



Pennsylvania  
Association of  
REALTORS®

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in Pennsylvania*

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## **Pennsylvania Association of REALTORS® (PAR)**

### **Testimony on Urban Renewal**

**Presented by: Robert Hay and Bill Festa**

Good Morning Chairman Yaw and members of the Senate Urban Affairs and Housing Committee. My name is Bob Hay and I am the immediate past-President of the Pennsylvania Association of REALTORS® (PAR). I have been an active real estate agent for 30 years, and am currently the broker/owner of my own company in Stroudsburg, Monroe County. With me today is Bill Festa, who is a member of the Greater Philadelphia Association of REALTORS® and the current Chairman of the SCOPE Committee.

On behalf of the 34,500 members of PAR, thank you for giving us this opportunity to present our views on the issue of urban renewal and how to make our communities a vital place to live and work.

Last year as President, I established an Urban Renewal Task Force to examine legislation aimed at helping municipalities prevent blight and to remediate abandoned properties. The task force was comprised not only of REALTORS®, but of representatives of the Pennsylvania Builders Association, the Pennsylvania Apartment Association, and the Pennsylvania Residential Owners Association. The group discussed several pieces of legislation including Senate Bill 1291, the Neighborhood Blight Reclamation and Revitalization Act, and House Bill 2188, the Abandoned and Blighted Property Conservatorship Act

Last session, a significant portion of SB 1291 focused on the issue of “conservatorship” which would allow a court-appointed third-party to bring residential, commercial and industrial buildings into municipal code compliance when owners fail to comply. At a hearing held last September by this same Committee, we raised concerns with a few provisions, and by working with Rep Don Walko, the bill’s prime sponsor, as well as Sen John Pippy, we were able to craft amendments to address our concerns regarding the conservatorship portion of the bill.

At the hearing, we also raised the following concerns:

### **DEFINITIONS**

SB 1291 included a definition of “residential building” as “a building or structure containing one or more dwelling units and the land appurtenant to it.” We believe this definition is overbroad as it could include apartment buildings and other residential structures that are considered commercial properties. We suggested the legislation be revised to mirror the Residential Real Estate Transfers Law which defines “residential building” as “real property that consists of not less than one nor more than four residential dwelling units.”

### **STATE AND LOCAL PERMIT DENIALS**

SB 1291 allowed the state or municipalities to deny an applicant a permit, certification, license or approval for contemplated action if the applicant owns any property which is tax delinquent or in violation of codes. We oppose the use of tax delinquency as a basis for denial of permits or licenses. Individuals who make deliberate decisions not to comply with state law face fines, liens, public disclosure or criminal investigations that could lead to prosecution. Denying an individuals’ attempt to practice a profession only leads to further delinquency and inability to comply with prescribed law. Real estate salespersons must be attached to a broker at all times and would be unable to renew their license and continue to work if their broker does not receive tax clearance.

Further, Commonwealth v Hoffman, decided in December 2007 by the Commonwealth Court, determined that local taxing authorities lack the express, implied and necessary power to enact the provisions of an ordinance to withhold licenses and permits as a means of collecting real estate taxes

and municipal debt. For these reasons, we encourage the complete removal of this provision from legislation that is introduced this session.

### **STATE BLIGHT DATA COLLECTION SYSTEM**

SB 1291 would have implemented a property maintenance code violations registry. We believe that a statewide central registry would be cost prohibitive, an administrative burden to municipalities for timely reporting, and may be a hindrance in the purchase of property. Again, we encourage the complete removal of this provision from legislation that is introduced this session.

PAR recognizes that absentee owners and landlords who allow their properties to fall into disrepair contribute to the deterioration of our communities, and will continue to support legislation designed to make our communities safe and vital. We believe that this ideal can be achieved through a program called SCOPE which stands for Selling City-Owned Properties Efficiently. Bill Festa, Chairman of the SCOPE Committee for the Greater Philadelphia Association of REALTORS® is with me today to discuss the program.

### **SCOPE**

The Greater Philadelphia Association of REALTORS®, in conjunction with the City of Philadelphia Redevelopment Authority (RDA) has begun a pilot program mirroring Baltimore's SCOPE project. This project is designed to create a simplified and cost effective process for putting vacant and underutilized City-owned properties back into productive use.

The SCOPE program is in the testing stage and we hope our efforts will soon result in the City's approval of a permanent city program where our members can submit listing requests on City-owned property, qualify and then promote the sale of those properties under program policies and procedures we are working hard to develop. The City of Philadelphia currently has over 5,000 properties titled to the City, with another 3,500 under ownership of the redevelopment authority.

Our efforts for such a program began in 2004 when the Greater Baltimore Association of REALTORS® invited us to a presentation on the SCOPE Program. With the assistance of our peers from Baltimore and our ongoing local lobbying efforts, we were able to secure an audience

from the City of Philadelphia that included RDA leadership. Through these meetings, the RDA agreed to release nine initial properties which are presently divided among three pilot program real estate offices who have been working with the RDA to establish credibility for this tremendous opportunity for all REALTORS®.

Let me give you an overview of how the program works. First, buyers are not required to work with the listing broker. Any licensed real estate agent may assist a buyer and earn a commission if the sale closes successfully. Financial information and background checks will be reviewed for each Buyer. Buyers will need to complete Financial Disclosures, Statement of Qualifications and Proof of Financial Ability forms as well as offers on a special RDA Agreement Form. The RDA will perform a basic background check on Buyers to be sure they have no existing housing issues the City may want to address before considering their offer. A *Hold Harmless Right of Entry* form must be signed by anyone entering any of the RDA Properties. All offers will be subject to the policies and procedures of the RDA including a post closing agreement to complete the development and preserve the property for its developed use. In turn, the purchaser would be required to renovate the premises within a predetermined amount of time or ownership would revert back to the city. The idea is to release these properties to owner occupants or to have a developer rehabilitate the property and sell to owner occupants. This program has the potential not only to generate revenue but develop communities as well.

It is GPAR's mission to evolve this pilot into a permanent City program with ongoing listing opportunities available to our interested and qualified members. This will be achieved by demonstrating to the City of Philadelphia and their Redevelopment Authority that open and transparent competition aided by the marketing efforts of our REALTOR® members will generate greater revenues than can be realized. We intend to track and report where possible on the additional financial stimulation created from increased transfer tax, payment of the property taxes and all of the additional tax revenue benefits that are associated with adding owner occupants to what were once stagnant addresses.

With cooperation from the Mayor and City Department Officials, we can create a new and real revenue stream.



SCOPE results in positive changes for Philadelphia in the following ways:

- Increased tax revenues and economic stimulus
- Revitalization of neighborhoods
- Job creation through the rehabilitation process
- Productive use for vacant and tax delinquent properties
- Incentive for surrounding neighbor improvements through boosts in sale values
- Inspires first time home-buyers
- Brings reality to the dream of home ownership
- Minimize the City's cost of maintaining these properties
- Increased revenues through properties being put back on the tax roles
- Additional revenues through transfer taxes, real estate taxes, city certifications and permits
- Encourages private investment

With the surplus of city-owned properties and the vast amount of run-down, blighted neighborhoods due to vacant properties, this program will aide in the restoration of areas, create neighborhood communities while generating millions of dollars for the city. Working in conjunction with city agencies, we believe that we can put to great use properties that have been left untouched and decaying. We believe that if we are successful in getting this program off the ground, it will serve as a model for the entire state. We have over 2,200 REALTOR® members with various marketing tools and a plethora of resources to jump start this program.

Thank you for allowing us the time today to discuss our opinions on the issue of urban blight and to announce our support for the SCOPE program. We would be happy to answer any questions.