

## Conservatorship Testimony PCRG

Pittsburgh Community Reinvestment Group, a member-based affiliation of over 60 community development corporations, neighborhood groups, and other place-focused nonprofits throughout Allegheny County, respectfully submits its testimony regarding the Abandoned and Blighted Property Conservatorship Act and its use in and around the City of Pittsburgh, Allegheny County and now Washington County.

PCRG's mission is to work towards economic justice and creating equitable access to resources to revitalize the Pittsburgh region. We focus our efforts on minority and low-moderate income communities improving their quality of life through improved access to capital, land repurposing, and equitable transportation choices.

Empty and abandoned property is found in every corner of Pennsylvania. This blight is so ubiquitous that we have ceased to see it as an action being done to a community and see it instead as part of its essence. It has spread from the industrial core of our older communities to its suburbs. Though it is widespread it is disproportionately concentrated in minority, rural, and low-income communities that were once supported by heavy industry. You can find vacant lots and dilapidated structures in almost every community in Allegheny County. A boarded-up house is considered relatively good compared to the many structures that have unsecured entrances which remain unsafe and pose a risk to the communities they are in. Blight increases not only crime but also causes a decrease in property value and neighborhood pride as property conditions worsen and vacancies widen. For municipalities that it is in, Blight increases policing cost and decreases tax revenue via lower property values and tax loss via abandonment and neighborhood flight.

Eradicating blight and bringing properties to creative reuse and back on the tax rolls has been a priority for us almost since our founding. We have championed the creation of more effective, equitable land recycling tools for Pittsburgh neighborhoods for over 20 years. Our Vacant Property Working Group is where community development practitioners come together to identify tools and resources, problems and opportunities related to vacant and blighted property reclamation. This includes providing policy solutions, commenting, and advocating for new laws and policies to facilitate this work. They also work to educate local government officials about the state and local laws, including speaking on panels, running educational training, participating in the local government academy, and meeting one-on-one. Through such tools like the Pittsburgh Property Reserve, thousands of lots and structures have found new life as homes, gardens, urban farms, side yards, and commercial buildings, in no small part due to PCRG's member community groups. We also led the charge that brought land banking to Pennsylvania and established the Pittsburgh Land Bank in 2014. We supported the passage of the blight bills that created conservatorship and helped finance the first pilot cases of conservatorship in Allegheny county

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back in 2014 which were terminated and sold to a responsible owner in 2018. PCRG has thoroughly examined the policies and procedures, and, at every step, vetted past members who either actively recycle land or have a vested interest in blight and abandonment's impact on their neighborhoods.

We feel that the conservatorship as a tool is not being used to its full potential in eradicating blight from Pennsylvania communities. We fully believe that conservatorship has its place in the abatement of vacant and abandoned property. Through its process, conservatorship creates a higher standard of transparency, accountability, and efficiency than other tools in the land recycling toolbox.

Conservatorship was written to allow a third-party to take responsibility for the property impacting them and bring it up to code and into the hands of a responsible buyer, therefore, returning the parcel into productive reuse and back onto the tax rolls. In short It is a tool that grants the community standing to tackle blight in their neighborhood. It empowers residents, business owners, and community groups the opportunity to address blight that has impacted their own investments.

While not perfect, the process lays out a quick timeline, a clear and transparent petition, and relies on the judgment of a court. As we revisit it today, we can say that is not fully working as intended. The hurdles, concerns, and issues which many of our partners across the state have highlighted, must be addressed if we want conservatorship to function as intended. Issues with conservatorship steam from both misuses and gaps in the law that make it difficult for adjacent owners and community development corporations to participate.

Since the passing and amendment of the legislation, there have been abuses of the law that have emerged, resulting in lost equity, lost access, and damaging speculation. Our members have told us loud and clear that many neighborhoods have seen unscrupulous investors surface with the desire to speculate and flip real estate, in some cases competing with local neighborhoods organizations.

The city of Pittsburgh is a different place now and is experiencing a boom in real estate that creates market pressure in certain neighborhoods. This market pivot has brought the attention of real estate developers that have the funds and connections to privately acquire properties, but some have turned conservatorship, which enables them to acquire for less. In the end, they gentrify neighborhoods and risk pushing out already vulnerable low moderate-income residents. These developers can do this by posing to be neighborhood community development groups acting in the interests of residents. We believe that this is because of the loose definition of a nonprofit group that has standing in these cases. This definition needs further definition, like a community organization which have ties with residents, property owners, business owners, and other stakeholders on their board and acknowledged as a group with years of standing and providing community input on development activities and planning process through a transparent process that fosters open communication. We should define a non-profit as one recognized as in good standing with the IRS and holding a 501C3 tax status and a board that has

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community representation and no conflict of interest. This is in order to reduce the number of for-profit entities that are taking advantage of the law by passing as a nonprofit. These phony nonprofits have conflicts of interest in their board of directors' because they are partners of businesses that they then nominate as conservators or sell the property to at the end of the process. We have seen several stories about such speculators Misuses do not only affect the residents but the general image of conservatorship. With a negative perception of it, community groups are hesitant to use the process for fear that they will be labeled with the same perception. When people believe that taking property only puts it in the hands of flippers it becomes difficult to convince them that the final use could be something like affordable housing or expanding the green space of a community. Another way to reduce the number of such abuses would be to reduce the range of for-profit entities from 2000ft back to 500 feet so that fewer of them have standing in conservatorship cases.

Education is an area where much work still needs to be done. The local court system, the solicitors, judges, lawyers, and clerks that will be interacting with this legislation regularly need to understand the components and meanings of conservatorship. There needs to be education geared towards law professionals so that a robust number of lawyers are equipped with handling these cases efficiently increasing timeliness and cost-effectiveness for nonprofits and other stakeholders petitioning to fully understand how the law works and local municipalities who need to understand the long view, and not focused only their liens. In Allegheny County, as we educated communities, hundreds of cases have been filed, but through only a handful of lawyers. A diversity of lawyers handling conservatorship cases would make it easier for petitioners to find the right approach and for community groups and other stakeholders to intervene in ongoing cases which at this point can be expensive and timely process. But education should not stop there, PCRG early on worked with the nonprofit groups that we represent and work with certainly do not lack the will to intercede but are at a loss as to their standing to do so in such cases.

There are existing gaps in the law that make it difficult for non-profits to take advantage of the potential for conservatorship to eradicate blight. One such gap is the current inability of petitioners to understand what they are getting themselves by not being able to gain access to structures. This makes conservatorship a gamble as there could be substantial damage and impedes the development of clear plans to abate the codes violations and secure the structure. The court should be able to grant access of vacant building for this purpose. This makes getting an accurate estimate of cost possible and puts the conservator in a full understanding of the project. The law was written so that the process was given to a competent conservator so that the project remains feasible. The current use of the law makes it nearly impossible to judge feasibility.

Another issue with the law is that it puts the conservator at great financial risk. Currently the law does not encourage the conservator the ability to appeal current assessed value or seek tax abatement on properties undergoing repairs by the conservator. Conservatorship is a blight mitigation tool that not

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only improves neighbors' property values by bringing parcels up to code but also puts them back on the tax rolls. In most cases the property is improperly assessed.

To further complicate the problem most of these properties are located in neighborhoods with lower valued property.. For these reasons, it makes sense that forgiving municipal and local lien is for the benefit of local taxing bodies. Since liens are accumulating since the property has been abandoned, they can be substantial and cost prohibitive. In most cases, they are monies that will not be recovered from these properties and would only be accumulating if not for the intervention by another party. It is in the best interest in most cases for municipalities to forgive those liens and put the property into the hands of a responsible owner who will pay their taxes moving forward.

An example of this is the Pittsburgh Side Yard program. Many side yards have significant amounts of past due taxes and other liens on the property. In cases where the property is owned by an individual, the City of Pittsburgh puts that property through the Treasurer's Sale and takes ownership of the property before clearing title and selling the property to the individual at a significant discount (Act No. 171 of 1984). Allegheny County also uses a similar acquisition, title clearance, and resale process through the Allegheny County Vacant Property Recovery Program. In this case as well, individuals are not charged the full amount of past due taxes. If it is acceptable to the City and the County in both of these situations to release the liens on those properties, what substantial difference does it make to do the same thing in conservatorship?

Conservators are not asking that the tax be abated, only that the lien on the subject property be amended to be assigned to the property's current owner and released from the property in conservatorship. The City and the County can assign the lien to the current owner of the property as personal debt, and use any enforcement means applicable to collect that debt.

Under the Municipal Claim and Tax Lien Law (amended 2013), all municipal claims, liens taxes, tax claims, and tax liens that have been reduced to judgment are enforceable as a judgment for money under the laws of the commonwealth, which can exist separately from the tax lien connected to the property.<sup>1</sup> This provides for the municipalities to enact a judgment against the current owners, rather than requiring the conservator to satisfy the lien.

Another method to encourage conservatorship and reduce the financial risk of conservatorship would be the prioritize the conservator's lien above those of local taxing bodies. This would enable the

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<sup>1</sup> "Financial Impacts of Blight on the Tri-Cog Communities" (September 2013)

<sup>2</sup> P.L. 1075.93, Sec. 3.a.1 - 3.a.3; Attachment A.

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conservator to secure financing for the process of stabilizing the property. It would also encourage residents to take part in conservatorship as there would be a lower barrier of entry into the process and fewer financial risks. This empowers residents to conserve their neighborhood and stabilize the value of their own property.

Land is a finite resource; it must be treated as the asset that it is. While that remains true today as it did at its passing, Conservatorship has yet to be fully explored by community groups to advance urban agriculture, greenspace, affordable housing, and job creation because of the reasons outlined herein. The path to land access that conservatorship affords makes it a powerful tool when used correctly. Addressing blight is not only the responsible thing to do it is something that we are compelled to do if we are earnest in our commitment to racial, economic, and environmental justice.