

September 16, 2010

The Honorable Gene Yaw  
Senate of Pennsylvania  
457 Main Capitol Building  
Senate Box 203023  
Harrisburg, PA 17120

**Re: House Bill 712, P.N. 4003 – Land Bank Authorities**

Dear Chairman Yaw:

Thank you for offering the Pennsylvania School Boards Association (PSBA) the opportunity to comment on the issue of land banks as proposed in House Bill 712 sponsored by Rep. John Taylor. Property abandonment not only poses a financial hurdle for school districts, but casts a shadow over the entire community in which a school district serves. This legislation helps provide municipalities with another tool to return such properties to a viable use. While we appreciate the continued efforts of the Commonwealth to return blighted properties to productive uses, we would like to make a few points regarding House Bill 712.

Let us begin by saying that we appreciate the consideration by the House of Representatives to include language specifying that school districts must authorize any extinguishment of back taxes owed to the district before the land bank may discharge liens and claims against the property. This language is similar to that found in other states with land bank programs, and given school districts' reliance on local property taxes in their budgets, ensures a voice for districts in this process.

With that being said, House Bill 712 creates a tax-exempt status for property held by a land bank, without subsequently limiting the length of this status, except after the fifth consecutive year in which the property is leased to a private third party. PSBA's legislative platform opposes legislation requiring school districts to offer tax exemptions to residents or businesses located within a designated area. Therefore, we suggest language that at least limits the length of time a property can be exempt from taxation, after which time, the property must be offered for sale. Placing this limitation on the length of time a land bank can hold a property creates an incentive for the land bank to either develop the properties in a timely manner or resell the property and protect the taxing entity from an excessive length of time without tax revenue from a property.

In Texas, property sold to and held by the land bank for subsequent resale is eligible for an exemption from taxation for a period not to exceed three years from the date of acquisition after which time the property is transferred back to the local taxing units. Ohio's statute similarly provides for a holding limitation although quite longer. It provides that within 15 years of acquisition by the electing authority it must be offered for sale during the 16th year. If it is not sold, then it must be offered for sale every three years thereafter until sold. PSBA further suggests that real property taxes accrue during the entire period of time a property is leased to a third party, not just after the initial five-year lease period.

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Second, the language of House Bill 712 should be amended to explicitly enable school district employees to serve on the board of a land bank authority, transfer property to a land bank and allow school districts to manage and maintain property pursuant to an intergovernmental cooperation agreement. PSBA also would like to see the protections currently provided for municipalities regarding bonds and other land bank obligations extended to school districts so that they are afforded the same protections in the event they choose to engage in a local land bank.

Third, the bill language should be clarified so that payments attributable to liens or claims for real property taxes owed are distributed to municipalities and school districts on a pro rata basis. This clarification will help to ensure that school districts receive their fair share. Further, this language does not specify what constitutes a "payment" and should be clarified to indicate whether proceeds from the sale of the property by the land bank are "attributable to liens or claims for real property taxes."

Finally, we would inquire how the structure of a redevelopment authority differs from a land bank? Is a larger land bank based perhaps on a countywide structure, rather than smaller local government entities, a more efficient and effective mechanism? Should the land bank be allowed to select the abandoned properties it will accept from foreclosure or tax sales? Has any local entity in Pennsylvania piloted a land bank within the structure of existing law and what is its success and if not, should there be a pilot project prior to the enactment of this law?

PSBA appreciates the committee's time and attention to this matter and appreciate all stakeholders allowing us a voice in the process. We look forward to working with you on this important issue.

Sincerely,



Timothy Allwein  
Assistant Executive Director  
Governmental and Member Relations



Beth L. Winters  
Director of Legislative Services  
Governmental and Member Relations