COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, June 17, 2008
10:10 a.m.

- - -

PRESENT:
COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN WILLIAM GREENLEE
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES F. KENNEY
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN BLONDELL REYNOLDS BROWN

BILL 080543 - An ordinance authorizing the creation of a loan or loans to provide funds for and toward various capital municipal purposes...

RESOLUTION 080552 - Resolution approving the annual Program Statement and Budget for the expenditure of the Neighborhood Transformation Initiative (NTI) Bond Proceeds for Fiscal Year 2009.

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COUNCILWOMAN TASCO: Good morning. The Committee on Finance will come to order. I will report that we have a quorum in the presence of Councilmembers Brown, Green, Greenlee, Blackwell, Goode, Kenney and DiCicco.

Would the Clerk please read the bill.

THE CLERK: An ordinance authorizing the creation of a loan or loans to provide funds for and toward various capital municipal purposes; authorizing the Mayor, City Controller and City Solicitor or a majority of them to sell bonds at public or private negotiated sale; setting forth the capital purposes and the amounts for which the proceeds of the loan or loans will be expended, including reimbursement of City capital expenditures; providing for the maturities and for other terms and conditions and for the form of the bonds; providing that certain bonds may be redeemable prior to maturity;

providing sinking funds for the bonds and for appropriations to the Sinking Fund Commission for the payment thereof; authorizing agreements to provide credit or payment or liquidity sources for the bonds and interest rate swaps in connection with issuance of the bonds, and certain other actions; providing for obtaining the consent of the electors to increasing the indebtedness of the City of Philadelphia; and fixing a day for holding election for obtaining such consent and providing for the arrangements for holding such election.

COUNCILWOMAN TASCO: Thank you.

Who is here to testify on behalf of the Administration?

(Witness approached witness table.)

MS. RHYNHART: Hi. I'm Rebecca Rhynhart, Deputy Finance --

COUNCILWOMAN TASCO: Pull the mike to you, please.

MS. RHYNHART: Rebecca

Rhynhart, Deputy Finance Director for Debt Management.

COUNCILWOMAN TASCO: Good morning.

MS. RHYNHART: Good morning.

COUNCILWOMAN TASCO: Proceed.

MS. RHYNHART: Good morning, Councilwoman Tasco and members of the Finance Committee. My name is Rebecca Rhynhart, Deputy Director of Finance for Debt Management, and behind me are various officials from the Finance Director's Office and the Capital Program Office. I am here today to testify in support of Bill No. 080543, which was introduced on June 5, 2008.

The purpose of this bill is to obtain approval from City Council to place a loan authorization question on the General Election Ballot on Tuesday, November 4, 2008. The loan question requests an increase in indebtedness in an amount not to exceed $53,840,000 to fund the City's Fiscal Year 2009 Capital

Budget, which was approved by City Council. State law requires the City to place a question before the electorate during an election to increase its borrowing authority.

The loan authorization, if approved, would finance capital projects classified for the following purposes and in the following aggregate amounts:

For transit, 3,401,000; streets and sanitation, 10,935,000; municipal buildings, 24,858,000; parks, recreation and museums, 11,753,000; and economic and community development, 2,893,000.

In order to provide appropriate time --

COUNCILWOMAN TASCO: Two million.

MS. RHYNHART: I'm sorry; 2,893,000. Excuse me.

In order to provide appropriate time to advertise the ballot question prior to the November 4, 2008 General Election, the bill should be enacted no later than September 18, 2008. Therefore, at this time, I would like to request a suspension of the rules to allow for first reading at the next meeting of City Council.

Finally, attached as part of this testimony is the proposed ballot question requesting the loan authorization from the electorate of the City of Philadelphia.

This concludes my written testimony. I would be happy to answer any questions Council might have.

COUNCILWOMAN TASCO: Thank you very much.

How will the issuance of this debt affect our debt ceiling?

MS. RHYNHART: It will not have that much of an impact. I could get the exact calculation for you, but if you look at the over one billion of general obligation debt outstanding, this won't increase it that much. But I can get the exact calculation for you if you would like.

COUNCILWOMAN TASCO: Thank you. Do you know what our current debt ceiling is?

MS. RHYNHART: The exact calculation? I do not actually have that with me, but it's around -- I don't want to say exactly, actually.

COUNCILWOMAN TASCO: So you'll get that information to us?

MS. RHYNHART: I'll get it for you, yes.

COUNCILWOMAN TASCO: Next time you'll have that information, because that's the question we're going to always ask.

MS. RHYNHART: Okay. I definitely will.

COUNCILWOMAN TASCO: What will be the timetable for RFPs for legal counsel and financial advisors?

MS. RHYNHART: Well, the bonds -- this is to get the loan authorization, but the actual bonds associated with this will not be issued for some time.

(Rob Dubow approached witness table.)

COUNCILWOMAN TASCO: And so you will put an RFP out for legal counsel and financial advisors?

MS. RHYNHART: Yes, we will.

COUNCILWOMAN TASCO: Once you get the response to the RFPs, what is the process for selection?

MS. RHYNHART: Our process for selection is that we get the RFPs back and we meet -- a group of us meet and discuss the responses, and we rank them based on certain selection criteria, and that's how we make a decision.

COUNCILWOMAN TASCO: Who is a part of that discussion?

MS. RHYNHART: It depends on the type of bond deal, but myself and Rob and various other people are part of that. So it changes.

COUNCILWOMAN TASCO: Any other

questions?

(No response.)

COUNCILWOMAN TASCO: Thank you very much.

MS. RHYNHART: Thank you.

COUNCILWOMAN TASCO: We'll now have the reading of the resolution.

THE CLERK: Resolution approving the annual Program Statement and Budget for the expenditure of the Neighborhood Transformation Initiative Bond Proceeds for Fiscal Year 2009.

COUNCILWOMAN TASCO: Thank you.

Mr. Altman, who plans to testify?

(Witnesses approached witness table.)

MR. ALTMAN: Good morning, Madam Chairwoman and members of the City Council. My name is Andrew Altman. I'm Deputy Mayor for Planning and Economic Development. I am testifying today in support of Resolution No. 080552 approving the FY09 Program Statement and

Budget for the expenditure of the NTI bond proceeds.

With me today are Deborah McColloch, the Acting Director of the Office of Housing and Community Development, and Elinor Haider, who is my Chief of Staff.

Since its creation in 2001, more than $306 million of NTI bond proceeds have been invested to stimulate the economy in Philadelphia's neighborhoods and downtown, addressing the quality of life of its citizens and creating a foundation for growth. The focus of FY09 will be to institutionalize learnings from the NTI process, while consolidating and spending remaining funds. The FY09 Program Statement and Budget allocates the remaining $5,460,944 in NTI bond proceeds. After this year, all NTI bond proceeds will be budgeted and the Administration anticipates that FY09 will be the final year of NTI spending.

The proposed FY09 Program Statement and Budget allocates the remaining bond proceeds to foreclosure prevention and housing assistance for low- to moderate-income residents. We also recommend extending the Home Buy Now - Employer-Assisted Housing program to stimulate private sector investment in the workforce. Last, we recommend funding for the Vacant Property Management Information System to complete development of a citywide land management and information system. Highlights of these proposed changes are as follows:

Foreclosure prevention: In 2007, there were over 6,200 foreclosures filed in the City of Philadelphia, an increase of 18 percent from 2006. The number is expected to increase to 8,500 for 2008. Some neighborhoods such as West Oak Lane, East Mount Airy and Southwest Philadelphia are experiencing 40 percent foreclosure rates. Without access to reasonable financing and counseling, homeowners will continue to fall prey to the impact of predatory lenders and speculators. We have allocated $2 million to protect homeowners who are at risk of foreclosure or potential targets of predatory lending.

City Council has been in the forefront on raising awareness of these issues and developing solutions. Councilwoman Tasco, in particular, has been a leader on the predatory lending issue. Likewise, Councilman Jones has held a comprehensive hearing on the foreclosure crisis, which helped to design and shape our new initiatives.

Starting with those who have fallen victim to predatory lending and are now facing foreclosure, the City will implement the new HERO Loan and Philadelphia Renovate and Repair programs, as well as continue funding for the PHIL-Plus and Mini-PHIL programs, as a coordinated approach to foreclosure prevention. An amendment has been prepared with respect to continuing funding for the PHIL-Plus and Mini-PHIL programs. At the appropriate time, I'll be glad to offer the amendment.

The HERO Loan and Philadelphia Renovate and Repair programs will be implemented in partnership with the Pennsylvania Housing Finance Agency, PHFA, and the City funding will leverage over $10 million in state loans for homeowners facing foreclosure.

In addition to helping those at the edge of foreclosure, our goal is to educate homeowners and combat predatory lending, a significant problem that leads to foreclosure for many of its victims. Outreach and education will be achieved through the marketing of the City's Save Your Home hotline and the funding of 31 housing counseling agencies. Through this additional funding, Community Legal Services will augment legal support to victims of predatory lending identified by the housing counseling agencies.

In FY09, we will continue to fund a variety of programs assisting low- and moderate-income households, as well as to create internal systems to better manage our assets and provide a higher level of customer service to Philadelphians. The continuing programs are:

The Vacancy Prevention Program, known as the Tangled Title, will continue to help older homeowners understand the value of estate planning and resolve title problems which prevent occupants from retaining funding for repairs or the smooth transfer of title of residence.

The Adaptive Modification Program: This year's Adaptive Modification Program budget keeps funding levels at the same level as FY08, and through March 8, 2008, 466 homes received funding.

Settlement Grant Assistance: The City's Settlement Assistance Grant program provided 915 settlement grants to low- and moderate-income first-time home buyers in FY 2007.

Home Buy Now - Employer-Assisted Housing: Home Buy Now provides settlement assistance, housing counseling and home improvement loans. As of December 2007, 35 employers have enrolled in the program and 130 homes were purchased.

The Vacant Property Management Information System is designed as a series of technology components supporting the Redevelopment Agency's business process of acquisition, assembly and disposition of parcels. This program and subsequent implementation at the RDA is integral to building a reliable land management system.

In conclusion, as part of preparing the FY09 NTI Program Statement and Budget, this Administration sought a full accounting of NTI program expenditures. In the process, we discovered serious program oversight, project management and accounting deficiencies concerning the land acquisition budget that require immediate remedial action. At this point, it is financially prudent that we move forward cautiously until the preliminary audit is complete. The RDA will only proceed with a limited number of dispositions and will temporarily cease acquisition, as they increase the City's potential financial liability. The Administration is working with the Controller's Office to conduct a comprehensive audit of the RDA's property records to better understand the severity of the situation. We hope to continue to collaborate with the Council to resolve the issue quickly.

Madam Chairwoman and members of the Committee, I would like to take this opportunity to thank you. Without your support, many of these programs, their success and positive impact on Philadelphia's neighborhood and residents would not have been possible.

This concludes my testimony, and I'm pleased to answer any questions.

COUNCILWOMAN TASCO: Thank you very much.

Under the Vacant Property Management Information System, what is the current status of this project and who was the vendor who was selected to complete the project?

MR. ALTMAN: The current status of the project, there -- I guess to summarize, because it's been a program that has been ongoing since about 2003 -- I'll let Elinor jump in whenever she would like on this. To date, there have been expended about $5.2 million on overall building of a databank, a system, and what that system has essentially built is between the Unified Land Record System and a Vacant Property Management Information System. I think what the probably principal accomplishment of that has been to date is to actually have a completely digitized system for property management. A lot of records that had been previously paper records were put into a huge database. So I think a lot of the expenditure to now has been actually building the foundation of that system.

So, for example, data about any property in the City is now in a central database. There's information about License and Inspections, BRT, Revenue data is now there. There's the ePay system. So a number of sort of, I'd say, the basic elements of the system are there, but what's not there yet and what we're proposing are a number of applications in terms of how the land management system would run.

So, for example, if we want to find out now any piece of public property and you want to find out all of the different layers of information, what is the zoning, what is actually on that property, what is the status of its disposition, and how that links to a work program management system at the RDA and for the City is very critical. So you can actually track where is that parcel in the acquisition or disposition process.

That's, I think, the next generation of what needs to be spent on. The foundation is there, but the applications to make it usable and to connect it with the kind of work process management, as well as making it as user friendly to the world, is what's needed.

There have been a variety of different vendors. I think -- I have to look at the expenditures. I could get back to you. Over the period of time this has been used, I think the principal one was Avencia, was the principal vendor. I'd have to look at the exact amount that was expended on that firm in particular, but there were a team of people who had been working on this through MOIS, L&I, RDA, PHA, PHDC. A number of agencies have been involved in the building of this system over the past few years.

COUNCILWOMAN TASCO: I know you're new to this whole issue of NTI. Do you have any idea of what the initial appropriations for this program was?

MR. ALTMAN: Well, I think -- let me look. For this program in particular?

COUNCILWOMAN TASCO: For the Vacant Property Management Information System.

MR. ALTMAN: Yeah. It was initially $5.7 million, was allocated to this.

COUNCILWOMAN TASCO: Now, here on this proposed -- how much do you have proposed for that?

MR. ALTMAN: We're proposing an additional 1.2 -- $1,240,000 to what we hope will largely complete the system for all of the applications that were needed. And coming in new, I can say that this is a very critical tool to building a comprehensive land management system for the City. I think many of the questions I've heard from Councilmembers when I've spoken with them as to where is a particular property, where is it in the disposition process, how do we use that to monitor workflow, basic information, I think that's a lot of what this would continue to build out, as well as the kind of layers, for example, linking it to spacial data. So if you pull up a property, let's say there's -- pick an address. You'd be able to link that to mapping and planning information that would be a useful tool as well.

COUNCILWOMAN TASCO: Now, the five million so far that has been spent, has that built the foundation to the point that the appropriation now would be enough to complete the project?

MR. ALTMAN: I believe so. Yes, that's my understanding. Yes. It's built a foundation, and what we're looking at now are a combination of both different applications, such as the ones I was talking about, as well as training. I think there's a significant amount that we would need to do in terms of training of our workforce in how to use these systems and particularly how it integrates into their daily workflow.

COUNCILWOMAN TASCO: All right. And you will get back to us on the vendor?

MR. ALTMAN: Yes, and the amounts, yes.

COUNCILWOMAN TASCO: Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good morning, everyone. Just one question. On your testimony, Mr. Altman, on the Vacancy Prevention Program, what you're calling Tangled Title, I was wondering if you could explain that just a little bit more. Particularly when I see Tangled Title, obviously we've been involved here -- when we talk about Tangled Title in Council, we've been talking about the stolen deeds, that kind of thing. I think you're using it in a little different context here. Could you explain that a little bit for us?

MR. ALTMAN: Yeah. I'll actually ask Deborah McColloch.

MS. McCOLLOCH: Deborah McColloch from the Office of Housing and Community Development.

The Tangled Title program provides funds to help people, as we call it, untangle their title -- it's sort of a knitting metaphor -- for people in particular who may have inherited a property or received a property that they never actually probated the will, but they've simply been living in a house that belonged to their grandmother for a long time. It's connected with housing counseling.

The way many people come into

the program is, they're actually -- they've gone to apply for a grant or a loan and discovered that they don't have clear title to their property and then they can't get the grant or loan to help fix it up.

So this program is done -- the legal part of it is done as a pro bono legal experience, but the actual costs that are needed in some cases to probate a will or pay off some outstanding lien or something that can't be resolved simply by an attorney helping the family through the process, this fund helps pay those actual costs. So it's a way to help people who don't have clear title to their properties get clear title.

COUNCILMAN GREENLEE: So you don't get involved in the way I was saying it earlier, in the stolen property?

MS. McCOLLOCH: No. It's basically for people who are living in -- they're living in a house that they don't have clear title to.

COUNCILMAN GREENLEE: That their name is not on the deed.

MS. McCOLLOCH: Yes.

COUNCILMAN GREENLEE: I understand. All right. That's obviously important, too. Thank you.

MS. McCOLLOCH: You're welcome.

COUNCILWOMAN TASCO: Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam Chair.

In your testimony, Mr. Altman, you indicated that the only aspect of examination for audit both at the RDA and at NTI is property acquisition and land banking; is that accurate?

MR. ALTMAN: Yes. We were looking at all of the land acquisition and disposition aspect of NTI.

COUNCILMAN KENNEY: What other major functions of NTI besides property acquisition or land acquisition was conducted by NTI?

MR. ALTMAN: In terms of what other --

COUNCILMAN KENNEY: What other major --

MR. ALTMAN: Programmatic areas?

COUNCILMAN KENNEY: -- programmatic areas was NTI involved in? I know some of them, but I want to know what your understanding of the other areas of their activity.

MR. ALTMAN: I mean, there are a number of -- in the proposed budget, you'll see there are a number of programmatic areas. I won't walk through all of them in detail, but demolition -- I mean, probably the largest expenditure, demolition and vacant property stabilization.

Of the initial allocation of $306 million for NTI in terms of the bonds that were issued, about 147 million was allocated to demolition and vacant property stabilization, 72 million for land acquisition, which is the subject of the audit and the focus of the audit. There are a number of -- Basic Systems Repair Program was about $30 million, and the rest are a series of allocations that range from $1 million to $6 million, everything from home improvement loans to commercial corridor support, to some money for Housing Trust Fund, to homelessness prevention. It was really a series of many different kinds of programs. But I think the principal, if you look at between 147 million and the 72 million, so 200-plus million is really demolition and vacant property acquisition.

COUNCILMAN KENNEY: If the Administration was alarmed at the level or lack of controls, fiscal controls, in the area that you're auditing, why would you not audit the entire program and audit the RDA entirely? Because if there's similar concerns -- if the management activity in this particular area was so poor, what leads anyone to believe that the management activity in every other area wasn't equally as poor and why shouldn't we be looking at those areas also, both at NTI and RDA?

MR. ALTMAN: Yeah. I guess the immediate -- first of all, these are all administered by different entities often. So, for example, any demolition of vacant property stabilization is largely through License and Inspections.

COUNCILMAN KENNEY: But it's all under the umbrella of NTI.

MR. ALTMAN: It's all under the funding umbrella of NTI. And I'm not saying that we wouldn't look at other areas. I think the thing that was most concerning to us and why we focused on the land acquisition area is because when we looked at the source of proceeds and how those were potentially being expended, we got very concerned about it to make sure that we were doing everything in accordance with what the requirements of the bonds were.

I haven't looked at the management aspect of demolition and vacant property stabilization. It's a more -- I don't want to say it's a more straightforward exercise than the land acquisition program is and the bond proceeds are specified for particular uses, which are then used for those uses, and it didn't raise the same, I guess, kind of, I would say, financial reporting and fiduciary issues that we're concerned about in making sure that we're managing our money prudently. But that's not to say there -- but that's why we particularly focused on this.

COUNCILMAN KENNEY: That's why this was the --

MR. ALTMAN: That's why this was --

COUNCILMAN KENNEY: -- priority?

MR. ALTMAN: That's why this was the priority and because we are -- we want to make sure that before more properties are acquired, that we understood exactly what funds and sources of funds were going to be used.

It was clear that there's a shortfall between the amount of commitments that were made; in other words, of the $85 million total land acquisition -- that, by the way, includes money from Community Development Block Grant -- and the NTI dollars and the commitments, which were about $72, $73 million, we had to make sure that we could reconcile the sources and the uses. That's why we immediately focused in on this.

COUNCILMAN KENNEY: But you're not ruling out additional examinations of various functions?

MR. ALTMAN: We haven't ruled anything out at this point, no.

COUNCILMAN KENNEY: All right. Thank you.

COUNCILWOMAN TASCO: Councilman

Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Good morning. I want to follow up on some questions that Councilwoman Tasco was asking, particularly with respect to the land management system.

Most of the projects that I have become familiar with that were software programming projects from the prior Administration made a fatal flaw in software programming or in the approach to the project or project management by basically hiring a software programmer to write into the Code current practices of relevant departments and, therefore, didn't get the efficiencies that could be brought by buying a commercial off-the-shelf software program and changing the work processes of the department to create the efficiencies that have been gained in the private sector as a result of the way they write commercial software.

So my question for you really is -- and if you don't have an answer to this today -- I know you weren't involved in the previous stuff -- please provide it to the Chair.

My question is, have we ruled out that there is a commercial off-the-shelf land management system that one of the major land management companies in this country are using? And there are many of them. Have we ruled that out as an option, as opposed to spending more money fixing what sounds like it was another Project Ocean or DSSCares or one of the other failed software projects that focused on current work processes versus efficiencies that result?

(Witness approached witness table.)

MR. BUSS: Good morning. I'm Andrew Buss from the Mayor's Office of Information Services.

In answer to your question, we

actually did do a comparison of buying something versus building something, and this was back in '04 perhaps, and there actually wasn't anything on the market, at least at that time, that was comprehensive enough in terms of what our sponsors at the time were telling us they wanted to see in the system. So what we ended up doing was pretty much building from scratch, and we have -- there's a whole bunch of different applications. If you're interested, I can go into those as well.

COUNCILMAN GREEN: No. But I think maybe you ought to do a market check and see what's out there now before you spend an additional 1.2 million on what would be a proprietary software system that's not supported by a commercial software vendor, which will cost us money to maintain. Every time we want to make a change, we'll have to hire the same consultants, et cetera.

I find it hard to believe that

we can't make a commercial off-the-shelf software system that's close for a land management company, something that we get tweaks from the provider for that they then support and we're not hiring software programmers and engineers to support over the next 20 years, if you follow my -- there's lots of cost savings in the out years by using commercial vendors rather than inventing it yourself, and, frankly -- so if you could just provide those answers to the Chair. I don't expect an answer today.

MR. BUSS: Sure. We can certainly do that.

COUNCILMAN GREEN: I'd appreciate it.

My other question really relates to the foreclosure prevention programs. My staff attended a briefing by Councilwoman Tasco and Jones, which was very informative, the other day, and it looks like the foreclosure crisis is not going to end by the end of FY09 or it's going to continue to be an issue here in the City of Philadelphia. And that's unfortunate, but what I'd like to know is what plans the Administration has to maintain the foreclosure prevention programs after this NTI funding expires.

Thank you.

MS. McCOLLOCH: Deborah McColloch.

The foreclosure prevention -- the dollars in the NTI Program Statement and Budget are supplementing the Community Development Block Grant dollars that are supporting housing counseling and Community Legal Services to provide these foreclosure prevention activities. And I would expect that we will continue to allocate in future years Community Development Block Grant funds. I can't commit here today that we would have an additional $1.5 million for that activity, but I believe we will continue to support the housing counseling activities and the legal activities by

CLS moving forward. That's what we do with our CDBG funds.

COUNCILWOMAN TASCO: Any other questions?

(No response.)

COUNCILWOMAN TASCO: On that point, the 1.5 million you're committing to the State for the HERO and the foreclosure program supported by the State, that's a one-time commitment?

MS. McCOLLOCH: The funds for HERO and Renovate and Repair are a one-time commitment now that are being matched with funds from the State from the Pennsylvania Housing Finance Agency, PHFA.

COUNCILWOMAN TASCO: So you talked about leveraging this to $10 million. Tell me how that happens.

MS. McCOLLOCH: Well, the State has committed funding for this HERO Loan fund and the Renovate and Repair fund, and those are loan funds, so as the families that participate repay on their mortgages, which are -- the HERO Loan program is a mechanism to refinance a mortgage, and the Renovate and Repair Program is a loan program to make repairs to your property. As folks are repaying on those loans, that money will go back into the fund, so it will continue to revolve.

COUNCILWOMAN TASCO: Now, if we give 1.5 million -- is it 1.5 million?

MS. McCOLLOCH: Yes.

COUNCILWOMAN TASCO: -- to the State now and in 2010 -- earlier in your testimony during the Community Development Block Grant hearing, you stated that the dollars that we are giving to the State would be for Philadelphians, right?

MS. McCOLLOCH: Yes. Yes.

COUNCILWOMAN TASCO: Targeted for Philadelphians, right?

MS. McCOLLOCH: Yes.

COUNCILWOMAN TASCO: So at the end of the day when the loan funds are repaid by borrowers from Philadelphia, will that money be targeted back to just Philadelphia or will those funds go into the general pot for loans across the State? How much and how long -- well, I guess how long will the Philadelphia pot last? I mean, will it last for Philadelphians or will the repayments go into a general fund?

MS. McCOLLOCH: I'm sorry. I don't know the answer to that and I don't want to misspeak and give you wrong information. I'll find out if the repayments are being segregated from the general loan fund and get back to you.

COUNCILWOMAN TASCO: Because I think that's important. If Philadelphians are going to continue to benefit from the investment that we make in comparison to the PHIL Loan and Mini -- PHIL-Plus and Mini PHIL-Plus programs that we were running ourselves and we could leverage $1.5 million here and the money would stay in Philadelphia.

So those questions are in addition to all the questions we discussed in our meeting we need some answers to.

MS. McCOLLOCH: Yes. I understand the question and I'll find out.

COUNCILWOMAN TASCO: Any other questions?

Councilwoman Brown.

COUNCILWOMAN BROWN: Good morning. Good morning.

A point of information. Councilwoman Tasco, the last time --

COUNCILWOMAN TASCO: I'm sorry.

COUNCILWOMAN BROWN: Quite all right. At our last hearing, did you not pose similar questions to the Administration around the HERO fund with the expectation that at this hearing we would be better prepared for the answers?

COUNCILWOMAN TASCO: Yes.

Are you prepared to discuss that?

MS. McCOLLOCH: Yes. At the Community Development Block Grant hearing, Mrs. Tasco and others asked for some information about how the HERO Loan fund and Renovate and Repair funds will be made operational, who will manage it, how will it be run and so forth. The referrals can be made either by PHFA where families can contact PHFA directly or we will have advertising here once we really launch the program, and the referrals are made by any housing counseling agency to what PHFA is calling a local program administrator, LPA. In Philadelphia, there are currently two agencies that are serving as local program administrators. One is Philadelphia Neighborhood Housing Services and the other is the Hispanic Association of Contractors and Enterprises, HACE. So that referrals can be made to HACE and their contact names and numbers, which we're going to advertise once we really do the launch of the program.

Mrs. Tasco also asked where will the loan closing take place, and it will take place at the office of either Philadelphia Neighborhood Housing Services or HACE as those clients go to one of those two agencies to receive this assistance.

The work write-up will be prepared by a construction manager either on staff or under contract as a consultant to PNHS or to HACE, and that person will work with the financial specialist at PNHS or HACE and the borrower to prepare the write-up, ensure that all the work that needs to be done is being done and so forth and manage the construction. So it's being done at the local level through these two agencies, which have --

COUNCILWOMAN TASCO: HACE and what's the other one?

MS. McCOLLOCH: Philadelphia Neighborhood Housing Services, PNHS, both of which are long-term agencies that have worked with the Office of Housing and Community Development.

COUNCILWOMAN TASCO: Go ahead. You finish.

COUNCILWOMAN BROWN: When is it scheduled to be launched?

MS. McCOLLOCH: We're finishing executing the documents with PHFA and we expect to launch it, I would say, as soon as we can, in the next month or so, as soon as we can. We'll work with PHFA to really do the advertising and stuff.

COUNCILWOMAN BROWN: Procedurally, how were these two selected, just as a point of information and understanding of the process on your end?

MS. McCOLLOCH: I don't know how these two were selected. PHFA selected them. I don't know -- I do not know if they responded to a request for proposals to PHFA or not.

COUNCILWOMAN BROWN: Just

curious. So that we can understand it on our end and in an effort to be of better assistance to constituents who can benefit, if you could prepare a grid, a chart from how a constituent gets from Point A to Z, that would be useful for us and it eliminates the narrative and it just points people, an arrow kind of --

MS. McCOLLOCH: I understand. With the key contact names and numbers and so forth. I understand.

COUNCILWOMAN BROWN: Yes. That would be useful. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: So HACE and P --

MS. McCOLLOCH: Philadelphia Neighborhood Housing Services, PNHS.

COUNCILWOMAN TASCO: They're going to oversee the --

MS. McCOLLOCH: They get the referrals from other counseling agencies or anyone else and then they oversee both the mortgage piece of it, the HERO Loan program, and the Renovate and Repair where they will -- and the question was how do people actually close on their loan, do they have to go to Harrisburg. And the answer is no. All of the contacts will be done here locally through Philadelphia Neighborhood Housing Services or HACE.

COUNCILWOMAN TASCO: And so in the proposal, they're supposed to set up this oversight on the construction loans?

MS. McCOLLOCH: Yes.

COUNCILWOMAN TASCO: Who is going to do that?

MS. McCOLLOCH: Someone who is employed by PNHS or HACE. Currently, PNHS has its own loan fund where it provides loans for home improvements. So PNHS currently has rehab specialists on staff who carry out a similar type of program. So I would assume that PNHS will continue to use the staff that it has, and HACE would either use someone on staff or would hire a consultant, a construction manager. I don't know -- I haven't talked to HACE if they're going to use current staff or hire a project manager.

COUNCILWOMAN TASCO: How long has this program been operated by Pennsylvania Housing Finance Agency?

MS. McCOLLOCH: It's a new program for PHFA.

COUNCILWOMAN TASCO: When did it begin?

MS. McCOLLOCH: Well, it began in the past year, but the Philadelphia launch is just about to start, because we've been waiting to conclude this agreement with PHFA where we'll have our funding supplementing the funds that PHFA is putting in.

COUNCILWOMAN TASCO: Do you have any idea how many loans have been given out by PHFA under this program so far?

MS. McCOLLOCH: I don't.

COUNCILWOMAN TASCO: And are

any of them in Philadelphia?

MS. McCOLLOCH: I don't know, but I can find that out.

COUNCILWOMAN TASCO: Do they have a projection of the number of loans they plan to provide?

MS. McCOLLOCH: I can find that out from PHFA.

COUNCILWOMAN TASCO: Councilwoman.

COUNCILWOMAN BROWN: One more comment. We're very selfish on this side of the table in that we're always looking for how such programs can maximize the citizens we serve. So I would hope that going forward, programs that start at the State, at that level, but ultimately impact families in the City of Philadelphia, we want to know at the door what the potential yield is.

So I'm troubled by the fact that Councilwoman Tasco raised these questions at the last hearing and here we're back and still we have to get additional information. So having all the information on matters like this eliminates us then having to look for it later when we're getting questions from constituents.

COUNCILWOMAN TASCO: One of the unreadinesses that I have about all of this is that it was a program that was launched by the Administration, not this Administration, and we had a program in Philadelphia that was being funded to help people -- it was a preventive program to help people from getting involved in predatory loans, and this other program came down from the State, and the City just decided that they wanted to go with this other program, cut out the local program and help with foreclosures.

Now, that's fine, because we need both programs, the foreclosure program, but we also set up the Mini PHIL-Plus and the PHIL-Plus to provide loans to homeowners so that they would not go to the predatory lenders. So you're throwing the baby out with the bath.

We've tried to come to some agreement to continue that program here in Philadelphia, but I'm very distressed that a program was set up and no one, including Ms. McColloch, can explain to me, in private meetings or here on the record, what this program is all about. Nobody has the answers, and I asked if the person who negotiated this program with the State could answer the questions, because I'm really not comfortable with this. Although I know we talked about this, but I'm just not comfortable with it. And it could be a good program. I'm not casting dispersions on the State, but there are just so many unanswered questions.

But we have agreed that we will track both programs, but the thing is, we would have given $1.5 million to the State and they end up giving out three loans, where in the program here in Philadelphia is giving out 250-some loans to help people.

So that is my unreadiness, and I just have to say that on the record. I'm not comfortable with it. And we don't get our $1.5 million back from the State.

Now, what we ought to do in that contract is negotiate that all unspent money that was given, we ought to get it back if the program has not provided the quality or number of loans that we think that there should be. And maybe what we ought to do is just kind of look at how we negotiate that contract. Because it hasn't been negotiated yet, right?

MS. McCOLLOCH: The contract has been prepared.

COUNCILWOMAN TASCO: So could we just look at the contract and amend the contract that would benefit us in Philadelphia?

MS. McCOLLOCH: Yes and -- yes.

COUNCILWOMAN TASCO: All right. So we'll look at it. Councilwoman Brown and I will sit and meet with you to talk about the program and see what protections we could put in the contract for the citizens of Philadelphia, because I'm really not happy with it.

MS. McCOLLOCH: I understand your concern.

COUNCILWOMAN TASCO: The money is going to the State. That's fine. Maybe they'll do a good program, but I'm not sure just why we're giving that money to the State.

Any other questions?

(No response.)

COUNCILWOMAN TASCO: Have you all come to some conclusion regarding the recycling of NTI dollars that had been allocated to districts and when the payments return, will that money go back to the district or to the General Fund?

MR. ALTMAN: Yes. Councilwoman

Tasco, I was just looking for -- there it is. Thank you.

It's a memo from the Mayor to the members of the City Council that was distributed this morning, which states that --

COUNCILWOMAN TASCO: Do we have it?

MR. ALTMAN: You should have it. I don't know if that's been distributed. It was given to the Council President this morning.

But in it, just to summarize that --

COUNCILWOMAN TASCO: Why don't we wait until we get the memo. I understand it's being prepared. Why don't we have the people who are here to testify from the public and then we'll call you back.

MR. ALTMAN: Sure. Then I'm happy to discuss it. It was, by the way, I just want to say, as a result of the meetings that we had yesterday with the

Councilmembers, I think resulted in a positive agreement to resolve that.

COUNCILWOMAN TASCO: Okay. Well, while that's coming, we'll ask you to allow the public to testify and then we'll come back.

Sharmain Matlock-Turner, Greater Philadelphia Urban Affairs Coalition. Is Bob Grossman here from the Horticultural Society? And James White, Philadelphia Association of CDCs.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Good morning.

MS. MATLOCK-TURNER: Good morning.

COUNCILWOMAN TASCO: Would you identify yourself for the record, please.

MS. MATLOCK-TURN: Yes. Sharmain Matlock-Turner, President of the Greater Philadelphia Urban Affairs Coalition.

Councilwoman Tasco and the

other members of Council, it's a pleasure to be here this morning. You're talking about already one of our most important initiatives at GPUAC, and that's the Mini-PHIL and the PHIL-Plus Loan program. I know there have been a lot of questions about this initiative and I wanted to come personally this morning to share some information with you about the program and certainly talk about how we see moving forward to make sure this program continues. I also have with me Don Kelly, who is the Director of the Committee on Community and Economic Development and has done a lot of very, very hard work to develop this initiative and also to make sure that this initiative is working and to make sure that our partners, which are many of the banks in Philadelphia, are participating in this initiative.

This program, Mini-PHIL and PHIL-Plus, were really created in response to certainly hearings that you held, Councilwoman Tasco, and other members of Council several years ago to really begin to look at this whole issue of predatory lending, and these products were developed specifically because of what we were learning about that whole initiative.

We worked with the City to design these programs in a way that would leverage what we think is the best of what a good public-private sector initiative does, and, that is, to bring in public support to develop an initiative to serve as a way of priming the pump for the private sector to get actively engaged.

This program was for the first time created for people who have less than perfect credit. I'm sure that all of you know and have brochures in your office for the PHIL-Loan program. You see the billboards up all over town. When I first arrived at GPUAC in 1999 and attended my first committee meeting with the Committee on Community and Economic Development, we talked about the PHIL-Loan program and the need to respond to predators, and the big issue that came up around this whole question was that the PHIL-Loan program was for people who have what they call "A" credit, people whose credit is in very good shape. They are eligible to get those dollars for repair. What we didn't have was a companion product to support those people who have less than perfect credit. People who may have lower credit scores were the ones who were ultimately being targeted by predators. So this was a program that was created for people who had credit scores between 580 and 620.

What is the PHIL-Loan? There are two loans. One is a $25,000 loan, which is called the Plus Loan, and that is for a term of up to 20 years and is usually a secured loan. There is also an unsecured loan of $10,000, which can be paid back over a ten-year period.

The thinking here was that one loan would certainly be for a planned repair. The smaller loan might be used for something that maybe came up, your roof started to leak or your boiler went, so you would have access to those funds in order to be able to make emergency repairs, so you didn't have to go through the security of, say, having your house liened and that kind of thing in order to secure a smaller loan.

The loans are for people who own property from anywhere from one to four units, and it's for people whose income does not exceed 115 percent of the median family income.

All applicants receive a pre-application counseling by a City-funded counseling agency.

I do want to say that I was very interested to hear Deborah McColloch talk about the entry point for the State's Repair program, because that was something we had suggested when we originally put together this initiative, was to have a few super agencies for people to come to in order to get access to this loan, but the decision was made that all housing counseling agencies would be a part of this initiative, and so people can go to any housing counseling agency in order to receive information and to pre-apply for the loan.

There are no bank fees that are associated with this, but the loans are then sent to GPUAC. We review them to make sure that they are bank ready, and then we send them off to the banks.

We're excited to say that our interest rates, which we have been tracking since the beginning of this program, are quite attractive. Currently, the lowest interest rate, even in this market, is 5.49 percent for people who have less than perfect credit. And we have a reserve fund as well of $406,000, which doesn't cover all of the dollars that are loaned, but gives some relief to the banks for them to be able to take on some additional risk.

Councilwoman Tasco I think said about 250 loans have been given out. Councilwoman Tasco, we're glad to say that it's 276 loans have been made for this program, 206 Plus loans and 70 for the Mini Loan program, totalling $5.1 million. And, again, it's important to note that that is $5.1 million in private sector funding. That is not public money. That is money where you or I or anyone else would go to the bank, borrow from a bank and then pay the bank back. So the money that was put into this program has leveraged $5.1 million in private sector lending.

One-third of the loans in the program occurred between February '07 and February '08. So it's obvious that more people are knowing about the program and using the program.

And I'm glad to say that our

program, the number of claims on the reserve fund, which means the number of loans that have defaulted over the period of time that this program has been in operation, is four. I want to say that again. Only four loans have defaulted, which means that we're doing better than a lot of the Wall Street banks as it relates to being able to know how to lend to people who have less than perfect credit. So the people who have been taking out these loans have been paying their loans back.

And the reserve fund, the total that has gone against the reserve fund is $73,834.

What's happening now and what do we see as it relates to the trends in the program? The volume of referrals and loan closings have significantly increased over the last year. The percentage of loan applications that were approved by the banks has also been increasing.

During the last four years of the program, 50 percent of the applications were approved. We're now seeing an approval rate that's closer to 58 percent.

A majority of the loans closed have gone to people in the targeted area. Specifically, 31 percent of the loans that have closed have gone to people between 580 and 620, but 23 percent of the loan dollars have gone to people who even have lower credit scores than that. So all together, this represents 54 percent of all the loans that were closed.

Who are those who are getting the loans? Seventy-four percent of the 274 lenders are African-American, 13 percent are from the white community, nine percent are from the Latino community. This is a program that really supports women. Sixty-eight percent of those who are able to get loans are women, 32 percent are men.

I want to just touch briefly on a couple of the questions that have been raised as you all have continued to look at this program, and certainly these are very, very important questions.

One observation was made that the percentage of loan approvals of the referrals made to the banks was only 42 percent. This is not the best statistic of which to measure bank performance. It compares the number of loan closings to the number of loan referrals from GPUAC to the banks. Let me say this more clearly. Of the 661 referrals made to banks, 89 did not result in bank loan applications. That means that we made the referrals to the banks, but people ultimately decided not to go forward. In these cases, the applicant didn't choose to go to the bank, as I said.

The 661 referrals also included 43 applicants who voluntarily withdrew and decided either to take out another loan product or not to stay in this particular program.

A more appropriate question to ask is, what percentage of actual decisions made by the banks resulted in loan closings? We refer to this in the banking industry as the "closing rate." The answer to that question is closer to 42 percent, and during the last four years of the program, the closing rate has been 50 percent. And as we continue to fine tune this program, the closing rate has gotten even better, to 58 percent.

We are told by the banks that the closing rate is comparable to the rates of other low- and moderate-income borrowers who are coming to the banks. So we clearly are within the range of others who are coming into the banks who have similar incomes.

Nevertheless, we do want more people to be able to receive loans and we want to understand better those who did not get loans what were the issues and how we can improve the program for them. Maybe it's a better understanding of what's happening at the counseling agencies or it's a better understanding of whether or not people actually have the ability to take out a loan.

If people are over-leveraged, it doesn't make any difference what the credit score is, you're not going to be able to get a loan if you do not appear as if you're going to be able to pay it back.

Another challenge certainly is in the -- could be in the application process. And, again, we're going to be looking at that program as well.

The City has raised the question about how long it takes to get through the process. I want to say that one of the issues clearly is that when you count the amount of time, it is a lot shorter when people come to the process with all of their paperwork. If they come with part of the paperwork and we've got to send them back again, then it's going to take a little bit longer.

I think one of the issues was I think in one of the testimonies I heard that there were 20 steps to getting a loan from Mini-PHIL or PHIL-Plus, and that really is not accurate. The steps are quite simpler than that. People can come in. They meet with a housing counselor. All of the paperwork that is required for any kind of loan is the same kind of paperwork that's required for this. You make the application at a bank. A home inspection is arranged. That's for the $25,000 loan. And you obtain your contractor estimates and then you close your loan.

One of the things I do want to say about the program, which a lot of times, in my opinion, is not discussed, when we originally designed this program and listened to the testimony that we heard in City Council, one of the areas that continued to come up was that even when people were getting predatory loans, often they were not getting the repairs or they were not finding reputable people for repairs. So they were paying a contractor and whatever the issue was was still there.

The part about this program that was built in was not just for the 25,000 to be able to be there. It was really to also help people learn how to begin to manage their dollars as well as the repair process so that ultimately they weren't going to be paying back money for a loan where they never got the repair on their property. Yet, we understood that there were emergencies where people needed money and they didn't have time to do the estimates and everything else, and that's where the $10,000 Mini-PHIL Loan program came in to sort of answer those questions.

In the end, a question was also raised about how much is this really costing the City to actually run this program, and there was some question about that there was 47 percent of the dollars that were appropriated were going for administrative costs. That is absolutely inaccurate. Eight percent of the dollars went to administrative costs. The rest of the costs are for administering the program.

If you give GPUAC a contract and our job is to receive the applications, review the applications, send the applications back to the counseling agencies, if they are incomplete, send them on to the banks, talk to the banks, take a look at who has been approved, check the interest rates, provide those reports, that is not an administrative cost. That is the cost of actually running the program, and that's what the investment of the City dollars had been used for.

I'm going to just skip to the end of my testimony, and I've laid out certainly some of the other areas to fine tune some of the questions that have been made, but we are looking forward and appreciate the support of Council and the City to continue this initiative. And we want it to be a better program and we certainly want more people to use it.

One of the things that we were able to do last year when the City decided to take the reserve funds, the additional reserve funds away, was to go back to our bank partners and say, We think that this is a critical program, will you continue to offer this loan even if there is not a new reserve fund, and the majority of the banks that we work with answered yes.

So we're glad to say that even in this interim period where there haven't been program funds to run this, we have clearly kept this program going, and we're excited about that.

So in the end, we, again, are excited about working with the City on this initiative. We certainly do want to keep it going. We certainly want to make sure that these loans are available in Philadelphia, and we certainly are always willing to fine tune and make any program that we're working with and developing at GPUAC the best that it can possibly be.

Thank you very much for your time.

COUNCILWOMAN TASCO: Thank you very much. Thank you very much for your testimony.

MR. WHITE: Good morning, Madam Chair and the rest of the Finance Committee. Thank you for giving me the opportunity to testify on the proposed Neighborhood Transformation Initiative Program Budget for Fiscal Year 2009.

I would like to begin my testimony by again thanking City Council and the Mayor for expanding the Philadelphia Housing Trust Fund by $3 million annually for each of the next five years. This represents a significant step forward in addressing

Philadelphia's housing and neighborhood revitalization needs.

In general, PACDC is supportive of the proposed reallocation of approximately $5.5 million in NTI bond funds and interest identified in the Program Statement and Budget. In particular, we are glad to see the inclusion of 1.3 million in resources to complete the City's Vacant Property Management Information System.

While there are many competing needs for the limited funds available, the inability of the City to assemble and make available vacant and abandoned property to outside entities in a timely manner continues to be a major obstacle to addressing the neighborhood eyesores and putting these properties back into productive reuse. Ready access to good data about vacant property in Philadelphia and the ability to track properties as they progress through the acquisition and disposition process is critical to achieving overall improvements to the City's property acquisition and disposition system and supporting needed new development. While there are a number of additional steps that need to be taken to address the challenges around acquisition and disposition, from consolidating ownership of property owned by multiple public agencies to the need for funding to support future acquisitions, completion of the Vacant Property Management Information System represents a critical step in improving the City's process.

We look forward to the opportunity to work with City Council and the Administration to develop a broader strategy to strengthen the City's overall property acquisition and disposition system.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

Any questions?

COUNCILWOMAN BROWN: I have a question.

Good morning. And I don't know that you are best suited to answer the question. The idea came from testimony offered by Sharmain Matlock-Turner. Is she still here?

She had to leave.

So what I need to know is, when it comes to contractors, is it appropriate, does there exist a list of contractors that meet a test so that when citizens call in for contractors, they know that they're getting someone who is legitimate, who will do the job and charge appropriately? Might there exist that kind of reference list any place with housing counseling agencies or within the government?

MR. WHITE: I believe within some of the government entities, they all have lists of contractors that they use.

COUNCILWOMAN BROWN: That they --

MR. WHITE: That they use that meet their standards that they've worked with repeatedly. So that they seek to use their resources.

COUNCILWOMAN BROWN: But are those lists shared with citizens so that citizens can have access to --

MR. WHITE: To that question, Madam Councilwoman, I am not sure.

COUNCILWOMAN BROWN: Can we ask someone from any one of the housing agencies to help us out with this, again, tied to questions we get in the office from seniors who have just been jammed by contractors who don't honor up.

(Witness approached witness table.)

COUNCILWOMAN BROWN: So might there exist a list that citizens can call into any one of the housing agencies or do the housing counseling agencies maintain a list of contractors that meet a test of sorts?

MS. McCOLLOCH: I don't believe

that the housing counseling agencies maintain a list. I'm not sure. But the Philadelphia Housing Development Corporation, PHDC, has a list of pre-qualified contractors that it uses in its different areas, plumbers, electricians, roofers and so forth. That's public information, and we would provide that list of pre-qualified contractors to anyone who --

COUNCILWOMAN BROWN: Who asked for it?

MS. McCOLLOCH: -- who asked for it. Of course.

COUNCILWOMAN BROWN: Is that on the website?

MS. McCOLLOCH: That, I don't know.

COUNCILWOMAN BROWN: So can Council's staff access that list or would we have to call to just request the pamphlets, or however you maintain it?

MS. McCOLLOCH: It's not currently on the website, but I could work with PHDC to see -- I don't know. Let me work with them and see about their website, but we could certainly provide the list to anyone in City Council who wanted the list.

COUNCILWOMAN BROWN: That would be useful. Thank you very much.

MS. McCOLLOCH: Sure.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

COUNCILMAN O'NEILL: Ms. McColloch, the Water Department about 15 years ago started the Help Program with the broken water and sewer laterals when people had them, and people got a better deal on different levels. One, they got basically one price; two, they don't pay principal or interest over five years. It's on their water bill. But I think, more importantly, there for the first time was a list and still continues to be a list of contractors that the City Water Department has approved that are bonded and also have a one-year warranty.

I'm not sure if the one-year warranty is the right number of months, but it is a year more than anybody gets if they just go to a private contractor for the same work.

Do we offer the same to people that Councilwoman Reynolds Brown talked about? Because often times it's seniors also in these water repairs. Do we have these contractors sign up to offer a warranty?

MS. McCOLLOCH: Yes.

COUNCILMAN O'NEILL: Because that's sort of the best protection. Then go against their bond if they don't -- their performance bond, if they don't honor up.

I just wanted to throw that into the mix.

MS. McCOLLOCH: The roof work is guaranteed for a period of five years and the other work has a one-year warranty on it. This is through the PHDC Basic Systems Repair and Weatherization program.

COUNCILMAN O'NEILL: So they have protection if -- they know they have it.

MS. McCOLLOCH: Yes.

COUNCILMAN O'NEILL: That may be the information --

COUNCILWOMAN BROWN: That's lacking for a lot of our citizens. Okay.

MS. McCOLLOCH: So we can provide you with the PHDC list of pre-qualified contractors.

COUNCILWOMAN BROWN: That would be terrific. Thank you.

Thank you, Madam Chair.

COUNCILMAN GREEN: Madam Chair, may I?

COUNCILWOMAN TASCO: Yes. Councilman Green.

COUNCILMAN GREEN: Thank you.

I just wanted to say that I believe Councilwoman Brown's idea here is a very good one and that it would make a whole lot of sense for everybody involved in giving loans to people to do improvements to their homes to have a list of people that the City uses or other people use so that if they choose to use those contractors, there's some way for the City to have leverage with those contractors if they don't do the work because they have a business relationship with the City. That's one thing.

I also wonder if anyone is collecting the information as people come in at CLS or other places, as people come in with stories about contractors who they believe defrauded them, to create a separate list of potential businesses that people ought to think twice before entering into a construction contract with. I think that's a great idea, and I just would ask you to please follow up with it.

MS. McCOLLOCH: Certainly.

COUNCILWOMAN TASCO: Is there anyone else here to testify on this resolution or the bill regarding the capital program?

I'm sorry, Mr. Grossman.

(Witnesses approached witness table.)

MS. ROY: Good morning, Madam Chair and members of the Committee. My name is Maitreyi Roy. I'm Senior Director of Philadelphia Green at the Pennsylvania Horticultural Society. Thank you for this opportunity to present our testimony to you today. With me is Bob Grossman, who is Associate Director at PHS.

Through the funds provided to us from the City of Philadelphia, PHS has been able to work across the City to improve quality of life and build community through horticulture. Our work now touches every corner of the City, and we've been able to support grassroot efforts of hundreds of neighborhood volunteers and create maximum impact by establishing strong partnerships with various City agencies, neighborhood institutions, corporations, non-profit organizations and the business community. We really appreciate the support provided to Philadelphia Green by the City and we've put these resources to very good use. More importantly, we have been able to leverage the City dollars with significant support from foundations, businesses and other entities in the private sector.

Over the past five years, PHS has been awarded five contracts totalling $15 million to oversee greening projects in the City, with the aim of making a substantial impact in improving community open spaces. This unprecedented level of investment has resulted in dramatic improvements in the quality of life in our communities and has clearly conveyed the importance of quality open space as part of a neighborhood's revitalization strategy. The immediate visual improvements bring hope to residents of formerly blighted areas and helps build support for investments in the City's green spaces.

Our work over the next four years will continue to emphasize large-scale investment in vacant land management, quality landscapes, streetscapes, neighborhood parks and other open spaces as a means to enhance the quality of life of the City's landscape infrastructure, make the City safer and more attractive so it can successfully retain and attract new residents and businesses and attract new investment.

This strategy is based on an approach that includes concentrated clean and green treatments in targeted areas, community-based vacant land maintenance, street tree plantings leveraging TreeVitalize resources provided by the Pennsylvania Department of Conservation and Natural Resources, and citywide greening projects in neighborhood parks.

These efforts are integrated with PHS's ongoing work, leveraging further support and longstanding partnerships such as those with the Pew Charitable Trusts and the William Penn Foundation.

As part of our investment in greening and open space revitalization, we're proud to pull out these following accomplishments:

Working with the Mayor's Office, City Council members and key neighborhood stakeholders, PHS identified strategic corridors as well as sites adjacent to schools, churches, commercial and housing developments, and gateways for land stabilization. Land stabilization has been completed in many neighborhoods throughout Philadelphia and has included clearing land of debris, replacing topsoil, planting grass seed and trees, and constructing post and rail fencing. Coupled with the City's efforts to demolish abandoned buildings in the neighborhoods, stabilizing vacant land in these communities has significantly improved their appearance, discouraging further deterioration and building momentum for other enhancements.

In FY 2008, Philadelphia Green stabilized 915 additional parcels, more than a million square feet of vacant land. By the end of FY09, we anticipate that more than 5,300 parcels will have been stabilized throughout the City. By the end of this fiscal year, more than seven million square feet of stabilized land will be regularly maintained under the management of this program.

As an approach to vacant land maintenance, PHS developed the Community LandCare project, which aims to build the capacity of community organizations to clean and mow vacant land that has not received the stabilized treatment. This approach gives local organizations a direct role in improving the appearance of their own environment, investing in the community and the success of the project. Over 100 City residents have been hired by nine organizations. Participating in this program are Centro Pedro Claver; New Kensington CDC; Ready, Willing and Able -- this is an organization represented by Kate Houston, who is here today in support of this project -- Tioga United; Self, Inc.; Mantua Community Improvement Committee; Friends of East Park; the Village of the Arts and Humanities; East Park Revitalization Alliance; Susquehanna Clean-Up/Pick-Up; Francisville NDC; HACE; Impact Services; and Nicetown CDC. PHS was contracted to provide basic housekeeping for 2,600 parcels of vacant land through these organizations. To date, we are pleased to report that more than 3,000 parcels are cleaned and mowed monthly through this project.

As part of a citywide greening approach, PHS expanded urban greening efforts that are key programmatic initiatives. Outside of the vacant land efforts, a variety of other projects were developed and implemented. A series of educational programs for residents have supported these efforts. In the fiscal year, PHS has completed work on 17 park improvement projects, a citywide park clean-up event, and we have pruned and removed 125 trees in neighborhood parks and planted 395 trees on targeted commercial corridors.

Future work with vacant land stabilization will support public safety priorities by working closely with targeted police districts to treat sites that have become havens of illegal activity and to prioritize neighborhoods with high rates of violence.

Secondly, the vacant land management project will continue to supplement the City's neighborhood development strategies by making communities clean and attractive to future investment.

Again, PHS is grateful for the

long-term support provided by the City, as well as the opportunity to serve. We look forward to supporting in the coming years our continuing work in neighborhoods using greening as a community development tool and expanding our impact through the landmark investment made by the City in open space revitalization. The Green City Strategy holds tremendous promise for Philadelphia's future.

Thank you, and I'll be pleased to answer any questions.

COUNCILWOMAN TASCO: Thank you very much for your testimony.

Are there any questions from members of the Committee?

(No response.)

COUNCILWOMAN TASCO: Thank you very much for coming in.

MS. ROY: Thank you.

COUNCILWOMAN TASCO: Is there anyone else from the public to testify on this proposal, the NTI resolution and/or the capital budget?

(No response.)

COUNCILWOMAN TASCO: Mr. Altman and company, are you ready to come back?

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: All right. You want to state your name again for the record and tell me what we're doing.

MR. ALTMAN: Yes. My name is Andrew Altman. I'm the Deputy Mayor for Planning and Economic Development and Director of Commerce.

COUNCILWOMAN TASCO: So do you have some amendments to offer and the memo you want to present?

MR. ALTMAN: Yeah. We have, I believe, two things that we're going to do. One is an amendment that Deborah McColloch is going to read related to the Mini-PHIL program and then I'm going to -- what I'd like to do is respond, Councilmember Tasco, to the question you asked about the recycling fund and how funds would be recycled and how those would be handled. So I actually have a memo from the Mayor to the Council President that was distributed to members of Council. I could read the whole memo into the record or summarize it.

COUNCILWOMAN TASCO: No. We have the memo. The memo will be given to the stenographer for the record.

Does everybody have the memo from the Mayor?

All right. We have it. You don't have to read it. Thank you.

MR. ALTMAN: Okay.

COUNCILWOMAN TASCO: But you can talk about the recycling.

MR. ALTMAN: Why don't I just state the essence of this.

The question that was raised by many members of the Council and we've had a number of meetings with Councilmembers, a very productive one yesterday with many Councilmembers, related to the recycling of funds and how as funds are recycled through either fair market value -- sale of land for fair market value or through tax liens, how those funds get recycled back into the acquisition pool to be used for further acquisitions. So the commitment of the Mayor is that both for the fair market value transactions as well as for the tax liens, that those funds would be recycled back into the appropriate district acquisition fund. So, for example, with fair market value transactions, proceeds from sale of property acquired with NTI bond proceeds would be recycled back to the appropriate district acquisition fund.

In the case of tax liens that after the Redevelopment Authority pays into court and the City collects the outstanding municipal liens, these tax revenues will be transmitted back to the RDA and recycled back to the appropriate district acquisition fund.

Similarly, sale and tax lien revenues for acquisition zones and large-scale development projects, what has been referred to as City Significant projects, would be recycled for general economic development purposes at the direction of the Administration.

So I think the important point here is that the understanding of Councilmembers and the concern of Councilmembers that these funds would not be recycled back into the appropriate district accounts, that we are making that commitment, that as we do our reconciliation through the audit process and we've fully reconciled all the funds, both the sources and uses of those funds, that we will honor that commitment and funds will go back into those district accounts.

COUNCILWOMAN TASCO: Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam Chair.

Relative to the tax lien proceeds -- and I don't have a preference because I'm not a district Councilperson, and I recognize district Councilpeople have a different priority when it comes to recycling of this money back into the fund that affects their district. I think that makes sense.

The tax lien proceeds, are a portion of that part of the School District and would that be segregated and sent to the School District? And can you recycle tax revenues, just from a technical aspect, tax lien revenues? Must they go to the General Fund?

Again, I don't have a preference. I'm just wondering legally whether or not it's required to go to the General Fund and the School District as opposed to a different fund.

MS. HAIDER: Elinor Haider, Chief of Staff to Andy Altman.

The portion of the tax revenues that are attributable to the School District are sent directly -- segregated and sent directly to the School District.

All other tax revenues, essentially the RDA pays into court and that satisfies the outstanding City tax liens, and then it transfers effectuated essentially between the General Fund and OHCD, which takes in the tax lien revenues to transfer it back to recycle it.

COUNCILMAN KENNEY: Would that be envisioned to be done on a regular basis or through a transfer ordinance? You don't have to answer that now, if you don't --

MS. McCOLLOCH: It's supposed to be done annually.

MS. HAIDER: It's meant to be done annually.

COUNCILMAN KENNEY: And that would be a transfer ordinance?

MS. HAIDER: Yes.

COUNCILMAN KENNEY: Thank you.

COUNCILWOMAN TASCO: Any other questions?

Councilman Green.

COUNCILMAN GREEN: My question

echoes, mirrors Councilman Kenney's exactly, and, that is, tax liens are because a property owner did not pay their taxes. So when property owners pay their taxes timely, that money goes into the General Fund, 40 percent to the School District, 60 percent. Why in the world would we recycle, from a public policy perspective, that money into a district versus have it go in the General Fund where I would think it would be required to go? I don't understand the public policy rationale for that, and I'm hoping someone from the Administration can -- if you can't answer it today, provide the information to the Chair.

MS. McCOLLOCH: The funds that were -- this was created when the funds that were used for the acquisitions were Community Development Block Grant funds, and so the idea was that they were being recycled back to continue to support Community Development Block Grant activities. So the recycling part of it was so that the CDBG funds, Community Development Block Grant funds, weren't simply being diverted to the General Fund, but were continuing to be used for those activities to support -- that the Community Development Block Grant program was intending to support.

And so that's what the recycling part of it was, was that they continued to be used for those acquisitions to support that set of activities.

COUNCILMAN GREEN: Could you please -- I mean, taxes go into the General Fund, 40 percent. So, I mean, that's the way things are supposed to work. Could you please provide the Chair with information about how much money has not gone into the General Fund, been, quote/unquote, recycled in this process over the last three years so I can get a better understanding of this? Thank you.

MR. ALTMAN: May I just respond very quickly, Councilmember, to your question, because I think what we're saying here -- we heard a number of concerns. The way that the NTI -- this aspect of the program, part of it had been broken down by Council districts and there were Council district allocations. Then there were also what I reference as the City Significant, which were citywide distributions of dollars.

There was a lot of concern that with the reconciliation we're going through was there still going to be honoring that commitment to those Council district budgets, and so we were responding to that concern and stating that it would not affect that. And I think the answer in terms of how much has been in tax lien over the past three years, I think the answer -- we'll get you the right answer, but it's, I think, about $1.1 million.

COUNCILWOMAN TASCO: Are we talking about NTI dollars or the tax lien dollars? In the NTI dollars, as I understand it, that was appropriated from the bond sale to be used for acquisition. So if you use the money for acquisition and the property was sold, then the money went back to the district. But these were NTI dollars. Now, tell me about the tax lien. Isn't that a separate issue?

MS. HAIDER: There are two kinds of recycled funds. So one is the proceeds from sales from fair market value transactions, which were recycled back into the district where the acquisition originally took place. The second kind of recycling relates to the tax liens on the properties. So the RDA goes to acquire a property with a Council district acquisition budget, and in that acquisition, normally there are tax liens outstanding on the property. Those acquisition funds fund, in part, to satisfy the tax liens, municipal tax liens, on the property. And those funds are -- the second forms of funds that are recycled, those are NTI bond proceeds that are essentially being recycled.

COUNCILWOMAN TASCO: So you're using NTI bond proceeds for this process.

MS. McCOLLOCH: Right. It's to pay the outstanding taxes.

COUNCILWOMAN TASCO: To pay the outstanding taxes?

MS. McCOLLOCH: The issue is, the way the RDA is acquiring the properties, it needs to pay off all the outstanding taxes to clear the title so that the RDA can then dispose of the property to the developer or the individual that wants the property. So that in order to clear that, the taxes have to be paid. They're paid into court. That's part of the process by which the Authority acquires the property.

COUNCILWOMAN TASCO: Since you use NTI dollars to do that, the money should be paid back to the NTI pot.

MR. ALTMAN: That's right. It's all from that source of funds.

That's why it's all within the NTI.

COUNCILWOMAN TASCO: Councilman Kenney.

COUNCILMAN KENNEY: They answered my question. My question was more a technical aspect than anything else, that once the tax liens were satisfied, the money does go to the General Fund and the portion going to the School District does go to the School District. Annually if we make, the Administration, along with Council's approval, makes a public policy decision to take those tax lien proceeds and put it back into this fund, it's fine. I just was more concerned about the money going directly into the fund. The technical issue for my question was answered, because annually the Administration will make a request for a transfer ordinance, we'll debate it, have testimony and then we'll vote on it, and that will be what the policy of the City is.

So I was just trying to get the technicalities out of the way.

COUNCILWOMAN TASCO: Everybody straight? Any more questions?

(No response.)

COUNCILWOMAN TASCO: I'm not confused, but I don't have any of those dollars, so it doesn't matter.

COUNCILMAN KENNEY: Never say never.

COUNCILWOMAN TASCO: Never say never. I certainly will talk about it again.

Now, where are we here? Are we ready to vote this thing out?

MS. McCOLLOCH: You have an amendment that was submitted that you have. It was submitted at the beginning. It was an amended budget, an amended Program Statement from what was first transmitted to Council last week -- or June 5th. Excuse me.

COUNCILWOMAN TASCO: Now, do I understand there's an amendment coming back on Thursday? You have an amendment? Is there an amendment coming in or is this memo the agreement relative to the recycling?

MR. ALTMAN: Let me just clarify one second, Councilmember. Let me just clarify.

(Pause.)

MR. ALTMAN: I think we do have two amendments that we are going to bring back Thursday at the request of Councilmembers. I think one related to the breakdown of demolition dollars by Council district. Another was just a correction, I believe, of the budget -- in the Program Statement, the budget numbers. We need to reflect, for example, that there were Community Development Block Grant dollars for the land acquisition fund. Right now it says 72 million NTI. We have to add --

COUNCILWOMAN TASCO: So we'll be back Thursday.

MR. ALTMAN: So we're going to

amend those and bring those back. They're technical amendments.

COUNCILWOMAN TASCO: So what we're going to do now, we'll go out of our public hearing and go into our public meeting and we'll call for a vote on Bill 080543.

The Chair calls on Councilwoman Blackwell for a --

COUNCILMAN JONES: Point of information, Madam Chair.

COUNCILWOMAN TASCO: Yes.

COUNCILMAN JONES: Just for the record, before you do that, there was one concern that was brought up during the briefings.

COUNCILWOMAN TASCO: We're in the public meeting now.

COUNCILMAN JONES: Thank you, Madam Chair. I'll hold my issue.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilwoman Blackwell for a motion to move Bill 080543.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chairman. I move that Bill No. 080543 be reported out of Committee with a favorable recommendation and, furthermore, that the rules of Council be suspended so as to permit first consideration at our next session of Council.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and seconded that Bill 080543 be reported out of Committee with a favorable recommendation and that the rules of Council be suspended so as to have this bill read at -- have its first reading at the next session of Council.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: The motions carry.

You will get the amendments to

us. We can amend the bill on the floor. We don't have to come back at 9:30 on Thursday. The resolution.

All right. Could we have a vote to accept the amendment of Resolution 080552.

COUNCILMAN KENNEY: So moved.

COUNCILWOMAN BLACKWELL: Second.

COUNCILWOMAN TASCO: It's been moved and seconded that we accept the amendment of 080552.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: Now can we vote on the resolution, as amended.

The Chair calls on Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair. I move that Resolution 080552, as amended, be reported out of

Committee with a favorable recommendation.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and seconded that Resolution 080552 be reported out of Committee, as amended, with a favorable recommendation and that amendments will be presented on Thursday from the floor.

Okay. Thank you.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Any opposition?

(No response.)

COUNCILWOMAN TASCO: The motion is carried.

This meeting is adjourned.

(Committee on Finance adjourned at 11:45 a.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on June 17, 2008, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY
RPR-Notary Public

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