



Performance Audit

**Department of Finance
Treasurer's Office Division
Property Sales**

Report by the
Office of City Controller

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AUDITEE RESPONSE



MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building • 414 Grant Street • Pittsburgh, Pennsylvania 15219

September 23, 2019

The Honorable William Peduto, Mayor of Pittsburgh
and Members of Pittsburgh City Council

Dear Mayor Peduto and Members of City Council:

The Office of the City Controller is pleased to present this performance audit of the **Department of Finance, Treasurer's Office Division, Property Sales** conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter. Our procedures were conducted in accordance with applicable government auditing standards.

This performance audit examines the current activities, criteria, and performance of the city's property acquisition and disposition procedures and policies, and notes departmental changes. It also examines the role of the Urban Redevelopment Authority (URA) and the Pittsburgh Land Bank (PLB) as part of these functions. Additionally, this audit investigates the process by which the real estate manager acquired a property in 2017 and if the purchase conflicts with the city's code of conduct for employees.

EXECUTIVE SUMMARY

The Department of Finance, Treasurer's Office Division, Property Sales oversees the sale of tax delinquent properties and city-owned property. In an effort to move tax-delinquent properties back onto the tax rolls, this division has to first acquire the property through a Treasurer's Sale. Treasurer's Sales are only for properties that have been tax delinquent for more than a year and owe more than \$300 in back taxes, excluding current year taxes. Since 2010, the City does not acquire a property just because it is tax delinquent, someone must fill out a "Request to Purchase" form.

All properties included in a Treasurer's Sale are properties requested by an individual, a business, the Urban Redevelopment Authority (URA), or a community development corporation and must state a specific use for the property on the request form. An individual or business must become an approved buyer through the department's vetting system before they are allowed to purchase the requested property. If an individual is not an approved buyer then the property doesn't become part of a Treasurer's sale.

An approved buyer must have all property taxes and water and sewage bills paid, and have no violations at Permits Licenses and Inspections (PLI), on all property they own within the City limits. This is the same vetting process for someone buying city-owned property; they must become an approved buyer

The time it takes for the city to approve a buyer has increased since 2015. In 2015, 41% of the people were approved for purchase within 3 months. In 2017, 45% were approved within 6 months, the remaining 55% took over 6 months to become approved.

The Treasurer's Sale process takes a minimum of 12 months to complete and frequently takes much longer. This includes a 90 day redemption period that allows the property owner to pay the taxes owed and retain their property. Property sold at the Treasurer's Sale **has not been cleared of all liens and taxes through the Court of Common Pleas.**

Properties not purchased at a Treasurer's Sale are then deeded to the City and become available for sale to the public, with the exception of the URA desired properties. All city-owned properties for sale are advertised on the *e-properties plus* website located on the City of Pittsburgh's website under the Department of Finance.

Employment requirements for real estate personnel have changed. The 2018 job descriptions require no one, including management, to be a licensed real estate agent.

Urban Redevelopment Authority (URA)

The city does not advertise a property's price on the *e-properties plus* website. All "Request to Purchase" city-owned property are sent to the Urban Redevelopment Authority (URA) to decide the property's price and whether or not the property should be sold. The property list is sent to the URA with the person's name and address. This information can potentially influence the setting of the purchase price.

The Department of Finance, Treasurer's Office's new operating policy states "The Finance Department will abide by the pricing and sell or not sell decision of the URA in selling property. **In no case will there be a reversal of the URA decision.**" **(Bold and underline added)** However in some cases, when there are complaints, the director and real estate manager will intervene to have the price lowered.

The URA can deny a sale even if the prospective purchaser is vetted. The auditors analyzed all property requests the URA reviewed from 4/10/17-12/21/18 and discovered **that almost 50% of the property requested during that time period were denied.**

The URA typically denies a sale because the parcel is physically unsuitable for the proposed use, parcel is in a push to green portfolio, unpublished reasons, side-yard ineligible and administrative reasons. Nearly 50% of the denied property requests were for unpublished reasons. **According to the URA, all reasons for denial that are marked as "Unpublish", are part of internal general record keeping and not for general public knowledge.** The mayor and city council must hold the URA to a higher standard of property use and transparency.

After the price is set and if the individual requesting the property wants to purchase it, a deposit is secured and the sale goes before City Council by resolution. City Council has absolute authority to approve or disapprove the sale of any property without explanation. This can create confusion when the real estate staff has to explain to the buyer that their sale was not approved. One of the reasons a council member will deny the sale of a property depends on neighborhood group plans. Neighborhood groups assert influence on the sale of property in their neighborhood.

There were properties that had some buyer requests marked as approved (yes) and some buyer requests marked as denied (no) **for the same property.** When the URA changes its mind about selling a property there is no policy to inform previous prospective buyers that were denied.

Property priced by the URA does not have a high percentage of sales. In the auditor's sample, 27 % of the property priced by the URA had the sale started, leaving 73% of properties in the sample with no one proceeding with the sale. The sales that were started had an average sales price of \$13,000 vs the average sale price of sales that were not started of \$41,298. The possibility exists that the URA is pricing property too high for interested buyers.

The Department of Finance, Treasurer's Office city-owned property sale database for 2017 and 2018 appears to be incomplete. The Department of Finance, Treasurer's Office administration should keep a file on hand of all past city-owned property sales.

The Department of Finance, Treasurer's Office has a large inventory of city-owned property available for sale. As of March 2019 the *e-properties plus* website lists 2,014 properties available. It is in the City's best interest to sell its property for the greatest amount of money possible. The best way to do this is through public auctions. **Through public auctioning the purchasing process would be much faster.**

The City keeps city-owned property in its name for the URA. Currently the City has 2,850 parcels on hold for the URA. Of these 2,850 properties, 439 had a building on it, 2,400 were vacant land and 11 were listed as not classified. Council district 9 contains the highest number of properties on hold for the URA with 1,392 properties or 48.84%. The next highest number of properties being held for the URA are in council district 6 with 786 properties or 27.58%.

When the URA has the City put a property on hold (to not sell) the URA assumes no risk for the care and maintenance of the property, it remains in the City's name and the City assumes all liability and maintenance responsibility.

Of the 2,845 city-owned properties on hold for sale to the URA (5 were not included in this analysis), the auditors found 1,840 or 64.67% were acquired by the City between 1 and 7 years. **This means 35.33% have been on hold for over 8 years** with 74 properties or 2.74% on hold for over 50 years

This means that the City is holding onto property for the URA for an extended period of time without specific development plans in progress for the property. Properties not sold and held for the URA cost the city tax revenue, not just in terms of the current market value but in terms of any tax increases as the result of prospective development.

The spreadsheet with the properties on hold for the URA (2,845 properties) was compared with the properties requested for purchase and denied by the URA. The auditors found that 54.45% of these denied properties were not on the Department of Finance's spreadsheet of 2,845 properties on hold for the URA. **This means that while considering setting a sale price for a property, the URA decided to hold onto the requested property instead of selling it. Because the URA does not have to explain its actions the property is just taken off the market. Also, because there is no time limit on how long the URA can hold a property, the property that someone was interested in purchasing and willing to pay taxes on, may be held in limbo forever.**

The City of Pittsburgh administration needs to provide the Department of Finance, Treasurer's Office Property Sales, additional and experienced staff to do a better job. Real estate professionals experienced in property sales know that the greatest harm to property is time passing without ownership and occupancy. The setting of sale prices should also be returned to the Department.

The Pittsburgh Land Bank (PLB)

The PLB hires the URA staff for administrative purposes. The Land Bank is trying to do many of the same things that the Department of Finance has been trying to do for years. (Sell property, reduce neighborhood blight, and make money for the City through sales and taxes.) The PLB does not use the highest bidder when selecting the final end user of the property available for acquisition. Awarding property is based on neighborhood improvement and usage.

The Land Bank's property end user selection process eliminates potential buyers that would likely sit on, not develop, or improve the land.

The Land Bank property end user selection process is based on the discretion and opinions of the selection committee. This could possibly lead to political favoritism or awarding property to people they know.

The PLB administrators should work with Permits Licenses and Inspections (PLI) to gather all information on vacant and condemned buildings as well as buildings scheduled for demolition. Any building scheduled for demolition or condemned, should have an independent assessment from a licensed contractor, before the demolition is finalized. Once an independent assessment is made, and if it is determined that the property can be saved, the property should be immediately sold to interested people and contractors so restoration can begin. Saving these properties, getting them occupied and paying taxes should be a top priority. The PLB

administration should target its efforts on these type of properties and be as creative as possible to keep the home occupied and viable.

Purchase of a Home by the City's Real Estate Manager in 2017.

The auditors investigated the purchase of a home by the city's real estate manager in 2017 and found numerous areas of concern. Among these concerns are that the manger set the sale price of the property he was buying and signed the Proposal to Purchase paperwork, as required, as both the buyer and as the real estate manager. The document was also signed by the Director of Finance and the City Treasurer.

The Department of Finance, Treasurer's Office administration needs to develop a written policy explaining job limitations for real estate employees when they purchase tax-delinquent property or city-owned property. The policy should state that any employee cannot be involved in any official capacity for property they want to purchase. This would include vetting themselves, setting a property's price or signing as an agent of the department.

An investigation should be conducted by the Ethics Hearing Board to determine if any of the actions in the purchasing of this property was a violation of the City's Ethics Code and a conflict of interest.

Our findings and recommendations are discussed in detail beginning on page 8. We believe our recommendations will provide more accountability and improve operation efficiency.

We would like to thank the Department of Finance, Treasurer's Office Division, Property Sales, and the URA staff for their cooperation and assistance.

Sincerely,



Michael E. Lamb
City Controller

INTRODUCTION

This performance audit of the Department of Finance, Treasurer's Office Division, Property Sales was conducted pursuant to Section 404(c) of the Pittsburgh Home Rule Charter. This audit will examine the current activities, criteria, and performance of the city's property acquisition and disposition procedures and policies; note departmental changes and update the status of past audit findings and recommendations. It will also examine the role of the Urban Redevelopment Authority (URA) and the Pittsburgh Land Bank (PLB) as part of these functions.

Additionally, this audit will explore the purchase of a home by the real estate manager in 2017. The manager's purchase resulted in public criticism of the administration and the real estate sales process of the Treasurer's Office. This audit will investigate the process by which the real estate manager acquired the property and if the purchase conflicts with the city's code of conduct for employees.

This is the second performance audit of real estate with the first being released in 2011 titled: Department Of Finance, Real Estate Division, Property Acquisition and Disposition. The 2011 audit examined the activities, criteria, and performance of the city's property acquisition and disposition procedures and policies.

OVERVIEW

In 2011, the City Department of Finance, Real Estate division was split into two sections, Taxation/Collection and Property Sales. In 2019, The Real Estate division no longer exists as a separate section. Real estate sales, Treasurer's sales, and disposition of property are the responsibility of the Department of Finance, Treasurer's Office Division. Property Sales, under the Treasurer's Office division is the section examined in this audit.

According to the 2019 city budget narrative: "The City Treasurer (who also serves as the Director of Finance) oversees all collection and billing of taxes (real estate and business taxes) and fees, cash management, the sale of city-owned property and Treasurer's Sales, financial controls, citywide cash management, and accounts receivable."

Every property in the City of Pittsburgh is taxed by the City, Allegheny County and the City of Pittsburgh School District. Together they form Three Taxing Bodies or 3TB; all property acquisition and sales are done in the name of the 3TB.

The Department of Finance, Treasurer's Office, Property Sales section acts as a trustee/agent for all tax-delinquent properties within city borders. Its powers come from the Pennsylvania Real Estate Tax Sale Law of 1947, Pennsylvania Act 171 of 1984 "Second Class City Treasurers Sale and Collection Act" and from City Code Chapters 205 and 207 of Title Two "Fiscal" and Chapters 451 & 453 of Title Seven, "Business Licensing".

Staff and Budget

In 2019, the Treasurer's Office had 9 employees associated with real estate. The positions are the real estate manager, an administrative assistant, a real estate sales coordinator, an account technician, 3 real estate technicians, 1 clerical specialist I and 1 clerk 2. This is in addition to the director/treasurer and assistant director positions.

The Treasurer's Office real estate staff are paid from the 3TB trust fund. The fund was originally established in 1979 and then reauthorized in 1992. It pays for expenses relating to the administration of properties jointly owned by 3TB. Currently, only proceeds from sales of property already in 3TB inventory are deposited into the fund.

The 3TB trust fund had a budgeted amount of \$558,667 in 2018 and \$569,839 in 2019. For both years, all 9 Treasurer's Office personnel salaries are paid out of this trust fund at 100% as well as the assistant tax supervisor, property management supervisor and policy analyst position salaries. In 2018 the 3TB Trust Fund paid for 15% and 10% of the director and deputy director/city treasurer salaries respectively. The remaining 85% and 90% being paid from the city's operating budget. In 2019 the 3TB Trust Fund paid for 15% of the newly formed position, director/city treasurer. Remaining salaries are paid from the city's operating budget.

Figure 1, on the next page, is the organizational chart for 2019, which the auditors received from the Department of Finance. Real estate staff accounts for approximately a quarter of the Department of Finance, Treasurer's Office staff therefore the 3TB trust fund supplements about a quarter of the salaries.

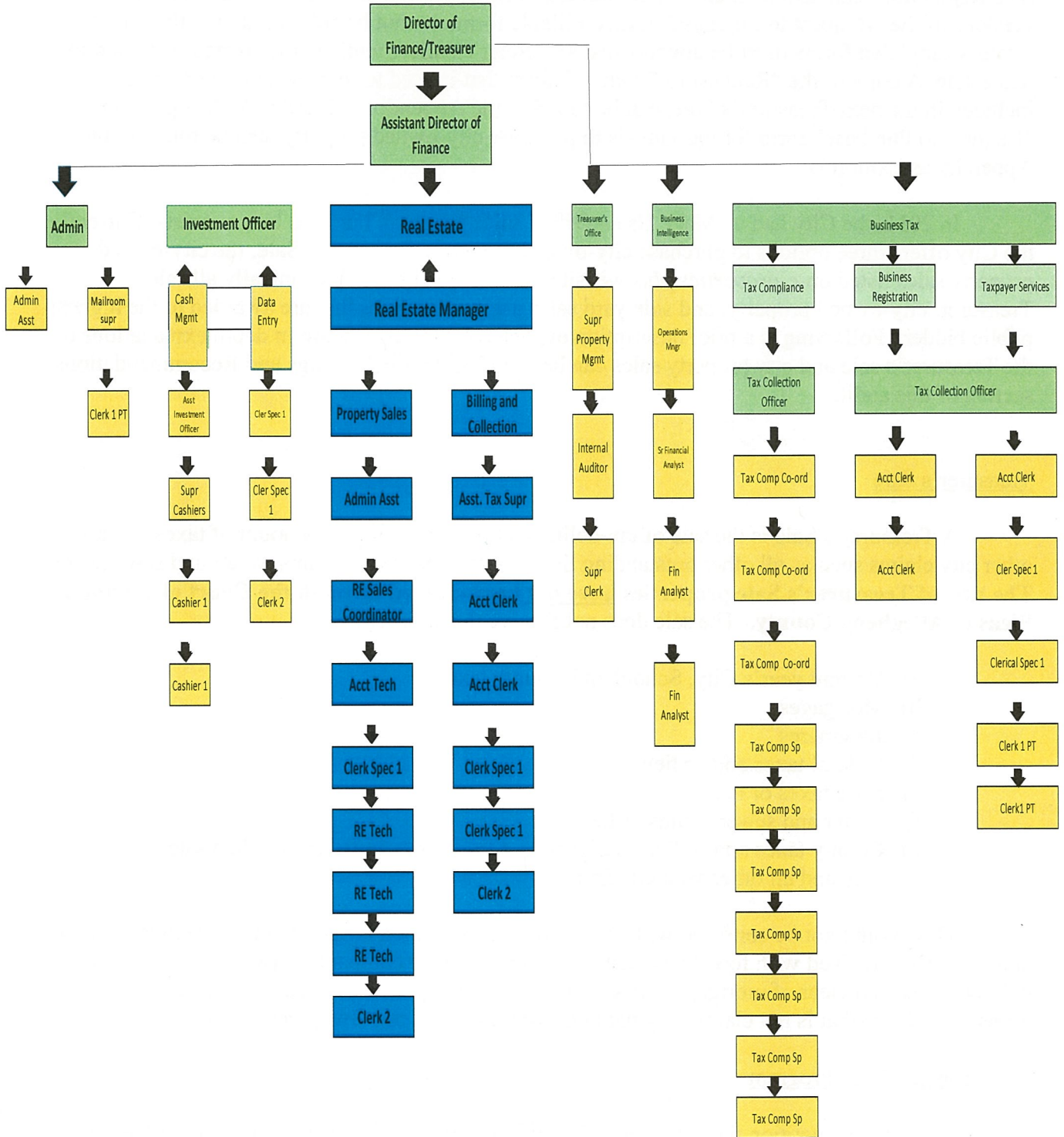
Acquiring Tax Delinquent Property

In an effort to move tax-delinquent properties back onto the tax rolls, the Treasurer's Office property sales section has to first acquire the property through a Treasurer's Sale. Treasurer's sales are only for properties that have been tax delinquent for more than a year and owe more than \$300 in back taxes, excluding current year taxes. Historically only 3 Treasurer's sales are held a year, April, July and October; however the number depends on public interest. In 2018, at the request of a city councilman, there were 4 sales held; the last one in December.

Since 2010, the City does not acquire a property just because it is tax delinquent; a private party (individual or company), Community Development Corporation (CDC) or the URA has to want the property for a specific use and asks the City to acquire it at a Treasurer's Sale. **If a CDC or the URA want a delinquent property it does not have to be over \$300 delinquent, it can be less but must be at least one-year delinquent.**

According to real estate personnel, the Real Estate Division, at one time, put every tax delinquent property up for Treasurer's Sale. This was used as a scare tactic to get owners to pay their taxes. This was stopped in 2010, when the policy changed and when Jordan Tax Services (JTS) took over tax collection for the City.

FIGURE 1
Department of Finance
2019 Organization Chart
Real Estate Section is in Blue



Source: Department of Finance

Sale Programs

The ways to purchase property for both individual and businesses can be found online under the Department of Finance's website <http://pittsburghpa.gov/finance/property-sales>. Treasurer's Sale Regulations can also be found on the website. The City's website offers fillable and no-fill versions of the "Request to Purchase" forms. Fillable forms cannot be submitted directly to real estate. Completed forms must be downloaded and either emailed, mailed or delivered in person to real estate. A copy of the "Request to Purchase" form that is used to request a property to be included in the next Treasurer's Sale, can be found in the Appendix as Exhibit A. A copy of the "Request to Purchase" form for individuals to purchase city-owned property, can be found in the Appendix as Exhibit B

In 2011, the City had a "Make Us an Offer" sales program, but it no longer exists. Currently, the City offers three options to purchase city-owned property: Treasurer's Sale, the city-owned property sales listed on *e-properties plus* website and side yard sales. Technically all sales, Treasurer, city-owned property, and side yard sales are auction sales that are awarded to the highest public bidder. Following is a brief description of each sale process. More in depth explanations of the Treasurer's sale and city property sales can be found under the Findings and Recommendations section of this audit.

Treasurer's Sale

A Treasurer's Sale is the sale of tax-delinquent properties for the amount of taxes due and other city claims such as all other outstanding liens, other back taxes, claims, water and sewage etc. **The title of Treasurer's Sale properties have not been cleared through the Court of Common Pleas of Allegheny County.** The sale does not forgive the property of:

- a) Current year's City, School and County taxes
- b) Mortgages
- c) Judgments
- d) Federal taxes and/or liens
- e) State taxes or liens
- f) Water and sewer claims or liens
- g) County taxes and/or liens assigned to a third party pursuant to a lien sale
- h) Any and all other secured claims.

This should not be confused with the Sheriff's Sale, which is operated by Allegheny County and primarily involved with foreclosure actions from mortgage companies. Because the title is not delivered free and clear of mortgage, liens, and other claims, property listed for sale in the Treasurer's Sale (that is not claimed by the URA or a CDC), is not always sold.

City Property Sales Program

The City can petition the court for a clear title when it resells the property after it has gone through the Treasurer's Sale process without being sold. Inquiries are accepted from the general

public for purchase of these city properties. If the City determines that the requested property is not needed for public use, the purchaser completes a Request to Purchase Form to become a qualified buyer (one who has paid taxes, water, sewage, etc.). The entire procedure generally takes 12-18 months to complete.

Side Yard Sales

The side yard program was started in 1994. Its purpose is to give property owners the opportunity to purchase lots abutting their property at a minimal cost. The lots, upon sale, are both restored to the tax rolls and regularly cared for and often improved, helping to stabilize the community. The minimum bid offer for a side yard is \$250.00. A copy of the side yard sale procedure can be found in the Appendix as Exhibit C.

OBJECTIVES

1. To determine if 'best practices' are being used for property sales.
2. To determine if property sales are fair and equitable.
3. To determine if current vetting practices are conducted in a timely manner.
4. To determine the effectiveness of using the URA for setting sale prices.
5. To determine if the URA is reasonable and fair in selecting which properties to be sold.
6. To investigate public concerns of impropriety in the Department of Finance, Treasurer's Office, Property Sales.
7. To make recommendations for improvement.

SCOPE

Department of Finance, Treasurer's Office Division, Property Sales policies, procedures sales and practices from January 2014 through June 2019; property acquisition policy changes from 2010. From the URA and the PLB, the 2018 and 2019 property acquisition and sales policies, practices, pricing and parcel information.

METHODOLOGY

Interviews were conducted with the Department of Finance's director/treasurer, assistant director, account technician, real estate technician, administrative assistant, and manager.

The 2018 and 2019 City of Pittsburgh Finance and Three Taxing Bodies' budgets were reviewed.

The auditors received and reviewed the following documents on the City of Pittsburgh website under Finance/Real Estate section: "Treasurer's Sale Regulations", "Request to Include a Tax Delinquent Property in a Treasurer's Sale Proceeding application" form, "Request to Purchase City-Owned Property application" and the process of "Side Yard Sales Program".

The Finance department account technician provided the auditors with a "Basic Procedure for Treasurer's Sale" form which lists all account technician job duties relating to a Treasurer's Sale from 22 weeks out from the date of sale to 4 months post sale. Also provided was the Treasurer's Sale summary schedule for the sale on April 20, 2018 and Treasurer's Sales results for 2015, 2016, and 2017.

CDC Treasurer's Sale purchase process was explained using a document provided from the Department of Finance, Treasurer's Office called "Easy step process for CDC Property Reserve Purchase".

The auditors attended the City Treasurer's Sale auction on 10/19/2018. Provided was a list of all properties available for sale and a property bid sheet form.

All statistical information relating to becoming an approved buyer of city-owned property was provided by the Department of Finance, Treasurer's Office in an excel spreadsheet called "Request to Purchase applicants from 1/1/15 to 12/31/17."

Job descriptions for all real estate personnel were downloaded and reviewed to determine job requirements and duties.

The 2016 and 2017 City Council sale approval resolutions were reviewed and counted.

The auditors met with the Urban Redevelopment Authority's real estate administrator, Pittsburgh Land Bank administrator, and the Department of Real Estate director to discuss the URA role in selling city-owned property. All pricing data was provided to the auditors from the city sales shared spreadsheet between City Real Estate division and URA Real Estate department staff. Pricing data from the shared spreadsheet of the Department of Real Estate and the URA was sorted and analyzed.

The Department of Finance's "Sale and Pricing of City-owned Real Property" operating policy effective on July 31, 2017 was reviewed. The URA operating policy: "Setting prices on Sale of City Land" was used to research how the URA priced city-owned property.

Reviewed were the URA's "Reason for Denial of City-Owned Property Sales" explanations. The database with these reasons was tallied.

Research on the Allegheny County's Read Estate website was conducted to find the sale date and assessed value of the land for all property requests that were denied sale by the URA. How long the City has owned the property was calculated.

Tax rates for the City, School and Library were used to calculate loss of tax revenue for properties held by the City for 5 years or less.

The auditors selected a sample of 30 properties that were priced and approved for sale by the URA. The Department of Finance, Treasurer's Office Real Estate Coordinator provided the status of all 30 properties in the sales process.

The Department of Finance, Treasurer's Office provided the auditors with an Excel spreadsheet listing the total number of city-owned properties that are (to be) transfers to the URA.

Research on the Allegheny County's Read Estate website was conducted to find the sale date that the City acquired the property that is on hold for the URA. How long the City has owned the property was calculated.

All statistical information relating to 2017 and 2018 city-owned properties sales was compiled from the 3 Taxing Bodies Trust Fund Revenue Report from the Finance Department. This was compared with City Controller's deposit information for the 3TB Trust Fund.

Comments and complaints were recorded from individuals who contacted the City Controller's office.

Auditors reviewed the Tri-Party Co-operation Agreement between Pittsburgh Land Bank/City/URA, Memorandum of Agreement with URA-First Amendment and Second Amendment, Land Bank Ordinance, Pittsburgh Land Bank Law, Pittsburgh Land Bank Policies and Procedures Manual, and the Pittsburgh Land Recycling Handbook of the Pittsburgh Land Bank.

Reviewed was all documentation relating to the acquisition and sale of 1103 Tropical Avenue. This included the original Treasurer's Sale documents. Articles from the newspaper offering criticism of the sale of the Tropical Avenue property, the City real estate policies and the entire sales process were reviewed.

Reviewed was the City's Ethics Code Handbook. This Ethics Code was established to promote public confidence in city government operations and to pledge responsible conduct of public officials and City of Pittsburgh employees.

FINDINGS AND RECOMMENDATIONS

Necessity of Acquiring and Reselling Tax Delinquent Property

The turnover and reuse of tax delinquent property is crucial to the City for a variety of reasons. A proliferation of vacant and blighted property reflects poorly on neighborhoods, and is often a sign of a downward spiral. Vacant and deserted properties can become havens for different crimes and require a disproportionate amount of Public Safety and Public Works Department attention. The City of Pittsburgh's policy is to demolish vacant or vandalized homes. This creates large gaps in neighborhoods that can cause a downward spiral.

Because real estate taxes are the most dependable source of city tax revenue, every tax delinquent property is a resource not being utilized. When other property owners don't pay their taxes, the tax burden shifts to the people who do pay their taxes. In other words, the money has to be made up somewhere.

The same is true for demolished property. Vacant land where the house has been demolished because of its condition and delinquent taxes, increases paying taxpayer's tax burden. Usually once a property's building is demolished the full taxing potential is lost. The vacant land can be purchased by an adjoining homeowner for \$201. The \$200 is for the purchase, the \$1 is a lease fee. The buyer can use the lot, not build on it, until the deed is transferred. This happens unless more than one neighbor wants the lot. Then a sales auction will take place, starting bid is \$250, and the property will go to the highest bidder.

Finding: It is in the best interest of the City and taxpayers to get tax delinquent properties back on the tax rolls as soon as possible.

RECOMMENDATION 1:

The city administration should make a commitment to getting tax delinquent properties back on the tax rolls as soon as possible. Plans to streamline the process and accelerate sales should be adopted and acted on at once. *Suggestions on ways to do this can be found later in this audit.*

Acquiring a Tax Delinquent Property

For the City to sell a tax delinquent property to anyone they must first acquire it through a Treasurer's Sale. According to the real estate administration, in 2010 the City made a strategic decision to only acquire tax delinquent properties when someone was interested in buying the property.

All general public buyers need to fill out a two-page "Request to Include a Tax Delinquent Property in a Treasurer's Sale Proceeding" application form that is found on the city website under the Department of Finance section. <http://pittsburghpa.gov/finance/property-sales> . The application

asks for personal information, what properties you own, what property you are interested in, and how you are going to use the property you are interested in purchasing.

The City uses this information to make sure that the individual is an approved buyer. As per the online application, the City checks that the applicant does not have “unresolved taxes, balances, permit violations, or unregistered businesses”. The City does not want to sell any property to someone that does not pay other City bills or who’s business is not registered. The process by which the City makes sure you are an approved buyer is called “vetting”.

The application form can be sent by mail, email, or in person at the front desk of the Real Estate counter on the first floor of the City County Building (CCB). It can take months for an applicant to become an approved buyer.

Once the prospective buyer is vetted, the property requested is put on a Treasurer’s Sale list to be sold at a future Treasurer’s Sale. Just because a property is tax delinquent on the county website or it looks vacant does not make it eligible to be sold at a Treasurer’s Sale. The date as to when or if a property can be put in a Treasurer’s Sale depends on how long it takes to establish the property as a viable participant to the sale. *This is explained later under the ‘Preparations for a Treasurer’s Sale’ section.*

Exceptions to the Vetting Process

Community Development Groups (CDC) and the Urban Redevelopment Authority (URA) can also request a tax delinquent property to be put in the Treasurer’s Sale. These groups do not have to be pre-approved nor do they have to have a history of success with previous purchases. For the URA no time line exists for properties as to how long they can hold a property for development.

Approved Purchaser or Vetting Time Test

The time it takes to become an approved buyer varies. An approved buyer must have all property taxes paid, water and sewage bills paid, and also have no violations at Permits Licenses and Inspections (PLI), on all the property they own within the City limits. The more properties a person or an entity owns the longer it will take to become approved.

Prior to 2017, verification that individual taxes, business taxes and income taxes were paid was required and the appropriate paperwork had to be sent to non-real estate tax staff of the Department of Finance. After 2017, verification that any of these taxes were paid was no longer required.

Vetting Research Improvements

The Department of Finance has a database of taxes paid to make sure that all properties owned by the applicant are paid. Then each individual property request has to be sent to PLI to be checked for any existing violations. Since 2017, all PLI property violations are online making it easier and less time consuming to confirm if the property owner has no violations.

The only area that still must be handled outside the Finance Department is verification that the applicant has paid all of his or her water and sewage bills. A request is emailed to the Pittsburgh Water and Sewer Authority (PWSA) for this information. The auditors were told that one person at PWSA is assigned to complete this task.

Vetting Time Testing

The auditors wanted to see how long it took for real estate staff to approve or vet an applicant interested in purchasing tax delinquent property. Given the online accessibility of information and the elimination of some of the personal taxes paid requirements, the auditors expected that time to approve an applicant would decrease.

A database of all requests to purchase from 2015 and 2017 was received from the Department of Finance, Treasurer's Office and analyzed. The database had a column with each applicant's name, the request date, an approved date, and a denied date.

Table 1 shows the number of applicants who were approved as purchasers initially or after being denied and corrections made, the number of applicants who were denied and the found problems were not corrected, and the number of data entry errors by the Finance Department.

TABLE 1

Number of (people vetted) Approved, Denied and Data Entry Errors in the Request to Purchase Database for 2015, 2016 and 2017			
Number of:	2015	2016	2017
Approved	417	577	544
Denied	215	148	124
Data Entry Errors	17	48	86
TOTAL REQUESTS	649	773	754

Source: Finance Department

Table 1 shows that Requests to Purchase tax delinquent and/or city-owned property increased by 19.11% from 2015 to 2016; from 649 to 773 respectively. From 2016 to 2017 the number decreased from 773 to 754, a 2.45% decrease.

Table 1 also shows that in 2015, 33.12% of applicants were denied, in 2016, 19.14% were denied and in 2017, 16.45% were denied. Data entry errors were 2.62%, 6.21% and 11.40% of the total number of entries from 2015 through 2017 respectively.

Approved applicants in 2015 totaled 417 out of 632 or 65.98% of the applicants. In 2016, a total of 577 out of 725 or 79.59% of the buyers were approved and in 2017, a total of 544 out of 668 or 81.44% of the buyers were approved.

Finding: From 2015 to 2017, the percent of denied applicants has steadily decreased while the number of data entry/missing data errors and approved buyers has steadily increased.

RECOMMENDATION 2:

The real estate manager should routinely inspect employees' entries into the real estate vetting database for accuracy. Spot checking data accuracy will encourage employees to double check their own work to reduce errors.

Denied Buyers

During the approval process the prospective buyer may be denied if a debt is outstanding or a property violation is found. If a person is denied, a letter is sent explaining the problem and is given 30 days to rectify the debt and/or violation. Once the debt or violation is paid or corrected the applicant shows proof of the correction to the Treasurer's Office real estate staff. Then, if that is the final requirement needed to be verified, the prospective buyer is approved. If other information is needed, the vetting process continues until all outstanding information is collected, verified paid or repaired.

Calculations with 1st Denied Applicants Included

The auditors conducted a time analysis from the date an applicant requested a property to the date the applicant was approved. As shown in Table 1, some entries were missing approved and/or denied dates and were eliminated from the analysis.

Table 2 shows the number of days it took for an applicant to become an approved buyer in 2015 through 2017. Applicants that were denied first but approved at a later date were included in the calculation. **Bolded numbers are when each years vetting was close to or just over 50% completed.**

TABLE 2

The Total Number of Days Department of Finance, Treasurer's Office Took to Vet or Approve a Buyer									
Range of Days to get Approved	2015			2016			2017		
	#	%	Cm* %	#	%	Cm* %	#	%	Cm* %
0-30	14	3.36%	3.36%	0	0.00%	0.00%	0	0.00%	0.00%
31-60	24	5.76%	9.11%	32	5.55%	5.55%	5	0.92%	0.92%
61-90	133	31.89%	41.01%	26	4.51%	10.05%	37	6.80%	7.72%
91-120	98	23.50%	64.51%	50	8.67%	18.72%	21	3.86%	11.58%
121-150	37	8.87%	73.38%	55	9.53%	28.25%	129	23.71%	35.29%
151-180	32	7.67%	81.06%	26	4.51%	32.76%	56	10.29%	45.59%
181-210	29	6.95%	88.01%	90	15.60%	48.35%	50	9.19%	54.78%
211-240	20	4.80%	92.81%	148	25.65%	74.00%	48	8.82%	63.60%
241-270	8	1.92%	94.72%	107	18.54%	92.55%	72	13.24%	76.84%
270 and over	22	5.28%	100.00%	43	7.45%	100.00%	126	23.16%	100.00%
Total # Approved Buyers	417	100.00%		577	100.00%		544	100.00%	

Source: Finance Department *Cumulative

In 2015, it took applicants wanting to purchase property with the City **between 2 to 3 months** (41.01%) to become an approved buyer, the closest number to 50% of the requests. In 2016, 10.05% of these people became approved buyers in less than 3 months and in 2017 only 7.72%.

In 2016, it took **6 to 7 months** for close to 50% of the requests to be approved and in 2017 it took **5-6 months** to get close to 50% approved. The improvement in 2017 could be because PLI violations are now online and can be checked along with tax payments. Also, payment of personal income taxes is no longer checked. **Despite less to verify and online access, approval time is not close to what it was in 2015.**

Finding: The time it takes to become an approved buyer has greatly increased since 2015. In 2015 the process was 2 to 3 times faster. This is despite the current years vetting process requiring less information to verify and online access for other needed information.

Calculations with 1st Denied Applicants Excluded

The auditors wanted to see how the approval time was affected if applicants who were first denied as an approved buyer were removed from the analysis. Removed from the analysis were the prospective buyers who were first denied and approved later.

The auditors calculated the time it took from the date the person requested the property to the date the person was approved. All applicants that were **denied first but approved on a later date were not** in the calculation.

TABLE 3

The Total Number of Days Department of Finance, Treasurer's Office Took to Approve a Buyer on First Review									
	2015			2016			2017		
Range of Days to be Approved	#	%	Cm* %	#	%	Cm* %	#	%	Cm* %
0-30	14	5.15%	5.15%	0	0.00%	0.00%	0	0.00%	0.00%
31-60	20	7.35%	12.50%	32	7.42%	7.42%	5	1.06%	1.06%
61-90	116	42.65%	55.15%	23	5.34%	12.76%	32	6.82%	7.88%
91-120	59	21.69%	76.84%	41	9.51%	22.27%	18	3.84%	11.72%
121-150	21	7.72%	84.56%	41	9.51%	31.78%	123	26.23%	37.95%
151-180	20	7.35%	91.91%	23	5.34%	37.12%	45	9.59%	47.54%
181-210	17	6.25%	98.16%	80	18.56%	55.68%	34	7.25%	54.79%
211-240	3	1.10%	99.26%	110	25.52%	81.20%	37	7.89%	62.68%
241-270	0	0.00%	99.26%	68	15.78%	96.98%	67	14.29%	76.97%
270 and over	2	0.74%	100.00%	13	3.02%	100.00%	108	23.03%	100%
Total # Approved Buyers	272	100%		431	100%		469	100%	

Source: Finance Department *Cumulative

Finding: When the 1st denied requests were removed from the analysis, the range of days that were closest to 50% to become approved, did not change for either 2015, 2016 or 2017. However the percentage of applicants in that time range did increase each year.

Percentage Denied then Approved

Table 4 shows that on average about 25% of applicants requesting to purchase property from the City were delinquent on other bills or had property violations. If this applicant wanted to buy another property, they had to pay their bills or fix their property. Vetting individuals who request to purchase other city-owned properties ensures that the City will not be selling to anyone that is not a responsible property owner.

TABLE 4

Number and Percentage of Property Buying Requests That are 1ST Rejected Because of Non-Payment of Other Bills and/or Property Violations			
	2015	2016	2017
Total # Buyers Approved at 1st request	272	431	469
# Buyer Requests 1st rejected and then approved.	145 or 35%	146 or 25%	75 or 14%
TOTAL APPROVED	417	577	544

Requiring applicants to be vetted before they can purchase any city-owned property is an excellent practice. As table 4 shows, a significant number of applicants were forced to pay their bills and/or fix their properties before they become approved buyers.

RECOMMENDATION 3:

The Finance Department administration should investigate why, despite the information being online and having less information to check, it takes longer to become an approved buyer than in 2015 when such advantages did not exist. Efforts should be focused on decreasing this time frame.

RECOMMENDATION 4:

The Finance Department, Treasurer’s Office procedure of requiring applicants who want to buy tax delinquent or city-owned property to be vetted is a good practice and should continue.

The Treasurer’s Sale Process

The Treasurer’s Sale is the selling of tax delinquent properties for the amount of taxes due, outstanding liens, and claims to the City. Treasurer’s Sales are held on the 5th floor of the City-County Building in City Council Chambers. The number of Treasurer’s Sales a year depend on interest in purchasing delinquent city properties.

All properties included in a Treasurer’s Sale are properties requested by an individual, a business, the Urban Redevelopment Authority, and/or community development corporations. Once a CDC requests a property, the Pittsburgh Community Reinvestment Group (PCRG) serves as the contact/coordinator between the CDC’s and the Finance Department, Treasurer’s Office. All property requests are entered into a Treasurer’s Sale database.

Property acquired in a Treasurer's Sale **has not been cleared of all liens and taxes through the Court of Common Pleas.** All potential buyers should have the property examined by a title company before their purchase. **Once the property is sold, the new owner is obligated to pay any liens still attached to the property plus all the back taxes owned.** Failure to do so can void the sale.

Preparations for a Treasurer's Sale

Pre-Sale

Preparation for the Treasurer's Sale is a long process that takes the Department of Finance, Treasurer's Office, Property Sales section, 22 weeks (that is 5 months and 2 weeks) from the actual date of the Treasurer's Sale. One (1) account technician in real estate is responsible for the research and process of all property information for the upcoming Treasurer's Sale.

22 Weeks Out

The URA and CDC's receive a delinquent property file from real estate 22 weeks from the sale and are given 1 week to request all properties they are interested in. Then by the 19th week the CDC must submit a feasibility application to the URA. Failure to file the feasibility application will void the request. A feasibility application provides information about the property's future use. The application needs to be complete and provide as much information as possible regarding the plan for development and the funding source.

The City has a set price agreement with the URA and CDC's when they want to purchase a property. City-owned vacant property is sold to the URA for \$2,200 and to a CDC's for \$100; structures are sold to the URA for \$5,000 and to a CDC's for \$1,000.

Finding: The City sells tax delinquent property to Community Development groups at a great discount.

CDC's usually acquire property to rehabilitate it for the betterment of their neighborhood. After the property is remodeled the CDC resells it, usually for a profit.

Finding: Sometimes because of the popularity of a neighborhood, the CDC doesn't have to do any remodeling; rather they just resell the property for a profit.

21 Weeks Out

The deadline for property applications/requests from the URA, CDC's and vetted individuals is 21 weeks from the Treasurer's Sale. These requested properties are first sent to Jordan Tax Service (JTS) and checked for eligibility. Some properties are not eligible because they are not tax delinquent, already city-owned, are in a current sale, are in bankruptcy (therefore not free to be sold), on payment plans already, have legal action started against them, or under the threshold of \$300 in tax delinquency for individual requests.

16-21 Weeks Out

The ownership and contact information of all eligible properties is researched and verified by the account technician who enters all updated information into the real estate system Treasurer's Sale database. Ownership is verified using the Allegheny County website, trans-union reports (credit reports), white pages, prothonotary, other internet research, recorder of deeds, and department of court records.

17-19 Weeks Out

The 19th week is the deadline for CDC feasibility applications to the URA. The URA will then review the feasibility applications and make recommendations for approval. During the 17th week a Feasibility Application Review Board (URA employee, real estate manager, and administrative assistant) will meet and discuss the recommendations and whether to approve applications. Properties are also checked if they met Jordan Tax Service eligibility requirements. The Department of Finance, Treasurer's Office will then write letters for approval to the CDC's.

15-16 Weeks Out

All properties that Jordan Tax Service determined eligible for Treasurer's Sale are then given an upset price. The upset price is the amount of taxes, liens, and other back debts owed on the property. This would include all back City, School District and County tax claims, all municipal claims pertaining to the property including water, sewage, house razing, lot cleaning, etc., as well as all costs associated with the Treasurer's Sale process, including those for advertising, posting, filing, Department of Court Records and any other costs. **The upset price is the advertised price of the property at the Treasurer's Sale.** JTS will load all upset prices in the real estate system Treasurer's Sale database.

11-14 Weeks Out

The account technician will notify all owners by mail sending a "Pre-Sale Notice" that their properties have been selected for Treasurer's Sale. Once property owners receive mail they can make arrangements with JTS to pay off debts and stop the sale. Throughout the entire process, JTS will notify the account technician of property owners that have paid their back taxes so that the properties can be deleted off the Treasurer's Sale database.

6-8 Weeks Out

Property owners that do not respond to JTS at 8 weeks are emailed to a vendor that prints out a certified letter. The account technician then sends the certified and non-certified mail six weeks out from the sale notifying them that their property has been finalized for the Treasurer's Sale. Once this happens the City is no longer legally bound to notify the owner of the property that has been selected for the sale.

3 Weeks Out

Department of Finance investigators begin to post properties. The Treasurer's Sale notice is taped to the front door and a picture of it posted is taken. Also 3 weeks out is the cut-off date for property owners to make arrangements with JTS to avoid their property being put in the first Treasurer's Sale newspaper advertisement and incurring more debt.

The Purpose of Posting Property

The purpose of posting the property is to notify neighbors of the impending sale. They are the people who have a vested interest in the neighborhood. The auditors saw a photo of a property with the Treasurer's Sale Notice posted on the front door. Some of the notice, because of trees and other vegetation, could not be seen from the street. If you can't see the posting from the street, the purpose of posting a notice is not being met.

RECOMMENDATION 5:

The Finance Department, Treasurer's Office administration should require the people posting the "For Treasurer's Sale Notice" to not only post the front door but to post the notice on the front lawn so as to make sure it can be viewed from the street. The administration should also send neighbors a letter telling them that a certain property is becoming part of a Treasurer's Sale. This is what Zoning does when there is a hearing concerning a property; individual letters about the hearing are mailed to the neighbors.

Treasurer's Sale Pre-Sale (continued)

1-2 Weeks Out

After everything is finalized, the Treasurer's Sale is advertised in the Post-Gazette and Legal Journal on a Wednesday, 1 time, 2 weeks before the sale. The ward number, property address and upset price is advertised. At this time, property owners can still arrange payment with JTS before the sale to avoid their property being in the second advertisement. The second advertisement is the following Wednesday, 1 week before the sale.

RECOMMENDATION 6:

The Department of Finance, Treasurer's Office administration should advertise the Treasurer's Sale properties (and city owned property sales when they take place) on the City website to increase buyer interest and awareness. Specifically the properties address and lot and block number should be listed. This will eliminate the criticism that 1 day for 2 weeks, before the sale, in the newspaper, is not enough notice for people. To keep the website updated I&P needs to give real estate personal access.

Day of the Treasurer's Sale Auction

The Treasurer's Sale is attended by the City's real estate lawyer, Department of Finance real estate staff members, 2 JTS employees and open to the public including prospective buyers. JTS employees collect the money from the sold properties. As attendees arrive they receive a copy of the City of Pittsburgh Treasurer's Regulations for Treasurer's Sale, an updated list of the properties for sale by ward and a bid sheet. The bid sheet is the form potential buyers fill out that list the properties they are interested in.

Any person can come to a Treasurer's Sale and bid on a property except registered owners, mortgagors, and lien holders of the tax delinquent property.

A person does not need to be a real estate approved buyer to purchase property at a Treasurer's Sale. This is because **the minimum bid accepted to purchase a property at the Treasurer's Sale is the upset price. If you have that amount of money you can buy the property whether you are an approved buyer or not.** Verification that you are an approved buyer will be conducted after the sale.

Finding: A buyer does not have to be pre-approved by real estate in order to purchase property at a Treasurer's Sale; vetting of the buyer happens afterwards.

Prior to the beginning of the sale the account technician prints the final list of saleable properties. Up until that moment numerous things can happen that will remove a property from the sale.

At the beginning of the sale the city's real estate lawyer reads the entire City of Pittsburgh Treasurer's Regulations for Treasurer's Sale form. Then the sale starts. The lawyer then reads off every property available for sale by ward. After a ward is read, all bidders interested in property in that ward are told to turn in their bid sheet. Bid sheets are reviewed and read out loud by a staff member. After a bid sheet is read, all potential buyers interested in that property are asked to stand in front of a podium and state their name, address and bid price.

ALL BIDS START AT THE UPSET PRICE. Buyers are allowed to bid above the upset price, but if only 1 person is interested in the property, there is no reason to bid higher. The property would be sold at the upset price to that buyer. If 2 people are interested in the same property, an auction occurs with the highest bidder winning the property.

The winning bidder must pay the upset price to the 2 JTS employees immediately. If the upset price is not paid by the end of the sale, it will go to the next highest bidder. If the amount bid for the property exceeds the upset price, the buyer must pay the upset price as a deposit. Then the balance must be paid by 2:00 PM the same day or the sale is voided and the buyer loses their deposit. The City does not contact the next highest bidder to see if they are still interested in purchasing the property because bidding records are not kept.

For individuals and private, non-governmental entities cash or certified check are the only acceptable forms of payment. For city authorities and other public organizations, an official organization check, cash or a certified check are accepted forms of payment.

Finding: If the bid is higher than the upset price and an individual does not pay the balance by 2:00 PM the City does not contact the next highest bidder that the sale did not go through. This is because the staff does not keep track of the other bidders, only the person who won the bid.

The Department of Finance administration stated that the majority of Treasurer's sale bidders who bid higher than the upset price pay the balance due by the 2 PM deadline. When auditors suggested keeping track of the bidders and selling the property to the next highest bidder when it did happen, the administrator questioned the legality of such a practice. The question being that once the Treasurer's Sale is closed, can it be opened again?

RECOMMENDATION 7:

The Department of Finance, Treasurer's Office administration should ask the Law Department if it would be legal to offer a property to the next highest bidder once the Treasurer's sale is closed. Then, if the person who is awarded the bid is unable to pay in full by 2:00 PM, the second highest bidder could be contacted and offered the property at their bid price. If it is legal, then this would be a good practice to ensure that the property gets sold.

Post Treasurer's Sale

Within 60 Days

Successful bidders must pay any additional current City, School District, and Allegheny County claims to the property not included in the upset price within 60 days of the sale

Also within 60 days (if the buyer has not already been vetted), RE staff checks to see if there are any outstanding City, School District and County tax claims and municipal claims, such as water and sewage payment, no building violations owed etc. on any other properties the buyer owns in the City. (This is the same procedure used to become an approved buyer.) All successful bidders must pay all outstanding claims and fix building violations. Failure to comply with these rules will cancel the sale.

90 Day Redemption Period - 13 Weeks Post Treasurer's Sale

Ninety (90) days after the Treasurer's Sale auction date, all legally entitled property owners may still redeem their property whether sold or unsold at the Treasurer's Sale. If unsold the owner must pay the price determined by the account technician. The price would include all back and current taxes, water bills, advertising, posting bills etc.

If the property was sold at the Treasurer's Sale, the previous owner can reclaim ownership by paying the property's purchase price. Moreover, the original owner must pay an additional 15% of the Treasurer's Sale purchase price to compensate the Treasurer's Sale bidder. If the City does not notify the original owner of the redemption period the sale is void.

The bidder cannot enter the property or conduct repairs until after the redemption period and the property has been officially deeded to him or her.

15 Weeks Post Treasurer's Sale

Two weeks after the redemption period, the Treasurer's Sale list is given to the Law Department to certify the sale and prepare to deed those properties not sold to the City. This is done for all but the URA desired properties. The time it takes the Law Department to approve the sale varies. At the same time the Law Department will prepare deeds for properties that were purchased at the Treasurer's Sale.

Generally it takes over 4 months after the Treasurer's Sale for the purchase to be finalized. Even in the best case scenario where a person is vetted in 3 months the entire process will take at least 12 months to complete.

Finding: At a minimum, the time it takes for a property that is bought at the Treasurer's Sale (and not redeemed by the previous owner) to be deeded to the buyer, is 12 months. According to real estate staff it takes much longer.

After the Law Department certifies the sale, all other Treasurer's Sale properties are deeded to the City. City-owned properties are uploaded to the Department of Finance, Treasurer's Office *e-properties plus* database. The accountant technician enters in all data about the properties. Excluding URA and CDC requests, these are the city-owned properties listed on the City website "available for sale" database.

Deeded Properties

Conversations with the real estate staff have indicated that when a property is deeded to the City no one notifies Pittsburgh Water and Sewer Authority (PWSA) to shut the water off. The Finance Department does notify PWSA that the City now owns the property and PWSA will change property ownership to the City. This should alert PWSA to turn the water off to conserve water usage, but this does not always happen.

The auditors know this because high water and sewage bills were traced to city-owned properties during a 2016 City Controller's Office performance audit of PWSA. Because no one assumes responsibility to order water shut off of these properties, water bills can accumulate for years.

When a building is sold the closing agent or seller contacts PWSA for a Certificate of Compliance with dye testing, and a final water meter reading. The Certificate makes sure the property is in compliance with the City's dye testing ordinance and the final meter reading terminates the seller's responsibility for paying the water bill. This is not done for any property taken in a Treasurer's Sale and deeded to the City. The seller has abandoned the property and when taken through the Treasurer's Sale a dye certificate and final water meter reading is not needed.

RECOMMENDATION 8:

When the Department of Finance Treasurer's Office administration notifies PWSA that a property is now deeded to the City, they should include a statement that the City does not want the water to remain on and to terminate the account. This would be the responsibility of any buyer of any property if they don't want to pay a water bill. This will save water usage, if the water account is active, and keep the bills from accumulating in the City of Pittsburgh's name.

Community Development Corporations (CDC) Requested Property

After the redemption period expires, all the CDC's original property requests are sent to the Pittsburgh Community Reinvestment Group (PCRG). These are properties that are not sold at the Treasurer's Sale and not redeemed by the previous owner. The PCRG then forwards the list to the CDC group who requested the property to let them know they are still available for acquisition. At this time, the CDC will place \$200 in hand money and a promissory note on properties that they have requested in the Treasurer's sale.

After the Law Department certifies the sale and all properties have been deeded to the City, the Department of Finance, Treasurer's Office will send a Proposal to Purchase to CDCs for signatures.

After the CDCs sign the proposal, the Department of Finance, Treasurer's Office writes legislation to City Council to approve the sale. Once approved, the City pays for a title report, then the Law Department clears title and prepares the property deed for the CDC.

All properties deeded to CDCs are held in the Property Reserve. CDCs have a certain time allotment to complete a project that is in the Property Reserve. A CDC group wanting a vacant lot has 5 years to complete their project unless a 2 year extension is requested. A CDC group who purchased a structured property has 2 years to complete the project unless a 2 year extension is requested.

URA Treasurer's Sale Requests

As previously mentioned, the deadline for URA Treasurer's Sale property requests is 21 weeks out from the sale date. All eligible property requests not purchased by individuals at the Treasurer's Sale and not redeemed by previous owners are taken by the City. These properties are coded in a separate Department of Finance database and marked as city-owned/held for URA until further notice. **This list is not available to the public.** However the real estate staff is supposed to check the list when someone requests to purchase one of these properties. Sometimes a request to reconsider the hold is sent to the URA. This is explained later in this audit.

Treasurer's Sale Statistics

The auditors requested and received the results of all Treasurer's Sale's in 2015, 2016, and 2017 from the real estate account technician. Tables 5, 6 and 7 list how many buyers put in a Treasurer's Sale property request, how many properties were approved for sale, how many properties were sold at the actual sale and how many properties ended up being acquired by the City after the sale.

Property status in each table are defined as the following:

- ***Number of Properties Requested for Treasurer's Sale*** - Buyers who filled out a form and requested a property to be put in a Treasurer's sale.
- ***Number of Properties Eligible for Treasurer's Sale*** - Properties that were checked for eligibility by Jordan Tax Service 21 weeks out from the actual Treasurer's Sale date. These are properties that were not eliminated because they were not tax delinquent, were on payment plans, were already city-owned, in bankruptcy, or were under \$300 in tax delinquency if an individual requests a property.
- ***Number of Properties Sold at Treasurer's Sale*** - These are the number of properties sold on the actual day of the Treasurer's Sale held in City Council Chambers.
- ***Number of Properties Acquired by the City after the Treasurer's Sale*** - These are number of properties acquired by the City after the redemption period etc.

The Department of Finance, Treasurer's Office does **not** keep a record of the number of properties available for auction on the day of the Treasurer's Sale. Therefore, no reasons for the removal of some properties from the Treasurer's Sale can be accounted for in the tables. For example, in Table 5, there were 232 properties eligible in the 4/24/15 sale, 14 of them were sold the day of sale and 154 were acquired by the City, leaving 64 properties with no explanation as to what happened to them. The auditors asked the Law Department if they kept a list. They do not.

Finding: The Department of Finance, Treasurer's Office and the Law Department does not keep an electronic or paper record of the properties available for auction at each treasurer's sale nor do they account for the removal of properties from the sale.

The Department of Finance, Treasurer's Office real estate staff told the auditors the reasons for removing these properties from the sale include: property owners pay their taxes in full or start a payment plan, property was removed by a court order, property was pulled by the mayor, a department director or a city council person, lack of mail delivery service, and/or the property owner went bankrupt. A property, as part of a bankruptcy, cannot be sold as all assets become part of a bankruptcy court proceeding.

RECOMMENDATION 9:

The Department of Finance, Treasurer's Office administration should keep records of the properties available for auction and account for all properties removed for each Treasurer's Sale. This should be part of an electronic database.

TABLE 5

3TB Treasurer's Sale Results in 2015				
Property Status	4/24/2015	8/14/2015	10/30/2015	Total
Number Properties Requested for Treasurer's Sale	447	305	272	1,024
Number Properties Found Eligible for Treasurer's Sale	232	204	134	570
Number Properties Available for Auction Day of Sale	unkn*	unkn*	unkn*	unkn*
Number Properties Sold at Treasurer's Sale	14	7	5	26
Number Properties Acquired by City after Treasurer's Sale	154	160	105	419
Undocumented Difference of Property	64	37	24	125

Source: Department of Finance, Treasurer's Office *unknown

As Table 5 shows, in 2015, the Real Estate Division received 1,024 applications from buyers interested in purchasing tax delinquent properties. After applications were reviewed, 570 (55.6%) properties were eligible for sale. The City acquired 419 out of the 570 properties (73.51%) eligible for Treasurer's Sale in 2015; only 26 out of 570 (4.56%) properties were sold at a Treasurer's Sale.

TABLE 6

3TB Treasurer's Sale Results in 2016				
Property Status	4/29/2016	8/19/2016	10/28/2016	Total
Number Properties Requested for Treasurer's Sale	573	237	676	1,486
Number Properties Found Eligible for Treasurer's Sale	436	107	243	786
Number Properties Available for Auction Day of Sale	unkn*	unkn*	unkn*	unkn*
Number Properties Sold at Treasurer's Sale	18	1	16	35
Number Properties Acquired by City after Treasurer's Sale	324	82	156	562
Undocumented Difference of Property	94	24	71	189

Source: Department of Finance /Treasurer's Office *unknown

As Table 6 shows that the City received 1,486 applications from buyers interested in purchasing tax delinquent properties in 2016. After review, 786 (52.89 %) of the properties were eligible for sale. The City acquired 562 out of the 786 eligible properties (71.50%) listed for Treasurer's Sale in 2016; only 35 out 786 (4.45%) properties were sold at the sale.

TABLE 7

3TB Treasurer's Sale Results in 2017					
Property Status	4/28/2017	6/16/2017	9/1/2017	10/27/2017	Total
Number Properties Requested for Treasurer's Sale	903	351	378	345	1,977
Number Properties Found Eligible for Treasurer's Sale	336	248	141	201	926
Number Properties Available for Auction Day of Sale	unkn*	unkn*	unkn*	unkn*	unkn*
Number Properties Sold at Treasurer's Sale	8	14	10	27	59
Number Properties Acquired by City after Treasurer's Sale	67	103	102	125	397
Undocumented Difference of Property	261	131	29	49	470

Source: Department of Finance, Treasurer's Office *unknown

As Table 7 shows, in 2017, the Department of Finance, Treasurer's Office held 4 Treasurer's Sales. April and June were split into 2 sales because of the large number of property requests from the URA.

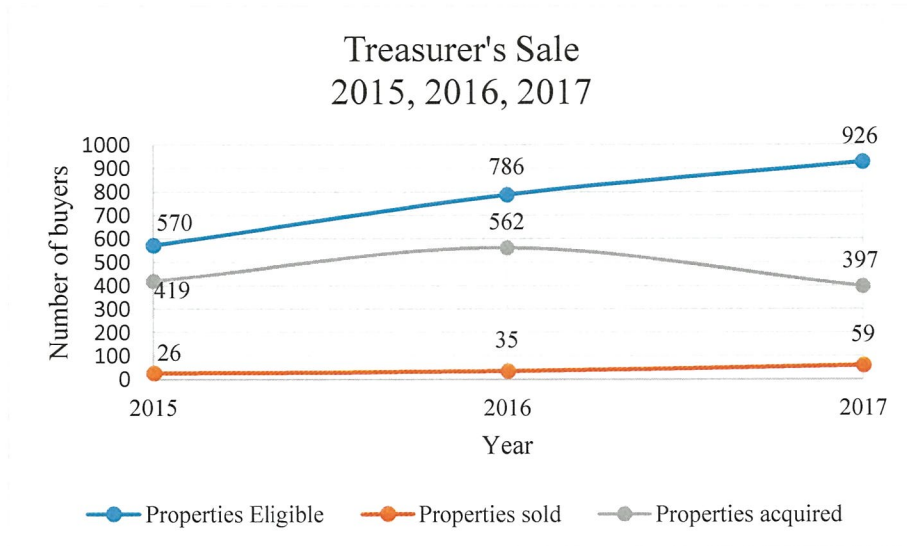
In 2017, real estate staff received 1,977 applications from buyers interested in purchasing tax delinquent properties. After applications were reviewed, 926 (46.84%) properties were eligible for sale. The City acquired 397 out of the 926 eligible properties (42.87%) listed for Treasurer's Sale in 2017; only 59 out 926 (6.37%) properties were sold at a Treasurer's Sale.

Chart 1 is a visual representation of the results of the Treasurer's Sales held in 2015, 2016 and 2017. This information shows that interest in and purchasing of properties has increased during the audit scope.

Finding: No one keeps a final sales list of what property is being sold the day of the Treasurer's sale in Finance or the Law Department.

Finding: Interest in purchasing tax delinquent property has steadily increased from 2015 through 2017.

CHART 1



Source: Department of Finance, Treasurer's Office

Buying City-Owned Property

For the public, the best way to purchase tax delinquent property with no liens and debt free is to purchase property the City already owns. In the past this was usually considered to be the cheaper option; because to get the property back on the tax rolls the City will have all the tax, water and sewage and liens removed for a pre-approved buyer with cash or certified check.

Department Changes-Personnel

In the past, the real estate manager was required to have a real estate license. It is not known when that policy was changed but it is not a current requirement in the latest job description for this position. Prior to 2015 other employees also had real estate licenses. Job descriptions from those years were not available to verify if this was a requirement for those other job titles or not.

The auditors reviewed all current job descriptions for Department of Finance, Treasurer's Office real estate staff. **A real estate license is not required in any real estate position, including management.**

The last licensed real estate agent working in Finance's real estate, left the City's employment towards the end of 2015. This one person, with the real estate manager's assistance, processed vetting applications, inspected properties, took pictures, set property prices and saw that the website was updated. As a licensed real estate agent he was familiar with strategies for selling and determining fair and reasonable prices.

Finding: The City has changed its employment requirements for real estate personnel. The 2018 job descriptions have no requirement for any personnel position, including management, to be a licensed real estate agent.

RECOMMENDATION 10:

The City administration should require at least one (1) person in real estate personnel to be a licensed real estate agent who is familiar with the Pittsburgh sales market. This should be the Real Estate Sales Manager and/or Coordinator. The pricing, presentation and selling of real estate is a specialty field. A licensed real estate agent will be familiar with pricing and can give input into improving the property sales process.

One of the strongest aspects taught when obtaining the license is the ethical responsibility in property sales. *This would have been extremely helpful in the situation that brought about the public's questioning of a real estate managers property purchase in 2017. The analysis of this situation is discussed further on in this audit.*

The auditors interviewed the past Real Estate Sales Coordinator who left city employment in 2015. His reasoning behind having only one person handling the bulk of real estate sales was that it helped streamline the process. One person knew all available property for sale and the people that were investing in purchasing property in those neighborhoods. Prices could be set low and interested buyers could be notified; this would create an auction situation which would result in higher sale prices.

Unfortunately it could also lead to questionable favoritism; friends or known real estate businesses could receive selective pricing and sale notices of properties. There is no indication that such a situation existed.

City Website

Before 2016 the City had its own website and the property was advertised with a sales price set by the licensed real estate agent. Photos of the property or land were also online. After this real estate agent left duties were reassigned. The City Treasurer wanted documentation of how the price of real estate was set. It was now the job of the real estate manager.

A price by the square foot formula was instituted. This new pricing calculation was based on recent sales and the manager's opinion of what the property could sell for given the property's condition. It is the auditors understanding that the manager along with other finance personnel would physically inspect the city-owned property as part of the pricing process.

Over time the website was eliminated to become part of an *e-properties plus* website. Things changed further in 2017 after the public questioned a real estate purchase by the real estate sales manager.

Purchasing Process of City-Owned Property

The purchasing process of city-owned property has changed. The following is a summary of how to purchase city-owned property. **What the process was before mid-2017 will be in RED.**

1. Individuals interested in property owned by the City of Pittsburgh, should appear in person at the Real Estate counter on the 1st Floor of the City County Building on Grant Street. (The Real Estate section of the Department of Finance, Treasurer's Office) It is here that they can inquire about a property they are interested in purchasing. Properties **were found on the City's website** and are now found on an e-properties website. There is also the option of looking online under Allegheny County's real estate portal, see if a property is owned by the City of Pittsburgh and request it from the City.

Anyone interested in buying city-owned property must complete a "Request to Purchase" form, and clear the vetting process. This is the same vetting process required of individuals wanting to purchase a property at a Treasurer's Sale. Individuals must not owe any city taxes, water and sewage bills and be in compliance with the City codes at PLI. All property requests are entered into a database.

Until mid-2017 once an individual was an approved buyer they were an approved buyer for a year. After mid-2017 that changed. Every time the same person wants to purchase another city-owned property they must be re-vetted, that is have all their property checked for PLI violations, paid taxes and water and sewage bill(s).

2. **From 2016 until mid-2017 the real estate manager reviewed the requested property, determined if the URA or a CDC needed it for public use and, if not, set the price.** *(It is unknown if at this time the price was listed on the city website or when exactly the city changed the website design and stopped putting the price on the property. It was indicated to the auditors that sometime in 2016 the entire sales process was stopped so the website was not being shown at all.)* **Before 2016 the sales price would be advertised on the City website.**

In March –April 2017 the city administrators turned the entire **property pricing** process over to the City's Urban Redevelopment Authority (URA).

3. **Before mid-2017 a vetted/approved buyer would know the price of the property and sign a proposal to buy the property. This was because the process of setting the price was in-house. The prospective buyer had to present a valid driver's license and place a 10% deposit of the set sales price (minimum of \$200) with a cashier's check or money order, payable to the Director of Finance.**

After mid-2017, the approved buyer must wait for the URA to determine if 1) the URA has use or plans for the property, 2) if a CDC has plans or use for the property or not, 3) if the property can be sold. The URA determines if the applicants proposed use of the property conforms to the properties, size, shape, neighborhood concerns and terrain and, if it is all in

order 4) determines the sale price. An analysis of the URA process is discussed later in this audit.

Finding: All city-owned property is currently priced by the Urban Redevelopment Authority.

Once the price is known and the prospective buyer still wants the property, that person must present a valid driver's license and place a 10% deposit of the set sales price (minimum of \$200) with a cashier's check or money order, payable to the Director of Finance.

Any approved buyer that is told the property's sale price can call the Department of Finance, Treasurer's Office and request to look at the inside of the property before putting down a deposit.

Finding: Once a sale price is determined **it is not listed on the e-properties plus real estate for sale website**. Only the person that wants to buy the property is told the price. The public does not know the sales price until it is advertised in the newspaper.

Before mid-2017 the property from a request to purchase was entered into a database. No one checked to see if someone had requested it before. In other words no one ever checked to see if there were any duplicate requests. All a prospective buyer knew was that his or her request was on hold till they became an approved buyer. All the while a sale for the property could be happening and no one would tell them. Unless, by chance, people applied for the same property at the same time.

Finding: Before the URA took over setting property prices, **no one ever checked for duplicate property purchase requests.**

Duplicate requests are now cross-checked by the URA and despite this the real estate staff was not contacting people interested in purchasing the same property. **When the City Controller's auditors discovered this, a recommendation was made to contact ALL the people interested in purchasing the same property. This would promote competition so that the City could sell the property at the highest price.**

The Finance Department, Treasurer's Office, real estate staff adopted this recommendation immediately and started calling people interested in purchasing the same property. They were informed that they could become objectors to the original sale, thereby setting up a situation where the property is auctioned off. Since then, the real estate staff now sends a letter to everyone that put in an application to purchase the same property.

The rest of this purchasing process has not changed from 2015 to April 2019.

The first person to come into the Treasurer's real estate section and put down a deposit is the primary buyer.

4. Each sale is started by submitting a resolution to City Council for approval to the primary buyer. Any city councilperson can stop the sale of any city-owned property when it is

presented. A council person usually does this for property in the district they represent. This is done by crossing the property off the list without explanation.

Finding: Any city councilperson can stop the sale of any city-owned property to anyone without explanation.

For properties that are denied, the hand money is returned. A letter is sent by the Department of Finance informing the customer that council denied their sale. The City Controller’s office returns the hand money by check in the mail.

Council Approval/Disapproval Test

The auditors requested copies of all city-owned property requests that were sent to city council for 2015, 2016 and 2017. The only years available were 2016 and 2017. In 2016 there were 209 requests to purchase and in 2017 there were 110 requests to purchase

Table 8 shows how many properties that a council member approved for purchase in each year, the number of properties that a council member did not approve and the yearly percentage of the non-approvals.

TABLE 8

The Number of City-Owned Property Sales, with Percentage that City Council Approved or not Approved in 2016 and 2017							
2016				2017			
Total Number of Sales	Number Approved	Number Not Approved	Percentage Not Approved	Total Number of Sales	Number Approved	Number Not Approved	Percentage Not Approved
209	166	43	20.6%	110	85	25	22.7%

Source: Department of Finance

Finding: City council has absolute authority to approve or disprove the sale of any property without explanation. This can create confusion when the real estate staff has to explain to the buyer that their sale was not approved.

The auditors interviewed a member of council who had disapproved the current sale of a number of properties in their district. The councilmember explained that 1 individual already owned a great number of property and was not working on any of them. Another reason was that the local neighborhood group did not approve of the sale to the individual, because of the person’s reputation, failure to complete projects or disapproval of the plans for the property.

Finding: Neighborhood groups assert influence on the sale of property in their neighborhood.

RECOMMENDATION 11:

The Finance Department, Treasurer's Office administration should work with city council to establish a user friendly way to explain why a person is denied purchasing a property. City council should note their reasons for denying the purchase. If the prospective purchaser knows the reason why they were denied, they could work out the problem, if possible.

Purchasing Process of City-Owned Property (continued)

5. Once approved for sale, the Real Estate staff notifies the purchaser by letter to obtain an insurable title report. The purchaser pays for the title report, which must be received by the Law Department within thirty (30) days of notice.

As of 2018, at this same time, anyone who originally requested a property but wasn't the first to put in the deposit is sent a letter by Real Estate staff that they can become an objector by going to the Treasurer's real estate section and putting down the same deposit amount as the primary buyer. (They are already an approved or vetted buyer.) This individual(s) that file the objection(s) has a right to bid for the property. Objections can be filed up until the end of the sales process. This will force the property to go to court auction. Every objector is notified when a court date is set to auction the property.

6. The Law Department submits a petition for a Rule to Show Cause to the Court of Common Pleas authorizing the sale and valuation of the title. This is when a judge signs off on the sale to start quiet title. The sale is advertised in a newspaper of general circulation and the legal journal one (1) time.
7. For a thirty-day (30) period after the advertisement, anyone who is an approved buyer with the City, can become an objector, deposit hand money in the amount of 10% of the sale price or \$200.00, whichever is greater. If no objectors are filed, this step is omitted.

Finding: Given the statistics in Table 2, becoming an approved buyer during the 30 day period of advertising is not realistic. Conversations with real estate staff indicate that they will wait if they know someone wants to be an objector. This could add months to the process.

8. If there are objector's to the sale, Real Estate staff petitions the court for a court date for a property auction. All interested parties will be notified and will be given the opportunity to bid in court for the property. Failure to attend the auction and increase the current purchase price by bid, will result in forfeiture of their money deposit.

At the completion of the auction, the successful bidder will be required to deposit with the Treasurer's Office, real estate section of the Finance Department additional earnest money in an amount equal to 10% of their bid price, less the original earnest money deposited. Said deposit shall be by cashier's check or money order. Failure to deposit the additional earnest money shall be deemed default by the purchaser and their bid will be voided.

Objectors who were outbid at the auction will have their hand money returned. Objectors who did not show for the auction have their hand money forfeited.

9. A final Order of Court will clear the title of the property and confirm the sale to the successful bidder. A deed will be prepared and executed by the City Solicitor and signed by the Mayor. The buyer and Title Company will be notified by letter that the deed is ready for delivery. The buyer is required to pay the sales price balance within thirty (30) days of the date of notification. Final settlement of the sale must be by cashier's check or money order. The purchaser must pay all related costs including title search fees, and the deed must be recorded immediately upon closing. Title will be conveyed by special warranty deed.
10. In the event the successful bidder defaults, the City shall have the option to offer the property to the next highest bidder(s) at their auction price(s). Said offer shall be made to other bidders in bid order.

This procedure generally takes 12-15 months to complete.

Advertising City-Owned Property

The City lists all property that it has for sale on the City's *e-properties plus* website under the Department of Finance section <http://pittsburghpa.gov/finance/property-sales>. If you click on the property sales icon, then the "Browse Available City-owned Properties" link, you can browse all available city-owned properties.

The City has a total of 2,008 total properties in the database as of 8/1/2019. All properties in the database are classified by buildings, vacant land, and "not classified". The "not classified" properties look like a variety of both buildings and vacant lots that no one bothered to classify and the field is left blank.

The website advertises, for sale, 82 buildings, 1,914 vacant lots and 12 not classified properties. In addition to classification, each property has a photo section, lists the parcel number, block and lot number, neighborhood location, lot area by square foot, zoning, land and/or building county assessment. Some of the buildings also have the building's condition: good, fair, poor etc., and building condition notes.

The City *e-properties plus* website is missing photos for the majority of the properties. Buildings have photos for 28/82 (34.14%) of the properties, vacant lands have 191/1,914 (9.95%), and not classified had 4/12 (33.33%) photos.

Finding: The City of Pittsburgh *e-properties plus* website only has photos for 34% of the buildings listed and 10% of the vacant lots.

Most buyers shopping for property usually like to know the price and look at photos of properties before deciding to make a purchase. Advertising the price and presenting photos of the property beforehand would increase the interest of potential buyers.

RECOMMENDATION 12:

The Department of Finance administration should make sure that *all buildings* advertised on the *e-properties plus* website have a photo. The ability to see how a property looks beforehand would increase the interest of potential buyers.

RECOMMENDATION 13:

The Department of Finance administration should place for sale signs in the front yard of every property the city-owns that is available for sale.

RECOMMENDATION 14:

The Department of Finance administration website should have a place to enter your name and email address, so property updates can be emailed to you whenever property is added or deleted from the *e-properties plus* website. This would keep interested parties informed of sales and additions to the *e-properties plus* website.

Property Sale Price

Normally properties are sold with the sales price advertised so prospective buyers can determine if the property is in their buying price range. Prior to 2017, this was how the city-owned property website was organized. Currently on the City of Pittsburgh *e-properties plus* database no property price is ever listed. As explained earlier, the price of the property is not given to the buyer until they fill out a Request to Purchase Application, become an approved buyer and, if it is truly for sale, priced by the URA.

Finding: The city-owned property database on the City of Pittsburgh’s website does not advertise the price of any properties listed in the database.

RECOMMENDATION 15:

The Finance Department, Treasurer’s Office administrations needs to advertise prices on *e-properties plus* after prices are set. This should help increase the number of prospective buyers. *The pricing and practices of the URA, who does the pricing for the City, is explained later in this audit under the URA section.*

Side Yard Sales

Side yard sales are properties that an adjacent property owner purchases for their own use. The property must directly border (either on the side, front or rear) the vacant lot. They are usually not buildable parcels that the City leases to the proposed buyer, for a dollar, while the property title is cleared for purchase and a deed prepared.

This is a summary of the side yard sale request process from the Department of Finance's web site:

- You must complete and return the Request to Purchase Form.
- The City will determine whether or not the lot you request is available and eligible.
- The City will certify that you are not responsible for any outstanding taxes, water or sewage bills or building violations. You will then enter into a lease/purchase agreement with the City. The required down payment and lease costs total \$201.00.
- You may begin using and maintaining the lot immediately but can't make any permanent improvements.
- While you are leasing the lot, the City of Pittsburgh and City Source will begin the process necessary to clear the title to the property. **This usually takes up to 18 months...from start to finish. (bolded added)**
- When the title has been cleared the City of Pittsburgh will arrange a closing date. At that time, you will need approximately \$200.00 to cover closing costs, deed recording fees and transfer taxes.
- If you and a neighbor are both interested in purchasing the same lot, you'll be required to bid for the property. The minimum bid offer is \$250.00.
- All applications will be handled on a first-come, first-served basis.

When one neighbor approaches the City about purchasing a property for a side yard, the City notifies adjacent property owners to the vacant side yard, via the United States Postal Service. These neighbors may object to the purchase or pursue becoming an approved buyer. If no one else is interested in the property then the selling of the parcel to the one neighbor starts. But sometimes mail gets lost and neighbors get upset if they don't know that the property next to them is being sold. Property should not be sold unless proof that both sides were notified exists.

RECOMMENDATION 16:

The Department of Finance, Treasurer's Office administration should send a registered and regular piece of mail to adjacent property owners of a side yard purchase request is made. This will make sure the adjacent neighbors are given fair notice and an opportunity to purchase the property. This can only help the City by creating more interest in the property. In turn more people should bid on the property increasing the price which would pay for the additional cost of registered mail.

During the course of this audit a member of council was trying to help a resident get the deed for a side yard. The councilpersons staff talked with the auditors to understand the process. The paperwork was completed but held up in the law department.

RECOMMENDATION 17:

The City administration should do whatever it takes to expedite the paperwork process of a sale. Initial observations indicates the need for paralegals to process paperwork in both Real Estate and the Law Department.

Complaints about the Real Estate Process

The auditors via the City Controller's Office hot line, city council staff and personal contacts, have received several complaints about the real estate process. The greatest number of complaints involve the length of time it takes until the property is deeded to them.

One individual sent an email to the auditors in October 2018. He stated that he had purchased property from the City in the past and when he purchase his last property, it never took as long or was as confusing as his recent experiences.

A summary of his story: He chose a property off of the *e-properties plus* website and completed a request to purchase in 2017. It was 6 months before he found out that he was not an approved buyer, because PWSA did not cash a check he sent them. He gave PWSA another check and then became an approved buyer. Then a person from real estate told him that the house he had requested to purchase was not eligible for purchase. A lot of time had passed and this was the first time he was informed of this situation. He was very upset and frustrated. He picked 5 more houses off the City's e-property plus website and put in additional requests to purchase. It is 2019 and he has yet to hear from real estate. A copy of this individual's entire email can be found in the Appendix under Exhibit D.

RECOMMENDATION 18:

The Department of Finance, Treasurer's Office administration needs to contact I&P to create a "Request for Property status" link to be put online so applicants can see where they are in the purchase process. Real estate staff should update the link daily. This would improve the flow of communication between the applicant and the City. This would also help keep the staff more accountable because the timeliness of the process would be documented.

Most purchases from a realtor and a bank take 2 to 3 months. With all the requirements involved with city-owned property purchases, that timeline would be an unrealistic goal. However taking over 3 years to have a property deeded to the approved buyer seems excessive.

Other Complaints

Several other complaints have been made to the auditors. One involved a Request to Purchase a side yard. This individual waited 2 years to hear back from Real Estate and then he was informed that the other neighbor had bought it. He swears he never received any notice from the City. In 2 other instances side yard sales were taking over 2 years to complete. One complaint was through a City Councilperson's office and the other was an auditor's neighbor. Side Yard sales should be among the easiest sales to process once the person becomes an approved buyer.

The Real Estate manager was questioned about the neighbor not receiving notice from the City when the other neighbor applied to purchase the same side yard property. The manager said that such a situation could have happened. Records and requests were disorganized, misplaced and lost over the years. This information does not help the individual who waited years to purchase the side yard to only have it sold out from under him without proper notice.

See Recommendations 13 and 14 on page 31.

Urban Redevelopment Authority (URA)

Responsibilities of the URA

All city-owned properties are currently priced by the Urban Redevelopment Authority. The pricing function was originally done in-house by Real Estate Agents that worked in the City's Real Estate Division. In 2017, the current administration decided to outsource the pricing function to the URA.

According to the URA's Pittsburgh Land Bank (PLB) Administrator, the URA received a directive from the administration to "streamline the disposition process and maximize values in response to changing real estate market conditions in Pittsburgh. The URA agreed to pilot a process of recommending a market value based price for city-owned properties which had interest from private individuals."

The auditors requested a copy of an agreement or contract between the City and URA regarding this directive, but was told that one does not exist.

Finding: There is no formal agreement between the URA and the City for setting the price of city-owned properties. In turn, the URA "pilot program" does not have a date to be evaluated to determine its effectiveness by anyone in the administration.

Instead, the auditors were given a "Sale and Pricing of City-owned Real Property" operating policy revised on July 31, 2017. The policy states "**The Finance Department will abide by the pricing and sell or not sell decision of the URA in selling property. In no case will there be a reversal of the URA decision.**" (Bold and underline added)

This means that besides pricing the property, the URA can decide whether to approve or deny the sale entirely even if the buyer is vetted. **The Department of Finance cannot overturn any URA decision at any time.**

Finding: The URA controls all sales of city-owned property. The Department of Finance, Treasurer's Office cannot overturn the URA decision on price setting and whether or not to sell or not sell city-owned property even if the person wanting the property is an approved buyer.

Spreadsheet Concerns

After the prospective buyer first fills out a "Request to Purchase Application" the Department of Finance, Treasurer's Office enters all applicant information on a spreadsheet in a database. This spreadsheet is shared by the URA and can be accessed anytime by both parties. Daily checks by the URA keep them informed of the property needing priced. In this way the vetting and pricing process is done simultaneously.

Finding: The URA is given the name, address and phone number of everyone who is interested in purchasing a property from the City. The person could be someone they know or a developer and this knowledge could influence the pricing of the property. With this knowledge the URA and City are open to ethical concerns.

The auditors read one of the notes in a property spreadsheet and it stated that a "rush" for pricing a property was requested. Everyone would like a "rush" on their purchase. The fact that someone wanted a "rush" job indicates outside influence. There is no way to determine if the price itself was influenced but logically that assumption would follow.

RECOMMENDATION 19:

The Department of Finance, Treasurer's Office real estate staff should not send the name of the individual and what property they own to the URA. This information should be deleted from the list so as to ensure that the price setting is impartial. Correspondence between elected and managerial officials with the URA staff should be discouraged. Preferential treatment of any property to be priced should be avoided at all costs.

All CDC (property reserve) requests, objector requests, and most side yard requests are not entered in the URA spreadsheet. Sometimes side yard and other property requests are on hold by the URA and the real estate staff will enter the property into the spreadsheet in hopes that the URA will change their mind and allow the property to be sold.

The URA's real estate staff enters the following information into an excel spreadsheet: the address of the property requested for sale, the lot and block number, the buyer's proposed use, the neighborhood location, whether it is land or a vacant structure, the square footage, the prospective buyers address and list of all properties the prospective buyer owns in the City of Pittsburgh.

The URA will enter whether the property should be sold or not, date of the request, the price of the property, properties it was compared too, and if denied write an explanation of denial in the note section. There are seven reasons for denying the sale of property. At the suggestion of the auditors, the URA now enters the date the price was set to the spreadsheet.

After review, the URA will first decide whether to approve or deny the sale. If the sale is approved, a selling price is set. Sometime sales are denied because the URA is making it part of a development or improvement project, greenspace or the neighborhood CDC wants the property.

The Department of Finance, Treasurer's Office will send an approval letter to the prospective purchaser once the vetting process is complete and a price is set by the URA.

If the URA denies the sale, The Department of Finance, Treasurer's office real estate staff will send a letter to the perspective purchaser that the property is not available for sale. If the person was an approved buyer but denied the property, the letter states they can reapply for another property.

URA Pricing Process, Staff Time

The URA Real Estate Division prices all city-owned properties. As of 10/5/2018 the Real Estate Administrator and the Pittsburgh Land Bank (PLB) Administrator are the only URA staff members that price city-owned properties. During a meeting, the auditors were told that pricing property is not their main job duty, or a top priority, and that they only spend about 10% of their day pricing properties. The URA Real Estate Division's limited staff does not allow them time to visit any properties and take photos when trying to determine a selling price. Also, the auditors were told that none of the real estate staff at the URA have a real estate license.

Finding: Pricing city-owned properties is not a major job priority for the URA staff and no members of the staff have a real estate license.

How the URA Sets Prices

All city-owned property "available for sale" prices are set using the Fair Market Value system. The URA uses 2 to 4 comparable recent transactions within the last 12 to 24 months to determine a property's sale price. The comparable properties used are from the same neighborhood or within 1 mile radius of the property (commercial, residential, vacant land etc.). If 2 comparable properties are unavailable, the URA will look at properties within the 25-60 month range. The current county assessed value of the property is not factored into the price setting for structures or vacant land. The URA also keeps a documented record on file on how they priced every property.

Comparable properties with structures on them are searched using the Multi Listing System (MLS) system. The MLS system usually has photos of the inside of the buildings as well as the outside. Properties with a structure on them are also checked for building code and land violations.

All vacant land prices are assessed using 1 or more of the following resources: MLS database, E properties, Local Transaction Center, google maps, Allegheny County Geographic Information Systems (GIS) model, data analysis platform system, and the Building Blocks software from the Boston based TOLEMI Co. The URA website states that the software “guides strategic planning on: acquiring land and structures, identifying nuisance properties and providing real estate market level analysis.”

An email request was made to the URA for a copy of the contract for the Building Blocks software but only a signed licensing agreement renewal was produced for TOLEMI without the price and scope of work attached. However URA staff stated that the yearly expense was \$20,000.

Time it takes to Price Property

According to URA staff, it usually takes 30-60 minutes to price a property. There is usually a 4-6 week lead time from the time the applicant requests a property price until the time the URA calculates the price. The goal of the URA is to return a price to an applicant within 2-4 weeks but at the current time there is a major backlog in requests.

Finding: According to URA staff, there is a backlog in the number of applicants requesting a city-owned property price because of lack of staffing and resources in the URA Real Estate Division.

Finding: The URA staff believes that with all the ways to research a property a physical inspection of the property and its comparables is not warranted.

Pricing Buildings

In general, vacant buildings are more apt to be broken into and vandalized; thieves commonly take the plumbing pipes and the wiring for the copper. Each repair and replacement represent a major cost and investment to anyone who wants to renovate the building. Prices of materials keep going up. In order for a person to make money from such a property, the buyer has to purchase the property at a substantially lower price than home sales in the area.

Finding: Because no one physically inspects the property the inside condition of a building is not taken into consideration when setting a price. This could result in buildings being priced too high to make rehabilitating the property worthwhile.

URA Approval/Denial, Sale of Property Request Test

The auditors wanted to analyze how many prospective purchasers were putting in requests to buy city-owned properties and how many were approved and denied by the URA since taking over the pricing function in 2017. The auditors requested the spreadsheet shared by the URA and Department of Finance, Treasurer’s Office that lists the property’s price set by the URA and if the sale is denied or approved.

The spreadsheet was received on 1/24/19 and had a total of 1,191 property requests from 4/10/17 to 12/21/18. The auditors sorted the list by lot and block number; this put duplicate property requests together.

The spreadsheet had 863 different 'request for purchase' properties. A total of 698 or 81% of the properties has a single buyer requests the property, leaving 165 or 19% of the properties requested by 2 or more buyers. (These 165 properties represented 493 requests.)

One hundred forty two (142) of the 165 properties with multiple buyer requests were either all yes or all no for the same property address. These properties were included in the analysis as either a single yes or a single no per property.

This left 23 properties. Twenty-two (22) of the properties had some buyer requests marked as approved (yes) and some requests marked as denied (no) within the same property request. One (1) of the 23 had 1 approved buyer and 1 buyer was marked that more application information was needed for a decision to be made.

All URA approval and denied spreadsheet recommendations were then tallied for each property that had the same URA recommendation. The 23 properties with both approved and denied buyers were not included in any of the tables.

The URA approved 355 or 42.26% and denied 417 or 49.64% out of the 840 properties requested for purchase from 4/10/17 to 12/21/18. The URA was still in the process of reviewing 17 or 2.02% of the property applications on the spreadsheet. The URA checks with the local CDC, DOMI etc. for approval and appropriateness to sell.

Table 9 shows the results of URA decisions about property sale requests from the spreadsheet.

TABLE 9

URA Decisions on Requests to Buy City-Owned Property from 4/10/17-12/21/18 Database		
URA Recommendation	Number of Properties	%
URA Approved Property Request	355	42.26%
URA Denied Property Request	417	49.64%
The Property Sale was Already in Progress	2	0.24%
URA in the Process of Reviewing Application	17	2.02%
Buyer Application Missing Information Needed for URA Decision	15	1.79%
Applications not reviewed yet by URA	14	1.67%
URA marked N/A. with no explanation	10	1.19%
Request to put in Treasurer’s Sale	1	0.12%
Long term lease with URA	7	0.83%
Property was Already Sold	1	0.12%
Blank	1	0.12%
TOTAL PROPERTIES	840	100.00

Source: Urban Redevelopment Authority

The URA was waiting for the Department of Finance, Treasurer’s Office to provide more information before making a decision on 15 (1.78%) applications. Out of those 15 requests, the Department of Finance, Treasurer’s Office forgot to provide what the prospective buyers proposed property use was on 8 applications, 4 applications were missing the buyer address info, and the lot and block number and address information on the spreadsheet did not match in 3 properties requested for sale.

Only 14 (1.67%) of the applications in the entire database were not reviewed yet by the URA. This was contrary to what URA staff said in an earlier meeting with the auditors about having a back log of properties yet to be reviewed and priced.

The URA recorded the following under the rest of the spreadsheet recommendation section: N/A with no explanation on 10 (1.19%) of the requests to purchase, long term lease with URA on 7 (.12%) of the property requests, request to put in Treasurer’s Sale on 1 (0.12%) request, property already sold on 1 (0.12%) request, and one recommendation was left blank (0.12%).

Analysis of URA Long Term Leases

The auditors researched the 7 properties that had “Long term lease with URA” under the spreadsheet recommendation section and found all 7 properties to be city-owned vacant lots that

were purchased between 1989 and 2012. Five of the lots are on Eastview St. behind the Homewood West, Young Women's Christian Association (YWCA) and 2 are located on the corner of Frankstown Ave/Eastview St.

All 7 properties were requested for purchase by the Young Women's Christian Association to improve the YWCA. The proposed use included green parking, an outside classroom and expansion of a rain garden project. **All 7 requests to purchase were denied by the URA because the land was already being held for the URA for an unexplained reason.**

This information made the auditors investigate further as to why the URA is sitting on properties for an extended period of time with no development when they could be sold to someone else to help improve the neighborhood.

The URA denied 417 (49.64%) out of 840 requests to buy city-owned property reviewed by the auditors from 4/10/17-12/2/18.

Finding: Almost 50% of the requests to purchase city-owned property were denied by the URA in the first 19 months of their setting sale prices for the City.

Reasons for Denial

When the URA denies a request to purchase property they will list the reason “why” in the spreadsheet along with a corresponding sub-reason. The URA lists 7 different reasons for denial along with multiple different sub-reasons according to the “URA Reason for Denial” document received by the auditors.

The 7 URA reasons for denial are:

- ***Incompatible proposed use-*** These were parcels that were physically unsuitable for the proposed use of the land listed by the applicant. For example, a prospective purchaser lists “renovate and resell” under the proposed use section of application but the property was vacant land. Also the proposed use could be inconsistent with community plans. (Commercial building in residential neighborhood). The URA also makes judgements about whether the land is buildable or not or too hilly or not.
- ***Parcel is in the push to green portfolio*** - Parcels that are needed by PWSA for storm water run-off. Because of this, these parcels are also not physically suitable for any type of development.
- ***Part of a larger site assembly (Unpublish & Hold for URA)*** - A number of city-owned parcels in close proximity to each other that are held for the URA for one larger future development or redevelopment site they have (or may propose) in mind.
- ***Not available for sale (Unpublish)*** - Property is denied by URA for one of the following: CDC already has plans for the parcel, URA wants the land as a green space area, parcel is

already slated for or is being studied as a permanent public realm such as an open space, street, or public park or property committed to an unpublished project.

- ***Comprehensive planning process underway: inquire again in 12 months (Unpublish)*** – City parcels on hold for the URA for different projects or studies the URA is currently working on. URA lists 8 different projects in the spreadsheet: Gladstone Study Area (Hazelwood), Eco-Innovation District (Bluff, Crawford-Roberts, West Oakland), Homewood, Manchester/Chateau, Larimer, Bedford Choice (Middle Hill, Bedford Dwellings, Crawford-Roberts), 2 other unnamed projects in Beltzhoover and Hazelwood.
- ***Unable to sell through a Side Yard Sale program*** – Parcel is not side yard eligible, side yard program currently unavailable in neighborhood, or the applicant is ineligible. (Non-adjacent or non-owner occupant or on hold for the URA.)
- ***Administrative reasons-*** URA lists the following reasons as administrative: Held for CDC property reserve, the sale was already in progress, property is privately owned, ineligible applicant, property is not city-owned, application incomplete, the parcel/address didn't match on application, or application end-use needs more info.

This practice makes the average person suspicious that the URA could be abusing its power in allowing property sales within the City. Given this and that almost half of all requests to purchase city-owned property are denied warranted further investigation.

URA Reasons for Denial Test

The auditors tallied the 7 reasons for denial for all 417 property requests that were not approved for sale by URA in Table 9. The 7 reasons for denial were further broken down by sub-reasons depicted in Table 10.

TABLE 10

URA Reason for Denying Requests to Buy City-Owned Properties from 4/10/17 to 12/21/18 Database		
URA Reason for Denying City-Owned Property Sale Requests	Number of Properties	%
1. Incompatible Proposed Use	31	7.43%
2. Parcel is in the Push to Green Portfolio	19	4.56%
3. Part of Larger Site Assembly (Un-publish & Hold for URA)	30	7.19%
4. Not Available for Sale (Un-publish)	111	26.62%
5. Comprehensive Planning Process underway; inquire again in 12 months (Un-publish)	155	37.17%
6. Unable to Sell through the Side Yard Program	1	0.24%
7. Administrative Reasons	32	7.68%
8. OTHER	38	9.11%
TOTAL	417	100.00%

Source: Urban Redevelopment Authority

The URA spreadsheet denied 417 of the property requests. Of these, 296 or 70.98% were being held for un-published future neighborhood improvement or redevelopment projects, CDC committed projects, and greenspace or public realms studies. This number could even be higher because under the “other” and the administrative reason categories, properties could be held for this same reason but it is not marked as such.

Finding: About 71% of property requests are being held for un-published future neighborhood improvement or redevelopment projects by the URA.

URA Reason for Denying Property Requests with Sub-Reasons Given

According to the URA all reasons for denial that say the properties marked as “Unpublish” are part of internal general record keeping and not for the general public knowledge. These “Unpublish” sub-reasons for denial are marked in **RED** in Table 11.

TABLE 11

URA Sub-Reason for Denying Requests from 4/10/17 to 12/21/18 Database	
URA Sub-Reasons for Denying Purchase Request for City-Owned Property	Number of Properties
1. Incompatible Proposed Use	
Inconsistent with community plan	1
Parcel physically unsuitable for proposed use	24
Other=2-Business District not appropriate residential area, 2-can't rehab structure demoed, 1-no legal site access, 1-land has bldg.- can't garden	6
2. Parcel is in the Push to Green Portfolio	
Storm water target	11
Parcel not physically suitable for development	8
3. Part of Larger Site Assembly (Un-publish & Hold for URA)	30
4. Not Available for Sale (Un-published)	
Property slated for possible public realm use	2
Community group has plans for property	18
Greenway study area	58
Property already committed to project	29
Other - Deed restricted for affordable housing pilot area (Hazelwood)	4
5. Comprehensive Planning Process; inquire in 12 months (Un-publish)	
Gladstone Study area	41
Eco-Innovation District	9
Homewood	53
Larimer	1
Manchester/Chateau	13
Bedford CHOICE	15
other- 18 (Hazelwood); 5 (Beltzhoover)	23
6. Unable to Sell through the Side Yard Program	
Applicant is ineligible/no sale	1
7. Administrative Reasons	
Property reserve (un-publish)	8
Parcel/address mismatch	2
Sale in progress	9
Not enough information about end-use to evaluate	7
Privately owned and tax current	3
Not City-owned	3
8. Other -- Reasons not found under "Explanation of denial found under "Notes"	38
TOTAL DENIED PROPERTIES	417

Source: Urban Redevelopment Authority

According to Table 10, the URA sub-reasons for denial show **that 202 (48.44%) of the request to purchase city-owned properties were denied by the URA for unpublished reasons** or not for the general public knowledge. These “Unpublish use” denials could be for either personal, public or private development.

Finding: The URA does not sell nearly 50% of denied property purchases for “Unpublish” or undisclosed projects.

Incompatible Use

The URA will deny the sale of a property because of incompatible use. The number of properties that were denied because of this can be found in Tables 10 and 11.

In some instances the prospective purchaser wanted to renovate the building on the property. However, for some reason, the building gets demolished. There are several examples on the spreadsheet where this happens.

For this to happen, no one is informing Permits Licensing and Inspections (PLI), who schedules demolitions, that there is interest in purchasing the property “as is” and to stop plans for demolishing the building. This is unfortunate because **vacant land is not worth as much as land with a building on it.**

Some contractors enjoy the challenge of saving a building. The biggest stumbling block with rehabilitating a condemned building is money. But for some contractors, when they are doing the work themselves, that is not an issue.

RECOMMENDATION 20:

The City administration and City Council should require the Department of Finance, Treasurer’s Office real estate staff and Permits Licenses and Inspections (PLI) to work together to save vacant structures in the City. When a request to purchase is received it should be sent to PLI. PLI should stop any planned demolition of a building if someone is interested in buying and remodeling the structure. In the long run the sale and remodeling of a building will generate more revenue. The URA should allow the sale of the property “as is” and price it low so it can be saved. Then let the person buying the property deal with the renovations through PLI.

RECOMMENDATION 21:

Department of Finance, Treasurer’s Office administration should require the real estate staff that accepts prospective buyer applications to check if the property can be used for the buyer’s desired use. In other words if a buyer wants to renovate a property and it is already vacant land it will be deemed incompatible use by the URA. Time and effort will be saved if the staff member checks the status of the property and inform the prospective buyer before it is sent to the URA.

RECOMMENDATION 22:

The URA staff should talk to the approved buyer before not selling a property for incompatible use, even if it is a hillside. The property can be offered for sale with restrictions such as no building on it. Some people just like to own property to have some green space or for aesthetics. Also the approved buyer might want the property even if the building is torn down. The objective is to get the land back on the tax rolls.

Conversations with real estate staff have indicated that there can be some debate over the URA's determinations; e.g. the sale price, to sell or not to sell. Sometimes a phone call to the URA sways their opinion but at other times it doesn't.

The Director of Finance/Treasurer does have the authority to request a new price. If the prospective buyer thinks the asking price is too high, they are told to write a letter to the Director of Finance/Treasurer. Once the letter is received, the Director/Treasurer notifies the URA that the price is too high and a suggested alternate price is offered. The URA can agree with the Director/Treasurer or make the price higher or lower than the Director/Treasurer's suggested price. According to the Director/Treasurer this intervention with the URA usually results in lowering a property's price and a sale being made. Writing a letter to the Director/Treasurer asking for intervention does add time to the process.

Finding: The intervention of the Director of Finance/Treasurer only happens if a prospective buyer is unhappy with the asking price and is willing to write a letter asking for price reconsideration by the URA.

Finding: The option of writing the Director/Treasurer is not advertised with the real estate sales process.

This is why the employment of a licensed real estate professional with comprehensive knowledge of city property sales would be invaluable. Any pricing disagreements can be supported with actual sales knowledge.

RECOMMENDATION 23:

The City administration should have a team of real estate professionals take over the URA responsibility for setting prices and be responsible for real estate sales. Or if a licensed real estate person is put on staff, this person could provide a comparable sales report to a committee of 3 that must agree on a property's price. That committee should include the licensed agent, the Real Estate manager and the assistant director of Finance. Additionally this committee should have the authority to negotiate the sale of property with a prospective buyer. In all instances, property pricing should be well documented. Pricing should be set with the objective of getting the property back on the tax rolls.

Reasons not Listed but an Explanation Found under “Notes”

The auditors found that some of the properties that were requested for purchase were denied being sold by the URA without using 1 of the 7 “reason for denials” explained above. However some explanation as to why the URA staff denied the sale of the property was found under the “Notes” section of the spreadsheet.

The auditors found 22 property requests that had an explanation in the “Notes” section that did not match any of the reasons for denial. Also, 16 property requests did not have a “reason for denial” or an explanation for denial in the “Notes” section. All 38 of these denied property requests are listed under “Other” in Table 11. They are broken down by description in Table 12.

TABLE 12
38 Property Sale Requests
Denied by the URA
Reasons Why Found in “Notes” of Spreadsheet

URA Denied Reason Under ‘Notes’	Number of Properties
Targeted assembly hold for URA	2
Transfer to URA, Strategic Site Assembly	3
Site assemblage for neighborhood implementation	2
Garfield green zone	4
Martin Luther King (MLK) reading room	1
Targeted replacement parking	2
Targeted development area	1
Permanent City Greenway	1
Hold for URA	1
Municipal office building in use	1
Community planning process underway	4
blanks/no reason given	16
TOTAL	38

Source: Urban Redevelopment Authority

RECOMMENDATION 24:

The URA administration should review the URA spreadsheet and make sure all price and selling recommendation information is complete before relaying their decision back to the Department of Finance, Treasurer’s Office. All denied requests for purchase should have a reason for denial listed with each request.

Prospective Purchaser 'Request to Purchase' Mistakes

According to the Department of Finance Treasurer's Office real estate coordinator, the majority of prospective purchasers have their request to purchase applications denied by the URA because they are researching properties on the Allegheny County Real Estate Portal (ACREP) and not the city's *e-properties plus* website. The Allegheny County Real Estate Portal website lists "City of Pittsburgh" as the current owner of all city-owned property that are held for the URA. Prospective purchasers assume this property is available for sale by the City and are unaware they are really URA properties on hold.

Finding: Not all properties listed as "city-owned" on the Allegheny County Real Estate Portal are available for sale. This is because property is held in the City's name for the URA.

When "request to purchase applications" are submitted, prospective purchasers are informed at the counter by the Department of Finance Treasurer's Office real estate staff that the property is on hold for the URA. They are told to navigate the *e-properties plus* database on the City of Pittsburgh website for all properties available for sale. They are informed that their application will still be sent to the URA for review in-case the hold on the property is released. This has happened in past situations.

Also prospective purchasers are not researching the properties they are interested in thoroughly, and make errors on their applications. For instance under the proposed property use section, applicants are listing "renovate and resell" but the property was actually vacant land, not a vacant building. The URA will deny all applicants that have a proposed use that doesn't match the parcel.

Property on Hold for the URA

When the City "holds" a property for the URA it is the City's responsibility to clean and maintain the property as well as assume liability for it. The City has a contract with City Source to cut grass and weed vacant lots.

Finding: When the URA makes the City put a property on hold (to not sell) the URA assumes no risk for the care and maintenance of the property. When the property remains in the City's name, the City assumes all liability and maintenance responsibility.

Finding: The Department of Finance, Treasurer's Office real estate staff does not review the prospective buyer's application to see if the property is compatible with their proposed use. This is done by the URA and the property will be denied for sale.

Time Analysis for City-Owned Properties - Requested for Purchase and Denied by the URA

The auditors wanted to see how long the denied for sale URA properties have been owned by the City. All 417 property requests were researched on the Allegheny County Real Estate Portal by lot and block number. The auditors recorded the last date the property was purchased, the properties current owner, and the assessed value of the property.

As of March 2019, the auditors found that 396 or 94.96% out of 417 denied property requests were still owned by the City. This left 21 properties that were recorded as: 3 now owned by the URA, one (1) now owned by the City of Pittsburgh School District and 15 properties recorded as privately owned. The last 2 properties from the 21 no longer exist according to the Allegheny County Real Estate Portal.

Finding: The City of Pittsburgh currently owns 396 or 94.96% out of the 417 property requests to purchase and denied by the URA.

A time analysis was done for all 396 city-owned properties from the date the city purchased the property until 12/31/18. Two of the city-owned properties did not have a date recorded and were left out of the analysis. Also eliminated were the 4 properties that already had a sale in progress and the 19 properties that are part of the PWSA's push to green portfolio that are used for storm runoff. This brought the total property sample to 371. The analysis as to how long the City has owned these 371 properties is found in Table 13.

TABLE 13

Months and Years of City Ownership for Properties that had a Purchase Request but Sale Denied by the URA from the 4/10/17 to 12/21/18 Database				
MONTHS	< or =	Properties requested that were denied	%	cm*%
0-12 months	1 years	2	.54%	.54%
13-24-months	2 years	12	3.23%	3.77%
25-36 months	3 years	31	8.36%	12.13%
37-48 months	4 years	44	11.86%	23.99%
49-60 months	5 years	6	1.62%	25.61%
61-72 months	6 years	17	4.58%	30.19%
71-84 months	7 years	78	21.02%	51.21%
85-96 months	8 years	3	.81%	52.02%
97-108 months	9 years	18	4.84%	56.86%
109--120 months	10 years	7	1.89%	58.75%
121-180 months	15 years	8	2.16%	60.91%
181-240 months	20 years	2	.54%	61.45%
241-300 months	25 years	14	3.77%	65.22%
301-360 months	30 years	24	6.47%	71.69%
361-420 months	35 years	24	6.47%	78.16%
421-480 months	40 years	10	2.70%	80.86%
481-540 months	45 years	11	2.96%	83.82%
541- 600 months	50 years	10	2.70%	86.52%
over 50 years		50	13.48%	100%
TOTAL		371	100%	

Source: Urban Redevelopment Authority *Cumulative

Of the 371 properties that someone wanted to purchase and that the URA denied, the auditors found that 190 or 51.21% have been in the City’s name for at least 7 years. Fifty properties (13.48%) have been city-owned for over 50 years.

It seems as if the URA is using the Department of Finance, Treasurer’s office as its own personal land bank. For example, the URA denied 3 different property requests by the same development company on 3 different Kendall St lots that are side by side in the Upper Lawrenceville neighborhood. The URA reason for denial said “Part of a larger site assembly”.

These 3 properties have been held for the URA since 1948. The assessed value of the 3 lots were: \$900, \$600, and \$35,100. That is 71 years for, according to the URA database, a “Part of a larger site assembly” to be going on.

Looking up the properties location on google maps and the Allegheny County Real Estate Portal revealed that the lots were nothing but green area and woods. Right now Lawrenceville is prime property and there is no reason these properties shouldn't be sold to make money. However if the property is being saved for green space it should be notated on the spreadsheet.

Finding: The City is holding onto property for the URA for an extended period of time without specific development plans in progress for the property.

RECOMMENDATION 25:

City Council and the Mayor should require the URA to be more transparent about its ongoing projects. It is unacceptable for a public agency to hold onto usable and taxable property for years and years without accountability to the public.

The URA's unwillingness to sell property for years and years can be easily misinterpreted. It could be interpreted that some higher official did not want that property sold for some unknown political reason. Or that the URA is waiting for the "right person or redevelopment company" to make a compelling monetary argument for the properties purchase. Or maybe it does take 71 years to determine a property's use? Whatever the reason, this practice is questionable.

RECOMMENDATION 26:

The URA board and City administrators should re-evaluate all property being held for the URA and if no specific plans are in place, get the property back on the tax rolls by putting it up for sale.

Estimate of Lost Tax Revenue from Property not Being Sold by URA

As a public and nonprofit agency, the City or the URA does not have to pay any local, county, school or library taxes. But individual property owners and businesses do have to pay taxes. This is why it is in the City's best interest to get property into the hands of private individuals and back on the tax rolls.

The auditors wanted to calculate the tax loss for holding onto a property since the City had it deeded to them. Because tax rates, as well as assessed values can change over years, the auditors used 5 years (2014-2018) as a cut off time to calculate the amount of tax money loss if the property was sold to a private individual. Tax rates for the City, School and Library have not increased in the last 5 years.

In the sale request database, the number of properties that the URA denied selling and that the City has owned for 5 years or less is 95 or 26%. This number includes property that was requested once, by one individual, as well as those properties that had multiple people interested in the purchase. Each property was only counted once. Also excluded were 4 properties that already had a sale in progress and the 19 properties that are part of the PWSA’s push to green portfolio that are used for storm runoff.

The tax data base includes each property’s assessed value. The total assessed value of the 95 properties is \$2,164,500.00. The City millage for the last five years has been 8.060, the school’s has been 9.840 and the library’s since 2012 has been 00.25. These millage rates were used for loss tax revenue calculations in Table 14.

TABLE 14

Lost Revenue from 95 URA Denied Property Sales That the City has Owned for < = to 5 Years	
City Tax Lost	\$57,537.12
School Tax Lost	\$70,243.82
Library Tax Lost	\$1,927.08

Source: Department of Finance

Table 14 shows that a total of \$129,708.01 has been lost in City, School and Library tax revenue for only 95 properties that the City has held onto for the URA for 5 years or less. This is despite having individuals interested in purchasing and developing the properties. This does not account for the increases in assessed value that would happen to a property after it is developed. The amount of tax revenue lost can add up quickly.

Finding: The City is losing tax revenue because the URA holds onto property indefinitely; especially property that someone is already interested in buying. Lost tax revenue from non-taxable properties increases taxes for property owners that pay taxes.

Differing Property Sale Decisions within the URA Spreadsheet

There are 23 duplicate property requests in the URA spreadsheet that were not included in Tables 8 through 12. Twenty-two (22) of the properties had some buyer requests marked as approved (yes) and some requests marked as denied (no) for the same property. One (1) of the 23 had 1 approved buyer and the other request, needed more information from the applicant for a decision to be made.

The remaining 22 properties totaled 65 duplicate requests to purchase. All 22 properties had at least one sale request approved and one sale request denied by the URA. The URA approved 35 requests and denied 30 requests. The database includes explanations as to why properties were approved or denied.

The URA explanation of all 65 property purchase requests that were approved or denied, or denied and approved, can be found in the Appendix under Exhibit E.

An example of approved and denied applications is as follows: Three (3) of the properties represented 10 requests; 5 requests to purchase were approved by the URA. None of these people purchased the property. Then at a later date, 5 requests to purchase the same property came in. The URA, for these people, denied these requests because the properties were needed for a greenway study.

The opposite situation occurred on 2 other properties with 6 requests. For 1 property, the URA denied 2 purchase requests because of a “comprehensive planning process” in Hazelwood. Then at a later date, someone else wanted to purchase the property and the URA decided to release the property to this person.

The other property also had 1 denied request because a CDC had the property on hold. Then 2 other purchase requests were made and then approved because the CDC decided to release the property to the public.

For the 2 properties with 6 requests, the first people who requested the property did so 5 months earlier and were denied. These prospective purchasers were not notified of the URA’s change in position by either the URA or the Department of Finance, Treasurer’s Office real estate staff.

Finding: When the URA changes its mind about selling a property there is no policy to inform previous prospective buyers that were denied.

Not notifying a previously interested buyer is unfair. Additionally, the City is missing an opportunity to increase the sale price through competition.

RECOMMENDATION 27:

The URA real estate staff and/or the Finance Department, Treasurer’s Office real estate staff should contact the people who initially put the request to purchase applications in for properties where the sales status changes. If the person is still interested they can become an objector creating an auction bidding situation.

Interpretation of Changing Sale Status

Changing the status of a sale for the same property can easily be misinterpreted. The sales database lists the names, addresses and proposed use of the property submitted as part of the application. It can appear as if the URA knew that person requesting the property and, by releasing the property, did them a favor. This type of behavior, whether true or not, gives the image of favoritism.

Finding: The URA (and in some cases a CDC) can change its mind on whether to approve or deny the sale of a property. Usually the reason why is under the notes section of the database.

See Recommendation 20 on page 36. For the appearance of propriety, property prices should be set without knowledge as to whom is interested in purchasing the property.

Effectiveness or Status of URA Approved Properties for Sale

The auditors wanted to see how effective the setting of the prices were from the URA. A sample of 30 properties were chosen from the 355 sales that were approved. Properties were chosen that were approved for sale by the URA in 2017, thereby giving the most time possible in the sales process. This assumes that the person who requested the property was satisfied with the price that the URA set, and went ahead with the sale.

The sample included 21 properties identified as vacant land and 9 properties as vacant structures. Also 21 of the properties were from the single requests (15 vacant lots, 6 vacant structures) and 9 of the properties had more than 1 person interested in the purchase (6 vacant lots, 3 vacant structures). The sample was then given to the Real Estate Coordinator who provided the auditors with the status of each sale. Table 15 shows the status of the URA approved property sales process in 2017.

TABLE 15

URA Approved Sales and the Outcomes after 1 Year All Property was Applied for and Approved in Mid-2017					
Status of Sale	Number of Properties	Percentage	Number of Requests	Total Cost	Average Sale Price
Offered, no sale started	22	73.33%	25	\$1,032,446.05	\$41,297.84
Sale started	4	13.33%	4	\$52,000.00	\$13,000.00
Buyer not approved*	2	6.68%	2	\$30,100.00	-
House was demolished, sale not started	1	3.33%	3	\$17,700.00	\$5,900.00
Side yard Started	1	3.33%	1	\$27,427.64	-
TOTAL	30	100.00%	35		

Source: Department of Finance/URA database

*As previously stated, vetting a buyer and finding out the sale of a property take place simultaneously. So to have a buyer not be approved for a sale can happen.

Out of the sample of 30 properties there were 35 requests. Twenty-five (25) prospective purchasers or 71% had sale approval and prices set by the URA. But the sale never ended up getting started. The reason why the sale was not started is known, it is not documented by the Department of Finance, Treasurer’s Office.

The auditors theorized that a reason sales were not started was that the URA is pricing city-owned property too high and potential buyers become disinterested in the sale. There is no conclusive evidence to prove this but the trend in the sample leads this way. The sales that were started has an average sales price of \$13,000 vs the average sale price of sales that were not started

of \$41,298. Even though this is a small sample, 73% of the approved sales were never started. This is quite high.

Finding: The possibility exists that the URA is pricing property too high for interested buyers.

The one side yard sale was of particular interest to the auditors. It is a property that is marked as a side yard sale for the price of \$27,427.64. Normally a side yard is sold for \$200. The sale was explained in the URA spreadsheet notes. The notes said: (The people wanting to purchase the property) “own the adjoining two-family structure. (It) must have deed restrictions prohibiting construction of independent structure for 15 years. (We) think market value is \$27K - maybe should be development parcel, not side yard.”

The people have chosen to go ahead and purchase the lot at that price. For the City selling the property for \$27,000 is a lot better than \$200. It appears that the lot was suitable for erecting a freestanding building.

Another property that was of interest to the auditors was on Huron Street located in the South Side Slopes neighborhood. It is a property that a developer wanted to purchase and build 3 homes on. The URA listed the property for a sell price of \$202,101.50. As of May 2019 the sale of this property was not started. In this neighborhood, the price might not be too high.

The auditors investigated the Huron St. area and found that it was beside an active playground and ball field. It was entirely wooded and in order for the developer to purchase it, the City would need to subdivide the property. The auditors noticed that notes were made in the database about dividing the property but there was no mention about notifying the neighbors that the City was putting part of their green space up for sale. It would be unfortunate if the URA decided to sell part of a neighborhood’s green space without the neighbor’s knowledge and input.

Finding: The URA evaluates property sales for the best price for the City. No one follows up to see if the sale did or did not go through. And if it didn’t sell, what was the problem or concern.

Finding: When green space areas are being priced it is unknown if the neighbors are contacted because nothing is written in the database notes.

RECOMMENDATION 28:

The URA administration and the City administration should make sure that local neighbors and the neighborhood group are notified when a request to purchase a forested green space parcel of land is made. This action should be noted in the database and should be done before the sale price is established.

RECOMMENDATION 29:

The Department of Finance, Treasurer's Office staff and/or administrators should investigate why people who requested a property did not go through on a purchase. Perhaps a renegotiated price is needed to get the property sold and paying taxes.

City-Owned Property Sales

The Department of Finance's Financial Analyst sent the auditors a spreadsheet of all city-owned property sales for 2017 and 2018. The auditors also requested 2016 city-owned property sales but were told by the Financial Analyst that the records no longer exist. The prior employee staffed at that position only left the current Financial Analyst with sale records for the last 2 years with little background information on the file.

RECOMMENDATION 30:

The Department of Finance, Treasurer's Office administration should make sure every employee has someone who is cross-trained in their position. This way more than one person knows what is going on and if that person leaves, their operational knowledge will not be lost. (This policy should be adopted throughout the City.)

The spreadsheet requested had 185 city-owned property sales in 2017 and 121 in 2018. All properties in the spreadsheet listed the property's address, lot and block number, date acquired by the City, the date the City sold the property, all tax information related to the property, and the total revenue the City generated from the sale. Each sale was also coded by the type of sale (Side yard, vacant lot, building etc.) and whether the sale was to the general public or a community group. The data in the spreadsheet did not contain any properties sold to the URA.

Current Tracking of City-Owned Property Sales

The Department of Finance, Treasurer's Office no longer keeps a database on the number of city-owned properties sold after December 2018, the type of sale (side yard, vacant lot, building etc.) sold, and what organization(s) purchased the property. The real estate manager informed the auditors that this information was being tracked by the City Controller's Office.

Finding: The City Controller's Office is not sent any information about what type of sales generate the income in the Department of Finance reports. It is only sent the amount of money deposited into the trust fund.

Finding: The Department of Finance, Treasurer's Office no longer keeps a database on any property specific information (side yards, CDC's, building, vacant lots etc.) pertaining to city-owned properties sold after December 2018.

City-Owned Properties Sold by Type of Sale

The auditors separated the properties sold to the general public and properties sold to CDC's for the years 2017 and 2018. The majority of the city-owned property sales in 2017 were to the general public (94.6%). In 2018, city-owned property sales were split 50/50 between the general public and CDC's.

TABLE 16
City-Owned Property Sales
to the General Public from 1/1/17-12/31/18

Type of Sale	Number of Properties Sold in 2017	Total Revenue Generated from Sale	Number of Properties Sold in 2018	Total Revenue Generated from Sale
Vacant Structures	7	\$45,000.97	2	\$3,300.00
Vacant Lots	28	\$150,554.64	11	\$28,850.00
Side Yards	64	\$16,266.00	47	\$47,478.00
Side Building Lot (SBL)	1	\$1,849.57	0	\$0.00
Property not Identified	75	\$258,823.51	1	\$1,000.00
TOTAL	175	\$472,494.69	61	\$80,628.00

Source: Department of Finance, 3TB revenue spreadsheet

According to the Department of Finance, there were 175 city-owned property sales to the general public in 2017. In 2018, there were 61 city-owned property sales to the general public.

Side yard sales were the most popular type of city-owned property sale to the general public in 2017 and in 2018. Sixty-four (36.57%) were side yard sales in 2017 and 47 (77.05%) were side yard sales in 2018. The type of sale was not given for seventy-five (42.85%) of the property sales in 2017 and 1(1.64%) property sale in 2018.

TABLE 17
City-Owned Property (Property Reserve) Sales
to CDCs from 1/1/17-12/31/18

Type of Sale	Number of Properties Sold in 2017	Total Revenue Generated from Sale	Number of Properties Sold in 2018	Total Revenue Generated from Sale
Vacant Structures	4	\$10,544.12	38	\$107,454.55
Vacant Lots	4	\$5,509.44	19	\$44,148.49
Reserve	2	\$5,056.92	4	\$9,857.56
TOTAL	10	\$21,110.48	61	\$161,460.60

Source: Department of Finance, 3TB revenue spreadsheet

Errors in the City-Owned Property Sales 3TB Revenue Database

The Department of Finance, Treasurer’s Office did not code 76 properties by “sale type” in the city-owned property sale database. Seventy-five (40.54%) properties were not coded in 2017 and 1(0.62%) property in 2018 was not coded.

There were 3 (1.62%) properties in 2017 and 4 (3.31%) properties in 2018 in the entire database that had sale codes the auditors were unable to identify. These were the Side Building Lot “SBL” code and “Reserve” code.

It should be noted that all information received by the auditors was done by the Financial Analyst that no longer works in the Department of Finance. The current employee at the position was unable to provide answers on the previous employees work.

Finding: The Department of Finance, Treasurer’s Office city-owned property sale database for 2017 and 2018 appears to be incomplete.

RECOMMENDATION 31:

The Department of Finance, Treasurer’s Office administration should keep a file on hand of all past city-owned property sales. All property sales should be coded by type of sale (side yard, vacant lot, building etc.) and record what organization, authority or person purchased the property (URA, CDC or private individual).

Money Deposited in the 3TB Trust Fund

The City Controller’s Office keeps track of all revenues and expenditures in the City of Pittsburgh. The auditors asked for the amount of money deposited into the 3TB Trust Fund in 2016, 2017 and 2018. The money in the 3TB Trust Fund is not necessarily property sales. The money can be from deposits for a pending sale, forfeited deposits or forfeited initial payments, actual sales monies, reimbursements for advertising and other closing costs and leases from side yards and other buildings. Table 18 shows the dollar amounts that were deposited in the 3TB Trust Fund for the years 2016, 2017 and 2018.

TABLE 18

Money Deposited into the 3 Taxing Bodies (3TB) Trust Fund in 2016, 2017 and 2018	
Year	Amount Deposited
2016	\$3,292,345.85
2017	\$371,172.72
2018	\$526,961.52
TOTAL	\$4,190,480.09

Source: City Controller’s Office

A Strategy for the Department of Finance to Sell City-Owned Property

With all property sales, the City should have only one objective, getting the property back on the tax rolls. However URA staff and City real estate staff stated that the City has other concerns. The City wants to know: who is buying the property, a developer or a private individual? What are the plans for the property? What does the neighborhood group think about these plans, or the people buying the property? Will the property be rented or a personal residence?

It is understandable that neighborhood groups want to see personal home ownership increase and reduce the number of rental properties. Absentee landlords can be negligent in the care of their building. These concerns take time to communicate and document. It can also stop a lot of property development as well as increase the time to purchase the property.

The Department of Finance, Treasurer's Office has a large inventory of city-owned property available for sale. As of March 2019 the *e-properties plus* website lists 2,014 properties available. As stated on page 2 of this audit, since 2010, the City does not acquire a property just because it is tax delinquent; someone or some organization has to want the property for the City to acquire it at a Treasurer's Sale. Supposedly the 2,014 properties now available on *e-properties plus*, were acquired by the City because someone was interested in purchasing the property. However for whatever reason the properties have not been sold. Possibly other buyers would be interested if the purchasing process was streamlined.

Finding: The City does not advertise the sales process anywhere but on the website.

It is in the City's best interest to sell its property for the greatest amount of money possible. The best way to do this is through public auctions. The City should have auctions to sell city owned inventory. Through public auctioning of city owned properties the purchasing process would be much faster. The logical concern would be that the big development companies would outbid the individuals. But a well-organized auction should stop this.

Most home sales close in 2 to 3 months. Some neighborhoods have restrictions on the purchase of the property. For instance, if you are building, there are likely limits on the homes size, shape or height. Other areas restrict the kind of pets one can have. The City could auction off property with specific limitations; this would ease concerns of the neighbors and CDC.

The auction process itself can be organized to control the end project. For example, only first time homeowners or private individuals would be allowed to bid at the initial auction which could involve renovating homes or building on vacant land. Prospective owners must sign an agreement to do whatever the city wants done with that property. Time limits can also be imposed; e.g. 2 years to be completed.

An auction for developing certain parcels could be held. Suggestion use of the property could be made. The market and public interest would decide the price. Auction prices should start at the same price the city sells property to the URA. City-owned vacant property is sold to the URA for \$2,200 and structures are sold to the URA for \$5,000. The City could even require

minimum prices to be met for certain property or the sale of the property will be withdrawn. Ideally the City would benefit with 2 or more people wanting the same property

RECOMMENDATION 32:

The Department of Finance, Treasurer's Office administration should hold an auction quarterly in City Council Chambers to help shrink inventory and get the properties back on the tax rolls. The auction would also help speed up the buying process and allow more potential buyers to bid on properties by eliminating the need for the URA to set a price and approve the sale first.

RECOMMENDATION 33:

The City administration should advertised these auctions with a comprehensive campaign of newspaper/online media, internet and television so as many people as possible could participate. Prospective buyers attending the auction must sign a disclosure form stating that they are aware that any outstanding taxes, water and sewage, and building violations on all personally owned property must be paid within 60 days of the sale date or their money will be forfeited and the sale of the property will go to the next highest bidder. In this way all participates will know that they must become an approved buyer.

Verifying after the sale that all the buyers' property is current without any violations, is how the vetting process happens when a property is bought at the Treasurer's sale. To do the same in an open auction situation should not be a problem.

RECOMMENDATION 34:

The City of Pittsburgh administration needs to provide the Department of Finance, Treasurer's Office Property Sales, additional and experienced staff to do a better job. Real estate professionals experienced in property sales know that the greatest harm to property is time passing without ownership and occupancy.

City-Owned Properties that are (to be) Transfers to URA

While conducting this audit, the auditors noticed that a lot of city-owned property is on hold to the URA for future development projects. These are properties that are still deeded to the City but will be transferred to the URA when they need them for a project.

The auditors wanted to find out the total number of city-owned properties that were to be transfers to the URA. A spreadsheet was requested from the Department of Finance Treasurer's Office with this information.

A spreadsheet listing all city-owned property on hold for the URA was given to the auditors. This spreadsheet listed 2,850 city-owned properties of which 439 had a building on it, 2,400 were vacant land and 11 were listed as not classified.

Finding: There are more city-owned properties on hold for future sale to the URA than the number of properties available for sale to the public on the city's *e-properties plus* website.

According to the Real Estate Director of the URA, "The URA currently owns approximately 1,530 properties. Not all are developable plots of land, we own portions or roads and alleys that were not fully dedicated to the City, some air rights, and some that are covered by rail road rights of way." It is unknown if this total includes the 268 properties that the URA has for sale on their *e-properties plus* website.

Finding: The list of property the City has on hold for the URA is in addition to the property already owned by the URA.

Properties (to be) transfers to URA by Council District

The 2,850 city-owned properties transfers to the URA were grouped together by City Council district and then by City Neighborhood. Some neighborhoods contain more than one council districts.

Council district 9 contained the highest amount of properties (to be) transfers to the URA with 1,392 properties, almost half or 48.84%. Council district 9 consists of the following neighborhoods: East Hills, Garfield, Homewood North, Homewood South, Homewood West, Larimer, Lincoln-Lemington, and Point Breeze North.

The next highest number of properties being held for the URA are in council district 6 with 786 properties or 27.58%. Council district 6 includes Downtown Business District, Uptown, the Hill District, parts of West and South Oakland, and the historic Northside. Table 19 lists all the districts in order of highest number of properties held for URA to the lowest number.

TABLE 19

Property Held for the URA by Council District Most to Least		
Council District	Number of Properties	%
9	1,392	48.84%
6	786	27.58%
3	286	10.04%
5	274	9.61%
2	65	2.28%
7	30	1.05%
1	12	0.42%
4	5	0.18%
TOTAL	2,850	100.00%

Source: Department of Finance

Properties (to be) Transfers to URA by City Neighborhood

Five neighborhoods accounted for 58.88% (1,678 properties) of the total number of City properties on hold for URA. The 5 neighborhoods and the total number of properties in each neighborhood were: Larimer (589), Middle Hill (310), Homewood South (287), Hazelwood (269), and Homewood North (223). A complete breakdown of the number of properties the City has on hold by neighborhood is in the Appendix as Exhibit F.

Time Analysis for City-Owned Properties that are on Hold for the URA

The auditors wanted to see how long the City has been holding onto the 2,850 properties (to be) transfers to the URA.

A time analysis was done from the city acquisition date listed on the spreadsheet until 12/31/18. The auditors had to research the date of sale for 11 properties on the Allegheny County Real Estate Portal because the acquisition date was missing on the spreadsheet. While researching the 11 properties, the auditors found 4 of the parcels no longer exist and 1 is currently deeded to the URA. All 5 of these properties were eliminated from the time analysis bringing the total number of properties analyzed to 2,845.

Table 20 shows that out of the 2,845 city-owned properties on hold for the URA, 1,840 or 64.67% were acquired by the City between 1 and 7 years. A total of 540 or 18.98% have been on hold, by the City, for the URA, for 7 years with 74 properties or 2.74% on hold for over 50 years.

Finding: The City is holding onto property for the URA for many, many years with no development made to the property.

Having all these properties in the City’s name for years with no timetable as to when the property will be purchased and developed by the URA is costing the city money. These properties could potentially be sold to the public at a faster rate and back on the tax rolls. Table 20 shows the number of months and years the City has owned the property that are (to be) transferred to the URA.

RECOMMENDATION 35:

The Department of Finance, Treasurer’s Office administration needs to be more accountable and produce monthly reports to City Council and the Mayor about how long city-owned property has been sitting in inventory for future URA development projects. The length of time that property is held by a CDC’s should also be documented.

TABLE 20

The Number of Months and Years the City has Owned Property that are (to be) Transfers to the URA				
MONTHS	< or =	# of Properties	%	Cm* %
0-12 months	1 years	226	7.94%	7.93%
13-24-months	2 years	199	6.99%	14.94%
25-36 months	3 years	316	11.11%	26.05%
37-48 months	4 years	138	4.85%	30.90%
49-60 months	5 years	47	1.65%	32.55%
61-72 months	6 years	374	13.15%	45.69%
71-84 months	7 years	540	18.98%	64.67%
85-96 months	8 years	189	6.64%	71.32%
97-108 months	9 years	19	0.67%	71.99%
109--120 months	10 years	223	7.84%	79.82%
121-180 months	15 years	62	2.18%	82.00%
181-240 months	20 years	11	0.39%	82.39%
241-300 months	25 years	48	1.69%	84.08%
301-360 months	30 years	109	3.83%	87.91%
361-420 months	35 years	103	3.62%	91.53%
421-480 months	40 years	52	1.83%	93.36%
481-540 months	45 years	37	1.30%	94.66%
541- 600 months	50 years	74	2.60%	97.26%
over 50 years		78	2.74%	100.00%
TOTAL		2,845	100.00%	

Source: Department of Finance

*Cumulative

RECOMMENDATION 36:

City Council and the City's Administration need to intervene with the URA and limit the amount of years and reasons why properties are being held. Holding onto property for years does not generate revenue and is not in the City's best interest. It is one of the reasons developers are refused the right to purchase property from CDC's and members of Council. "Why is the URA holding onto property for years?" is a reasonable question that should be answered.

Spreadsheet Comparison: Request to Purchase Property vs City of Pgh Transfer to URA

The URA spreadsheet with the Department of Finance, Treasurer's Office had 371 properties that were requested for purchase but denied by the URA for various reasons as explained earlier in the audit. (Reasons for denial can be found on pages 41-46 and the explanation of the sample selection is on page 49.) The auditors wanted to see if all 371 properties were also listed on the URA transfer property spreadsheet.

The lot and block number for all 371 denied property requests were matched against the lot and block numbers listed on the Department of Finances' spreadsheet of property to be transferred to the URA. The auditors found that 169 or 45.55% of the 371 denied property requests were on the spreadsheet that the Department of Finance has on hold for the URA. The other 202 or 54.45% could not be found on the spreadsheet of properties being held for the URA.

This means that while considering setting a sale price for a property, the URA decided to hold onto the property instead of selling it. It was not on hold before the request to purchase was submitted. Because the URA does not have to explain its actions the property is just taken off the market. Also, because there is no time limit on how long the URA can hold a property, the property that someone was interested in purchasing and willing to pay taxes on, may be held in limbo forever.

This is another example why Recommendations 37 and 38, on pages 61 and 62, should be followed.

Finding: The URA holds onto properties without a specific development plan in mind.

Explanation of Expanding Performance Audit Scope

This performance audit of the Department of Finance, Treasurer's Office real estate section began with an investigation of City property acquisition and sales. When it was discovered that the URA was responsible for the pricing of City property, it logically followed that the many aspects of the URA's involvement with City real estate also needed audited. During the course of auditing the URA and their involvement with City real estate, the auditors learned that the URA staff was being shared with the Pittsburgh Land Bank (PLB). The PLB was created in 2014 and is to be a quicker way for City residents to buy property. With this knowledge the auditors believed that they would be remiss to not explore the PLB's role in property acquisition and sales and how it relates to what

is happening with the Department of Finance, Treasurer's Office Division, real estate duties and responsibilities.

The Pittsburgh Land Bank

Another option available to purchase city property is through the Pittsburgh Land Bank (PLB). The Pittsburgh Land Bank was created in the spring of 2014. According to the Land Bank Ordinance, the PLB goal is to "return unproductive real property to beneficial reuse through an equitable, transparent, public process, thereby revitalizing neighborhoods in line with community goals and needs". According to their website, the PLB strives not to be a long term property holder without an end use or user.

Staffing

The PLB is governed by 9 board members: 3 appointed by the Mayor, 3 members appointed by city council that represent the city districts with the most tax delinquent properties and vacant land, and 3 members elected by a majority vote of the first 6 board members.

The URA acts as the "Land Bank Administrator" as per a Memorandum of Agreement between the PLB and URA." They provide all staffing, job duties and functions for the PLB. Some of these include acquiring/disposing property, entering into contracts, and financing of all PLB operations.

The PLB compensates the URA for the use of their staff and facilities. The PLB board votes on the amount of compensation. The PLB can raise money by borrowing from a bank, issuing bonds or receiving grants.

Finding: The same staff that sets the city-owned property prices is the same staff working for the URA and the PLB.

Acquiring Property

The PLB will acquire residential structures, vacant land, side yards and commercial properties if they feel the property will improve neighborhood conditions, will support public infrastructure or is needed for green space development. The PLB will also acquire properties if they have a qualified buyer that is committed to returning the property to productive use but title issues prevent the property from being developed.

Pittsburgh Land Bank acquires properties through judicial and non-judicial (City Treasurer's Sale) tax enforcement proceedings, donations, and through transfers. Transfers are accepted from the City, URA, City School District, County, Pittsburgh Housing Authority, other municipalities, or any public or private entity or person upon terms agreed between both parties.

According to the Land Bank Act, the PLB has the power to expedite quiet title and extinguish all tax liens and municipal claims on all properties they acquire.

Finding: The PLB is a duplication of the Finance Departments, Treasurer’s Office property acquisition and dispositions function as well as the URA development strategies function.

Finding: The greatest advantage of the PLB is that they can extinguish delinquent claims of taxes and liens on any property they acquire.

Disposing of Property

Potential property end-users can look up all PLB properties “available for sale” on their website under the “inventory” section. Properties are listed in an excel spreadsheet. As of 6/6/2019, the spreadsheet only has one property listed.

According to an article in the Pittsburgh Post-Gazette dated August 20, 2018 titled “Pittsburgh Land Bank Sale Process Questioned” the PLB was attempting to sell their first property. Neighbors objected because they were not informed and that the plan was shortsighted. Instead of a comprehensive plan taking into consideration other vacant property (e.g. a vacated church) the PLB was allowing one couple to take over a 10,000 square foot vacant lot for a modular home. The same property in the article is the same property still listed for sale on the PLB website, so the sale has not happened yet.

Finding: The PLB has been in existence for 5 years and has yet to sell a property.

Becoming an Approved End User

To purchase a PLB property, you first have to become an approved end user by filling out a property transfer application on www.pghlandbank.org.

Becoming an approved end user means that they own property that is not tax delinquent, has no unpaid citations/violations, no judgement in a tax foreclosure within last 5 years, and does not have a delinquent water account with PWSA.

Finding: Becoming a PLB approved end user is the same as becoming a vetted approved buyer with the Department of Finance, Treasurer’s Office. The only difference is that you must not have a judgement in a tax foreclosure within the last 5 years.

Finding: The same individuals in the URA that set city-owned property sale prices and who determine which properties to sell or not to sell, are the same people working for the PLB.

Online Applications

There is an application on the PLB website to get the PLB to investigate a property for acquisition. There is no application on the website if someone wants to acquire a property that the PLB already owns.

Finding: There is no application online to purchase already owned PLB property. Nor is there an application online to file an objection.

RECOMMENDATION 37:

The PLB administration needs to update its website to include an application to purchase property.

How the Pittsburgh Land Bank Determines the Property End User

PLB can determine if they want to sell/or not sell to an individual who requested a property. An application is only selected if PLB feels the future land use is consistent with neighborhood plans and the goals of the community.

According to the PLB policy and procedures manual, the general consideration for property disposals are:

1. The investment furthers neighborhood plan
2. Elimination of blight in neighborhoods
3. Where unrestricted dollars can bridge funding gaps to stabilize neighborhoods and preserve property values
4. The investment will support mixed-income development
5. The investment will leverage funds from existing federal, state, or local housing programs

The PLB will consult with community groups in the neighborhood, the council member representing the area, and Department of City Planning to make sure the proposed property usage is consistent with community goals.

Finding: PLB does not use the highest bidder when selecting the final end user of the property available for acquisition. Awarding property is based on neighborhood improvement and usage.

Finding: The Land Bank's property end user selection process eliminates potential buyers that would likely sit on, not develop, or improve the land.

Finding: The Land Bank property end user selection process is based on the discretion and opinions of the selection committee. This could possibly lead to political favoritism or awarding property to people they know.

Posting of Sold Property

Once PLB has selected an end user, they will post the name of the person, the consideration, and proposed use of the property in detail on the PLB website at least 30 days prior to the sales agreement. Also a sign will be posted on the property 30 days prior to the sales agreement. Other interested buyers can object to the sale by filing a petition to the sale within 20 days of the posting online/sign on property.

A neighborhood public hearing with the PLB will be held if the petition has 15 or more signatures. During the hearing, the people wanting the property will present their plan and then the board of directors will vote on who gets to purchase the property. The person who gets 2/3rds of the vote wins.

The PLB will accept property transfer applications on an individual property until a sales agreement is made with the selected buyer or property end user.

The PLB is working city wide with local neighborhood groups to do what is best for the neighborhood. The URA and the City has been attempting to do this for years. It is important to remember that neighborhood groups are volunteers and they usually only represent a handful of neighbors.

Other Concerns

Over the years there have been many reasons for the decline of housing in Pittsburgh's neighborhoods. Vacant houses cause city neighborhoods to become susceptible to criminal activity and undesirable living conditions. The more you demolish housing and create vacant parcels of land in a neighborhood the more no one wants to live nearby. So people leave, causing the neighborhood to continue to deteriorate and decrease in value. This is a vicious cycle that happens in a lot of cities not just Pittsburgh.

RECOMMENDATION 38:

The PLB administrators should work with Permits Licenses and Inspections (PLI) to gather all information on vacant and condemned buildings as well as buildings scheduled for demolition. Any building scheduled for demolition or condemned, should have an independent assessment from a licensed contractor, before the demolition is finalized. Once an independent assessment is made, and if it is determined that the property can be saved, the property should be immediately sold to interested people and contractors so restoration can begin. Saving these properties, getting them occupied and paying taxes should be a top priority.

RECOMMENDATION 39:

The PLB, the URA with the City administrations should advertise for contractors that have the skills, time and the interest to rehabilitate these type of homes. Grants (up to 80% of the renovation costs) should be made available to these contractors for home restoration if they agree to provide affordable housing rents for a minimum of 20 years. The greatest hold up for some contractors is the upfront money needed to start a project. Grant money could be fronted in the form of a credit card for the project. This could also be offered to individuals who want to renovate and live in the home.

Affordable Housing

One of the main goals of the PLB is to promote and increase affordable housing. However, no grant programs exist for people who would be willing to fix up vacated property and then turn the property into affordable housing. This type of small time piece by piece development could get many more people involved and accelerate getting parcels back on the tax rolls. In addition, some individuals like to fix up homes as a side job; it is a hobby.

Finding: Vacant and deserted homes are perfect targets for remodeling efforts that would result in affordable housing.

Gifted Properties

The City Controller's performance audit from 2011 titled: Department Of Finance, Real Estate Division, Property Acquisition and Disposition, had statistics of properties that were gifted to the City. Current real estate staff stated that this no longer happens because the City does not want to accumulate more property even if someone says that they are interested in purchasing the property. Sometimes people will say they are interested in a property to purchase and then change their mind.

For a variety of reasons home owners and/or heirs don't want their property. Whatever the reason, when the property is not wanted, it will just sit there accumulating back taxes and outstanding water and sewage bills until the place is so deteriorated that the City and the neighbors want it demolished. When this happens all that will be left is a vacant lot and the City loses more taxable property. This should be and can be stopped with a coordinated effort and a progressive plan from the PLB.

The homeowner, or attorneys in charge of the estate or even children who can't or won't assume the responsibility of the property would be happy to give the property to an organization to take it off their hands. The PLB could clear the title of the home and proceed to get it sold to individuals or contractors.

RECOMMENDATION 40:

The PLB board and administrators should concentrate their efforts on accepting property gifts from individuals, estates and attorneys so they can be sold and get them back on the tax rolls. Usually these are homes that no one will object to remaining a home. Title should be cleared and an auction held to sell the property. (Successful bidders could be vetted before the deed is transferred.)

RECOMMENDATION 41:

In some cases the PLB administrators could partner with Habitat for Humanity to help low income families achieve the home of their dreams; or a grant program (for contractors willing to donate their time for a tax deduction) can be established to help a low income family remodel and repair the home. The PLB administration should be as creative as need be to keep the home occupied and viable.

RECOMMENDATION 42:

The PLB administration should keep a list of contractors, low income families, others with skills and others in need that are willing to participate if the PLB adopts these suggested plans of action.

Purchase of a Home by the City's Real Estate Manager in 2017

In 2017 the City's Real Estate Manager purchased a home for \$2,500. Criticism erupted when it turned out that 2 other people were interested in the same property; they also had a request to purchase in with the City. The real estate division was accused of giving preferential treatment to the manager to not only expedite the purchasing process but to eliminate competition. There was also concern that the purchase conflicted with the city's ethics code for employees.

The following is a summary and timeline of what transpired in the City's Department of Finance, Treasurer's Office division of procurement and acquisition for this purchase. All documentation was provided by the Finance Department. The auditors used the Real Estate's Request to Purchase database from 1/1/16 to 12/31/17:

- The City's real estate manager was interested in purchasing a tax delinquent property on Suburban Street in Beechview and submitted an application to become an approved buyer on 1/13/16. As a tax delinquent property, the request was to have the property put into the Treasurer's sale.
- The manager became an approved buyer in 96 days for this property on 4/18/16.
- He also submitted an application to purchase a 2nd property on the same street on 4/4/16. He was approved in 14 days on 4/18/16.

Finding: According to Table 3 on page 13 of this audit, the real estate manager was part of 9.51% of the people who became an approved buyer within 91 to 120 days in 2016.

- Preparation began to have these 2 Beechview properties taken by Treasurer's Sale.
- Sometime in June 2016, the Suburban St. property owner came forward and paid his back taxes in full. The property was no longer eligible for the Treasurer's Sale so it was withdrawn.

- The real estate manager then became aware of 1103 Tropical Avenue, in the city's Beechview neighborhood. This property was immediately available for purchase because the City had acquired it in the August 2015 Treasurer's Sale.

A property is only placed in the Treasurer's Sale upon a request to purchase. It must be tax delinquent for at least a year and exceed \$300.00 in delinquent tax. The auditors wanted to see who requested the property to be put in a Treasurer's Sale. The records showed that the requesting party was CC04. No one knows who this was. Also provided was documentation that the 1103 Tropical Avenue property was tax delinquent since 2009.

- The Treasurer's Sale for the Tropical Avenue property is well documented. Notice of the Tax Sale (Treasurer's Sale) was posted on the property on 7/20/15.

Finding: A photo of the property notice for Tropical Avenue showed that the notice, because of shrubbery and distance, could not be seen from the street. See Recommendation 5 on page 17.

- The auditors verified that the property was advertised for sale in the Tribune Review and Legal Journal on 7/29/15 and 8/5/15. Upset price was \$12,114.59. No one bought the property at the 8/14/15 Treasurer's Sale therefore the Tropical Avenue property was deeded to the City.
- The Tropical Avenue property was deeded to the City dated January 26, 2016.
- The real estate manager's inquiry about purchasing 1103 Tropical Avenue was not found on the Request to Purchase database. At this time, **the policy was that once you were an approved buyer, you were approved for a year** and you did not need to resubmit another application to purchase another property.
- Because the City already owned 1103 Tropical Avenue, the manager did not need to put in a request to have it put into a Treasurer's Sale.
- No documentation was available as to when the manager became interested in the Tropical Avenue property.
- On 8/9/16 the real estate manager set the price for the property he was interested in at \$2,500. The auditors received a copy of the Property Value Worksheet, prepared by the real estate manager with a final opinion of the sale price at \$2,500. The worksheet, completed by the real estate manager, showed that comparable property was priced at \$.60 a square foot and that the Allegheny County assessment was for \$102,600. However no comparable properties were listed.
- No other signature was required to set or approve the price.
- The same day, 8/9/16, the real estate manager emailed another real estate employee that the property had been priced and a Letter of Approval was needed.
- On 8/10/16 a form letter stating that he was approved to purchase the property for \$2,500 was sent. The letter also states that "This sale will begin upon receipt of \$250 in hand money" then a sales agreement will be signed and the proposal will be submitted to City Council for approval.

Finding: The real estate manager, after setting the price of the property he wanted to purchase at \$2,500 on 8/9/16, emailed another finance employee for a Letter of Approval. The Letter of Approval was dated 8/10/16, the following day.

The auditors reviewed all resolutions approved by City Council under Act 171 of 1984, entitled “Second Class City Treasurer Sale and Collection Act” for the years 2016 and 2017. In the 2 years that were reviewed, there were no city-owned buildings or vacant lots sold that were located in Beechview; so city-sale comparables for the Tropical Avenue property from the same time period were not available.

- On 8/17/16, the 2 other individuals that were interested in purchasing 1103 Tropical Avenue applied to become approved buyers.
- Individual #1 became an approved buyer on 4/17/17; individual #2 was first denied on 3/17/17 as an approved buyer and then became approved on 4/17/17. It took 243 days for these 2 individuals to become approved buyers.

No one crosschecked to see if the property was already being requested by someone else. At this time IT WAS JUST NOT DONE for any property requested. If real estate had checked, when these 2 individuals first applied for the Tropical Avenue property, the individuals would have been notified to become objectors to the sale. Then the sale would have been on hold until they became approved buyers. Then the property would have then gone to auction.

Finding: According to Table 3 on page 13 of this audit, these 2 individuals were part of 18.54% of the people who became approved buyers within 241 to 270 days in 2016. This time frame had the second highest number of people approved in 2016.

- The real estate manager signed the Treasurer’s Sale Proposal to Purchase on 10/5/2016. It was accompanied by a cashier’s check from PNC in the amount of \$250, made out to the Department of Finance. The Proposal to Purchase had the real estate manager signed as a buyer and as the real estate manager. The Director of Finance and the City Treasurer also signed the proposal so they both had an opportunity to review the document.

Finding: The real estate manager signed, as required, the Proposal to Purchase paperwork as the buyer and as the real estate manager. The document was also signed by the Director of Finance and the City Treasurer.

- On 11/2/16 the real estate manager was sent a letter saying that his purchase was approved by City Council and that the manager must now purchase an insurable title report from a qualified Title Search Company. The title report must be sent to the Law Department. The letter stated that the sales process does not move forward until the report is received.
- The auditors received a certified copy of the City Council resolution number 781, File number 2016-0945 approving the sale of 23 parcels of land including the real estate manager’s property on Tropical Avenue. The resolution was passed by council on 12/20/16 and approved by the mayor on 12/29/16 which is also the effective date. The resolution was certified on 12/30/16.

- Also in a 12/20/16 resolution, Council authorized the City Solicitor to petition the Court of Common Pleas. This was a Petition to Quiet Tax Title and when signed by the court the property's title will be cleared of all liens and encumbrances.
- On 2/24/17 Petition to Quiet Tax Title and approval of sale was filed, in the Court of Common Pleas.
- On 3/13/17 a copy of a Post-Gazette advertisement stating that an Action to Quiet Title for 1103 Tropical Avenue was published. It was advertised with the property description, location and price. This gave anyone who had interest in the property 30 days to object.
- An Order of the Court petition was sent to parties of interest (people with liens against the property). It was dated 3/7/17.
- On 5/23/17, an order by the common pleas court for clear tax title was made because "no objection has been filed to the Petition to Quiet Tax Title within the 30 day period . . . " with this order the title was cleared.

Finding: Up until the signing of the Order of Court for a quiet title, any approved buyers could have filed an objection to the purchase. (Real estate staff has stated that if the objector wasn't approved the sale would have been put on hold until they were approved.)

On 4/17/17 the 2 other individuals who made a request to purchase 1103 Tropical Avenue property became approved buyers. There was still plenty of time for them to object to the sale if anyone from real estate would have informed them about doing that. These 2 individuals did not object to the sale so the assumption is that no one told them about it. At the time it was not the policy of real estate to cross check addresses and notify potential buyers. Also, these 2 individuals did not file an objection to the sale after public notice was advertised in the newspaper and Legal Journal on 3/13/17.

- On 6/1/17 a letter was sent to the title insurance company. It was a notice of executed deed for the property at 1103 Tropical Avenue. The notice stated that a certified check made out to the Director of Finance was to be sent to the city for \$2,250.
- On 4/13/18 a certified check in the amount of \$2,250 was sent to the City by the title insurance company. It was payable to the director of the Department of Finance.
- Letter from Department of Finance, Office of the Treasurer dated April 17, 2018 stating that a receipt of \$2,250.00, the balance due for 1103 Tropical Avenue was paid.
- On 5/2/18 the check for \$2,250 was deposited.

Finding: The manager applied for property on 1/13/16 and he received the deed to 1103 Tropical Avenue on April 16, 2018. It took the City 28 months to deed the property to the real estate manager.

Finding: At the time of the real estate manager's interest and purchase in the Tropical Avenue property, the Finance Department did not cross reference the names of people interested in the same property. This was not their practice.

Areas of Concern

The areas of concern are numerous in the purchase of the Tropical Avenue property by the real estate manager.

The first concern is that the manager himself set the price of the property he was interested in purchasing. This should never have been permitted and an impartial person should have set the price. It is very hard to be impartial for yourself. There were a lack of comparable sales in the area of the property, so setting the price had to be a best guess based on his experience. No matter what price was set, it would be suspect in this scenario.

Second, the real estate manager signed the Proposal to Purchase as both the buyer and the manager of Real Estate. This is what the paperwork required, as well as the signature of the Treasurer and the Director of the Finance Department. Everyone signed and no one questioned it at the time. This might have been overlooked given the amount of papers that the Treasurer and Director have to sign. However, it gives a poor impression of the internal controls in the Finance Department.

Third, the Department of Finance, Treasurer's Office does not have a written policy to limit real estate employees' actions when they go to purchase any city-owned property. Purchasing city property as a city employee is not illegal or unethical.

RECOMMENDATION 43:

The Department of Finance, Treasurer's Office administration needs to have a written policy explaining job limitations for real estate employees when they purchase tax-delinquent property or city-owned property. The policy should state that any employee cannot be involved in any official capacity for property they want to purchase. This would include vetting themselves, setting a property's price or signing as an agent of the department. Another real estate employee would have to take over that job responsibility.

The fourth concern is that the Finance Department should have been aware that multiple people had requested purchasing the same property. The objective of real estate sales is not only to sell the property, but to sell it for the most money for the City. This was completely overlooked when Tropical Avenue was sold. This was a Finance Department flaw.

It was outside the scope of this audit to see how many, if any, other properties were not cross-referenced so objections to a sale could be filed.

Currently, the address on the Request to Purchase application is checked for a duplicate request to purchase in the database. If the request is a duplicate, then a letter is sent explaining that, someone else was first in requesting the property. The letter also explains that once vetted, the duplicate applicant will need to file as an objector to the sale if they are still interested in the property.

A fifth area of concern is if the real estate manager received preferential treatment for the purchasing of Tropical Avenue in Beechview. Certainly emailing fellow real estate employees about needing a Letter of Approval on the property and receiving a Letter of Approval dated the next day is an advantage not shared by the public. But all that did was allow the manager to put down \$250 in hand money and sign the sales agreement a little early. City Council approval was still needed.

The auditors looked at the overall processing time from when the manager applied to be vetted to receiving a deed. There was no documentation between the time the real estate manager became an approved buyer (4/18/16) to when he set the Tropical Avenue price (8/9/16); this was almost 4 months. To be fair in the analysis these 4 months were deducted from the overall time frame.

The manager's vetting application was dated 1/13/16 with the balance paid for the Tropical Avenue property on 4/17/18. This would be 28 months. Subtract those 4 undocumented months and the processing time is 24 months. The Department of Finance, Treasurer's Office Procedures for Purchasing Property through Court Auction Sales paperwork states that the process takes 12 to 15 months.

At first appearance it looks like the process took longer for the real estate manager. (24 months.) However, from the date of his application, 1/13/16, to the date the letter was sent stating that the deed was prepared and a final payment needed to be made, 6/1/17, the time lapse is 17 months. If payment is made within 30 days that would add an extra month or 18 months. Subtract those 4 undocumented months and the processing time is 14 months. This is within the time frame that is on the Procedures instruction sheet. (12 to 15 months)

Finding: The time it took the real estate manager to receive a deed to the Tropical Avenue property was not any faster than the advertised time frames given on the Finance Departments, Treasurer's Office website.

Also written on Procedures for Purchasing Property through Court Auction Sales, is the following:

The buyer and Title Company will be notified by letter that the deed is ready for delivery. Buyer is required to pay the balance within thirty (30) days of the date of notification.

In the event the successful bidder defaults, the City shall have the option to:

- A. Offer the property to the next highest bidder(s) at their auction price(s). Said offer shall be made to other bidders in bid order, And/or
- B. Request that the Law Department present an order to court clearing title into the name of the City. If such order is approved, the property will then be sold by sealed bid.

FAILURE TO COMPLY WITH THESE PROCEDURES WILL RESULT IN THE CANCELLATION OF THE SALE AND THE FORFEITURE OF THE HAND MONEY. (Bold NOT added)

According to the Procedures instructions, purchasers have 30 days to pay the balance for the property once “notified by letter that the deed is ready for delivery”. The letter sent to the real estate manager’s title insurance company and himself is dated 6/1/17. The paperwork shows that the actual balance of \$2,250 was paid on 5/2/18; a little over 10 months from that letter.

The auditors emailed the Finance Department administration and asked why this procedure was not followed. They responded that the 30 day pay in full requirement hasn’t been enforced for over 10 years. Interviews with real estate staff stated that there are numerous properties on hold waiting for final payment to be received. Examples were requested.

Real estate staff produced several properties where the letter was sent informing the buyer that the deed was prepared, and in order to complete the purchase, final payment had to be made. Some letters were over 8 years old and final payment had not been made. Letters were also sent to these people as reminders but no one had responded.

Real Estate staff explained that until the purchase is finalized, the address remains on the *e-properties plus* website. If someone else comes along that wants the property that is on hold, real estate will start the process to terminate that person’s interest so the new person can purchase it.

Explanations as to why the purchase was never completed vary. The buyer could have forgotten about the property because it is a very long process. Money could have become an issue, or plans in general change. In all cases, if the purchase is not completed, the deposit money is forfeited.

Finding: Properties remain on the *e-properties plus* website until the purchase is complete.

Finding: The 30 day to pay requirement, found on the Finance Department’s Procedures for Purchasing Property through Court Auction Sales Sheet, is not followed.

Finding: The letter informing the buyer and the title insurance company that the deed has been executed and that the rest of the payment is due, does not contain any language that payment must be made within 30 days.

Finding: Ideally the sooner the purchase is completed the better for the City.

RECOMMENDATION 44:

The Department of Finance, Treasurer’s Office administration needs to get in touch with I&P and have the 30 day requirement removed from the instructions titled Procedures for Purchasing Property through Court Auction Sales. This may (or may not) help more people purchase property when they know they have more time to come up with all their purchase money.

The correction will let everyone know there is not a specific time frame for final payment and make the process fair for everyone.

Price of Sales Around Tropical Avenue

The auditors attempted to find comparables properties to 1103 Tropical Avenue in the 19th Ward. The immediate neighborhood is a fairly isolated area with side roads as dead ends, steep hillsides and greenways. The area also promotes homes being transferred to family members for \$1. The house itself is one of the oldest and largest parcels of land in the neighborhood. Given these limitations it was very hard to find a comparable home for this property. The auditors found 3 recent sales that most closely resembled the Tropical purchase. These were newer homes with smaller lots and sold for \$120,000 (2017), \$135,000 (2014) and \$60,000(2016).

Initial conversations with the real estate manager stated that the entire inside of the house needed to be remodeled including plumbing, wiring etc. The auditors asked to see the inside to verify these conditions but were denied access.

Inspection of city-owned property for prospective buyers is completed with the real estate manager and another person from the finance department. The auditors interviewed the person who inspected the Tropical Avenue house with the real estate manager and asked what he remembered about the condition of the house. All this individual remembered was that it needed work but none of the plumbing and wiring was exposed.

City of Pittsburgh Ethics Code

According to the City's Ethics Code Handbook, the City's Ethics Code was established to promote public confidence in city government operations and to pledge responsible conduct of public officials and City of Pittsburgh employees. The City of Pittsburgh created an Ethics Code Handbook on November 14, 2006.

The last revision occurred in January 2010. The City issued a policy statement as follows: *This policy is presented to provide answers to frequently asked questions regarding the City Code of Conduct. The Code mandates the independent, impartial and responsible conduct of public officials and employees.* The Ethics Code is a combination of certain provisions of the City's Home Rule Charter, the City's Code of Ordinances and the Pennsylvania Public Official and Employee Ethics Act. Any City employee may request an Ethics Opinion from the Department of Law.

The City's Ethics Code reads:

The *Ethics Code* mandates the independent, impartial and responsible conduct of public officials and employees. This prevents both conflicts of interest that interfere with a public servant's duties and the use of public office for financial gain.

In regards to conflict of interest the Ethics Code states:

No public official or public employee shall exert influence with respect to property or a business with which he/she or a member of his/her direct family is associated.

The City Code establishes the Pittsburgh Ethics Hearing Board. The Board consists of five members: Two of the members are appointed by the Mayor and confirmed by City Council. The remaining three members are appointed by the Mayor from a list of nine candidates submitted and confirmed by City Council. Each Board member serves a three-year term or until a successor is appointed.

The powers and duties of the Pittsburgh Ethics Hearing Board are summarized as follows:

- Receive and dispose of complaints of violations of the ethics provisions of the City Code and Home Rule Charter
- Give advice as to the application of the ethics provisions in the City Code and Home Rule Charter. Conduct investigations, hold hearings, subpoena witnesses and compel their attendance, administer oaths, take testimony, require evidence on any matter under investigation or any questions before the Board, make findings of fact, and issue orders.
- Conduct educational programs to promote the ethical conduct of Pittsburgh public officials and employees.
- Adopt rules and regulations to administer, implement, enforce and interpret the Ethics Code.

A specific question in the Ethics Handbook is:

:

Q. Can a City employee bid on homes sold through the Finance Department or on cars sold at the Tow Pound auction, equipment sold at the Equipment Leasing Authority auctions or other auctions?

A. It depends. Under the City ethics code an employee is allowed to bid at certain auctions as long as the employee is not receiving anything of value on terms better than what is available to the public at large. However, the City Code does empower General Services to make their own regulations pertaining to bidding at auctions. Thus, although there may not be an ethical prohibition against City employees bidding at City auctions, General Services may choose to prohibit employees of their Department or all City employees from participating in their auctions. City employees should check with the Department sponsoring the auction to make sure that they are allowed to participate (Home Rule Charter 706 & City Code § 165.02).

Finding: The buying of city property by any city employee is not prohibited under City Policy: Ethics Handbook. However, limitations can be imposed by the Department sponsoring the sale.

Finding: The Department of Finance, Treasurer's Office has no guidelines or limitations imposed on real estate personnel if the employee wants to purchase city-owned property.

At minimum, an investigation should be conducted by the Ethics Hearing Board to determine if any of this situation was a violation of the City's Ethics Code and a conflict of interest.

APPENDIX

EXHIBIT A

1/2



City of Pittsburgh Request to Include Tax Delinquent Property in a Treasurer's Sale Proceeding



V. 1/2018

- This application begins the qualification process for persons who would like to request tax delinquent property be included in a Treasurer's Sale.
- For assistance in completing this form, please call the Real Estate Division at (412) 255-2300 or come to the Real Estate Division in-person.
- The Dept. of Finance webpage (pittsburghpa.gov/finance/property-sales) provides responses to property sales frequently asked questions.
- You must fully and accurately complete both pages of this application or it may not be processed. You will be notified of an unprocessed form.
- Applicants must not have unresolved taxes, balances, permit violations, or unregistered businesses. A background check will be executed.
- If the applicant is enrolled and current in an approved payment plan with Jordan Tax Services (JTS) for delinquent Real Estate Tax payments or Pittsburgh Water and Sewer Authority (PWSA) charges, certification from JTS demonstrating compliance with the payment plan(s) must be attached. Please complete the front side of this form and provide it to JTS to obtain certification. You may contact JTS at (412) 835-5243.
- Please submit the application (with any attachments) to the City's Real Estate Division via mail, in-person, or e-mail (please send encrypted).
 - Physical Address: City-County Building, Department of Finance- Real Estate Division, 414 Grant Street, Pittsburgh, PA 15219-2476
 - Email Address (Please send encrypted): property.sales.3tb@pittsburghpa.gov
- Please note that this is an application only and does not bind the City of Pittsburgh to a transaction.
- Please allow up to six weeks for processing.

Individual Buyer Qualification Information

Complete if purchasing property as an individual or jointly with your spouse.

Applicant Name <i>(First, Last)</i> : _____	SSN <i>(Last Four)</i> : _____	_____
Spouse's Name <i>(First, Last)</i> : _____	Spouse's SSN <i>(Last Four)</i> : _____	_____
Home Address <i>(No P.O. Box)</i> : _____	City, State, Zip Code: _____	_____
Do you rent? <input type="checkbox"/> Or Own? <input type="checkbox"/>	Email Address <i>(Preferred)</i> : _____	_____
Phone Number <i>(Personal Phone)</i> : () - _____		

Is the applicant on a payment plan with Jordan Tax Services (JTS) for Real Estate Taxes or PWSA charges? Yes No

If you answered "yes" to the above question, official certification from Jordan Tax Services demonstrating compliance with the payment plan(s) must be attached. Please complete the front side of this form and provide it to JTS. You may contact JTS at (412) 835-5243.

Are you a builder, developer or operating a business? Yes No If yes please complete:

Business Name _____	Address _____	City Tax Account # _____
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Property Owned in the City of Pittsburgh

Complete for any and all properties owned by the applicant within the City of Pittsburgh. To list additional property, please attach an additional page.

	Address <i>(Street, City, State, Zip Code)</i>	Ward*	Block/Lot Number*
1.	_____		
2.	_____		
3.	_____		
4.	_____		
5.	_____		
6.	_____		
7.	_____		
8.	_____		
9.	_____		
10.	_____		
11.	_____		
12.	_____		

(*The Ward and Block/Lot Number can be viewed on the Allegheny County website: <http://www2.county.allegheny.pa.us/RealEstate/Search.aspx>)

For City Use Only		
Received by: _____	Date: _____	Reason for Denial <i>(if Applicable)</i> : _____
Approved by: _____	Date: _____	
Denied by: _____	Date: _____	

EXHIBIT A

2/2



City of Pittsburgh
Request to Include Tax Delinquent Property
in a Treasurer's Sale Proceeding



V. 1/2018

I hereby request that the City of Pittsburgh include the following tax delinquent property in a Treasurer's Sale (all information must be completed or the application will not be processed). **If this request is for a structure you must attach a current photo. (Do NOT attach the photo from the county's website, it is outdated)**

Ward _____ Ward _____

Block & Lot _____ Block & Lot _____

Address _____ Address _____

Is this a side lot? Yes No

Is this a side lot? Yes No

I am making this request because: (What are you going to use it for?)

Important: This request is NOT a guarantee that the City of Pittsburgh will acquire and sell you this property.

Applicant Name (Printed): _____ Date: _____
Applicant Signature: _____

EXHIBIT B

1/2

V. 1/2011



City of Pittsburgh Request to Purchase Application – Individuals

- This application begins the qualification process for persons who would like to purchase City-owned property.
- For assistance in completing this form, please call the Real Estate Division at (412) 255-2300 or come to the Real Estate Division in-person.
- The Dept. of Finance webpage (pittsburghpa.gov/finance/property-sales) provides responses to property sales frequently asked questions.
- You must fully and accurately complete both pages of this application or it may not be processed. You will be notified of an unprocessed form.
- Applicants must not have unresolved taxes, balances, permit violations, or unregistered businesses. A background check will be executed.
- If the applicant is enrolled and current in an approved payment plan with Jordan Tax Services (JTS) for delinquent Real Estate Tax payments or Pittsburgh Water and Sewer Authority (PWSA) charges, certification from JTS demonstrating compliance with the payment plan(s) must be attached. Please complete the front side of this form and provide it to JTS to obtain certification. You may contact JTS at (412) 835-5243.
- Please submit the application (with any attachments) to the City's Real Estate Division via mail, in-person, or e-mail (please send encrypted).
 - Physical Address: City-County Building, Department of Finance- Real Estate Division, 414 Grant Street, Pittsburgh, PA 15219-2476
 - Email Address (Please send encrypted): property.sales.3tb@pittsburghpa.gov
- Please note that this is an application only and does not bind the City of Pittsburgh to a transaction.
- Please allow up to six weeks for processing.

Individual Buyer Qualification Information

Complete if purchasing property as an individual or jointly with your spouse.

Applicant Name (<i>First, Last</i>): _____	SSN (<i>Last Four</i>):	_____
Spouse's Name (<i>First, Last</i>): _____	Spouse's SSN (<i>Last Four</i>):	_____
Home Address (<i>No P.O. Box</i>): _____	City, State, Zip Code:	_____
Do you rent? <input type="checkbox"/> Or Own? <input type="checkbox"/>	Email Address (<i>Preferred</i>):	_____
Phone Number (<i>Personal Phone</i>): () - _____		

Is the applicant on a payment plan with Jordan Tax Services (JTS) for Real Estate Taxes or PWSA charges? Yes No

If you answered "yes" to the above question, official certification from Jordan Tax Services demonstrating compliance with the payment plan(s) must be attached. Please complete the front side of this form and provide it to JTS. You may contact JTS at (412) 835-5243.

Property Owned in the City of Pittsburgh

Complete for any and all properties owned by the applicant within the City of Pittsburgh. To list additional property, please attach an additional page.

	Address (<i>Street, City, State, Zip Code</i>)	Ward*	Block/Lot Number*
1.	_____		
2.	_____		
3.	_____		
4.	_____		
5.	_____		
6.	_____		
7.	_____		
8.	_____		
9.	_____		
10.	_____		
11.	_____		
12.	_____		
13.	_____		
14.	_____		

(*The Ward and Block/Lot Number can be viewed on the Allegheny County website: <http://www2.county.allegheny.pa.us/RealEstate/Search.aspx>)

For City Use Only		
Received by: _____	Date: _____	Reason for Denial (<i>If Applicable</i>):
Approved by: _____	Date: _____	
Denied by: _____	Date: _____	

EXHIBIT B

2/2



V. 1/2018

City of Pittsburgh
Request to Purchase Application – Individuals

City-Owned Property Requested for Purchase

If you would like to request the purchase of multiple properties, please attach an additional form (this page only) for each property.

Property to be Purchased Address (Street, City, State, Zip Code) Ward* Block/Lot Number*

(*The Ward and Block/Lot Number can be viewed on the Allegheny County website: http://www2.county.allegheny.pa.us/RealEstate/Search.aspx)

Property Proposed End Use

Complete for the property you are requesting to purchase. Please note: If the size/scope of your project meets certain minimum thresholds, additional information including but not limited to financing and site plans may be required upon initial review of your application.

Vacant Land (You must select all that apply):

Vacant Structure (You must select all that apply):

- Build Addition to House
Auxiliary Building (Garage, Etc.)
Side Yard (*See City side yard sale guidelines)
Green Space/Garden
Parking: (Circle) Residential Commercial
New Construction: (Circle) Residential Commercial Mixed Use
Other:

- Residential Rehab for: (Circle) Resale Rental Occupy
Commercial Rehab for: (Circle) Resale Lease Locate Own Business
Demolish and Build New: (Circle) Residential Commercial Mixed Use
Other:

Please provide a detailed description of your proposed end use for the property. For more space, please attach an additional page:

Will you need to seek a building permit? Yes No Have you verified the current condition of the property? Yes No

Will you need to seek a variance or special exception? Yes No When will you apply for a permit (Approximately)? (*You may only build on a property after ownership)

Adjacent and/or Nearby Property

Do you own other adjacent/nearby property located within approximately 1/4 mile of the property you are seeking to purchase? This property should also be listed on the previous page of this application. If "no," skip to the next section. Yes No

If you answered "yes" to the above question, please provide information on the respective property below. To list additional property, please attach an additional page.

Adjacent/Nearby Property Address (Street, City, State, Zip Code) Ward* Block/Lot Number*

(*The Ward and Block/Lot Number can be viewed on the Allegheny County website: http://www2.county.allegheny.pa.us/RealEstate/Search.aspx)

Adjacent/Nearby Property Address (Street, City, State, Zip Code) Ward* Block/Lot Number*

(*The Ward and Block/Lot Number can be viewed on the Allegheny County website: http://www2.county.allegheny.pa.us/RealEstate/Search.aspx)

Signature

I have read the form instructions and certify that all information I have provided is complete and accurate to the best of my knowledge. I understand that an incomplete application or providing inaccurate information may result in the automatic rejection of my application. I understand that this is an application only and does not bind the City of Pittsburgh to a transaction.

Applicant Name (Printed): Applicant Signature: Date:

EXHIBIT C

THE SIDYARD SALE PROGRAM

If your house borders an overgrown, publicly owned, vacant lot, you no longer have to look out your window and cringe. The City of Pittsburgh, in cooperation with City Source Associates, is introducing a low-cost minimum way for you to buy that lot and make it your own.

Once the lot is yours, you can transform that eyesore into a garden, parking pad, deck-just about anything you want! In doing so, you'll not only increase the size of your property and the value of your home, but you'll also enhance the appearance of your entire neighborhood.

THE BASIC REQUIREMENTS...ALL IT TAKES

- 1 You must own the property (no more than 2 units) that directly borders (either on the side, front or rear) the vacant lot.
- 2 All taxes and water and sewage bills on the properties you already own must be current. You must not have any outstanding Bureau of Building Inspection violations.
- 3 You must provide evidence of liability insurance coverage for the lot.
- 4 Based on its square footage and/or terrain, the lot must be deemed unsuitable for erecting a freestanding building, as determined by the City.
- 5 The lot must be publicly owned. If, however, it is not publicly owned but is tax delinquent, you may request that the City seize the property in a Treasurer's Sale. If successful, the lot may then become eligible for the Sideyard Sales Program.
- 6 Before you begin making any permanent improvements you must own the property and you must make sure that your plans comply with the City's Zoning Ordinance. Call 255-2246 to find out what will be required.

TIME AND MONEY

Once the six basic requirements have been met, the vacant lot of your dreams is available through the following process.

- You must complete and return the Request to Purchase Form.
- The City will determine whether or not the lot you request is available and eligible under this program.
- The City will certify that you are not responsible for any outstanding taxes, water or sewage bills.
- You will then enter into a lease/purchase agreement with the City. The required down payment and lease costs total \$201.00.
- You may begin using and maintaining the lot immediately (although you may not make any permanent improvements yet).
- While you are leasing the lot, the City of Pittsburgh and City Source will begin the process necessary to clear the title to the property. This usually takes up to 18 months...from start to finish.
- When the title has been cleared the City of Pittsburgh will arrange a closing date. At that time, you will need approximately \$200.00 to cover closing costs, deed recording fees and transfer taxes.
- If you and a neighbor are both interested in purchasing the same lot, you'll be required to bid for the property. The minimum bid offer is \$250.00.
- All applications will be handled on a first-come, first-served basis.

FOR ADDITIONAL INFORMATION CALL 412 255-2300

EXHIBIT D

1/2

EMAIL FROM AN UNHAPPY CONSTITUTE

1. I picked out a house off this website.
2. I was pleased to see that they changed the website and you could view all the properties instead of just a few select ones. I went to the real estate division and filled out an application to be an approved buyer and indicated the property I wanted: xxxx Parnell St. Pittsburgh Pa.
3. The clerk remind me that it can be a three-year process and that she would contact me once I was passed as an approved buyer.
4. After three months, having not heard anything back, I went back to the real estate division, to see how things were going, I was told at the time by clerk that she hadn't heard anything back but she would contact me once she heard something.
5. After three months having not heard anything, I went back to the real state division again; she said I was not approved because I had an outstanding water bill. I checked with Pittsburgh water and found that they hadn't cashed a check so I gave them a new check.
6. I went back to Real Estate division and showed the paperwork to the clerk, and she said she would put it through and contact me once she heard anything.
7. After some period of time at which point we had made it into 2018 I put a call into the real estate division to see if there was any news. I spoke to the real estate coordinator and he told me that xxxx Parnell St. was not on the list of houses that could be purchased. I told him about my multiple visits and dealings with the clerk, and he said that the house had never been available for purchase.
8. **Very frustrated, I sent an email to the clerk asking her what had become of the house. She wrote me back saying she never said the house was available. Which is not true. She just never said it wasn't available. Which is insane! (Bold added)**
9. So I went through the list of houses again and found 5 and returned to the Real Estate division, and put in for all 5 houses hoping to ensure that at least one of them would be available. This time I specifically asked for the real estate coordinator because he seemed more informed. The real estate coordinator logged my request in, and got me to fill out yet another application to be an approved buyer. That was sometime in or near February 2018.
10. Then I got extremely busy, so unfortunately several months passed before I was able to get back to the real estate division. That was a month ago. The real estate coordinator told me he hadn't heard back yet.

EXHIBIT D

2/2

11. This is very confusing to me? How can it take several months to determine whether I can be an approved buyer or not? Especially considering the fact that I have been and approved by her several times previously.
12. Not to mention, how is it possible that a house that was on the list could somehow be pulled off the list with no explanation, and no one knowing what happened, and yet it is still sitting there dilapidated and owned by the city, not collecting tax dollars and creating blight in the neighborhood? (the Parnell house)
13. So just yesterday I checked again, and again the real estate coordinator told me he hadn't heard anything back yet.
14. How is it possible that they haven't determine whether I could be a buyer after several months?
15. This process is not working. This is not the way this is supposed to go. When the previous real estate agent was in that office, there was a clear line of communication from beginning to end. There are a lot of steps in this process, and it can be very daunting for a regular person, but I was willing to undergo all of those daunting steps to help contribute to the revitalization of this city. And I successfully navigated that process twice in the past.
16. Something is not working properly in that department. And if it is affecting me, I'm certain it is affecting other people as well. I do hope you are able to figure out what is going on there. Because I would really like to fix up another dilapidated city property and make it nice again and get it back on the tax roll, so my parents can move closer to me. (copied with permission)

EXHIBIT E

Explanations of the 65 Property Requests That The URA Changed From Sale vs. No Sale Decisions or From No-Sale to Sale Decisions Over a Year and 9 Month Time Period.

Fourteen (14) of properties (43 requests) had 24 requests to purchase approved by the URA and 19 requests denied by the URA for incompatible proposed use. In this situation, the property was vacant land and the applicant wanted to remodel the property, the land was not buildable (too hilly, narrow etc.), or the vacant structure was unsuitable for a rehab.

Three (3) of the properties (10 requests) had 5 requests to purchase approved by the URA. Then at a later date, the URA denied 5 new property requests because the properties were needed for a greenway study. The opposite situation occurred on 2 other properties (6 requests). The URA denied two property requests because of a comprehensive planning process in Hazelwood. Then at a later date, the URA decided to release the property to a prospective purchaser. The other property also had a denied request then 2 approved requests because a CDC decided to release the property to the public.

Two (2) of the properties (4 requests) the sale was already in progress. A buyer was approved for purchase on each property then another buyer applied for the property too late in the process.

One (1) property (2 requests) had a prospective purchaser approved by the URA and the other purchaser was denied because there was not enough information about the end use on the application to evaluate.

EXHIBIT F

City Owned Properties that are (to be) Transfers to URA by Council District and Neighborhood

Council District 1	Qty
Brighton Heights	2
Fineview	1
Marshall-Shadeland	3
Northview Heights	2
Perry South	2
Spring Hill-City View	1
Troy Hill	1
Total	12

Council District 2	Qty
Crafton Heights	10
Elliott	4
Fairywood	33
Mount Washington	1
Sheraden	6
West End	1
Westwood	8
Windgap	2
Total	65

Council District 3	Qty
Allentown	63
Beltzhoover	203
Knoxville	1
Mt. Oliver	1
South Oakland	1
South Side Slopes	2
St. Clair	15
Total	286

Council District 4	Qty
Carrick	3
Brookline	1
Beechview	1
Total	5

Council District 5	Qty
Greenfield	4
Hazelwood	269
Lincoln Place	1
Total	274

Council District 6	Qty
Bedford Dwellings	12
Bluff	6
California-Kirkbride	173
Central Northside	31
Chateau	3
Crawford-Roberts	53
Fineview	15
Manchester	43
Marshall-Shadeland	1
Middle Hill	310
Perry South	63
Upper Hill	62
West Oakland	14
Total	786

Council District 7	Qty
Bedford Dwellings	3
Morningside	5
Polish Hill	9
Stanton Heights	4
Upper Lawrenceville	9
Total	30

Council District 9	Qty
East Hills	2
Garfield	172
Homewood North	223
Homewood South	287
Homewood West	95
Larimer	589
Lincoln-Lemington-Belmar	18
Point Breeze North	2
Blank Entries	4
Total	1392

AUDITEE RESPONSE



CITY OF PITTSBURGH

Department of Finance

William Peduto, Mayor

*Margaret L Lanier
Director/Treasurer*

September 10, 2019

Michael Lamb
City Controller

Dear Mr. Lamb:

Listed below is Management's response to recommendations made by your Audit team after performing the 2018 Real Estate Acquisition Audit.

Approved Purchaser or Vetting Time Test

The time it takes to become an approved buyer varies. An approved buyer must have all property taxes paid, water and sewage bills paid, and also have no violations at Permits Licenses and Inspections (PLI), on all the property they own within the City limits. The more properties a person or an entity owns the longer it will take to become approved.

The Finance Department administration should investigate why, despite the information being online and having less information to check, it takes longer to become an approved buyer than in 2015 when such advantages did not exist. Efforts should be focused on decreasing this time frame.

RECOMMENDATION 3:

Management Response: The Finance department is working on decreasing the time frame. Qualifying information must be verified with other departments which has held up the process.

RECOMMENDATION 4:

The Finance Department, Treasurer's Office procedure of requiring applicants who want to buy tax delinquent or city-owned property to be vetted is a good practice and should continue.

Management response: The Finance department has always accepted applications from individuals and continues to vet Individuals.

The Purpose of Posting Property

RECOMMENDATION 5:

The Finance Department, Treasurer's Office administration should require the people posting the "For Treasurer's Sale Notice" to not only post the front door but to post the notice on the front lawn so as to make sure it can be viewed from the street. The administration should also send neighbors a letter telling them that a certain property is becoming part of a Treasurer's Sale. This is what Zoning does when there is a hearing concerning a property; individual letters about the hearing are mailed to the neighbors.

Management response: The Finance department will take an additional picture of the property when it is posted to show the entire structure. Additional signage would require additional funding to buy wooden stakes to be placed on the property

Day of the Treasurer's Sale

RECOMMENDATION 7:

The Department of Finance, Treasurer's Office administration should ask the Law Department if it would be legal to offer a property to the next highest bidder once the Treasurer's sale is closed. Then, if the person who is awarded the bid is unable to pay in full by 2:00 PM, the second highest bidder could be contacted and offered the property at their bid price. If it is legal, then this would be a good practice to ensure that the property gets sold.

Management response: When the sale is closed a person can no longer bid on the property. The property is now in the redemption period and the owner has 90 days to redeem the property. After the 90 days has expired, the next highest bidder can purchase the property from the City with a free and clear title.

Deeded Properties

RECOMMENDATION 8:

When the Department of Finance Treasurer's Office administration notifies PWSA that a property is now deeded to the City, they should include a statement that the City does not want the water to remain on and to terminate the account. This would be the responsibility of any buyer of any property if they don't want to pay a water bill. This will save water usage, if the water account is active, and keep the bills from accumulating in the City of Pittsburgh's name.

Management response: The City does notify PWSA when the City takes title to a property. It is the responsibility of PWSA to terminate water services.

Buying City-Owned Property

RECOMMENDATION 10:

The city administration should require at least one (1) person in real estate personnel to be a licensed real estate agent who is familiar with the Pittsburgh sales market. This should be the Real Estate Sales Manager and/or Coordinator. The pricing, presentation and selling of real estate is a specialty field. A licensed real estate agent will be familiar with pricing and can give input into improving the property sales process.

Management response: The pricing of property is now vetted through the Urban Redevelopment Authority (URA). The URA has the personnel who are familiar with pricing and selling of real estate.

RECOMMENDATION 11:

The Finance Department Treasurer's Office administration should work with City Council to establish a user friendly way to explain why a person is denied purchasing a property. If the prospective purchaser knows the reason why they were denied, they could work out the problem, if possible.

Management response: City Council usually states the reason for denying the purchase of a property is because they are working with the Community Development Group in that area to redevelop the property base on the Community needs.

Advertising City-Owned Property

Most buyers shopping for property usually like to know the price and look at photos of properties before deciding to make a purchase. Advertising the price and presenting photos of the property beforehand would increase the interest of potential buyers.

RECOMMENDATION 12:

The Department of Finance administration should make sure that *all buildings* advertised on the e-properties plus website have a photo. The ability to see how a property looks beforehand would increase the interest of potential buyers.

Management response: Real Estate is working with I&P to place more current photos on the E-Properties plus system. The current photos are pulled from the County website.

RECOMMENDATION 13:

The Department of Finance administration should place for sale signs in the front yard of every property the city-owns that is available for sale.

Management response: The real estate division is working on a plan to place signs on City property for sale and to advertise the property more often through the City website.

RECOMMENDATION 14:

The Department of Finance administration website should have a place to enter your name and email address, so property updates can be emailed to you whenever property is added or deleted from the e-properties plus website. This would keep interested parties informed of sales and additions to the e-properties plus website.

Management response: E-Properties plus has this capacity. This is a Public facing website where emails can be sent to the real estate division

Property Sale Price

RECOMMENDATION 15:

The Finance Department, Treasurer's Office administrations needs to advertise prices on e-properties plus after prices are set. This should help increase the number of prospective buyers. *The pricing and practices of the URA, who does the pricing for the City, is explained later in this audit under the URA section.*

Management response: Properties are currently priced when there is an interested buyer for the property. Real estate is working on taking groups of properties, pricing them and advertising them for sale on the E-properties plus system

Side Yard Sales

RECOMMENDATION 16:

The Department of Finance, Treasurer's Office administration should send a registered and regular piece of mail to adjacent property owners of a side yard purchase request is made. This will make sure the adjacent neighbors are given fair notice and an opportunity to purchase the property. This can only help the City by creating more interest in the property. In turn more people should bid on the property increasing the price which would pay for the additional cost of registered mail.

Management response: The City currently notifies all adjacent property owners when someone is interested in purchasing a side yard property.

RECOMMENDATION 17:

The city administration should do whatever it takes to expedite the paperwork process of a sale. Initial observations indicate the need for paralegals to process paperwork in both Real Estate and the Law Department.

Management response: The City has added two additional Real Estate Technicians to the staff to help expedite the paperwork for properties purchases.

Complaints about the Real Estate Process

RECOMMENDATION 18:

The Department of Finance, Treasurer's Office administration needs to contact I&P to create a "Request for Property status" link to be put online so applicants can see where they are in the purchase process. Real estate staff should update the link daily. This would improve the flow of communication between the applicant and the City. This would also help keep the staff more accountable because the timeliness of the process would be documented.

Management response: Real Estate is working with I&P to have a link on e-Properties plus where someone can find out where their application is in the process. The length of time is also depended upon Court scheduling time for quiet title actions.

RECOMMENDATION 19:

The Department of Finance, Treasurer's Office real estate staff should not send the name of the individual and what property they own to the URA. This information should be deleted from the list so as to ensure that the price setting is impartial. Correspondence between elected and managerial officials with the URA staff should be discouraged. Preferential treatment of any property to be priced should be avoided at all costs.

Management response: Real Estate will only be sending a list of properties to the URA for pricing without names. This will insure price setting is impartial.

Incompatible Use

RECOMMENDATION 20:

The City administration and City Council should require the Department of Finance, Treasurer's Office real estate staff and Permits Licenses and Inspections (PLI) to work together to save vacant structures in the City. When a request to purchase is received it should be sent to PLI. PLI should stop any planned demolition of a building if someone is interested in buying and remodeling the structure. In the long run the sale and remodeling of a building will generate more revenue. The URA should allow the sale of the property "as is" and price it low so it can be saved. Then let the person buying the property deal with the renovations through PLI.

Management response: Demolitions are determined by the Department of Permits, Licenses and Inspection. If a property is determined to be a safety issue to the public PLI makes the decision to demolish the structure and notifies the real estate division.

RECOMMENDATION 21:

Department of Finance, Treasurer's Office administration should require the real estate staff that accepts prospective buyer applications to check if the property can be used for the buyer's desired use. In other words, if a buyer wants to renovate a property and it is already vacant land it will be deemed incompatible use by the URA. Time and effort will be saved if the staff member checks the status of the property and inform the prospective buyer before it is sent to the URA.

Management response: When a person wants to purchase a lot they are told the size of the property and whether they are permitted to build on the land. If the property is a structure the real estate staff indicates this to the potential buyer

RECOMMENDATION 23:

The City administration should have a team of real estate professionals take over the URA responsibility for setting prices and be responsible for real estate sales. Or if a licensed real estate person is put on staff, this person could provide a comparable sales report to a committee of 3 that must agree on a properties price. That committee should include the licensed agent, the Real Estate manager and the assistant director of Finance. Additionally, this committee should have the authority to negotiate the sale of property with a prospective buyer. In all instances, property pricing should be well documented. Pricing should be set with the objective of getting the property back on the tax rolls.

Management response. The real estate division is currently exploring new ways of pricing and selling property to the public.

URA Reason for Denying Property Requests with Sub-Reasons Given

RECOMMENDATION 24:

The URA administration should review the URA spreadsheet and make sure all price and selling recommendation information is complete before relaying their decision back to the Department of Finance, Treasurer's Office. All denied requests for purchase should have a reason for denial listed with each request.

Management response: If property is on hold for the URA it is usually for the following reasons. Development or Resale.

Time Analysis for City-Owned Properties – Requested for Purchase and Denied by the URA

RECOMMENDATION 25:

City Council and the Mayor should require the URA to be more transparent about its ongoing projects. It is unacceptable for a public agency to hold onto usable and taxable property for years and years without accountability to the public.

Management response: The City real estate division periodically asks the URA for an update of the list of properties on hold.

RECOMMENDATION 26:

The URA board and City administrators should re-evaluate all property being held for the URA and if no specific plans are in place, get the property back on the tax rolls by putting it up for sale.

Effectiveness or Status of URA Approved Properties for Sale

RECOMMENDATION 28:

The URA administration and the City administration should make sure that local neighbors and the neighborhood group are notified when a request to purchase a forested green space parcel of land is made. This action should be noted in the database and should be done before the sale price is established.

Effectiveness or Status of URA Approved Properties for Sale

RECOMMENDATION 29:

The Department of Finance, Treasurer's Office staff and/or administrators should try and find out why people who requested a property did not go through on a purchase. Perhaps a renegotiated price is needed to get the property sold and paying taxes.

Management response: When a person is unable to complete a sale it's normally because they don't have the funds needed.

City-Owned Property Sales

RECOMMENDATION 30:

The Department of Finance, Treasurer's Office administration should make sure every employee has someone who is cross-trained in their position. This way more than one person knows what is going on and if that person leaves, their operational knowledge will not be lost. (This policy should be adopted throughout the City.)

Management response: There are currently three Real Estate technicians on staff who are cross trained to handle property purchases.

City Owned Property Sold by Type of Sale

RECOMMENDATION 31:

The Department of Finance, Treasurer's Office administration should keep a file on hand of all past city-owned property sales. All property sales should be coded by type

of sale (side yard, vacant lot, building etc.) and record what organization, authority or person purchased the property (URA, CDC or private individual).

Management response: The E-Properties system shows who the property was sold to. A list of all buyers of property purchased at the sale will be kept on a data base in the real estate division.

A Strategy for the Department of Finance to Sell City-Owned Property

RECOMMENDATION 32:

The Department of Finance, Treasurer's Office administration should hold an auction quarterly in City Council Chambers to help shrink inventory and get the properties back on the tax rolls. The auction would also help speed up the buying process and allow more potential buyers to bid on properties by eliminating the need for the URA to set a price and approve the sale first.

Management Response: The Department of Finance, Treasurer's Office administration is working on developing new strategies for moving property out of the inventory and getting them back on the tax rolls.

RECOMMENDATION 33:

The City administration should advertise these auctions with a comprehensive campaign of newspaper/online media, internet and television so as many people as possible could participate. Prospective buyers attending the auction must sign a disclosure form stating that they are aware that any outstanding taxes, water and sewage, and building violations on all personally owned property must be paid within 60 days of the sale date or their money will be forfeited and the sale of the property will go to the next highest bidder. In this way all participants will know that they must become an approved buyer.

Verifying after the sale that all the buyers' property is current without any violations, is how the vetting process happens when a property is bought at the Treasurer's sale. To do the same in an open auction situation should not be a problem.

Management response: The Department of Finance, Treasurer's Office would be open to clearing a potential buyer prior of any delinquencies prior to the Auction. This would avoid a time lag in the process once the buyer has made the purchase.

RECOMMENDATION 34:

The City of Pittsburgh administration needs to provide the Department of Finance, Treasurer's Office Property Sales and Disposition, additional and experienced staff to do a better job. Real estate professionals experienced in property sales know that the greatest harm to property is time passing without ownership and occupancy.

Management response: With additional checks and balances in place the current staff can handle selling properties. The time lag for the sales lie heavily on notification and courts.

City-owned Properties that are (to be) Transfers to URA

RECOMMENDATION 35:

The Department of Finance, Treasurer's Office administration needs to be more accountable and produce monthly reports to City Council and the Mayor about how long city-owned property has been sitting in inventory for future URA development projects. The length of time that property is held by a CDC's should also be documented.

Management response: The length of time a property is kept in the inventory is documented by real estate personnel. There is a monthly meeting with the representatives of the CDC's at which time the property reserve inventory is discussed.

Purchase of a Home by the City's Real Estate Manager in 2017.

RECOMMENDATION 43:

The Department of Finance, Treasurer's Office administration needs to have a written policy explaining job limitations for real estate employees when they purchase tax-delinquent property or city-owned property. The policy should state that any employee cannot be involved in any official capacity for property they want to purchase. This would include vetting themselves, setting a property's price or signing as an agent of the department. Another real estate employee would have to take over that job responsibility.

Management response: The Department of Finance, Treasurer's office is currently working with the City Law department to development a policy for City employees purchasing property.

RECOMMENDATION 44:

The Department of Finance, Treasurer's Office administration needs to get in touch with I&P and have the 30-day requirement removed from the instructions titled Procedures for Purchasing Property through Court Auction Sales. This may (or may not) help more

people purchase property when they know they have more time to come up with all their purchase money. The correction will let everyone know there is not a specific time frame for final payment and make the process fair for everyone.

Management response: The 30-day rule is still in effect. There was s a shift in Personnel which cause some lag time in notifying buyers. Additional Real Estate Technicians were hired which will help alleviate the lag time in notifying the buyer.

Your recommendations are being taken under advisement and what we agree with and can afford will be adopted.

Thank you. Please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Margaret L Lanier". The signature is written in a cursive, flowing style.

Margaret L Lanier
Director/Treasurer

CC: Doug Anderson, Assistant Controller
Gloria Novak, Performance Audit Manager
Bette Puharic
William Vanselow
Jennifer Gula, Assistant Director