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SB 775 AND HB 1559

JOINT PUBLIC HEARING

WEDNESDAY, OCTOBER 30, 2019 – 9:00 A.M.

Good morning Senator Ward and Representative Helm and the other distinguished members of the Senate Urban Affairs and Housing Committee and the House Urban Affairs Committee. I am Andrew French, the Executive Director of the Fayette County Redevelopment Authority. Today I come before you as the representative of the Pennsylvania Association of Housing and Redevelopment Agencies (PAHRA).

With over 225 member and affiliate agencies, PAHRA is the primary professional organization in the Commonwealth that represents redevelopment and housing authorities engaged in community development and affordable housing activities. Our members not only address multi- and single-family affordable housing needs in the Commonwealth, we often are also the principle agencies in our municipalities that implement community development, blight abatement, and redevelopment initiatives.

Similar to my colleagues across the Commonwealth, the Fayette County Redevelopment Authority annually works cooperatively with municipalities to effectively administer a variety of local, state, and federal resources targeted for community and economic development, affordable housing, and blight abatement activities. Over the past 10 years, the Redevelopment Authority has invested over 65 million dollars in these efforts, including over 7.1 million targeted specifically for blight abatement, code enforcement, and redevelopment initiatives.

I am also proud to note that in 2018 Fayette County was the first municipality in the Commonwealth to grant land bank powers to its Redevelopment Authority under the provisions of Act 33 of 2018, which was spearheaded by the distinguished Senator Patrick Stefano and received tremendous bipartisan support from each of your committees and the legislature as a whole. It is with these new powers that the Redevelopment Authority has become even more engaged with municipalities on dealing with blighted properties throughout the County.

One of the challenges our municipalities face in dealing with abandoned and blighted properties is the issue of individuals and corporations that often purchase properties at tax sales and from the County's repository on speculation that they will be able to use social media and other real estate outlets to quickly re-sell the properties for a profit, often times without providing any financial investment in physical improvements or making any attempt to correct code deficiencies.

In Fayette County, our Tax Claim Bureau annually processes an average of over 300 properties through their upset and judicial sales. In addition, the Bureau maintains a listing of over 450 properties in the County's Repository for Unsold Properties with a median bid amount of around \$420. With the ability to acquire properties through these sales so cheaply, it is no wonder that speculative investors are attempting to make quick profits with no benefit to our local communities, in fact it is often to their detriment.



Many times, we see these potential investors misusing legitimate corporate structures, such as a Limited Liability Corporation (LLC), to shield their activities. In Fayette County a scenario such as this occurred recently and was unfortunately negatively impacting an adjacent low-income property owner who had requested assistance through the Redevelopment Authority's Homeowner Rehabilitation Program.

While working with the homeowner, the Authority discovered that the other half of the duplex property was condemned due to extremely blighted conditions. We additionally discovered that the property in question was purchased from the County's Repository for \$168.61 in 2014 by an LLC from Las Vegas, Nevada. Discussions with the municipality's code enforcement officer revealed that while the property was condemned, they were unable to provide sufficient service of any notices since they were unable to find the partners of the LLC.

The Redevelopment Authority also discovered that this particular LLC had a total of 44 transactions as a Grantee or Grantor in the County, all following the same pattern of purchasing properties cheap and providing no investment in physical improvements or property taxes. In most cases, the LLC was able to use sites such as Craigslist to sell their property to another buyer. In the cases where they weren't able to sell, the property would become delinquent for taxes and the process through the County's Tax Claim Bureau would repeat itself all over again.

It is also important to note that while this particular situation involved an LLC that was formed outside of Pennsylvania, we often encounter similar situations with local and regional LLCs that are formed within the Commonwealth. In one of our poorest communities, an individual formed at least 5 LLCs registered with the Commonwealth to amass over 120 properties, most of which were originally purchased through the tax claim process and all of which are now in the County's Repository.

SB 775 and HB 1559 are critical to helping municipalities avoid scenarios such as the ones encountered in Fayette County. By requiring pre-registration and advance notice of potential bidders, municipalities will be able to provide additional oversight through the tax claim process, including being able to identify those bidders that have other properties with outstanding code violations. Having bidders certify they have no outstanding tax or municipal utility bills in any other municipality in the Commonwealth will help prevent the type of fly by night investor that is not interested in investing in our communities but is instead only interested in making a quick profit. Finally, requiring corporations to disclose the name, address, and telephone number of their officers will provide much needed transparency and assist municipalities with potential code enforcement and blight abatement efforts.

It is for all of these reasons that PAHRA fully endorses the legislation being proposed in SB 775 and HB 1559 and encourages their swift consideration and approval by both of your Committees. I once again would like to extend my appreciation for being able to participate in today's hearing and am open to any questions or comments the Members may have.

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