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Questions abound over Allegheny County's demolition fee

Summary: A spring-approved Allegheny County ordinance increased by $15 the fee to record deeds and mortgages to fund the demolition of blighted properties. The new fee begs several questions.

On April 8, not long before Allegheny County officials approved a second extension of the property tax due date as a way to ease the burden of the economic effects of the coronavirus, they approved an increase in the deed and mortgage document-recording fee.

The increase was permitted by state law in Act 152 of 2016 which allows counties to enact a special fee of up to $15 on the recording of deeds and mortgages for the purpose of funding the demolition of blighted property. Under the act a property is blighted if it meets at least three of the nine criteria in Act 135 of 2008. These include being declared a public nuisance or being unfit for human habitation.

The ordinance estimated that roughly $2 million per year would be raised from the $15 fee based on the number of deeds and mortgages recorded in recent years. Based on an average demolition cost of $10,000 to $12,000 somewhere between 167 to 200 blighted properties could be demolished each year.

The act requires fee revenue to be held in a restricted fund. Allegheny County created the fund on May 6.

The act requires counties to file reports with the Department of Community and Economic Development (DCED). The initial report details how the fee revenue will be spent, how many properties the county estimates it can demolish and any other information the county deems relevant. Allegheny County filed its initial report on May 7. The report estimated 100 to 150 demolitions annually and that the county's Department of Economic Development would be in charge of administration.

Counties also have to file an annual report within a year of adopting the demolition fee and every year thereafter. If a property has been demolished, the street address, municipality and Act 152 funds spent on the property's demolition are reported.

Determining ownership or date of blight declaration requires additional research. Allegheny County's first annual report will be due by June 1, 2021.

To date 18 counties have filed 36 annual reports. The reports show $5.5 million in fee revenue has been raised, $1.6 million has been spent and 81 properties have been demolished, an average price per demolition of $19,400. There is a gap between revenues and expenditures at this point in time which raises questions on whether demolitions were ready to go in some of the counties that adopted the fee. Four counties (Beaver, Cameron, Erie and Monroe) reported no demolitions in their first two reports. The act does not address what occurs if counties continually raise revenues in excess of expenditures.

Allegheny County's document-recording fee is now $181.75. Since 2013, when the fee was $150, statewide surcharge increases ($16.75) and the demolition fee ($15) have raised deed and mortgage recordings by 21 percent.

There are questions to be asked based on the ordinance and the initial report.

While the county's ordinance finds that "health, safety and well-being of the County's residents" will be enhanced with the fee, will those improvements be quantified? Could they even be quantified, at least in terms of net benefit since there are demolitions that occur now?

The ordinance also states that the fee will encourage economic development and strengthen municipal and school district tax bases. From 2019 to 2020, total taxable assessed value fell in 24 municipalities spread across 16 school districts. If the measurements use a jurisdiction's assessed property value, could a change in overall value be attributed solely to demolitions? And with the prevalence of state and local economic development incentives, how would the impact of demolitions funded with the fee on the tax base be separated out?

The initial report notes that the county will prioritize demolitions based on "public safety need, redevelopment potential and community impact." It also notes that clustered demolitions are to be prioritized over scattered sites. Would the county sign off on concentrating demolition efforts in a single municipality for consecutive years to make significant progress in an area if at the same time they hear from constituents that want to see some of the money spent on one or two blighted properties that may affect a neighborhood?

The report notes that a portion of the funds will go toward "the development of multi-phase demolition plans in areas of extremely high need and demonstration projects that lead to novel approaches to demolition and blight remediation." There is an opportunity cost associated with setting aside funds from the fee for plans or new ways of taking down blighted structures. Perhaps that explains the lower range in estimated demolitions from ordinance to report.

Act 152 sunsets in January 2027. Having a sunset date gives counties up to a decade to utilize the demolition fee and then an endpoint in order to evaluate how effective it was used. The General Assembly could determine whether their legislative goals were met. If those were, then legislation could be introduced to reenact the fee.

However, the Pennsylvania Senate voted in June to pass legislation that would erase the sunset date language. It is seven years early; what is the rush?

If the proposal becomes law, Allegheny County should utilize the sunset review provisions in its home rule charter when it evaluates the county's departments and functions to decide if it is worthwhile to keep the fee in place. If the county decides to sunset the fee any money in the account ought to be used to lower the document-recording fee for a time period for those who would have to pay the fee.

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