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Committee: Committee on Finance and Law

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Ordinance amending Title Six: Conduct, Article I: Regulated Rights and Actions by adding a new chapter entitled "Residential Property Wholesalers," to regulate the solicitation of purchases of real property and require certain disclosures of property purchasers to homeowners.

(Post Agenda held 10/25/23)

(Briefing held 12/1/23)

WHEREAS, corporate entities and residential property wholesalers have been increasingly active in purchasing real estate across the nation, with a recent report showing a record high of 18.4% of sales to them; as well as in the city of Pittsburgh, with a report by Pittsburgh Community Reinvestment Group showing an increase from 15.5% of sales in 2010 to 24.8% of sales in 2021, and;

WHEREAS, big corporate investors and residential property wholesalers are buying up hundreds of thousands of homes nationwide, leading Senators including Pennsylvania's John Fetterman to introduce the Stop Predatory Investing Act that aims to rein in these entities by stopping an investor who acquires 50 or more single-family rental homes from deducting interest or depreciation on those properties;

WHEREAS, individual homeowners have in many cases faced harassment and high-pressure tactics from these residential property wholesalers to convince them to sell for less than market rates; when they do so, home equity that has often been accrued over generations can disappear with the stroke of a pen into profits for these wholesale buyers, and;

WHEREAS, these transactions not only negatively affect individual homeowners, but threaten the fabric of communities; as the homeowners who sell to these residential property wholesalers can often not afford to secure other housing in their neighborhoods, resulting in displacement; and the residential property wholesalers of these properties are less likely to have a stake in the community and have incentive to maintain these properties, and;

WHEREAS, these residential property wholesalers are rarely real estate agents, realtors, or attorneys constrained by their respective professions' codes of conduct, therefore the City shall use the authority of its licensing power to regulate these operators, and;

NOW THEREFORE BE IT RESOLVED, the Council of the City of Pittsburgh hereby enacts as follows:

Section 1. The Pittsburgh Code of Ordinances Title Six: Conduct, Article I: Regulated Rights and Actions is hereby amended to include Chapter 611: Residential Property Wholesalers:

The Pittsburgh Code of Ordinance is hereby amended as follows:

Chapter 611: Residential Property Wholesalers

§ 611.01. Definitions.

1. Administrative Agency- The Department of Permits, Licensing, and Inspections, or such other agency as the Mayor may designate to administer and enforce the provisions of this Chapter.
2. Homeowner- The record owner or equitable owner of a residential property.
3. Residential Property- All property legally used or held out for individuals to live in, regardless of whether such property is occupied by the owners of said property, rented, or vacant.
4. Solicit- To advertise the accomplishments or abilities of a Residential Property Wholesaler, request that a Homeowner list their residential property for sale, or offer to purchase a Homeowner's Residential Property through mail, oral communication, or electronic communication.
5. Residential Property Wholesaler- Any person or entity who is in the business of purchasing or soliciting for purchase Residential Properties, not to use as their residence.
 - a. A Residential Property Wholesaler shall not include any City or other public official or employee who acts as a Residential Property Wholesaler in the course of their official duties or the following licensed professionals when acting within the scope of their licensed practice area:
 - i. attorneys licensed to practice law in Pennsylvania, and
 - ii. persons licensed by the Pennsylvania Real Estate Commission under the Pennsylvania Real Estate Licensing and Registration Act.

§ 611.02. License Required.

1. No person or entity shall act as a Residential Property Wholesaler unless that person or entity possesses a valid Residential Property Wholesaler License.

§ 611.03. License Issuance; Renewal.

1. Applications for Residential Property Wholesaler Licenses and Residential Property Wholesaler License Renewals shall be filed on forms to be provided by the Administrative Agency.
 - a. Residential Property Wholesaler Licenses and Residential Property Wholesaler License Renewals shall be issued pursuant to such rules as established by the Administrative Agency and shall be valid for one year.
 - b. All application and renewal forms must include:

- i. a non-refundable application fee of two hundred dollars (\$200);
- ii. proof that the applicant possesses insurance, in such type and amount as the Administrative Agency shall require;
- iii. name and address of the applicant or, if the applicant is not a natural person, the name and address of a responsible natural person;
- iv. any and all Pennsylvania corporations, including all limited liability corporations, in which the applicant has an equity interest, regardless of whether the applicant has a direct equity interest or the applicant's equity interest is held through one or more tiers of a corporate structure, such as parent-subsiary structure.
- c. An applicant may only be issued a Residential Property Wholesaler License if, after a criminal history records search of the applicant has been performed by the Administrative Agency, it has been determined that the applicant has not, within the past six years, been convicted of any crime of fraud, dishonesty, breach of trust or deceit, or has been convicted for violating the Public Official and Employee Ethics Law.
- d. An applicant or licensed Residential Property Wholesaler shall notify the Administrative Agency, in writing, within seventy-two (72) hours of any changes in the information contained in or submitted with the application.

§ 611.04. Prohibited Conduct.

1. No Residential Property Wholesaler or applicant for a Residential Property Wholesaler License shall, in the course of soliciting Residential Property:
 - a. knowingly make any substantial misrepresentations, make any false promises, untruthfully advertise, or engage in any conduct which demonstrates bad faith, dishonesty, untrustworthiness, or incompetency; or
 - b. knowingly give false or misleading information when completing a Residential Property Wholesaler License application or when providing changes of information to the Administrative Agency.
2. A significant history of violation of the prohibited conduct listed in this section will be cause for refusal of a Residential Property Wholesaler License or revocation of a Residential Property Wholesaler License.

§ 611.05. Disclosure Required.

1. A Residential Property Wholesaler must provide a Homeowner with a Disclosure at least three (3) days before presenting an offer to purchase a Homeowner's Residential Property. The Disclosure must:
 - a. inform the Homeowner of how to access resources that assess the fair value of residential properties including, but not limited to, any real estate assessment tools as may be identified by the Administrative Agency by regulation;

- b. inform the Homeowner of the seller's ability to hire a real estate agent; to seek legal counsel; and identify any other resources deemed appropriate by the Administrative Agency.
2. The Residential Property Wholesaler must require the Homeowner to sign the Disclosure as evidence of provision of the Disclosure to Homeowner.

§ 611.06. Enforcement.

1. Any agreement of sale entered into by a Residential Property Wholesaler who was not licensed as a Residential Property Wholesaler at the time of the solicitation may be rescinded at any time prior to the transfer of the title to the Homeowner's Residential Property at the sole option of the Homeowner.
2. A violation of any other provision of this Chapter shall be subject to a fine as set by the Administrative Agent as well as revocation of license.

SECTION 2. Effective Date.

This Ordinance shall take effect 60 days after it becomes law.