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Office of the Mayor

The City of Harrisburg

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Shepherd R. Reed

Mayor

TESTIMONY OF MAYOR STEPHEN R. REED

CITY OF HARRISBURG

BEFORE THE

SUBCOMMITTEE ON CRIME AND CORRECTIONS

HOUSE JUDICIARY COMMITTEE

THE SENATE

TUESDAY, DECEMBER 16, 1997

HARRISBURG, PA

Mr. Chairman and Members of the House Judiciary Committee and the Subcommittee on Crime and Corrections, Good Afternoon.

Thank you for conducting this hearing on this legislation, the passage of which we are here to enthusiastically endorse.

This legislation has initiated the first serious look in over a century at one of the most intractable problems affecting communities in this state.

The issue before this panel is not the question of unregulated governmental interference in the ability to own and use private property. What is at hand is whether anyone has the right to abuse real estate in ways that risk lives, destroy neighborhoods, deplete the equity and property values of others, drive up costs for insurance and maintenance for neighborhood private properties, create extraordinary costs and burdens on the taxpayer and then get away with it, with the ability to do this again and again.

Archaic and outdated state laws have made Pennsylvania a haven for absentee ownership, scams and abuses. In Pennsylvania, it is essentially legal to buy, blight and abandon real estate and we even provide the means by which the property owner can walk away without ever paying a dime in maintenance, taxes and utilities. An incredible as this may sound, it is the reality that many communities contend with on a daily basis.

2.

How it usually works is this: A slumlord acquires one or more properties. If any of them are single family homes, they will be carved into multi-unit apartments to maximize income, thus permanently changing the dynamics, demographics and the density of that block, while also freezing or reducing property values and creating never-ending on-street parking congestion.

The slumlord usually has no real intention of ever keeping the property for a long period of time. Instead, he will rent it, collect the income and do little or nothing to maintain the premises. He also will pay little or no real estate taxes and, as much as possible, will never pay utilities.

After three years of unpaid real estate taxes, state law provides that the County shall place the title for sale at the County Tax Auction. If the slumlord thinks the property still has some income potential, he will pay the delinquent first year taxes to delay the title going to auction for at least another year.

At the County Tax Sale, all the unpaid taxes and other liens go with the title to anyone who is the highest bidder. Because of this, these titles are often not sold. After the Auction, the unsold real estate is then available to anyone who walks in off the street. For a nominal sum, the title can be purchased, and for a \$14.00 filing fee, all the unpaid taxes and other liens get wiped off the books under state law. The previous owner, in the current system, walks away free and clear and is free to continue this cycle time after

time. This scam is perfectly legal in Pennsylvania. Meanwhile, under state law, anyone who has purchased the property can get its real estate tax assessment reduced to the nominal sum that was paid to acquire it. Everyone but the absentee owner loses. Present state law is written to keep the irresponsible absentee owner in business at enormous expense and loss to the public and private sectors.

The same persons, whose properties we see going for sale at the County Tax Sale, can and do buy other properties from the County and thus this cycle gets repeated over and over. There are persons who have made a living doing this for decades. There is nothing in present law that stops them.

There are many other simlond practices. One is called block-busting, where the absentee owner buys one or several structures, even at market value, in a stable block. Through a systematic deterioration and abuse of these sites over several years, property values fall and the door is wide open for the take-over of other buildings at bargain prices. It is a reverse gentrification. In five to ten years, it is inevitable that this block, too, will join the list of abandoned sites whose titles are showing up with regularity at the County Tax Sale.

These practices are very real and they are extensive. Nearby responsible property owners loose the equity in their homes and businesses. Insurance rates increase or become unaffordable. Real estate appraisers reduce

property values. Mortgage companies and lenders no longer will approve loans.

The landlord now rules this neighborhood and when he finally abandons it, there is nothing left but an empty shell of what was once an occupied, stable area. Our Federal, state and local governments have for years expended millions of dollars to revitalize such areas. There have never been and will never be enough public resources to adequately address the impact and blight caused by landlords and blight, and public funds have never been able to keep pace with the destructive spread of the vicious cycle of blighting and abandonment. As a state, we have never addressed the causes of this vicious cycle. When this and related legislation was introduced, a variety of legislators and landlords expressed their support because they thought it was overdue that the laws be strengthened to deal with irresponsible absentee owners. They felt that the landlords who engage in these practices give all landlords a bad name when, in fact, the majority of landlords conduct their business responsibly and properly.

Yet despite this, several property owner groups officially oppose this legislation. One even offered an amendment that would provide that if a property owner decided not to repair a blighted property after one year, he or she could then turn the title over to the municipal government and make it the city's obligation. Half of the cities and older towns in this state would be bankrupted in two years under such a scenario -- and it would be a landlord's dream to have such a benefit.

5.

A defense of the status quo flies in the face of reason, logic and decades of adverse experience with the present flawed system. If we are genuinely serious about preserving neighborhoods and building communities -- of providing decent housing and protecting the equity of homeowners and investors that we want to see successful in our neighborhoods and towns -- then legislation such as this needs to become law.

Those who argue against such measures will include in their argument that they have had bad experiences with some tenants. We know that to some extent this is true. The General Assembly has strengthened the laws to give landlords the ability to recoup their losses and costs associated with delinquent or abusive tenants and as a municipal government, we support the eviction of abusive tenants and holding them accountable. This issue is distinctly separate from whether a landlord should have the legal ability to abandon real estate at the expense of the neighborhood, community and taxpayer and we must be certain not to confuse these two matters as cause and effect for they are not.

The consequences of landlord conduct are profound. The costs to the taxpayers are massive. Make no mistake about it. The legislation now before you, if adopted as amended, would be the first major step undertaken to address landlord problems this century. It will help to place responsibility and accountability where it belongs and will help to interrupt the deteriorative

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cycle and practices now routinely conducted across the state. This legislation is not a panacea but it -- and its companion bills not yet before this body -- will provide new tools to deal with this insidious issue.

I have not the slightest doubt that a public opinion survey of citizens would be nearly unanimous in favor of taking the legislative actions now proposed. With thanks for your courage and vision, I urge this Committee and the full General Assembly to make history by the passage of this bill.

I thank you.