



GOVERNMENT AFFAIRS SUMMARY OF 2017

2017...."IT WAS A VERY GOOD YEAR"

Our reputation as a reliable and principled advocate gets stronger every year.

Throughout 2017 we were routinely contacted about pending bills and consulted on contemplated legislation. We also advanced some legislation of our own. It was all due to the solid relationships we have built with legislators and their staff over the years.

Our Association continues to get the job done.

The following summarizes our Government Affairs activity and the significant legislative events of 2017.

New State Laws

2017 – A typically busy year. A few pertinent bills became law, but several others have yet to make it to the finish line. A significant number are stalled in committee, due in considerable measure to our continued presence in Harrisburg. We have formed positive relationships with legislators and staff and our positions on relevant issues are taken seriously.

The relevant new laws passed in 2017:

Constitutional Amendment for the Homestead Exclusion

The Pennsylvania General Assembly now has constitutional authority to authorize municipalities to allow a homestead exemption from real property taxes of up to 100% of the median assessed value in the taxing jurisdiction, an increase from 50% which had been allowed under the PA Constitution. Voters approved the constitutional amendment in November of 2017. But legislation to implement that authority must still be passed by the General Assembly, and municipalities will have to decide if they want to take advantage of the increased exemption limit.

The referendum has led to escalated discussion in Harrisburg regarding the overall need for property tax reform in Pennsylvania. We are actively engaged in the dialogue and are following all related issues closely.

Tenant Death Law Effective January 1st, 2017

As of January 1, 2017, in Pennsylvania if a tenant who was the sole tenant dies, the executor or administrator of the estate has the option to terminate the lease upon fourteen days' written notice to the landlord on the later of: 1) The last day of the second calendar month that follows the calendar month in which the tenant died; or 2) Upon surrender of the rental unit and removal of all of the tenant's personal property. The estate is still liable for rent money or any other debt incurred prior to the date of termination of the lease, including damages to the premises and the expenses the landlord incurs as a result of the tenant's death.

PAA was instrumental in securing several changes to the language that assures rental owners would not lose rent immediately upon the tenant's death, and rent and fees that accrue prior to the death would still be owed.

Change in the Process of Review of the Uniform Construction Code:

Construction code officials in "opt-in" municipalities now have the option of using the PA Department of Labor and Industry's technical standards to issue a certificate of occupancy to uncertified buildings without having to first adopt an ordinance electing their use.

Act 36 of 2017 made sweeping changes to the process used by the Uniform Construction Code (UCC) Review and Advisory Council to evaluate and adopt building code updates. Additional changes include an increase to the amount of time (from one year to two years) that the Uniform Construction Code Review and Advisory Council (RAC) has to review triennial ICC code updates. The make-up of the RAC is altered, and the Act calls for additional legal services to be provided to the Council. The Act also calls on the Council to create technical advisory committees that would review sections of triennial updates.

Significant Court Rulings in 2017

Selective Property Tax Appeals (spot appeals): The Pennsylvania Supreme Court ruled that taxing authorities such as school districts cannot implement a program of only appealing the assessments of one sub-classification of properties, where that sub-classification is drawn according to property type. Doing so violates the state constitution's uniformity clause. The case, **Valley Forge Towers, et.al v. Upper Merion Area School District**, No. 49 MAP 2016 involved the assessments of apartment communities in Montgomery County. This case has a direct bearing on our legislative efforts to prohibit spot reassessments of properties. See Major State Initiatives, below.

Enhanced Voucher Tenancies Ruling from the Philadelphia Third Circuit: The United States Court of Appeals for the Third Circuit in Philadelphia ruled that federal law does not require rental owners to continuously renew enhanced voucher tenancies after an initial lease term. Enhanced vouchers are those that residents may be able to use if they live in properties in which owners have opted out of the federal project based assistance program. This ruling applies to the Philadelphia Third Circuit. **The case: Hayes v. Harvey No. 16-2692 (E.D.Pa. No. 2-15-cv-02617).**

What Constitutes a Security Deposit in Pennsylvania: The Pennsylvania Superior Court ruled that rental owners who collect a double security deposit at the beginning of a tenancy may not also collect the last month's rent. The Court said collecting sums in excess of the equivalent of two months' rent violates Pennsylvania's Landlord and Tenant Act. The case: *E.S. Management v. Yingkai Gao*. No. 1271 WDA 2016. We will watch for any appeal to the Pennsylvania Supreme Court.

PAA Major Initiatives in 2017

Spot Appeals

Our legislative efforts continue and a Pennsylvania Supreme Court decision helped us along in 2017.

Many Pennsylvania school districts are abusing their power to appeal real estate tax assessments of private property. Hired consultants cherry-pick properties to appeal, ignore other under assessed properties, and demand excessive tax increases from the ones they single out. Apartment communities are being hit the hardest. The practice is known as reverse appeals, or spot appeals.

PAA is leading the charge to end this harmful practice. We have two bills in the PA House and Senate that would prohibit spot appeals in most situations.

In meetings with legislators throughout 2017 PAA and our extensive coalition of business organizations emphasized the harm spot appeals inflict on the apartment industry, renters and a vast array of businesses. We also stressed the ultimate damage spot appeals do to school district tax bases.

The PA House robustly debated **HB 1213** on the House floor during session days in June. An amendment offered by another state representative that effectively gutted our bill was approved. But the bill's primary sponsor immediately raised a motion for reconsideration of the amendment. House leadership then took prompt action and, aiding our position, passed over the bill for the time being. So our bill lives in the House. PAA and the coalition of business organizations we formed is working hard behind the scenes to convince as many House members as possible to support passing our bill without the harmful amendment.

Amidst our legislative activity, the Pennsylvania Supreme Court ruled in July that taxing authorities cannot single out sub-classifications of properties when appealing property tax assessments, because doing so violates the state constitution's uniformity clause. The case, Valley Forge Towers, et.al v. Upper Merion Area School District, involved the assessments for apartment communities in Montgomery County. The plaintiffs are PAA members, and PAA submitted an amicus brief. The Court referred to our brief in their discussion of their ruling.

Although the Court said taxing authorities are not permitted to implement a program of only appealing the assessments of one sub-classification of properties, they noted not all selection criteria for choosing properties to appeal would violate the uniformity clause. Therefore, our legislative effort must continue.

Importantly, homeowners could easily be targets of reverse appeals, now that the court has ruled against appealing single sub-classifications. Our bill is therefore all the more important to property tax reform. We are continuing our legislative push to protect property owners from an unfair and unpredictable taxing process.

Constitutional Amendment to Allow Philadelphia to Tax Real Estate Used for Business at a Higher Rate

The proposal to amend the Pennsylvania Constitution and allow Philadelphia to tax real estate used for business purposes at a higher rate than residential was introduced for a second time (as required by the amendment process) in the current legislative session. The proposal was introduced both in the House (HB 871) and the Senate (SB 41). This legislation would not just hurt Philadelphia. It would create a slippery slope that can eventually reach other localities.

PAA has secured the services of an independent lobbyist to advocate our position in Harrisburg. Additionally, we have had many conversations with the resolution's sponsors and key legislators to voice our concern. We have emphasized the harm this proposal would inflict on Philadelphia's apartment industry and Philadelphians who rent their homes. Additionally, our members spoke with dozens of legislators regarding this measure during our Harrisburg Capital Conference.

Due to our advocacy, many legislators have acknowledged that this bill would place a significant burden on Philadelphia's moderate and low income renters. We have developed allies in both the House and Senate that are opponents of this potential amendment. As of this summary's publication, HB 871 is on the Tabled House Calendar, and SB 41 is still in the Senate Finance Committee.

It is important to note that this amendment would permit, not require, Philadelphia to tax commercial real estate at a higher rate. Local government plays an important role in this initiative. PAA and our lobbyist have been in talks with Philadelphia City Council as well.

We will continue our lobbying efforts with the resolutions' sponsors, key legislators and Philadelphia City Council. If the proposal fails in this session (which ends November 30, 2018), proponents would have to start all over again to secure approval from the General Assembly in two successive legislative sessions, followed by a voter referendum.

Assistance Animals

PAA knows many property owners are struggling with residents that obtain fraudulent certification for assistance animals. PAA is in the beginning stages of working with legislators and other stakeholders to address the issue. PAA assisted in the drafting of a bill that would require those requesting an accommodation for a service or assistance animal to present a statement from a health care provider with whom they have a relationship that there is a nexus between the person's disability and the need for the accommodation. We expect the bill to be introduced in the PA House early in 2018.

Additionally, Representative Tallman (R-Adams) introduced a bill that would punish individuals who fraudulently represent an animal as a service animal. **HB 1426** defines

what misrepresentation of a service animal is, and would make violators pay a fine up to \$1000. The current language in the bill is a start to solving the problems property owners face; PAA is working with other organizations to develop additional language that would further benefit property owners.

2017 STATE BILLS AND ISSUES

Our government affairs program includes monitoring legislative initiatives, supporting or opposing pertinent bills, and keeping our members informed. Over 2,950 bills and 4,060 legislative co-sponsor memos have been filed in the 2017 Session so far. Some legislative initiatives are more active than others. We stay current on all of them and lobby as appropriate. Included in our ongoing lobbying activity is communication with key committees to emphasize our position on pertinent bills. Our input often influences committee activity. The significant legislative issues we covered in 2017 were:

Blight: We continue to be a part of State Senator David Argall's (R- Schuylkill) task force on blight. Legislation regarding blight can create unintended consequences for all property owners, so we follow bills and continue to weigh in on behalf of the apartment industry.

Abandoned Property Tax Sale Act: SB 340 provides an extensive definition of "abandoned property." It would require purchasers of abandoned properties to enter into redevelopment agreements with the municipality or redevelopment authority, obligating the purchaser to redevelop the property. Specific requirements for redevelopment plans are included in the bill. If the municipality or redevelopment authority determines demolition of the building is appropriate, the purchaser may demolish instead of redeveloping. PAA has solicited thoughts about the bill from members, and is following the bill's progress. It has been in the Senate Urban Affairs and Housing Committee since February, 2017.

Building Codes: There are many reasons to follow legislation affecting Pennsylvania's building codes. The Legislature sees this as a way to address blight and to expand inspections ordinances throughout Pennsylvania.

Municipality Code Enforcement Agreements: SB 663 (St. Sen Laughlin, R-Erie) would require municipalities who contract with third parties to administer the PA Construction Code to obtain three third party agencies to conduct inspections. The bill would also limit the fees municipalities could charge constituents for the cost of administrating and enforcing the codes. This bill has been passed in the Senate and is in committee in the House.

Complaints about Planned Communities and Condominiums: HB 595 (St. Rep. Brown, R-Monroe) would assign the investigation and mediation of complaints regarding planned communities, cooperatives and condominiums to the Office of the Attorney General's Bureau of Consumer Protection. We are following its progress because it deals with an issue in certain multifamily communities. The bill has been on the Senate Calendar since June, 2017.

Corporate Taxes: State Representative Scott Conklin (D-Centre) has reintroduced his proposal to require corporations and their related subsidiaries to file taxes as a single company for PA Corporate Net Income Tax purposes. Conklin states **HB 1719** would eliminate what he calls the "Delaware Loophole" for large multi-state and foreign corporations. This bill has been in the House Finance Committee since August.

Criminal Records: Our job is to compel legislators to consider the delicate nature of our industry- providing homes- and the need for our industry to continue to have broad discretion over the use of criminal records. These proposed bills would impact how property managers can screen their employees as well as their residents.

Ban the Box: SB 842 (St. Senator Hughes, D-Philadelphia) would prohibit employers from inquiring about a criminal record of an applicant until the applicant has been selected for an interview or a conditional offer of employment has been offered. It has been in the Senate Labor and Industry Committee since August, 2017.

Expunged Criminal Histories: HB 1441 (Rep. Caltagirone, D-Berks) reintroduced a bill that would prohibit employers from considering criminal history or background information that has been expunged. This bill is now in the Judiciary Committee.

Residency Restrictions for Sex Offenders: State Representatives Davis and Metcalfe have introduced two pieces of legislation that would impose residency restrictions on sex offenders. **HB 1882** (Davis, D-Bucks) would prohibit sex offenders from living within 2,500 feet from a school or daycare. **HB 1892** (Metcalfe, R-Butler) would prohibit a sex offender to be within 1,000 feet of a school or daycare; it would also require that parents and law enforcement be notified if a sex offender lives within 1,000 feet of a bus stop. Both bills are in the PA House Judiciary Committee. PAA has notified members and received feedback on this legislation.

Early Lease Termination:

Termination for Health Care Reasons: The House Urban Affairs Committee passed over legislation that would allow senior citizens and individuals with disabilities to provide a 60 days' notice of lease termination. **House Bill 900** was introduced by Rep. Dean (D-Montgomery). Leases could be terminated when

seniors and people with disabilities have to be placed in a licensed long-term care facility for medical reasons. This is a re-introduction of the same bill from last session. PAA has had numerous conversations with Rep. Dean for several years. And we have consistently worked on language that accommodates the needs of property owners.

Notice before Foreclosure: In March Representative Tina Davis (D-Bucks) reintroduced legislation that would require property owners to provide a certified copy of foreclosure notices to residents. **HB 958** calls for property owners to present a notice at least 60 days prior to the termination date; month-to-month and week-to-week residents must have at least 30 days' notice prior to the termination date. Property owners would have to provide written notice to residents ninety days prior to the sale of a property following a foreclosure. PAA has been working on this legislation since 2013.

Termination for Domestic Violence: The PA Senate Housing and Urban Affairs Committee approved a bill authored by State Senator Haywood (D-Montgomery). The proposed legislation would allow a tenant of a county housing authority who is a victim of domestic or sexual violence to be relocated to another apartment under the control of the county housing authority, or in another county housing authority. **SB 919** is on the Senate Calendar. The apartment industry is aware of the importance of supporting victims of abuse. Association members typically work with victims on a case-by-case basis to arrive at the best possible solution for all concerned, including all residents of the apartment community. The right legislation could provide a level of certainty on how to manage these sensitive matters. This bill mirrors legislation Senator Haywood introduced in the last legislative session. PAA will continue our dialogue with him to express the concerns of the multifamily housing industry.

Eviction Proceedings: State Representative Greg Rothman (R-Cumberland) has introduced a bill that would revise eviction proceedings. **HB 1875** would allow a property owner to request the issuance of an order for possession immediately after the rendition of a judgment. The magisterial district judge would then be required to immediately issue the order. The order would have to be served no later than 48 hours after the rental owner files the request, and executed on the twelfth day following the service on the resident. Current law allowing the resident to pay the rent in arrears and costs at any time and supersede the order would remain in force. PAA worked with the sponsor to tune the legislation to the needs of rental owners.

Flood History Disclosure: PA State Senator Stewart Greenleaf's (R-Montgomery) bill to require rental owners to disclose histories of floods on their properties made it to the Senate calendar but has been laid on the table for most of the year. In the meantime, legislative staff is considering additional language from PAA. **SB 51** would require

rental owners to disclose a property's flood history to the extent actually known by the owner. We secured provisions that limit the duty to disclose only floods of which the owner has direct knowledge. We have also submitted language that would limit the duty to disclose to "hundred year" floods, and only if water has entered dwelling units. Further, we have asked that owners be relieved of their duty to disclose once improvements that mitigate the chances of flooding have been completed, such as drainage and grading. Senator Greenleaf's interest in flood disclosure legislation stems from a tragic incident in his district a few years ago in which residents of a multi-family community died during a serious flood. PAA has been working to limit the definition of flooding as well as the circumstances under which floods must be reported to residents.

Green Buildings: HB 996 (Rep. Galloway, D-Bucks) re-introduced the Property Assessed Clean Energy Program for residential and commercial property owners. It has been sitting in the House Environmental Resources and Energy Committee since March of 2017. Municipalities would be able to offer public or private funds for sustainable energy project loans.

Housing Authorities Law Amendment: Representative Freeman (D-Northampton) introduced legislation that would allow housing authorities in cities of the third class to establish police forces. Cities of the first and second class are already permitted to do so. **HB 1629** was referred to the House Urban Affairs Committee.

Minimum wages and paid sick leave: We kept an eye on efforts to increase Pennsylvania's minimum wages, as they relate to property operations.

HB 701 (St. Rep. Maria Donatucci, D, Phila. De.) would provide, among other things, a minimum of one hour of paid sick leave for every 40 hours worked. Recent developments in Philadelphia regarding paid sick leave and increased efforts around the country to guarantee paid sick leave means we must keep on top of any related proposal.

Lead Based Paint: Lead exposure and children's health are hot property issues throughout the United States. Several sponsors are supporting **HB 668**. The bill would require informing prospective rental residents if the residential dwelling has been tested for lead-based paint and hazardous conditions. Lessors would also have to provide lessees with a lead hazard information pamphlet and disclose the presence of any known lead-based paint and hazardous condition. PAA has argued that the bill would add layers of superfluous requirements already contained in federal law. The bill was introduced on March 1, 2017 and referred to the House Committee on Urban Affairs.

Marijuana Disclosure: HB1006 (St. Rep. R-Montgomery) calls for sellers of residential real estate to disclose any previous use of the property as a marijuana grow house. Committee staff have asked for our input, and we are having ongoing discussions. We

have several concerns with this bill. Proponents offered no scientific information to support the notion that the site of a previous marijuana grow house presents health concerns. Possible problems with the property are covered in current disclosure requirements or would be readily discernible through a buyer's inspection. Additionally, there are no "sunset provisions" in the current bill language to remove the disclosure requirement once any problem with the property has been corrected.

Meth Labs: Under St. Senator John Rafferty's (R- Montgomery) **SB 603**, law enforcement officers would be required to notify the PA Department of Health when they arrest persons at a clandestine lab site. Occupancy at the property would be prohibited until the lab has been removed and remediated according to Department guidelines. Disclosure of past methamphetamine production on the property, including a statement to the buyer or transferee regarding remediation would also be required. The bill is still in the Senate Health and Human Services Committee.

Property Taxes:

Eliminating Property Taxes: While our immediate concern is to obtain relief from the scourge of spot appeals, we fully support this ultimate resolution to the problems caused by imbalanced property tax assessments. Senator Argall's (R-Schuylkill) **SB 76** (titled the Property Tax Independence Act) fell one vote short in 2015 when the Senate tried to add its provisions to another bill as an amendment. That bill failed, thus killing the "76" proposal for 2016. Their attempt went down in flames as collateral damage, it seems, in that year's budget battle. "76" was introduced again this session, and has gained more public attention. It is still in committee for now.

Also see other proposals on eliminating property taxes, as well as other property tax bills, below.

Eliminating Residential Property Taxes for Education Funding:

Representative Gillespie (R-York) introduced **HB 1318** that calls for the eventual elimination of all school residential property taxes. While there are no definitions for residential or commercial property in the bill, the mere reference to residential property suggests property taxes on commercial properties would still be allowed. The eliminated taxes would be offset by increases in sales and income taxes. The bill has been moved to the House Finance Committee. Since the Uniformity in Taxation clause of Pennsylvania's Constitution would have to be amended to allow a distinction between commercial and residential properties for tax purposes, companion bill, **HB 1317**, proposes such an amendment.

Additional Property Tax Bills: Property tax reform continues to be a primary goal of many legislators and the Governor. We are monitoring all property tax bills and weighing in when necessary because of their potential to affect our property tax issues, including spot appeals. They include:

A potential tax abatement passed the PA House and has been on the Table in the Senate since June, 2017. Under **HB 758** (St. Rep. Judy Ward R-Blair), property owners and developers would be able to receive tax abatements after they have been approved to rebuild a blighted property. The program is segmented into annual increments. Once ten years have passed, the property is reassessed and taxed at its new full value. The legislation argues that mixed-use development is essential to enhancing economic and community development.

Expanding Rent Rebate: Several bills were introduced that would modify property tax and rent rebate assistance. One of them, from Rep. Brian Sims (D-Philadelphia), would increase the maximum income limit for property tax rent rebates. The current maximum income is \$15,000. **HB 1118** would raise it to \$20,000.

Pre-Lien Notification: Former St. Rep. Petri (R-Bucks) introduced legislation that would alter the responsibility of municipalities for pre-lien notification regarding delinquent water, gas, and sewage accounts. **HB 1310** would require a property owner to pay a resident's bill and the lien only if the municipality notifies the resident and property owner within 30 days after the bill becomes overdue. A property owner would not be liable for services to the resident 90 or more days after a bill first becomes overdue.

Additionally, the bill includes changes to the Municipal Claim and Tax Lien Law, in response to a recent federal Eastern District court decision in Philadelphia. The court had struck down PGW's process for placing liens on properties where tenants have run up delinquent gas bills. The court said PGW failed to provide meaningful timely notice to the property owner.

The legislation stressed that it is not requiring a municipal authority to terminate service to a resident because of an overdue bill. The bill is in the Urban Affairs Committee. Representative Petri left the House in late 2017 to head the Philadelphia Parking Authority. It is not clear what momentum this legislation will gain now that he is not a member of the House.

Snow Removal: The proposed Snow Removal Service Liability Limitation Act takes aim at indemnity clauses in snow and ice removal contracts. Contract clauses that indemnify receivers of snow and ice removal services from the acts or omissions of the service

receiver would be declared void. PAA opposed **HB 624**, met with the sponsor, and actively worked to table it. The bill was passed over in the Insurance Committee.

Sterling Act Amendment and Philadelphia City Wage Taxes: St. Senator Tomlinson (R-Bucks) introduced **SB 840** that would require cities of the first class (Philadelphia) to reimburse nearby taxing jurisdictions that collect an earned income tax at a rate equal to what would have been collected from residents of their respective areas. Currently, all residents of Philadelphia and all non-residents who work in Philadelphia are subject to its wage tax. The bill is in the Senate Finance Committee.

Squatters: State Representative John Taylor (R- Philadelphia) introduced legislation that would enable law enforcement officers to remove squatters from private property. The officer would be required to have probable cause to believe that a person is trespassing on residential property. The officer would also have to provide a reasonable opportunity to the alleged squatter to secure and present proof that he or she has a legal right to be on the property. **HB 1874** has been referred to the House Judiciary Committee. A similar proposal was introduced in Philadelphia. See below.

Utilities:

Foreign Load: Representative Dan Moul (R-Adams) introduced legislation that would alter the responsibilities of property owners and residents regarding foreign load in a rental property. A foreign load is utility service registered on one resident's meter but used by another resident or in a common area. Current PA law requires that any time a resident's utility meter registers usage outside of the resident's unit the utility account must be transferred into the rental owner's name. Upon transfer, the owner becomes responsible not only for the resident's usage going forward, but also for any outstanding balance on the account at the time of the transfer. The new proposed law (**House Bills 1031 and 1032**) would allow owners and residents to enter into agreements in which the resident would be responsible for the payment of utilities related to foreign load. Public Utility providers would also be able to bill a resident for foreign load upon agreement with the property owner.

Voluntary Program to Replace Private Water Lines: Senator Wayne Fontana (D-Allegheny) introduced legislation that would allow public money to be used to maintain and repair private lateral sewer or water lines. In his co-sponsorship memo, the Senator cites the prevalence of lead in water pipes. Local water authorities would decide if they would like to participate. **SB 656** is in the Local Government Committee in the House.

LOCAL

PHILADELPHIA: The Mayor and members of Council made the issues of affordable housing, inspection for lead and evictions their primary focus of 2017. We will continue our work on all pertinent bills. Additionally, we will continue to enhance our relationships with Council members and their staff as we move to 2018.

Philadelphia Ordinances Enacted in 2017:

Developer Information Bill: There are new requirements for developers of specific projects to submit a Project Information Form to the City, its surrounding neighbors, and Registered Community Organizations (RCOs). The required information would include data about the developer, changes to on-street parking, what the property will be used for, the duration of construction, and the employment opportunities the project will generate. Most projects larger than 2,500 square feet that require a zoning change, would have to be approved from the Civic Design Review.

Philadelphia Expanded Lead Disclosure Bill: Bill No. 160687 went into effect in April of 2017. It expanded the city's lead paint disclosure and inspection ordinance to include mandates for rental owners regarding disclosure of lead service lines and plumbing components. Owners must also insert specific language in their leases about lead service lines and plumbing. Additionally, owners must inform new residents of their right to inspect for the lines and plumbing components. Residents would have to bear the cost of the inspection and complete it within 10 days of entering into the lease agreement. Should the inspection reveal a lead service line or plumbing components, the resident may terminate the lease and all moneys paid by the resident must be refunded. Owners must also provide new residents with a pamphlet from the City that explains how to reduce the risk of lead exposure.

See below. This new ordinance is not the end of lead hazard bills in Philadelphia.

Hot Topics:

Intensified Lead Inspection Enforcement.

Philadelphia stepped up its efforts to enforce its lead inspection ordinance in 2017. City law requires owners of targeted housing (which includes housing where children age 6 and under live) to inspect for lead at the start of a tenancy and present certification to the resident that the property is either lead free or lead safe. Additionally, beginning this year, rental owners are required to complete a revised rental license application that provides certification that applicants are complying with the current lead paint disclosure laws.

Additional mandates expected: In addition to stepped up enforcement, all indications are that the City's lead inspection and reporting mandates will be expanded in 2018 to include all rental housing built before 1978. The City released a report on childhood lead poisoning in 2017 that contained an overview of how the City plans to expand its tactics

to eliminate lead exposure. Augmenting current ordinances was one of the suggestions contained in the report.

Affordable Housing in Philadelphia.

2017 saw expanded discussion about the lack of affordable housing statewide, and Philadelphia in particular.

Most notably, **Bill 170678** would create a Mixed Income Housing Program for the City. The bill as amended in December of 2017 would require developers of new construction to set aside 10% of all dwelling units as "Affordable Units." Alternatively, developers could opt to make payments to the City in specified amounts in lieu of providing Affordable Units.

PAA lobbying resulted in significant changes to the bill's language. The original bill had required set asides of units even when owners undertake major renovations. Our efforts led to the amended bill, which now only covers new construction. Additionally, as of this Summary's publication, the mandates would apply only to zoning classifications concentrated in Center City.

A final vote on bill 170678 was postponed because of strong opposition from numerous groups. Several Council members continued their discussions about possible amendments throughout the holidays and into the New Year. Among their suggestions: replace the affordable housing set aside requirement with a requirement for the payment of larger impact fees. PAA will continue to be an integral part of all conversations on Bill 170678 and advocate on behalf of Association members.

Hearings on Evictions in Philadelphia: Media attention, including a book by Matthew Desmond, *Evicted: Poverty and Profit in the American City*, brought the subject of evictions to City Council's attention in 2017.

In March 2017, City Council held joint Committee hearings to discuss the impact of evictions and substandard housing on the health and wellbeing of low-income renters. Testimony from city agencies and rental residents that rely on affordable housing called for legal counsel throughout the evictions process. They also suggested that evictions are a cause of poverty in the city.

PAA submitted written testimony noting evictions are an extremely expensive, time-consuming last step an apartment community owner must take when faced with serious problems with residents. Apartment owners must pursue evictions in the hardest of cases in order to keep their properties solvent and protect the interests of their other residents. Moreover, if rental owners were to face further restrictions on the evictions process, they would be forced to curtail their risk of having to go through the process and would be less likely to rent to residents with marginal credit and employment histories. We cannot risk reducing the supply of rental housing by making it harder for rental owners to take care of their properties.

It was evident throughout the hearing that Council intends to further explore this issue. PAA members followed up with meetings with key Council members to drive home our position. We will continue our advocacy on behalf of members' interests.

Bills Still in City Council at the Start of 2018:

6-Month Notice to Residents: Philadelphia City Councilman Jones (Fourth District) introduced legislation that would require property owners to give their residents six months' notice before conducting major renovations on a property. **Bill Number 170560** would require property owners to notify residents of a significant lease change, whether renovations are being performed by the existing owner or a subsequent owner. Notice would also be required if the general use of the property will be altered. The notifications would have to include contact information for tenant advocacy groups. Residents would be permitted to terminate their leases upon receiving these notifications.

This legislation would clearly have several adverse impacts on property owners in the City. PAA is working to protect the interests of our members.

It is important to note that the Philadelphia Tenants Union has publicly expressed their intention to push for additional limitations on evictions. Ignoring the damage such legislation would do to the industry that provides rental housing, they see this bill as a first step towards "Just Cause" anti-eviction legislation—in which rental owners would be prohibited from evicting residents except under a few limited circumstances. We are working with a coalition of real estate and rental owner organizations to stop such efforts. PAA members and staff are meeting with Councilman Jones and working on bill language that will consider the needs and concerns of property owners.

Demolition Fund: A very busy Philadelphia City Council also introduced a bill that would create a "Philadelphia County Demolition Fund", to be used for the demolition of blighted properties in an effort to increase economic development. The Fund would be financed through an additional \$15 fee that would be collected on the recording of deeds in Philadelphia. **Bill No. 170852** was introduced by Councilmember Greenlee on behalf of Council President Clarke and has made it through committee.

Fire Code Amendment: Councilwoman Blackwell (3rd District) introduced **Bill Number 170280** that would require building owners to have new and additional tests performed on smoke dampers, fire dampers, and smoke control systems. The bill not only calls for particular contractor qualifications, but also establishes penalties for violations of the proposed new code requirements. PAA noted the additional costs this would mean for the multifamily industry. We are continuously monitoring the legislation and making sure City Council understands our needs.

Off Street Parking: Councilman Greenlee (At Large) introduced **Bill 170672** on behalf of City Council President Clarke. It would change the motor vehicle parking ratios required for newly erected or expanded structures. Multi-family structures in both residential and commercial districts would be required to provide 6 parking spaces for every 10 units of housing. The current law requires 3 parking spaces for every 10 units. This bill is part of a growing list of Philadelphia legislation that PAA-East is working on with councilmembers and other groups. Much of the language does not fit the needs of the apartment industry.

Rental License Disclosure Bill: Philadelphia City Council is considering **Bill 170853** that would require rental owners to disclose Rental License information in leases and further require owners to provide residents with contact information for the city's Department of Licenses and Inspections. PAA and a coalition of real estate organizations have met with Councilman Henon—the bill's author—to discuss his reasons for pursuing such superfluous mandates.

Squatters: Councilman Oh (At-Large) introduced a bill intended to prevent squatters from living in Philadelphia properties. **Bill 170827** would have created a rebuttable presumption that the owner of record is the actual current owner. The police would have been required to immediately inform the squatter to leave. And a court of competent jurisdiction would settle disputes if the alleged squatter shows the police credible evidence refuting his/her status of squatter. We had meetings with the bill's sponsors and took part in the extensive debate. It was ultimately passed over in committee.

Legislation in Harrisburg that Only Applies to Philadelphia (For Now)

Philadelphia Land Bank Legislation: PA State Representative Taylor (R-Philadelphia) introduced legislation that would enable Philadelphia City Council to enforce an ordinance that would regulate the content and timing of a land bank's bid to the City and school district. This proposed legislation would also allow Philadelphia City Council to assign a tax claim to the land bank. Rep. Taylor believes this will expedite the eradication of blight. **HB 1900** has been referred to the House Urban Affairs Committee.

Electric Meters on Philadelphia Properties: State Senator Sabatina (D-Philadelphia) introduced **SB 937** that would require property owners in Philadelphia to provide a utility company with a Certificate of Occupancy before adding an additional electric meter to a property. The Senator cited single-family dwellings in his district that have been illegally transformed into multi-family units as his motivation behind SB 937.

PITTSBURGH: PAA-West and PAA continued to work together in 2017. West members engaged in state lobbying efforts and attended major fundraisers and our Harrisburg Capital Conference. There will be even more opportunities for PAA-West and PAA to work together in 2018.

Pittsburgh Private Lead Lines: Pittsburgh City Council passed legislation that enabled the City to provide financial assistance to replace sections of private lead lines.

Pittsburgh Water and Sewer Authority: The state budget that passed in the early fall contained a provision that allowed the Pittsburgh Water and Sewer Authority to be placed under the Public Utilities Commission—a state-wide organization.

Housing Trust Fund: Pittsburgh City Council increased its realty transfer tax to 4.5%. The money collected from this tax will be put towards a multi-million dollar housing trust fund. City Council approved the creation of the fund in 2016, but did not figure out how they were going to pay for it until late December 2017. The new tax will be in effect on February 1, 2018.

NATIONAL

The National Apartment Association is the leading advocate for the apartment industry in Washington DC. A complete rundown on NAA's legislative activity can be found on their website, www.NAAHQ.org. Issues include tax policy, finance and capital markets, property operations, housing policy, energy and environment, employment and immigration, and construction and development. The following is a brief list of the federal issues we followed or in which we were involved on behalf of Pennsylvania members:

Affordable Housing: Regulatory barriers, limited financing, and construction costs all create difficulty for the private sector in constructing, rehabilitating and operating apartments that Americans with median incomes can afford. NAA/NMHC succeeded in an effort to have the tax reform legislation include the Low-Income Housing Tax Credit.

Building Codes: A considerable amount of NAA and the National Multihousing Housing Council lobbying time is devoted to advocacy on behalf of the apartment industry before several codes councils. NAA monitored and lobbied for changes to several International Code Council codes including the International Energy Conservation Code, the International Fire Code, the International Property Maintenance Code, the International Existing Building Code and the International Residential Code. Their efforts save industry members millions of dollars year after year.

Rent Control: Rent control is one type of rent regulation, or government enforced price control policies targeting market rate rental housing. Rent regulation policies include a variety of programs such as rent control, rent stabilization, temporary rent control, and mandatory inclusionary zoning. The National Apartment Association has devoted significant resources to help its affiliates fight the growing threat from rent regulation programs.

Tax Reform: In December 2017, comprehensive tax reform was passed by Congress and signed into law by the President. This law was significantly more favorable to the multi-family housing industry in comparison to the tax reform that took place in the 1980s. The bill retains business interest deductibility, the Low Income Housing Tax Credit (LHTC) program, and the 1031 “like-kind” exchange. The law extends the depreciation period for multifamily buildings (27.5 years to 30 years); a new deduction of 20% is created for pass-through entities. Carried interest will continue to be treated as a capital gain for assets held for at least three years. The NAA website has more information regarding the significant features of the new law. Several PAA members assisted NAA by acting as key contacts with federal legislators from Pennsylvania.

PAA PAC ACTIVITY

Harrisburg lawmakers deal with thousands of issues each legislative session. We must make sure our issues don't get lost in the shuffle. The **PAA PAC** is a statewide fund dedicated to supporting state candidates. **Please help us grow this essential fund.**

Our PAC is registered with the Pennsylvania Department of State. The PAC is funded through voluntary contributions from PAA members. By law, the contributions must be voluntary. PAC contributions don't buy votes, but they show lawmakers we are on their “team” and should be taken seriously.

PAC expenditures support candidates for Pennsylvania state and local offices. Our PAC expenditures are based on the candidate's leadership position in the Pennsylvania State House or Senate, committee assignments, and the candidate's interest in or appreciation for issues that affect the apartment industry.

Contact Christine at cgertz@paahq.com if you would like to help with a PAC contribution and ensure that PAA is a major player in Pennsylvania politics.

On the Horizon

- **Advocate: NAA Annual Capitol Conference** March 13 and 14, 2018 in Washington, D.C. Visit www.NAAHQ.org for details.

- **PAA Annual Harrisburg Visit:** April 30 and May 1, 2018
- **Lease & Law Handbook:** A must have for leasing agents, managers and rental owners. Hard copies—a handy reference at your fingertips—of a new edition will be available shortly. Or access online at www.paallbook.com. Contact bwestbrooks@paahq.com or cgertz@paahq.com for details.

Respectfully Submitted:

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