



Auctions are the remedy for city property holdings

Summary: A recent performance audit by the City Controller's office examined the sale of tax-delinquent and city-owned real property in Pittsburgh in recent years. There could be major improvements to reduce the number of holdings.

Buying land and buildings that are either delinquent on property taxes or outright owned by the City of Pittsburgh can be described as a drawn-out, multi-step and time-consuming process. Prospective buyers that own property in the city have to be vetted to make sure they are current on taxes and have no property code violations.

Multiple entities are involved, including the Urban Redevelopment Authority (URA) which is responsible for pricing city-owned property (a change that came in mid-2017) and itself has many claims to property, the City Finance Department, Division of Sales, which oversees tax-delinquent and city-owned sales and City Council, which has the ultimate say on city-owned sales.

The audit notes there are three methods for the general public to acquire property: a Treasurer's sale, which is for property that is tax-delinquent (which the city defines as owing \$300 or more in city, school or library property taxes or water and sewage bills for at least a year and does not include current year taxes); a purchase of a city-owned property through the city's e-properties website or a side-yard purchase of a city-owned lot that abuts a private property. These latter two categories would be considered tax-exempt since the city would have ownership of them.

It is astonishing to see how much winnowing there is in the process. In 2017, there were 1,977 properties requested for a Treasurer's sale. Of that total, 926 properties were found to be eligible for purchase in one of the four sales held that year. Of that total, 59 properties were sold—about 6 percent of those found to be eligible. Are potential buyers dissuaded by the time it takes and change their mind and move on to other property? Perhaps only the truly committed can make it through to the very end.

That same year, 175 city-owned parcels—vacant lots, vacant structures, side yards and unidentified properties—were sold to the general public for a total of \$472,494, an

average of \$2,700 per parcel. If assessed at sale price, that total would generate \$10,691 for the three taxing bodies at current millage rates.

As of today the e-properties website lists 2,005 parcels available for purchase. Contrast that with the over 2,800 parcels the audit says are being held for the URA—including 78 parcels that have been held for over 50 years. Because of URA pricing policy, all property on the website have a price that is “to be determined.” What sold in 2017 was a small fraction of what could possibly be available.

The city should expedite the sale of the property it owns by injecting the marketplace into the process.

There are 44 audit recommendations in all, but Nos. 32, 33 and 34 involve a strategy to sell property through quarterly public auctions, to aggressively advertise those auctions and ensure staff is qualified to see them through. The goals would be to get the city “to sell its property for the greatest amount of money possible” and “help shrink inventory and get properties back on the tax rolls.”

We would wholeheartedly agree with this philosophy and this strategy. In fact, our suggestion to hold auctions goes back many years, spanning three mayoral administrations during the time the city was in Act 47 distressed status/financial oversight:

- In 2003 we wrote “The City could commit to auctioning off [a portion of property] over a two-year period...Idle parcels that [the city has] held for a period of over five years should immediately be auctioned off.”
- In 2005 we wrote “We urge the mayor to take such an inventory of the City’s holdings and commit to auctioning off a portion each year.”
- In 2009 we wrote “the mayor should begin packaging City-owned properties and selling them at auction to developers.”

Given the assessment of the property sales progress by the audit it is clear there has to be an opportunity to try something different.

Property could move more rapidly from the city to the general public through an auction. The city could focus on property that has been held for the longest number of years, the most attractive parcels or some other option.

In the division’s response to the auction recommendations there is mention of new strategies to sell property, so that provides a glimmer of hope. There’s nothing to lose at this point except a lot of property that is not generating tax revenue but could be through private ownership.

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