

# **City of New Castle**

## **Comprehensive Blight Strategy Plan**

**October 2017**

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## City of New Castle

### Comprehensive Blight Strategy Plan

#### Section 1

##### Introduction

In June 2017, a Blighted Property Task Force<sup>1</sup> was appointed by the Mayor to develop a plan for addressing the incidence of blighted properties in the City. Blighted properties are a continuing problem for the City as a result of disinvestment due to loss of population and jobs as well as changing market conditions.

The process used to develop this Comprehensive Blight Plan is detailed in the publication, *We Can Do This: A Five-Step, Fast Track Blight Plan*, published by the Housing Alliance of Pennsylvania in 2016. Christopher Gulotta, of The Gulotta Group LLC was retained to facilitate the process. Mr. Gulotta is also the author of the *Five-Step, Fast-Track* publication.

The five steps in the process include:

Step 1: Gain Consensus for Developing a Blight Plan

Step 2: Assess the Nature and Extent of Blight

Step 3: Convene a Blight Task Force

Step 4: Engage municipal officials

Step 5: Identify Priority Action Steps and Implement!

#### **Step 1-Gain Consensus for Developing a Blight Plan**

This step was accomplished in May 2017 with discussions among and between City officials which culminated with the appointment of the Blighted Property Task Force by the Mayor. In January 2017 City Council authorized the Administration to make application to the PA

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<sup>1</sup> Members of the Task Force include Mayor Anthony Mastrangelo, City Councilman Richard Beshero, Tamara Gibson (City Community Development Coordinator), Eric Perry (Fire Chief/Code Director), Anthony Cioffi (City Code Foreman), Donielle Russell (Lawrence County Planning Department), Alex McCoy (Lawrence County Regional Chamber of Commerce), Dale Turner (PNC Bank-Blueprint Communities), Marvin Lebby (Redevelopment Authority of the City of New Castle), Stephane Dean (City Chief Financial Officer/Business Administrator), Jason Medure, Esq. (City Solicitor), Lt. David Como (City Police Department), Veronica Cardello (Field Representative-PA Association of Realtors); Others persons attending meetings of the Task Force included Linda Nitch (Lawrence County Economic Development Corporation), Kimberly Koller- Jones (Hoyt Center for the Arts-Blueprint Communities), James Gagliano (Lawrence County Administrator), Amy McKinney (Lawrence County Planning Commission)

Department of Community and Economic and Community Development (PA DCED) for a Blight Training and Technical Assistance Grant on behalf of the City. This grant was subsequently approved by PA DCED and the City entered into a contract with the Housing Alliance of Pennsylvania in March 2017 for services that include the development of a community-driven blight action plan, planning to create a land bank, and technical assistance to the City in effectively using the Code Enforcement Department. These services are being provided to the City by Christopher Gulotta of The Gulotta Group and Diana J. Kerr of Community Development Consulting.

## Step 2-Assess the Nature and Extent of Blight

A number of documents discuss the nature and extent of blight in the City. They include:

### **A. Blueprint Communities Plan**

The Blueprint Communities Program is sponsored by the Federal Home Bank of Pittsburgh. This initiative creates momentum for revitalizing older communities and neighborhoods by:

- Building strong local leadership, collaboration and development capacity
- Developing sound local and regional planning skills
- Encouraging coordinated investments in targeted communities by public and private funders

An update to the New Castle Blueprint Communities Plan was completed in March 2017. This plan reflects a number of goals including the goal of stabilizing/ revitalizing neighborhoods adjacent to the downtown. Specific recommendations referenced in this plan that relate to this goal include (1) developing blight reduction strategies for each target neighborhood, (2) developing housing strategies to stabilize/revitalize each target neighborhood, (3) rehabilitating existing structures, (4) converting historic homes from multi-family to single family and (5) developing new mixed housing options.

The Blueprint plan also references the advisability of forming a land bank to address blight/disinvestment in the downtown area and the neighborhoods surrounding the downtown.

### **B. Inventory and Marketing Plan of Vacant and Underutilized Properties**

The Inventory and Marketing Plan of Vacant and Underutilized Properties was completed in early 2016. This document lists eighty vacant and underutilized commercial properties.

This Plan identified several obstacles to growth of the City's tax base and focused on areas

of improvement as related to blighted and vacant properties and the lack of shovel-ready sites for redevelopment. “The City’s goals are to: assemble parcels for redevelopment; reduce vacant blighted properties, increase code compliance; and organize community resources to address obstacles,” according to this Plan.

The Plan states “the City’s enhanced ability to reduce the number of blighted and vacant properties through code enforcement activities will help to sustain property values and encourage existing businesses and prospective businesses to invest in the City.” The Plan included the following table, taken from the City’s Act 47 plan, as amended, which showed the distribution of the 223 residential and 20 commercial properties demolished in the City from 2010 to 2014 and projected demolitions for 2015.

NEIGHBORHOOD	2010	2011	2012	2013	2014	2015*	TOTAL
Lower East Side	12	9	10	21	3	21	76
South Side	11	11	7	8	14	5	56
Lower North Hills	8	5	13	7	5	0	38
UpperEast Side	7	7	0	8	10	2	34
West Side	6	4	3	3	5	1	22
Upper North Hills	4	5	3	0	2	0	14
Mahoningtown	3	0	1	6	2	2	14
<b>Total</b>	<b>51</b>	<b>41</b>	<b>37</b>	<b>53</b>	<b>41</b>	<b>31</b>	<b>254</b>

\* Projected 2015 demolitions

Source: City of New Castle Amended Recovery Plan dated October 21,2015

The City concentrated its previous efforts in the Lower East Side and South Side of the City according to this Plan. The decision was based on identifying areas of the City that had the highest amount of vacant and dilapidated structures. The Plan stated that the City has developed a broader strategy to stabilize the Lower East Side Neighborhood and to reduce crime in that neighborhood through targeted demolitions.

### C. South Side, New Castle 10,000 Friends Community Assessment

In 2017 10,000 Friends of Pennsylvania completed a Community Assessment of the Southside neighborhood. The Community Assessment noted that New Castle has a significant number of vacant housing units. The Amended Act 47 Recovery Plan noted that the number of vacant units increased 36.2% between 2000 and 2010. According to the Community Assessment, the housing vacancy rate was 13.6% based on American Community Survey data. “High vacancy rates place downward pressure on market prices and also lead to a decline in owner-occupied purchases”, noted the Community Assessment document. Homeownership rates for New Castle are 58.5% compared with 74.2% for Lawrence County.

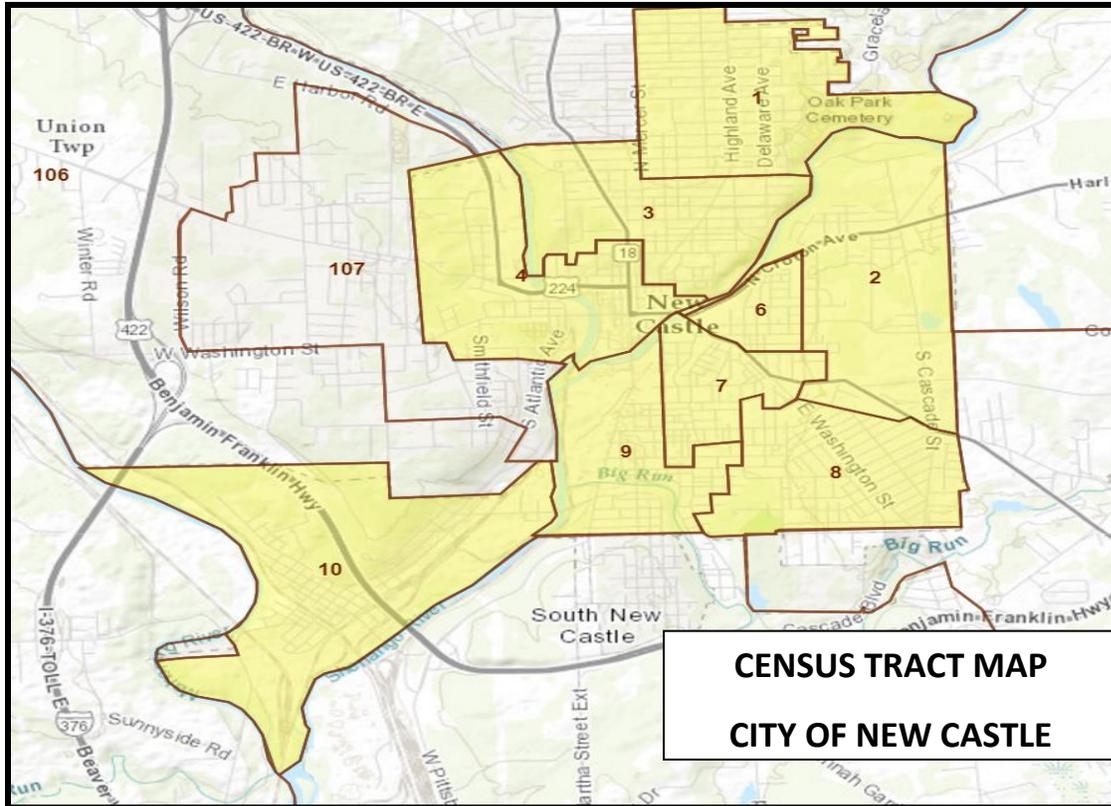
As part of its current conditions report the Community Assessment completed a basic conditions assessment of residential properties within the South Side. Working with maps provided by RAR Engineering, exterior conditions were used to rate each residential unit on a scale of 1 (Excellent) to 4 (Poor). A summary of the overall conditions is summarized in the table below:

Housing Condition	Number of Properties	% of Total
Excellent	15	1.7%
Minor Maintenance	632	69.8%
Major Maintenance	230	25.4%
Poor	29	3.2%
Total	906	100.0%

The Community Assessment mapped the conditions to help identify clusters with high concentrations of blighted property. In addition to concentrations of blight, the Community Assessment identified areas that had a high degree of housing stability, but are starting to see an increase in the number of vacant and deteriorated homes. Over time increasing blight can threaten otherwise stable blocks and discourage homeowners from investing in their properties; so a key to reversing the South side's decline, according to the Community Assessment is protecting areas that have not fallen into disrepair. The Community Assessment stated, "Keeping the owners in place, and providing them with the resources to maintain their homes as they age in place is an important component to maintaining the existing housing stock. In addition, thinking through a strategy to ensure these homes do not flip to rental property after elderly homeowners pass away will help maintain existing homeownership stock."

#### **D. U.S. CENSUS AMERICAN COMMUNITY 2011-2015 SURVEY DATA**

In addition to the above-referenced studies, 2011-2015 American Community Survey data provides useful information that can contribute to the understanding of the nature and extent of blight in New Castle:



**Table: Total Housing Units, % Occupied Housing Units, %Vacant Housing Units**

Census Tract	Neighborhood (Approximate)	Housing Units	Occupied	Vacant
1	North Hills	1995	87%	13%
2	Lower East Side (part)	1034	79%	21%
3	Lower North Hills	2017	83%	17%
4	West Side	1127	87%	13%
6	Lower East Side (part)	521	66%	34%
7	South Side (part)	823	79%	21%
8	South Side (part)	2015	90%	10%
9	South Side (part)	979	86%	14%
10	Mahoningtown	850	80%	20%
City-wide		10,696	84%	16%

Source: American Community Survey 2011 -2015 Five Year Estimates

**Yellow** indicates deviation greater than 20% from City-wide figure

**Table: % Owner-Occupied, % Renter-Occupied**

Census Tract	Neighborhood (Approximate)	% Owner-Occupied	% Renter-Occupied
1	North Hills	74%	26%
2	Lower East Side (part)	58%	42%
3	Lower North Hills	45%	55%
4	West Side	16%	84%
6	Lower East Side (part)	62%	38%
7	South Side (part)	55%	45%
8	South Side (part)	75%	25%
9	South Side (Part)	38%	62%
10	Mahoningtown	72%	28%
City-wide		57%	43%

Source: American Community Survey 2011 -2015 Five Year Estimates

Yellow indicates deviation greater than 20% from City-wide figure

**Table: % 5-unit renter structures or greater, % moved in since 2010**

Census Tract	Neighborhood (Approximate)	% 5-unit Structures or Greater	% Households Moved in since 2010
1	North Hills	7%	17%
2	Lower East Side (part)	14%	29%
3	Lower North Hills	18%	46%
4	West Side	48%	52%
6	Lower East Side (part)	3%	24%
7	South Side (part)	1%	29%
8	South Side (part)	1%	29%
9	South Side (Part)	9%	33%
10	Mahoningtown	10%	26%
City-wide		12%	32%

Source: American Community Survey 2011 -2015 Five Year Estimates

Yellow indicates deviation greater than 20% from City-wide figure

**Table: Median Housing Value; % housing costs greater than 35% (with mortgages)**

Census Tract	Neighborhood (Approximate)	Median Housing Value	Housing Costs Greater than 35%
1	North Hills	\$79,900	14%
2	Lower East Side (part)	\$60,000	25%
3	Lower North Hills	\$63,300	33%
4	West Side	\$48,800	48%
6	Lower East Side (part)	\$28,100	31%
7	South Side (part)	\$31,600	53%
8	South Side (part)	\$58,400	22%
9	South Side (Part)	\$35,700	42%
10	Mahoningtown	\$50,600	13%
City-wide		\$61,400	25%

Source: American Community Survey 2011 -2015 Five Year Estimates

Yellow indicates deviation greater than 20% from City-wide figure

### Step 3-Convvene a Blight Task Force

#### FIRST MEETING

The first meeting of the Blight Task Force occurred on June 29, 2017 to get feedback from Task Force members on the nature and extent of blight. Observations of Task Force members at that meeting included:

- The City's Demolition List was generated from code violations and citizen complaints;
- There is a need to target more, rather than using shotgun approach to demolition;
- About 1/3 of units on demolition list are tax delinquent;
- The average cost of demolition is \$7,000 per unit, but it is getting increasingly difficult to attract bidders;
- The Code Office has a very basic database of vacant and blighted properties that includes about 500 vacant units in the City but this database needs to be

integrated with mapping software to overlay information such as HUD- owned, foreclosed, vacant, and tax delinquent units;

- About 80% of the occupied problem properties are rental units;
- There is no commercial database of blighted properties outside the Downtown;
- Estimated property values by neighborhood range from \$10,000 to \$50,000;
  - South Side (\$15,000)
  - Mahoningtown (\$20,000-50,000),
  - Lower East Side (\$10,000-15,000),
  - West Side (\$30,000-40,000)
  - Lower North Hills (\$20,000)
- The subprime mortgage crisis is to blame for many of the blighted properties in the city;
- The average blighted property in the city has been so for 3-5 years for residential and 10-20 years for commercial;

## **SECOND MEETING**

Between the first and second meetings of the Task Force, Task Force members were asked to read *From Blight to Bright* published by the Housing Alliance of Pennsylvania. The document is a compendium of tools available to address blighted properties in Pennsylvania. The consultant reviewed each tool at the second meeting of the Task Force which was held on July 27, 2017. The tools were grouped into three categories: prevention, remediation and redevelopment. After questions from the Task Force were answered, Task Force members were each given seven “sticky notes” which they could use as votes to select what they felt would be the most effective tools for addressing blight in the City.<sup>2</sup> Appendix A lists all of the tools to address blight and the number of votes for each.

### **Top Tier Strategies**

A number of top tier strategies emerged from the Task Force voting. These tools received ten votes or more. All are under the category of tools that can be deployed to *prevent* blighted properties. A list and description of the top tier strategies follow:

- **The City may enact ordinances that ticket for code violations as a summary offense.**

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<sup>2</sup> As described in the Five-Step, Fast Track publication all of the tools to address blighted properties are listed under one of the three categories on a large blank wall and members of the Task Force “vote” for that item by placing sticky notes on the items that they feel would be most effective.

Ticketing for code violations before a code citation is issued can be an effective way of resolving a code issue at an early stage. It should be emphasized that vigilant code enforcement is the underpinning of any effort to prevent blighted properties because it is an early intervention approach that can identify and resolve property maintenance issues before they turn into full-blown blighted property conditions. The City has stepped up its efforts to enforce the property maintenance code by utilizing technology systems that make staff work more effective and efficient. The City is also in the process of increasing the regularity of its rental housing inspections.

A ticketing effort can enhance the code enforcement effort by obtaining compliance faster rather than going through the code citation process which includes the scheduling of a hearing date before a District Justice which can extend the process for resolving property maintenance issues. Ticketing is accomplished by inserting a provision in the property maintenance code (or other ordinances such as abandoned vehicles, vegetation, or trash) that permits staff to issue a ticket for the code violation much in the same way that overtime parking is ticketed. A best practice is to give the owner of the property a warning letter before the ticket is issued. The warning letter states the relevant provision(s) in the code and typically gives the owner a period of time, typically ten days, to take care of the problem.

If the owner is not responsive to the warning letter a ticket is issued by the codes officer or another public official designated by the governing body. Jurisdictions that have implemented ticketing charge a fine for the first offense in the range of \$10-\$25. If the problem is not resolved within a stipulated period of time, say ten days, a second ticket is issued in a higher amount.

The experience with ticketing has been positive with the vast majority of owners either resolving the problem during the warning stage or after the first ticket is issued. No doubt there will be a few cases when the owner is not responsive in resolving the code violation during this stage and there will be a need to file a formal code citation with the District Justice. However, the process of adjudicating the code violation through the District Justice is an expensive and time-consuming process that requires substantial staff resources and can take many months to resolve.

### **Case Study: Coal Township, Northumberland County**

Coal Township, Northumberland County (population 10,383) implemented a ticketing ordinance for code violations in 2012 with good results. According to Township Manager Rob Slaby, approximately 95% of the code violators resolve the issue after a warning or after the first ticket is issued. The Coal Township ordinance provides that the ticket must be paid in ten days. If there are future violations of the same offense the fines increase. For example: for the first offense the ticket is \$25; the second offense fine is \$50, and the fine increases to \$100 and \$300 for the third and fourth offense, respectively.

- **The City may take advantage of state laws that allow municipalities to disqualify buyers at tax sales.**

Pennsylvania state law<sup>3</sup> allows municipalities to disqualify purchasers at tax sales that have outstanding delinquent taxes, code violations, and municipal liens. The law also allows municipalities to disqualify any prospective bidder whose rental license was revoked by a municipality in that county.

It makes sense that owners who have failed to maintain their properties or meet their legal obligation to pay real estate taxes should not be able to acquire additional properties at a tax sale.

In order for this process to work it is necessary that the Tax Claim Bureau establish a pre-registration process for prospective bidders. After the preregistration process closes, municipalities are provided with the list of prospective bidders and may provide information to the Tax Claim Bureau, consistent with state law, to disqualify the bidder.

The state law also allows municipalities to challenge a successful bidder within 20 days after the sale. In interpreting the state law, courts have held that property owners that have disqualifying conditions may still bid on the property as long as they resolve the issue(s) within 20 days after the tax sale.

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<sup>3</sup> 72 P.S. Section 580.619

### Case Study: Schuylkill County

Schuylkill County Tax Claim Bureau requires all bidders to register and sign an affidavit that they are not tax delinquent in paying real estate taxes, have no municipal utility bills that are more than one-year outstanding, and do not bid for or act as an agent for any landlord who has had his or her rental license revoked. At the judicial sale, the bidder must be approved by the municipality in which the property is located.

- **The City may form a land bank under state law.**

In Pennsylvania land banks are public entities that may be created by counties, municipalities with a population of 10,000 or over or a consortium of municipalities to address the problem of blight and abandonment. Land banks have a decided advantage in acquiring properties at the judicial tax sale stage with the cooperation of the Tax Claim Bureau. State laws allow land banks to enter into an agreement with the County Tax Claim Bureau which allows the land bank to be the sole bidder for selected properties at the judicial sale. This keeps speculators from buying these properties which are available at low prices.

Land banks can be particularly useful in circumstances when there is no active Redevelopment Authority by assembling multiple properties that can be repurposed for productive uses. A provision in the law permits taxing authorities to share up to 50% of the prospective real estate tax revenue generated when the property is sold by the land bank. This taxing sharing continues for up to five years. At the end of five years all of the real estate tax revenue generated by the property is remitted to the taxing authorities.

It is possible for the County to form a land bank that would include city representative rather than having the City form its own land bank.

### Case Study: Westmoreland County

The Westmoreland County Land Bank has been existence since late 2013 and has considerable accomplishments. Recently a long-vacant former restaurant and hotel building in downtown Irwin was sold by the Land Bank to a North Huntingdon man for \$50,000. The buyer plans to renovate the three-story structure that the borough had condemned into six apartments on the top two floors and possibly a commercial use on the first floor. The land bank, which has bought dilapidated buildings and tax delinquent properties as a way of removing blight in a community, had acquired the building through the Westmoreland County Tax Claim Bureau for \$417 in September 2015.

In total, the county land bank has acquired 74 properties, sold 44 and is leasing 3 to community groups since it was created.

### **Middle Tier Strategies**

A number of other strategies garnered between four and eight votes from Task Force members. These strategies include:

#### **Prevention Strategies:**

- **Communication with District Justices may be strengthened to encourage them to deal fairly but firmly with owners of blighted properties.**

District Justices preside over the hearings at which code violations are adjudicated. It is important that District Justices have an understanding of the nature and extent of blight in a community and the impact of blighted properties on a community. To this end, this Blight Plan should be shared with District Justices with the hope that they will have a better understanding of the public purposes served by addressing blighted properties. In Northumberland County, the organization that spearheaded the completion of the blight strategy reached out to the President Judge of the County to ask if he would convene a meeting with the District Justices to discuss the issue of blighted properties. Subsequently, a meeting was held with the District Justices, with all of the Justices and the President Judge in attendance.

#### **Remediation Strategies:**

- **The City May Expand Resources for Demolition by Seeking State Funding Under Keystone Communities and Neighborhood Assistance Program**

The City currently utilizes funding from its Community Development Block Grant (CDBG) and the County's PHARE program to acquire and demolish blighted properties. Because of the magnitude of the blighted property problem in the City it would be advisable to increase the available resources to address blighted properties by rehabilitating or demolishing those properties. The PA Department of Community and Economic Development (DCED) Keystone Communities has provided funding to communities that have enacted a comprehensive strategy to address blight. Northumberland County, for example received \$500,000 in 2014 and an additional \$200,000 in 2017 for this purpose. This program requires matching funds from the City. The source of the match could be its CDBG funds.

Another source of funds for consideration by the City could be the PA DCED Neighborhood Assistance Program which provides a 75% credit for business donations to address blighted properties. Major businesses could be solicited for contributions which would need to flow through a 501(c) (3) organization that would receive an allocation of credits from PA DCED. Businesses have an interest in seeing blight addressed as it may affect their current business

operation if a nearby property is blighted. It is also difficult to attract management personnel to a community that has a blighted property problem.

- **Appropriate entities may pursue the tool of conservatorship to obtain remedial repairs or demolish blighted properties.**

Conservatorship allows certain entities including municipalities, other taxing authorities, non-profit corporations and nearby property owners to file a petition with the Court of Common Pleas to be appointed the conservator of the property for the purposes of making repairs to address code violations. The Abandoned and Blighted Property Conservatorship Act was approved by the legislature in 2008.<sup>4</sup>

As part of its petition the conservator prepares a preliminary plan that could include the demolition of the property if rehabilitation is economically unfeasible.

If the court grants the petition the conservator proceeds with the work and the owner has the opportunity to reimburse the conservator for the work. If the owner does not do so, the court may authorize the conservator to sell the property to recoup some of its costs.

At no time does the conservator take title to the property so this may be more politically acceptable than eminent domain.

- **The District Attorney may charge repeat code violators with a misdemeanor under the PA Crimes Code.**

One way to get the attention of chronic code violators is to request that the District Attorney file a criminal charge against the owner for the crime of Municipal Housing Code Avoidance. Owners that are found guilty of three identical violations at the same property by a District Justice may be charged with a first-class misdemeanor; if the owner has been found to be in violation of the identical code by the District Justice two different times the District Attorney may charge the owner with a second-class misdemeanor.

- **The City May Accept Donation of Tax Delinquent Properties in Exchange for Waiver of Tax Claims**

Sometimes property owners are willing to donate properties to the City or a non-profit corporation in exchange for the waiver of tax liens by the City and other taxing authorities. Properties accepted for donations should have a value in excess of the tax liens waived so the owner does not benefit financially from this transaction. The property then could be conveyed to a redevelopment authority, land bank, private developer, or non-profit corporation for redevelopment. The selling price should be at least the amount of the tax liens so the taxing authorities can recoup their taxes from the buyer; in the cases of a sale to a private developer

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<sup>4</sup> 68 P.S. Section 1101

the City will want to convey the property to a land bank or redevelopment authority so the property can be sold to a reputable developer under the terms of a development agreement that will require that the property be redeveloped in a timely manner.

### **Redevelopment Strategies:**

- **Implement programs to incentivize private development such as LERTA and federal historic districts**

It is important that municipalities create a climate for investment and reinvestment. One of the ways to do this is to enact the phase of real estate taxes for *improvements* to properties in deteriorated areas. Most municipalities are familiar with the Local Economic Revitalization Tax Assistance Act which allows for the phase in of taxes on improvements for commercial income producing properties over a ten-year period following the completion of improvements. A lesser known state law also permits the phase-in of taxes on improvements to owner-occupied residential properties in deteriorated areas.<sup>5</sup>

The designated area should have some evidence of deterioration including vacant or abandoned properties, properties that are tax delinquent, properties encumbered with municipal liens, and properties out of compliance with the property maintenance code.

## **SECTION II**

Step 4: Engage Municipal Officials/ Step 5: Identify Priority Action Steps and Implement!

The overarching goal of this effort is to mobilize the City to aggressively address the problem of blighted properties. There are three key pieces needed to make this happen:

- Focusing the strategies to address blight in areas where they are most appropriate
- Effectively deploying existing and future financial resources
- Redoubling the effort to repurpose blighted properties to expand the tax base.

### **A. Focusing the Strategies to Address Blight in Areas Where They Are Most Appropriate**

Strategies have varying effectiveness depending on neighborhood conditions. The chart below shows which strategies are most effective in different neighborhoods that are in varying stages:

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<sup>5</sup>Improvement of Deteriorated Property or Area Tax Exemption Act, 72. P.S. Section 4711 et seq.

	Neighborhood Stage		
	"X" indicates optimal strategy		
Strategy	Stable	Transitional	Challenged
Ticketing	X	X	
Disqualifying buyers at tax sales	X	X	X
Land Bank		X	X
Improve Communication with DJs	X	X	X
Expanding Financial Resources		X	X
Conservatorship	X	X	
Charge Repeat Offenders under PA Crimes Code	X	X	X
Accept Donation of Properties		X	X
Incentivize Private Development		X	X

Based on the American Survey data and other studies discussed on pages 4-9 neighborhoods in the City fall into one of the three categories above.

### **Stable Neighborhoods**

*Stable neighborhoods* have higher median housing values, less transient residents, lower vacancy rates, and rental housing rates that are substantially lower than owner-occupied rates. These neighborhoods also have a lower percentage of households with a mortgage that are housing cost burdened (i.e., pay greater than 35% of their monthly income toward housing costs) and rental housing developments that are smaller in scale (five units or less). At its meeting on August 24, 2017 the Task Force agreed that Upper North Hills, Mahoningtown, and Upper East Side can be considered Stable neighborhoods.

Stable neighborhoods need to surgically remove blight because the incidence of blight is scattered. The tool of conservatorship, in addition to prevention strategies such as disqualifying certain buyers at tax sales and dealing with code violations at an early stage through ticketing are especially appropriate in more stable neighborhoods. The City does not need to be as concerned about encouraging private investment in these areas as property values are higher and people are willing to spend money without public incentive if the return on their investment is good and not uncertain.

### **Transitional Neighborhoods**

*Transitional neighborhoods* have a declining median housing value compared to ten years ago. In addition, vacancy rates are substantially higher than ten years ago and the neighborhood has become predominantly renter-occupied. An increasing number of households have just

recently moved into the neighborhood and the number of housing cost-burdened households with a mortgage has increased significantly. There was consensus among and between Task Force members that Lower North Hills, a portion of the South Side (Census Tract 9) and the middle East Side (between Elmira and Maryland Streets) are Transitional Neighborhoods.

Transitional neighborhoods need a combination of prevention, remediation and redevelopment strategies. Tools especially effective in these areas include the prevention tools of disqualifying certain buyers at tax sales and ticketing for code violations. Conservatorship can also be a good tool if it is used strategically to deal with blighted properties that are prominent and if not addressed could tip the neighborhood toward a worse situation. Incentivizing private investment in these neighborhoods through tax abatement is an effective strategy because without that incentive people may defer improvements to their property because a lack of confidence in recouping their investment through higher property values.

### **Challenged Neighborhoods**

*Challenged neighborhoods* have substantially lower median housing values compared to the City as a whole, a much higher percentage of transient residents (those that have moved in the past five years), and have vacancy rates in excess of 20%. These neighborhoods also have a disproportionate rate of high renter-occupied housing and have a high percentage of households with a mortgage that are housing cost burdened. The Task Force members agreed that the Lower East Side, West Side and remainder of the South Side neighborhoods (tracts 7 and 8) can be considered Challenged.

Challenged neighborhoods are experiencing widespread disinvestment and because market conditions are poor property values have plummeted. Increasing property owner are no longer paying taxes and abandoning their properties. The land bank is an effective tool in these neighborhoods by gaining control of blighted and abandoned property (frequently through delinquent tax sales), and assembling parcels to form a larger site. The land bank then tees up the redevelopment of the site for a private developer by providing site control and packaging below market rate financing needed by the developer to redevelop the property. The land bank should also seek out opportunities to receive properties through donation.

*It should be emphasized that even challenged neighborhoods have a good future if blight strategies and resources are deployed strategically by the City.*

## **B. Effectively Deploying Existing and Future Financial Resources**

The City's allocation of CDBG funds has declined dramatically the past five years which makes it increasingly important that it leverage other sources of funds such as Keystone Communities. The City uses its CDBG funds for Code Enforcement and Demolition. While code enforcement is essential there is a diminishing effectiveness in neighborhoods where property values are so low that property owners will see little financial return for any improvements they are required

to make to address codes. For this reason, arguably code enforcement is most effective in transitional areas where property values have not declined precipitously. Demolition funds need to be utilized in situations where they will return the most investment in terms of redevelopment of properties in the short term with the objective of growing the tax base and stabilizing property values in the neighborhood. A better strategy in challenged neighborhood is to seal and stabilize the blighted properties and to convey these properties to a land bank who can be the benevolent owner of the property until market conditions change for the positive.

In the past, some City policies relating to the use of HOME funds for owner-occupied housing may have been a hindrance in accomplishing stated objectives. For example, the City may have disqualified applicants if they lacked insurance or had delinquent taxes. The City has indicated that these policies may be more flexible going forward. One work around for the tax delinquency issue is to allow households to qualify for this program if they have entered in a repayment agreement with the tax collector. The City also expanded the target area for this its owner-occupied rehabilitation program so more households may qualify in the future.

### **C. Redoubling the Effort of the City to Repurpose Blighted Properties**

Dealing with blighted properties and the owners of those properties is discouraging, as many members of the Task Force pointed out. However, with the effective tools to address blighted properties highlighted in this report, there is a hope that there will be a renewed commitment on the part of the City to address this problem. This renewed commitment might include a review of current ordinances, and the enactment of ordinances for tools referenced in this Plan including ticketing for code violations and the phase in of taxes on improvements. The City has ordinances that require an inspection prior to sale as well as a rental unit inspection program. Because of the magnitude of the blighted property problem and the limited staff these inspections may not happen in a timely basis. One way to address this would be to contract out these inspections to third party private firms. This would allow the City staff to focus on ongoing code enforcement activities.

The City also needs to ramp up efforts to market and repurpose blighted properties to grow the City's tax base and to create jobs and to increase the supply of safe, decent and affordable housing. An action team composed of representatives of the City, Redevelopment Authority, Lawrence County Economic Development, the Community Action Commission, and the Land Bank (when it is formed) should be meeting monthly to discuss what properties should be targeted and what the responsibility of each organization is in terms of the marketing effort. As properties are successfully marketed the focus should change to a new set of blighted properties. As with the deployment of blight strategies this marketing effort should be strategic in terms of focus areas and should be geared to meeting community needs.

Ratcheting up the effort to address blighted properties in the short term will create momentum to expand upon the efforts discussed in this Plan as the City becomes more confident in

implementing effective solutions to prevent, remediate and redevelop blighted properties. Short term successes accomplished through the implementation of a ticketing ordinance or a successful conservatorship action should give the City renewed confidence to address the problem and a foundation for a sustained effort to deal effectively with blighted properties going forward.

## APPENDIX A

### LISTING OF STRATEGIES WITH TASK FORCE VOTES

#### PREVENTION STRATEGIES:

- Take advantage of state laws that allow municipalities to disqualify certain buyers at tax sales – 12 votes
- -City develop education and recognition program for property owners and tenants – 1 vote
- -City develop educational program to provide guidance to responsible owners about how to acquire properties at tax sales – 3 votes
- -City start Hall of Shame program – 2 votes
- -City implement ordinance to require lenders to register properties in default and oversee security and maintenance – 1 vote
- -City enacts ordinance that tickets for property maintenance code violations as a summary offence – 9 votes
- -Communication w/DJ may be strengthened to encourage them to deal firmly but fairly w/owners of blighted properties – 5 votes
- -Address impact of Housing Authority properties on Neighborhoods – 3 votes
  
- **STRATEGIES FOR DEALING WITH PROPERTIES THAT ARE ALREADY BLIGHTED:**
- -Non-profit corporation acquires blighted properties thru negotiation process w/owner and rehab or repurpose – 2 votes
- -City implement provisions in Act 90 of 2010 – 2 votes
- -City expand resources for demo by seeking state funding under Keystone Communities and NAP – 8 votes
- -Appropriate entities may pursue appt of property conservatorship under state law – 4 votes
- -City accept donation of tax delinquent properties in exchange for waiver of tax claims – 5 votes
- -City encourage DA to charge repeat code violators w/Crime of Municipal Housing Avoidance – 6 votes

#### STRATEGIES FOR REDEVELOPING BLIGHTED PROPERTIES:

- -City may enact programs to incentivize private development – 7 votes
- -City may form a land bank under state law – 10 votes

