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The land banks question

By Colin McNickle

An amendment to Pennsylvania’s law regarding land banks could result in less duplication, greater efficiency and more properties returned to productive use. But there must be a solid accountability regimen, concludes an analysis by the Allegheny Institute for Public Policy.

Indeed, the number of government-directed land banks has exploded in the Keystone State since 2014. Then there were four. Today there are 22. That’s a 450 percent increase.

Changes to the law, codified in Act 33 of 2018, now allow land bank jurisdictions in 65 of the commonwealth’s 67 counties – Allegheny and Philadelphia counties precluded – to designate a redevelopment authority to do the job.

“But in light of the powers they have been given, they must be held to account,” says Eric Montarti, a senior policy analyst at the Pittsburgh think tank (*in Policy Brief Vol. 18, No.30*).

Land banks in operation for several years have been quite active. To wit, the Westmoreland County Land Bank, created in late 2013, has acquired 91 properties since 2014 and 55 have been sold.

Now, despite the sharp increase in the number of Pennsylvania land banks, it still takes time and expense to establish one. Not only does a local government have to pass an ordinance, the Department of State has to issue a certificate of incorporation and by-laws must be drafted prior to any property transactions being considered.

It was four years ago that the Allegheny Institute first wondered why the task couldn’t be assigned to a redevelopment authority instead of creating another quasi-governmental body. After all, there are more than 100 such authorities in Pennsylvania and all their missions are dedicated to stemming the growth of blight.

If a redevelopment authority were to perform land banking functions, it would have to follow key provisions of land bank law. That would include having finances being accounted for in a separate fund and being barred from invoking eminent domain to acquire properties.

“That would still have to come through donation, purchase or by tax sale and only within the boundaries of the land bank jurisdiction,” Montarti reminds.

With many of the operating land banks, there already is an interwoven arrangement with redevelopment authorities – i.e. board membership and staffing. Act 33 “in some sense is legitimizing present practices,” the think tank scholar says.

As an example, five of seven land bank board seats in Westmoreland County are reserved for redevelopment authority board members while all five seats are reserved in Washington County.

But while the land bank law requires an annual audit and activity report, what’s to ensure that overseers are reading them? Monitoring tax-increment financing, the ICA (Intergovernmental Cooperation Authority) of Pittsburgh and the initial years of the Commonwealth Financing Authority should serve as reminders of the need for follow-up.

“As part of the reporting requirements there should be metrics that evaluate the success of the land banks,” Montarti says. “For example, what percentage (or number) of long-time tax delinquent run-down properties are being returned to the tax rolls?

“Is the land bank operating efficiently in terms of costs relative to value being produced?

“Are the land banks financially sound in terms of liquidity and their net-asset and cash-flow situations?”

And, finally, Montarti asks: “Are the activities of the land bank successful in improving their neighborhoods where they have acquired property?”

Land banks can be a very attractive tool. But even the best-looking tools used improperly won’t get the job done.

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