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Allegheny County demolition fee observations

Word that 100 blighted structures in Allegheny County will be demolished certainly is good news for the jurisdictions in which those properties are. But it also raises a critical question, concludes an analysis by the Allegheny Institute for Public Policy.

“Once the structures are demolished, what happens?” asks Eric Montarti, research director at the Pittsburgh think tank (in *Policy Brief Vol. 21, No. 42*).

Effective June 1, 2020, Allegheny County’s document-recording fee, including those for mortgage and deed filings, was raised by \$15 to \$181.75. This past August, the county published a list of those 100 structures to be demolished with \$1.9 million generated by the fee.

Revenue from the increased fee -- permitted for all counties by Act 152 of 2016 -- is placed in a special county fund. The 2022 county budget projects \$4 million will be in the fund. Based on Allegheny County’s guidelines, the maximum award is \$250,000. But exceptions can be made on a case-by-case basis.

The 100 structures are in 32 of the county’s 128 municipalities and in 22 of the 43 school districts. The maximum award was granted for a commercial structure demolition in Clairton. In 27 municipalities the award will fund multiple demolitions.

By taxable status, 93 structures are taxable and seven are tax-exempt due to being owned by a government entity. Three are owned by the county’s Redevelopment Authority, three by the City of Pittsburgh and one by the East Allegheny School District. The combined assessed value of the 93 taxable structures is \$3.1 million.

“At the county’s current property tax millage rate (4.73 mills) and the average municipal and school district millage in the county (6.39 mills and 23.18 mills, respectively) the taxable properties slated for demolition would be paying \$104,954 in total property taxes,” Montarti calculates.

But, again, what happens after demolition?

The county's ordinance authorizing the fee notes that its purpose is to improve "the health, safety and well-being of the County's residents, while encouraging economic development and strengthening the tax bases of the County's municipalities and school districts."

"If it is a single lot with an abutting property owner, perhaps the owner purchases the lot to make a side yard," Montarti proffered. "If it is a large piece of land, that might be more attractive for development."

"Hopefully the structures are demolished and the land quickly purchased by an owner who will maintain and pay taxes on the property," he says.

But will economic development occur without the intervention of a government agency?

"Many years of having an abandoned property with no one paying property taxes is not a good thing; neither is ownership by a governmental entity trying to figure out what to do while the property sits vacant and tax-exempt," Montarti reminds.

That said, the county notes that some of the demolition funding might go to "demonstration projects that lead to novel approaches to demolition and blight remediation."

Who knows what those approaches might be. But it leads to another important issue: Act 152 is to sunset in 2027.

"That would make sense to give time to evaluate what has been accomplished by the fee and decide whether to reauthorize it," Montarti says.

"Currently, 23 counties enacted the fee," he adds. "If there are counties that don't enact the fee, they can serve as a comparison group."

A proposal to end the sunset and let the fee continue indefinitely passed one chamber of the General Assembly this summer and is now under consideration in the other.

But, Montarti notes, "That seems imprudent. The fee should be sunset as originally intended, evaluated and then enabled again if merited."

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