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The demolition fee is here to stay

Summary: Included in the more than 60 pieces of legislation signed by the governor on Nov. 3 was a bill that ended the sunset provision in Act 152 of 2016. That Act permits counties to add a $15 fee to deed recordings for the purpose of demolishing blighted property. It was to end in January 2027. Besides Allegheny County, 23 counties have adopted the fee.

Having a sunset provision was good public policy to allow the General Assembly to determine if the stated goals of the demolition fee were met, hear from counties that had levied the fee—and compare them with ones that had not—to see if blighted properties were eradicated at a faster pace. If the legislative goals had been achieved, the fee could have been reauthorized. That check and balance is now gone as a result of Act 149 of 2022.

Requirements that counties deposit revenue in a special fund and file reports with the Pennsylvania Department of Community and Economic Development (DCED) remain in the law.

Allegheny County authorized the fee in April 2020. Its budgets have included a description of the fund and its financial details. It filed its initial report with DCED in May 2020 and two annual reports in May 2021 and July 2022. The county published its first demolition award list in August 2021 (see *Policy Brief Vol. 21, No. 42*).

The second annual report to DCED showed $402,712 in fee revenue was spent between June 1, 2021, and May 31, 2022. Of this, $41,112 went to asbestos surveys—all demolition projects are required to obtain an asbestos permit according to the report—which left $361,600. While the county's ordinance and initial DCED report were quite optimistic on how many blighted structures could be taken down each year (100 to 200), the report stated that due to "the legal clearance process [that] was long and tedious," seven commercial structures were demolished.

Three were on the list of funded projects in August 2021 while four not on the list were emergency demolitions according to the county's economic development department. As of Nov. 28, the county's real estate website reflects no changes in ownership (all were purchased by the county's Redevelopment Authority at some point between 2016 and 2020) or assessed building value for the properties that had structures demolished.

While the ordinance creating the fee estimated "a $10,000 to $12,000 average demolition cost" the $361,600 spent on the seven demolitions averaged closer to $52,000.

Fewer demolitions and a higher average cost than anticipated for the first year of activity are not encouraging. Land sitting idle or remaining under government ownership waiting for redevelopment proposals that keep the land off the tax rolls are of limited benefit.

Perhaps the next DCED report will show additional demolitions that bring down the average cost. In the meantime, the county published a list of new awards in October 2022 covering 95 structure demolitions funded with $2.1 million of fee revenue. The macro-level characteristics of the demolitions are based on the award list and data obtained from the county's real estate website.

Here are some highlights:

- 81 structures are residential with 54 of those single-family homes.
- The county's property condition scale, which ranges from "excellent" to "unsound" shows 41 structures are rated "poor," "very poor" or "unsound," which entails structural deficiency, deferred maintenance and barely livable conditions.
- The last recorded sale on the structures shows a date range from 1941 to 2022. Of the single-family homes, 16 were sold prior to 1990. It is possible to infer that these might be homes where the owner passed away and heirs were not interested in the property or could not be located, leaving the structure to deteriorate.
- 88 structures are classified as taxable and the total assessed value is $2.9 million. Applying the county's 4.73 millage rate, the average municipal millage rate of 6.5 mills and the average school district millage rate of 23.6 mills, total tax collections would be $100,255.
- Not too surprisingly, owners of 62 of the 88 structures did not pay Allegheny County property taxes on the properties from 2019 to 2022. It is very likely that if county taxes have gone unpaid so, too, have municipal and school taxes. That forces other taxpayers to pay for the public services that benefit the structures.
- The highest assessed value property slated for demolition is owned by a municipality (thus tax-exempt) and is assessed at $1.8 million.
- Between January 2021 and January 2022, countywide taxable assessed value increased from $82.6 billion to $84.4 billion (2.1 percent). There were 13 municipalities that saw a decrease in taxable assessed value over that time frame. Of those, five will have at least one structure demolished. In all, 10 demolitions are to occur in those five municipalities.

With the date for the fee to expire now eliminated, it will be interesting to see if there is an uptick in the number of counties that had not adopted the fee decide to do so; that might indicate county officials may have not wanted to participate in a time-limited program.

A $15 fee that may be paid once or twice in most people's lifetimes means it is likely that most people won't ever notice it. But with the presence of dilapidated properties that have an effect on property values and community safety, the use of the fee, which will now continue for many years, will be of critical importance.

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