of two major properties on the town square. One property was redeveloped for senior housing with commercial space on the first floor; the other for senior housing exclusively. The total development cost for the properties was in excess of \$6 million and the total real estate tax revenues for these properties were in excess of \$50,000.

III. Putting the Pieces Together

The overarching goal of this effort is to mobilize communities in Clearfield County to aggressively address the problem of blighted properties. There are four key pieces needed to make this happen:

- Sharing the tools to address blighted properties discussed in this report with municipalities.
- Increasing financial resources available to municipalities to deal with blighted properties
- Developing a way to measure progress in attaining goals
- Ramping up the commitment to address blighted properties

Sharing Information with Municipalities

The sharing of information, including new ways to address blighted properties, has already begun with the representatives from municipalities that have served on the Task Force. The next step is to share this information with the balance of the municipalities in the county. A workshop that would be held later in 2014 would be a good forum to share the information on various tools referenced in this task force report, as well as to provide sample ordinances and other helpful documents. The networking among and between municipalities at the summit is important because it will give municipal officials a chance to share what is working, what is not working, and to learn more about efforts to deal effectively with blighted properties in areas outside of the County.

Increasing Financial Resources Available to Municipalities

The County has demonstrated its ability to successfully pursue funding to rehabilitate and demolish blighted properties by obtaining a commitment of PHARE funding through the PA Housing Finance Agency in 2013. Additional funding applications are anticipated in the future.

Beyond additional funding from the PHARE program, the County would benefit from additional financial resources to cover the costs associated with blighted properties. Clearfield County has budgeted some of its CDBG funds for the clearance of blighted properties each year. Four communities

in the County are state entitlements under the CDBG program. It is permissible to budget up to 30% of the CDBG funds each year for demolition activities. These funds, along with other funds that may be raised, could be used to leverage state funding through the PA Department of Community and Economic Development (PA DCED) *Keystone Communities* program. This program can provide grants of up to \$500,000 for community development activities, including blight remediation activities.

Because of the state's interest in promoting cooperation among and between municipalities, the application for funding through PA DCED is more competitive if it is submitted by the county with a plan to provide funding to municipalities that are seeking to demolish and or rehabilitate blighted properties. If the funding is approved, the County can request proposals from communities to utilize the funding. The proposals will reference specific properties that will be addressed, how much money is required, and the extent to which the municipality will participate in the project, financially or otherwise. One example is the willingness of a municipality to maintain the property (mowing and shoveling) after the property is demolished. Rating criteria should be developed to evaluate the proposals. These criteria may include whether the blighted property is located in a designated neighborhood revitalization area or a gateway street. Municipalities that are approved for funding should be required to implement *Act 90 of 2010* to demonstrate their commitment to addressing blighted properties.

Another source of funding for addressing blighted properties is the *Neighborhood Assistance Program (NAP)*. This program, available through PA DCED, offers tax credits to businesses that make contributions to community development projects. Because the remediation of blight is a program priority under *NAP*, donors can receive a 75% credit against the state corporate income tax. These funds can be used by a non-profit organization to develop a program to demolish blighted properties. The contributions could also be used to leverage more funding through the *Keystone Communities Program*.

Developing a Way to Measure Progress in Attaining Goals

How will we know if progress is being made in addressing blighted properties in the county? The Task Force felt that this needed to be addressed. To the extent progress is being made the momentum will continue to address the problem and funders will continue to be interested in supporting a worthwhile venture. For starters there will need to be a baseline measurement of abandoned and blighted properties in each community. For this reason there is merit in updating the information in the 2011 Planning Commission survey on the number of abandoned and blighted properties. Every three years the survey should be updated to track to what extent the number of properties is decreasing or increasing. To the extent that blighted properties are decreasing, the savings to municipal governments in terms of police budget, fire, and code enforcement expenditures can be calculated.⁷

In addition, in tracking the number of abandoned and blighted properties from year to year for comparison purposes, outcomes such as increased real estate taxes from the repurposing/rehabilitation of the blighted properties should be measured as well as any increase in jobs created or retained from the redevelopment of blighted parcels or structures.

Ramping Up the Commitment to Address Blighted Properties

⁷ A September 2013 study completed by three councils of government in Allegheny County, PA measured the financial impact of blight on the member communities including the additional cost of police, fire, and code enforcement services attributable to blighted properties. This model could be used to estimate savings that would accrue to municipal budgets as a result of the reduction in blighted properties.

Hopefully, the strategies contained in the report will provide local officials and others a new outlook on the prospect of successfully dealing with blighted properties. Several members of the Task Force commented that addressing blighted properties can be a discouraging and never ending task. However, with the effective prevention, remediation, and redevelopment strategies highlighted in this report, municipalities will want to reassess their options to tackle this problem. As part of this process municipalities may want to review current ordinances designed to address blighted properties, and consider the enactment of a property maintenance code or absentee landlord ordinance if none exists. They may want to think about how to incentivize and encourage property owners to take care of their properties. If resources to enforce code compliance are limited they may want to consider a ticketing ordinance. There is no silver bullet that will effectively deal with the problem of blight and blighted properties, however this report provides a number of strategies that can be tailored to fit the community's capacity to address blight.