

Land Banks and Tax Delinquent Properties - Opportunities, Challenges, and Best Practices

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Today's Discussion

There is a strong correlation between tax delinquency and blight. Land banks have special powers to acquire tax delinquent properties and return them to productive use. A land bank's superpower is buying tax delinquent properties at judicial sale at low cost and without public bidding. This superpower is called priority bid. Today, we will focus on that superpower and discuss:

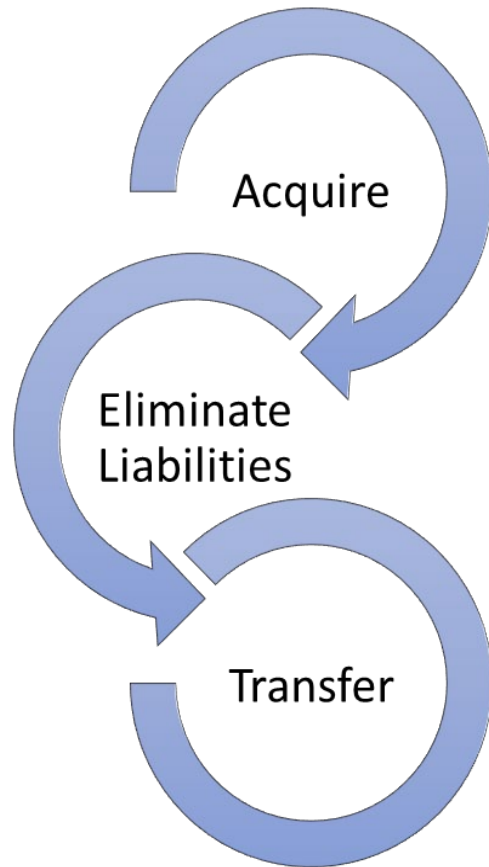
1. Introduction to Land Bank Acquisitions
2. Introduction to Tax Sales in PA
3. How Land Banks Acquire Properties at Judicial Sale
4. Opportunities for Land Banks
5. Best Practices and Risk Reduction

What is a Land Bank?

A land bank is a **governmental entity** created by law with **unique powers** to put vacant, abandoned, and tax delinquent properties **back to productive use** according to community goals.



How Does a Land Bank Work?

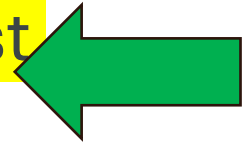


1. Acquires title to problem properties
2. Eliminates liabilities – liens, claims, clouds on title
3. Transfers properties to new owners in a manner most supportive of local needs and priorities

Unique Powers of PA Land Banks

A land bank has unique powers beyond those of a redevelopment authority that are helpful in acquiring properties at low cost and transferring free and clear title to purchasers:

- Acquisition of judicial tax sale properties at a low cost using a “priority bid”
- Power to untangle and clear title through an expedited quiet title proceeding
- Ability to discharge liens and claims on property with the agreement of the taxing bodies.



Property Acquisition

Section 2109(c) Methods of acquisition.--A land bank may acquire real property or interests in real property by any means on terms and conditions and in a manner the land bank considers proper.

Land banks may acquire properties as gifts or donations, through direct purchase, through tax and mortgage foreclosure, and by transfer from municipalities, redevelopment authorities, and tax claim bureaus.

Most acquisitions by land banks in PA are through tax foreclosure, more specifically at judicial sale.

Tax Foreclosure in PA

Delinquent real estate taxes – annual *ad valorem* tax obligations due to the school district, county, and municipality -- are collected through the procedures of :

- Real Estate Tax Sale Law (RETSL)
- Municipal Claim and Tax Lien Law (MCTLL)

Tax Foreclosure in PA

RETSL is a centralized, County-run process for the collection of delinquent taxes. The taxing body is giving up control to the County.

MCTLL is decentralized, with the taxing body having more control.

Often, one property may have one tax collected pursuant to RETSL and another under MCTLL.

Question: *Why do some municipalities and school districts opt for collection under MCTLL rather than RETSL?*

Acquiring at Judicial Sale

Most PA land banks are located in counties which follow RETSL.

Of the 39 PA land banks, only four are located in counties that follow MCTLL:

- Land banks located in Allegheny County - Pittsburgh, Tri-COG, and Wilkinsburg
- Philadelphia Land Bank

How Tax Sales Work in Schuylkill County

In Pennsylvania,* if even one year of taxes – or a portion of them – remains unpaid for nearly two years, properties can be auctioned to the highest bidder. But a good portion of properties end up stuck.

Who Can Buy Tax Sale Properties?

Anyone can bid on properties if they:

- Register up to 10 days before the sale
- Affirm they are current on their real estate taxes and municipal utility bills, and have not had a landlord license revoked



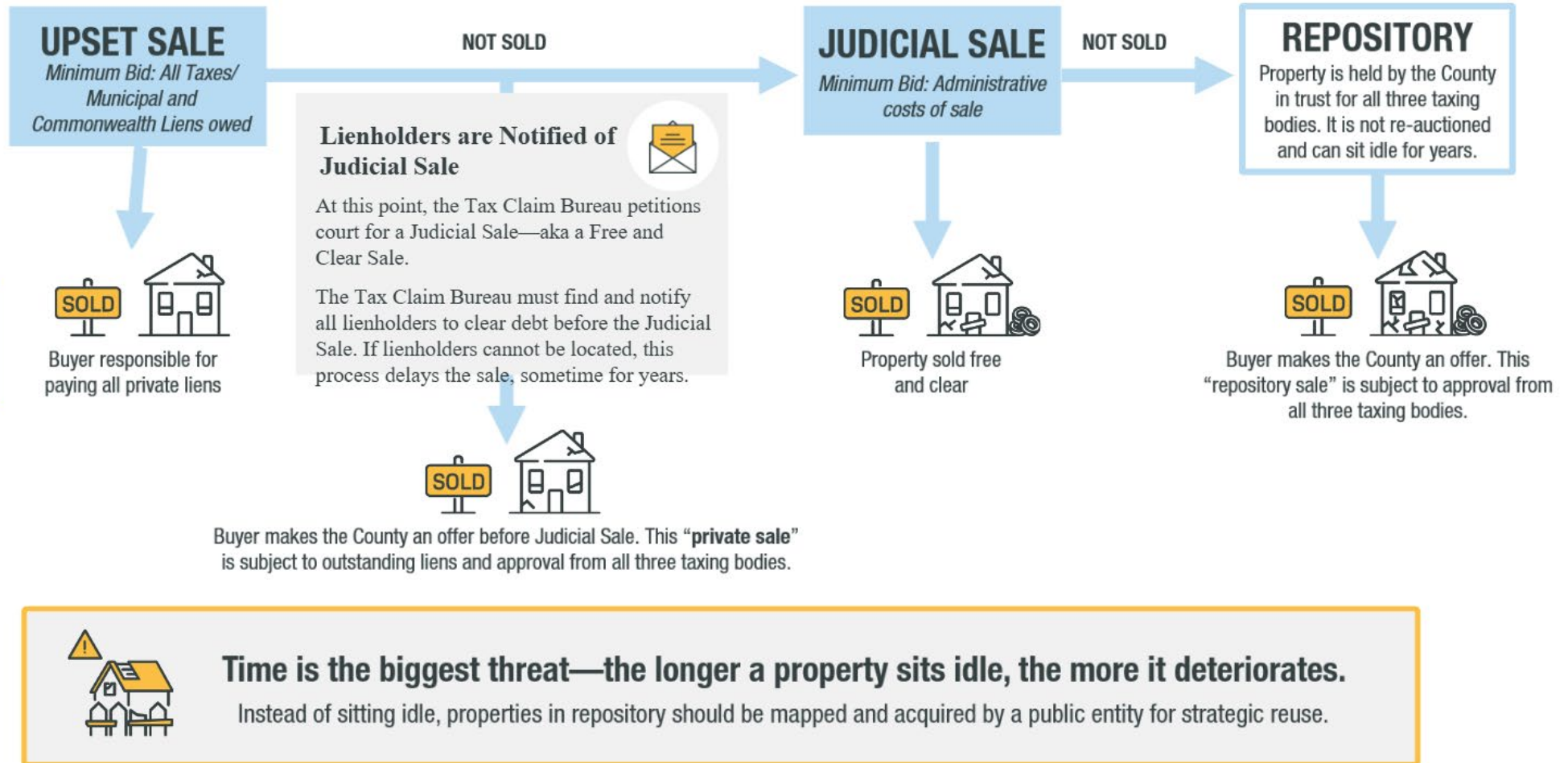
Policy Changes Can Help Ensure More Responsible Bidders



Change the registration requirement from 10 to 21 days prior to the tax sale and require the Tax Claim Bureau give municipalities the list of bidders at least 14 days in advance to screen for eligibility.



At private and repository sales, require an interested buyer to appear in person to get approval to buy the property.



Acquiring at Judicial Sale - RETSL

Section 2117 – Delinquent Property Tax Enforcement

RETSL jurisdictions covered in subsection (c):

(3) All of the following apply to **judicial sales**:

(i) Notwithstanding section 612 of the Real Estate Tax Sale Law, the form, substance and timing of the land bank's payment of the sales price may be according to the agreement as is mutually acceptable to the plaintiff and the land bank if all of the following apply:

(A) A judicial sale is ordered pursuant to a judgment on a tax claim.

(B) The purchaser of the property is the land bank.

(C) The sales price is an amount agreed to by the land bank and the plaintiff in the claim.

(ii) The obligation of the land bank to perform in accordance with the agreement under subparagraph (i) shall be deemed to be in full satisfaction of the tax claim which was the basis for the judgment.

(iii) The land bank, as purchaser at the sale, shall have an absolute title to the property sold, free and discharged of tax and municipal claims, liens, mortgages, ground rents, charges and estates.

Acquisition at Judicial Sale - RETSL

Land banks acquire property at judicial sale using **PRIORITY BID** under RETSL

- By negotiated agreement with tax claim bureau or other plaintiff/tax-foreclosing body
- For negotiated sum or other consideration – low cost, minimum bid amount
- No competitive bidding
- Land bank takes property with “free and clear” title*

*Further legal action is needed for insurable title – Quiet Title Action.

Acquiring at Judicial Sale -MCTLL

Section 2117 – Delinquent Property Tax Enforcement

MCTLL jurisdictions covered in subsection (d).

Judicial sales under (d)(4):

(i) The land bank may tender a bid at the sale in an amount equal to the total amount of all municipal claims and liens which were the basis for the judgment. Upon tender under this subparagraph, the property shall be deemed sold to the land bank regardless of bids by other parties.

(ii) The bid of the land bank shall be paid as to its form, substance and timing according to an agreement that is mutually acceptable to the plaintiff and the land bank. The obligation of the land bank to perform in accordance with the agreement shall be deemed to be in full satisfaction of the tax or municipal claim which was the basis for the judgment.

(iii) The land bank, as purchaser at the sale, shall have an absolute title to the property sold, free and discharged of tax and municipal claims, liens, mortgages, ground rents, charges and estates.

Acquiring at Judicial Sale - MCTLL

MCTLL is available to everyone!

City of Allentown v. Kauth (Pa. Commw. Ct. 2005)

- If a municipality does not opt into RETSL, it may enforce its tax liens under MCTLL

Question: *Is this enforcement done through the County Sheriff and Sheriff's Sales?*

Acquiring at Judicial Sale - MCTLL

Major differences between RETSL & MCTLL?

- Not every property is automatically taken through the MCTLL process; No repository
- MCTLL has a right of redemption; RETSL does not
- The process itself is different, as we will discuss next

Acquiring at Judicial Sale - MCTLL

- Writ of *Scire Facias*
- Petition for Rule to Show Cause

Act 4 of 2023 – gave taxing bodies in Allegheny County (incl. City of PGH) the option to use the Petition/Rule model

Question: *What are the benefits of the Petition/Rule model for land banks?*

Land Banks are using Priority Bid to acquire properties at low cost. Here are just a few examples to demonstrate how some of the acquired properties have been developed.

Pottstown Borough Land Bank

Acquired at judicial sale and sold to local developer who invested more than \$133,000 to completely rehab the property which was sold to a low/moderate income family for home ownership.

Strong partnership between the County Tax Claim Bureau and the Land Bank.

Judicial sale governed by RETSL.



208 Gable Ave, Pottstown, Montgomery County

Northeast PA Land Bank Authority



156 Panama Street
Pittston, Luzerne County



Acquired at judicial sale in 2019.

Sold to Habitat for Humanity in February 2021.

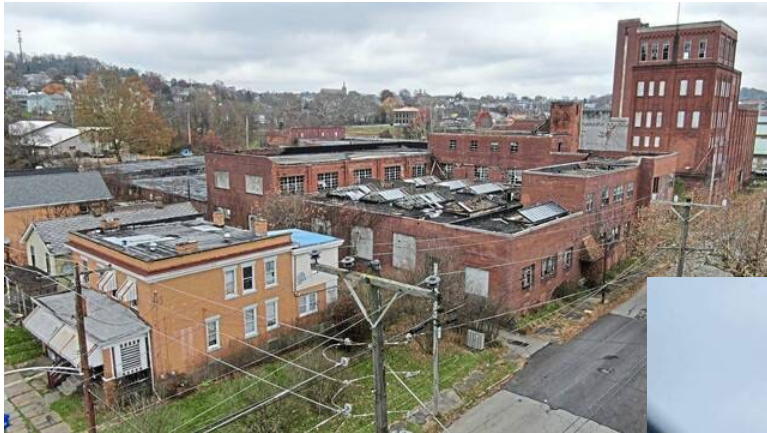
House was demolished and Habitat constructed a new home on the site.

New homeowner moved in late 2022.

Property is maintained and is on the tax rolls.

RETSL jurisdiction.

Westmoreland County Land Bank



Old Fort Pitt Brewery
West Jeannette
Westmoreland County



Image credits: TribLive

Acquired at judicial sale in 2022.

Long vacant complex of deteriorating and dangerous buildings.

All structures demolished.

Next phase is an environmental assessment of the property funded with an EPA brownfields assessment grant.

RA/LB partnered with County Industrial Development Authority and others.

RETSL jurisdiction.



Nonprofit Partnerships: *Affordable Housing with Rebuilding Together Pittsburgh*

5th St, Rankin

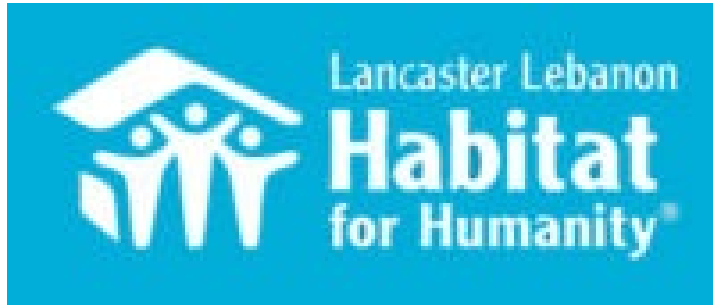


Land Bank purchased properties at Allegheny County Sheriff's Sale (judicial sale) in 2020 and 2021. Sold to Rebuilding Together Pittsburgh in 2022. Homes renovated and now occupied. MCTLL jurisdiction.

Sunnyside Ave, East Pittsburgh



City of Lancaster Land Bank



Acquired by the Land Bank at tax sale in 2020.

Sold to Habitat for \$15,000.

Habitat invested more than \$100,000 in the rehab and sold the property to new homeowners for \$125,000 in 2022.

RETSL jurisdiction.



Celebration of Land Bank's first project. In partnership with Habitat for Humanity.

Image Source: [Lancaster Online](https://www.lancasteronline.com)

Protecting Vulnerable Homeowner Equity

Keeping people in their homes – policies to prevent the loss of homes to tax foreclosure

Impact of *Tyler v. Hennepin*

How land banks are responding

Best Practices and Risk Reduction

What's happening nationally for land banks and tax sale acquisition?

How can land banks most effectively use the Priority Bid process to acquire tax sale properties?

What strategies can land banks implement to ensure they operate within the law and remain aligned with their community-centered goals?

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