



CITY COUNCIL

Committee of the Whole

Monday, February 14, 2022

5:00 pm

Virtual Meeting

Agenda

The City Council Committee of the Whole meetings are filmed and can be viewed LIVE while the meeting is taking place via the attached Zoom link and dial-in phone number, on Facebook and on BCTV MAC Channel 99 or at your convenience at <https://www.readingpa.gov/content/city-council-video>.

Due to COVID-19, the public is prohibited from physically attending the meeting. In person attendance to view the meeting is permitted in the Penn Room in City Hall – use the 8th Street doors. To attend the meeting via our virtual app, please log-in using the link or the dial-in phone number below.

Join from a PC, Mac, iPad, iPhone or Android device:

Please click this URL to join.

<https://readingpa.zoom.us/j/81659333664?pwd=dWRuaklUcFNLaUo2Q2ZCZWmNhNWZYUT09>

Passcode: 477858

Or One tap mobile:

+13017158592,,81659333664#,,,,*477858# US (Washington DC)

+13126266799,,81659333664#,,,,*477858# US (Chicago)

Or join by phone:

Dial(for higher quality, dial a number based on your current location):

US: +1 301 715 8592 or +1 312 626 6799 or +1 646 558 8656 or +1 253 215 8782 or +1 346 248 7799 or +1 720 707 2699 or 877 853 5257 (Toll Free) or 888 475 4499 (Toll Free)

Webinar ID: 816 5933 3664

Passcode: 477858

- I. Vacant Property Tax**
- II. Agenda Review**
- III. Executive Session – litigation**

POLICY MEMORANDUM

TO: Reading City Council

FROM: Jonathan Zabala

SUBJECT: 2% Empty Homes Tax

DATE: February 2nd, 2022

Summary

Reading, Pennsylvania is suffering from a widespread empty, blighted properties problem. A [2% Empty Homes Tax \(EHT\)](#) will help return empty and under-utilized properties to the market as safe and affordable rental properties and long-term homes for the city's residents.

Background

[12% of properties](#) in the City of Reading are empty, many of which are blighted. Property owners decide to keep their properties empty for a number of reasons including but not limited to:

- [Speculative investment](#).
- Avoiding the cost of construction and repairs to a property.
- Emotional attachment to their first home or childhood home.
- Refusing to rent out properties to low-income families based on perceived risks.

All property owners, including landlords, are stakeholders in the Reading community. Those who do not repair their properties or house residents, negatively impact the value of the city as a whole; making properties unsafe and neighborhoods unattractive due to negligence, while also limiting the revenue that is able to be generated from taxes. An empty home is an empty opportunity to stimulate our economy and there needs to be an accountability measure to curb this opportunity cost.

Recommendation

Empty Homes Tax

The City of Reading should adopt a 2 percent tax on the property value of empty, owned homes. This tax will—

- Incentivize empty property owners to sell their properties.
- Put pressure on landlords to house residents.
- Promote the construction and redevelopment of property.

- Generate revenue for the city of Reading to re-invest into housing initiatives for low-income families.

How does a 2% Empty Homes Tax work?

Properties deemed empty will be subject to a tax of 2% of the property's assessed taxable value. Most homes will not be subject to the tax, as it does not apply to principal residences or homes rented for at least six months of the year. Nor does it apply to residential properties undergoing major construction or redevelopment. Net revenues from the tax should be reinvested into operational costs and initiatives to increase homeownership for low-income families in the city of Reading.

EHT Potential Revenue Estimates

Number of Vacant Properties	4,018
Value of Average Reading Property Taxed at 2%	\$1,554
Potential Revenue	\$6,243,972

Source: <https://censusreporter.org/profiles/06000US4201163624-reading-city-berks-county-pa/>

Alternative Solution

- Rather than a tax, the City of Reading can charge a fine at the flat rate of \$2,000 on properties unoccupied for six months or more in a calendar year. This could potentially generate \$8,036,000, but may be more inequitable than a tax.

Limitations and Barriers

- Creating a sufficient infrastructure to appropriately enforce the law.
- Without an exemption, owners that put a property on the market and struggle to sell it for more than six months may be subject to this tax.

Conclusion

In order to address the negative effects of empty properties, the city of Reading should adopt a 2% Empty Homes Tax to the 2023 budget. Adopting a 2 percent Empty Homes Tax will bring more units into the market, stimulate our economy, and increase tax revenue for the city. More importantly, it will reduce the safety issues of blighted properties while also providing funds to re-invest into housing and homeownership initiatives for low-income residents.

BILL NO. _____-2008
A N O R D I N A N C E

AMENDING THE CITY OF READING CODIFIED ORDINANCES BY CREATING A NEW PART 14
- VACANT PROPERTY REGISTRATION - IN CHAPTER 5 CODE ENFORCEMENT

THE COUNCIL OF THE CITY OF READING HEREBY ORDAINS AS FOLLOWS:

SECTION 1. The City of Reading Code of Ordinances is hereby amended by creating a new Part 14 Vacant Property Registration in Chapter 5 Code Enforcement as attached in Exhibit A

SECTION 2. All other sections, parts and provisions of the City of Reading Code of Ordinances shall remain in full force and effect as previously enacted and amended.

SECTION 3. In the event any provision, section, sentence, clause, or part of this Ordinance shall be held to be invalid, illegal, or unconstitutional by a court of competent jurisdiction, such invalidity, illegality, or unconstitutionality shall not affect or impair the remaining provisions, sections, sentences, clauses, or parts of this Ordinance, it being the intent of City Council that the remainder of the Ordinance shall be and shall remain in full force and effect.

SECTION 4. This Ordinance shall take effect ten (10) days after adoption in accordance with City of Reading Home Rule Charter, as amended, Sections 219 and 221.

Enacted _____, 2008.

President of Council

Attest: _____
City Clerk

(Councilor Waltman & Council Staff)

Submitted to Mayor: _____

Date: _____

Received by the Mayor's Office: _____

Date: _____

Approved by Mayor: _____

Date: _____

Vetoed by Mayor: _____

Date: _____

EXHIBIT A

Part 14

Vacant Property Registration

§5—1401. Purpose and Enforcement.

A. The purpose of this section requiring the registration of all vacant buildings and the payment of registration fees is to assist the City in protecting the public health, safety and welfare, to monitor the number of vacant buildings in the City, to assess the effects of the condition of those buildings on nearby businesses and the neighborhoods in which they are located, particularly in light of fire safety hazards and unlawful, temporary occupancy by transients, including illicit drug users and traffickers, and to require of the owners of such vacant buildings their registration and the payment of related fees, and to promote substantial efforts to

rehabilitate such vacant buildings. The provisions of this section are applicable to the owners of such vacant buildings as set forth herein and are in addition to and not in lieu of any and all other applicable provisions of the Codified Ordinances of the City of Reading and all relevant codes and/or regulations adopted therein.

B. Administration and enforcement of this section shall remain under the control of the Property Maintenance Division and the Department of Fire and Rescue Services. The Fire Marshall and/or Property Maintenance Division Manager shall have the authority to institute summary criminal proceedings as a means of enforcement of this section and shall, when acting within the scope of employment hereunder, have the powers of a police officer of the City; provided, however, that under no circumstances shall they have the power of arrest.

§5—1402. Definitions

For the purposes of this section, where terms are not defined, such terms shall have ordinarily accepted meanings such as the context implies. The following words shall have the meanings respectively ascribed to them as follows:

- (a) **“Boarded”** means a building, structure or dwelling unit subject to the provisions of this section if in place of one or more exterior doors, other than a storm door, or of one or more windows, there is a sheet or sheets of plywood or similar material covering the space for such door or window.
- (b) **“Dwelling unit”** means a single unit providing complete, independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation.
- (c) **“Notice”** means written notice of a violation or requirement under this section mailed, pursuant to first class mail, to the last known address of the owner of the property in question.
- (d) **“Occupied”** as applied to a building or structure subject to the provisions of this section means where one or more persons actually conducts a lawful business or resides in all or any part of the building as the licensed business-occupant, or as the legal or equitable owner/occupant(s) or tenant(s) on a permanent, non-transient basis, or any combination of the same. For purposes of this section, evidence offered to prove that a building is so occupied may include, but shall not be limited to, the regular receipt of delivery of regular mail through the U.S. Postal Service; proof of continual telephone, electric, gas, heating, water and sewer services; trash collection services; a valid City business license, or the most recent, federal, state, or City income tax statements indicating that the subject property is the official business or residence address of the person or business claiming occupancy; or proof of tenant occupied property license inspection.
- (e) **“Open”** means a building or structure or dwelling unit subject to the provisions of this section of any one or more exterior doors, other than a storm door, is broken, open and, or closed, but, without a properly functioning lock to secure it, or if one or more windows is broken or not capable of being locked and secured from intrusion or any combination of the same.
- (f) **“Owner”** means any person, agent, operator, firm or corporation having a legal or equitable interest in the property; or recorded in the official records of the state, county or municipality as holding title to the property; or otherwise having control of the property, including the guardian of the estate of any such person, and the executor or administrator of the estate of such person if ordered to take possession of real property by a court.

(g) “**Vacant**” as applied to a building or structure subject to the provisions of this section means no person or persons actually, currently conducts a lawfully licensed business, or lawfully resides or lives in any part of the building as the legal or equitable owner(s) or tenant occupant(s), or owner-occupants, or tenant(s) on a permanent non-transient basis.

§5—1403. Applicability

The requirements of this article shall be applicable to each owner of any building whether governmental, commercial, residential or institutional or owned by non-profit or a for-profit organization in which the building in total shall have been vacant for more than 45 days. Each such owner shall cause to be filed a notarized registration statement, which shall include the street address and parcel number of each such vacant building, the names and addresses of all owners, as hereinafter described, and any other information deemed necessary by the Property Maintenance Division and the Department of Fire and Rescue Services. The registration statement and, where applicable, registration fee(s) as required by sub-section §5—1404 of this section shall be billed by the Property Maintenance Division and such registration statement and, where applicable, registration fee(s), shall be filed with and/or paid to the Property Maintenance Division on or before December 31, or if December 31 falls on Saturday or Sunday by the preceding Friday, of each year. For purposes of this ordinance, registration application initially shall be due on January 31, 2009. For purposes of this section, the following shall also be applicable:

- (a) If the owner is a corporation, the registration statement shall provide the names and residence addresses of all officers and directors of the corporation and shall be accompanied by a copy of the most recent relevant filing with the Pennsylvania Department of State.
- (b) If an estate, the name and business address of the executor of the estate;
- (c) If a trust, the name and address of all trustees, grantors and beneficiaries;
- (d) If a partnership, the names and residence addresses of all partners with an interest of ten (10) percent or greater;
- (e) If any other form of unincorporated association, the names and residence addresses of all principals with an interest of ten percent or greater;
- (f) If an individual person, the name and residence address of that individual person.

§5—1404. Registration Statement and Fees; Local Agent

(a) If none of the persons listed in subsection §5—1403 above is shown at an address within Berks County, the registration statement also shall provide the name and address of a person who resides within Berks County and who is authorized to accept service of process on behalf of the owners and who shall be designated as a responsible, local party or agent, both for purposes of notification in the event of an emergency affecting the public health, safety or welfare and for purposes of service of any and all notices or registration statements as herein authorized and in connection herewith.

(b) Registration shall be required for all vacant buildings, whether vacant and secure, vacant and open or vacant and boarded, and shall be required whenever any building has remained vacant for 45 consecutive days or more. In no instance shall the registration of a vacant building and the payment of registration fees be construed to exonerate the owner, agent or responsible party from responsibility for compliance with any other building code or housing code requirement. One registration statement may be filed to include all vacant buildings of the owner so registering.

(c) The owner of the vacant property as of December 31st of each calendar year shall be responsible for the filing of his/her registration statement and, where applicable, registration payment of the non-refundable registration fee. Said fee shall be billed by the Property Maintenance Division and shall be set as stated below:

- \$500 for buildings that have been vacant for one to two years;
- \$1,000 for buildings that have been vacant for two to three years;
- \$2,000 for buildings that have been vacant for three to five years;
- \$3,500 for buildings that have been vacant for five to ten years; and
- \$5,000 for buildings that have been vacant for ten years

The fee shall increase by \$500 for each year beyond the ten years that the building has been vacant.

(d) Upon the registration of a property, the Property Maintenance Division, Trades Division and Fire Marshall may conduct an inspection of the property to determine if it complies with the Property and Maintenance Code, Building and Trades Codes and Fire Code. If violations of these Codes are identified the Property Maintenance Code shall issue a notice of violation as per the requirements of those codes and give notice to the owner to comply with the codes.

(e) Upon registration of a property the Property Maintenance Division and/or Fire Marshall shall see to it that all service utilities are disconnected as per Property Maintenance Code 108.2.1 Service Utilities.

(f) The Property Maintenance Division and Department of Fire and Rescue Services are authorized and directed to make inspections at any reasonable hour to determine compliance with the aforementioned codes. For this purpose, the Property Maintenance Division and Department of Fire and Rescue Services, its officers or representatives are authorized to enter and examine any building, structure, yard or part of either and every owner, operator or occupant shall allow the inspectors, officers or representatives of the Property Maintenance Division and Department of Fire and Rescue Services free access. Inspection may be postponed by the Property Maintenance Division or Department of Fire and Rescue Services one time due to illness of one or more occupants of the premises or other emergency.

(g) Whenever the owner, mortgagee, purchaser or other interested party requests a special inspection of a property regulated by this Article, or certification that a property is in compliance with this Article or other applicable City ordinances pertaining to structural condition; when such a request is being made in connection with the sale, conveyance, transfer, financing or refinancing of such property; then such person shall first pay a fee of \$200 to the City to defray the expenses of making such inspection.

§5—1405. Uses of Paid Fees and Fines.

(a) Registration and inspection fees shall become dedicated to a line item in the budget for the Property Maintenance Division's enforcement and administration of the Vacant Property Registration requirements within this section. Fines for violations of this ordinance shall go to the city's general fund Blighted Property Review Committee account.

§5—1406. Appeal Rights.

The owner shall have the right to appeal the imposition of the registration fees to the Building and Fire Board of Appeals upon filing an application in writing to the Property Maintenance Division no later than 15 calendar days after the date of the billing statement. On appeal, the owner shall bear the burden of providing satisfactory objective proof of occupancy as defined in §5—1402 (d) above.

§5—1407. One Time Waiver of Registration Fee

A one-time, one year waiver of the registration fee may be granted by the Property Maintenance Division upon application of the owner and upon review and advice of the Solicitor's Office, within 15 calendar days of the date of the bill for the registration fee, if the owner:

1. Demonstrates with satisfactory proof to the Property Maintenance Division and Department of Fire and rescue Services that he/she has submitted valid architectural plans, based on city's permits and planning application procedures, and otherwise has shown good faith efforts to efficiently rehabilitated, demolish, or otherwise substantially repair or improve said vacant building; or
2. Demonstrates with satisfactory proof to the Property Maintenance Division and Department of Fire and Rescue Services that he/she is actively marketing the property for sale/lease. Actively marketing will be defined as an owner who has placed a "for sale" or a "for lease" sign on the property with accurate contact information, which is also provided to the Property Maintenance Division and Department of Fire Services, and has done at least one of the following:
 - (a) Engaged the services of a real estate licensee, whose name, address, telephone number and email will be provided to the Property Maintenance Division and Department of Fire and Rescue Services, in the Multiple Listing Service (MLS);
 - (b) Placed weekly advertisements in print or electronic media;
 - (c) Distributed printed advertisements.

§5—1408. Decision on Application for Waiver

Within 30 days after the waiver application is received by the Property Maintenance Division and Fire Department, and upon review and advice of the Solicitor's Office, the Property Maintenance Division shall grant or deny the waiver in writing, and dispatch the written decision by mail to the owner. If the owner properly submitted an application for a one-time waiver to the Property Maintenance Division and that application was denied, the owner may seek an appeal from the Building and Fire Board of Appeals by filing an appeal request in writing within 15 calendar days of receipt of the denial.

§5—1409. Delinquent Registration Fees as a Lien

After the owner is given notice of the amount of the registration fee due, except for those owners that have properly perfected an appeal pursuant to subsection §5—1408 above, and the owner fails to pay the amount due, said amount shall constitute a debt due and owing to the City, and the City may enter a lien on the property as provided by law.

§5—1410. Duty to Amend Registration Statement

If the status of the registration information changes during the course of any calendar year, it is the responsibility of the owner, responsible party or agent for the same to contact the Property Maintenance Division within 30 days of the occurrence of such change and advise the department in writing of those changes.

§5—1411. Violations and Penalties.

The failure or refusal for any reason of any owner, or agent of an owner acting on behalf of the owner, to file a registration statement or to pay any fees required to be paid pursuant to the provisions of this section, within 30 days after notice, shall constitute a violation punishable upon conviction thereof by a fine in the amount of not less than five hundred dollars (\$500.00) nor more than one thousand dollars (\$1,000.00) for the first two continual and uncorrected failure or refusal to register, or for each failure or refusal to pay and not exceeding five thousand dollars (\$5,000) for the third and any subsequent continual and uncorrected failure or refusal to register or for each subsequent failure or refusal to pay or imprisonment for any term not exceeding ninety days or both. Unpaid fines shall be registered as a lien against the violating building.