COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, October 27, 2005
2:00 p.m.

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PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN JUAN RAMOS
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

BILL 050844 - Resolution authorizing Philadelphia City Council's Committee of the Whole to hold public hearings on the Board of Revision of Taxes's proposed change in property tax assessment, known as "full valuation," the policy's need and fairness, its effect on taxpayers, and possibilities of mitigating large tax increases.

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COUNCIL PRESIDENT VERNA: This is the continued public hearing of the Committee of the Whole regarding Resolution No. 050844.

We don't usually do this, but I see that we have some newcomers in the audience, so I would simply ask Mr. McPherson to please read the title of the resolution.

MR. McPHERSON: Resolution authorizing Philadelphia City Council's Committee of the Whole to hold public hearings on the Board of Revision of Taxes's proposed change in property tax assessment, known as "full valuation," the policy's need and fairness, its effect on taxpayers, and possibilities of mitigating large tax increases.

COUNCIL PRESIDENT VERNA: Thank you.

Our first witness will be Mr. Rob Dubow, Executive Director of PICA.

Mr. Dubow, do you have written

testimony?

MR. DUBOW: No. What I did was --

COUNCIL PRESIDENT VERNA: That's fine. I was just wondering.

MR. DUBOW: I provided copies of a report that we issued last week, and I wanted to just kind of walk you through the highlights of that report.

COUNCIL PRESIDENT VERNA: Very well. It's good having you back again.

MR. DUBOW: Thank you. It's nice to be back.

COUNCIL PRESIDENT VERNA: Please identify yourself for the record and proceed with your testimony.

MR. DUBOW: My name is Rob Dubow. I'm the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority, and with me is Uri Monson, PICA's Deputy Executive Director.

I just wanted to start by thanking you for inviting us to talk about this topic. We actually issued a report on this last week, and in my testimony today, I just kind of want to briefly review the highlights of that report.

I'm not going to go through a description of what the Full Value Project is because I think you went through that pretty thoroughly Tuesday. Instead, I want to focus on the issues that we think it raises and some of the recommendations that we would make.

There are three key issues that we see. One is, how will the project affect the amount of taxes that are collected, how will it affect City borrowing, and will the City be able to get the changes it needs in Act 46. So let me walk through those one at a time.

Both the borrowing issue and the tax issue really go back to the fact that this project will result in substantially higher assessments, probably at least quadruple. So what that will mean for taxes is that unless there's a change in millage, taxes will increase astronomically. Obviously, I think everyone agreed that that wouldn't make sense.

What we would propose is that the millage rate be calibrated so that the City would collect the amount of property taxes in Fiscal Year '07 that it would have collected had there been no Full Valuation Project.

So that would mean that there would be a slight adjustment for natural growth, which we would define as the growth that was included in the approved Five-Year Plan for Fiscal Year '06 through Fiscal Year 2010. And the rates in there were 0.8 percent in '06 and 3.4 percent in '07.

We would not favor any action that increased the amount of revenue that the City took in. I think that would lead people to think that this was all a money grab, and it would increase the resistance to this change. And I actually should have started by saying that we think that this Full Valuation Project is a good idea, that it will make taxes fairer and more understandable, so long as it's implemented correctly.

So that's where we came down on the tax side.

One of our big concerns is that the increase in assessments will increase the City's borrowing capacity. The City's debt limit under the Pennsylvania Constitution equals 13 and a half percent of the ten-year moving average of assessments.

So once this change is fully in place, the City's borrowing capacity will quadruple, and as you probably all know, the City has about $150 million left of debt capacity out of about $1.3 billion.

After this change is in place, that limit really will have almost no impact, because it will eventually go up to more like 6 billion. But the City simply can't afford to issue that much debt. In fact, its debt burden, we would think, is already dangerously high. If you combine debt service and other long-term obligations and the City's unfunded pension obligation, they equal about 16 percent of the revenues the City takes in, which means that the City is limited in the kind of ways it can change its budget when problems arise.

Just four years ago, that was under 13 percent. So not only is it a big percent, but it's an increasing percent. So it's an issue that the City needs to address, regardless of what happens here, but it would be very bad if this was used as a reason to increase borrowing.

And in the last point that we wanted to touch on was, the state legislation, Act 46, which was the School District takeover legislation, put some limitations on changes to the School District's millage rate. If that millage rate isn't changed, the School District

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would get a large windfall. Our calculation is that it would be about one and a half billion dollars. We don't think that the crafters of the state takeover legislation intended for the School District to get that kind of windfall. So it would make sense to go to Harrisburg, work with legislators to try to get that legislation changed in a way that was compatible with the original intent, which is to make sure that the School District gets its fair share of the property tax revenues.

And we think it's important that the Administration work with Council and the School District on that legislation and work with Council on figuring out where the millage should be and looking at whether there are appropriate buffering techniques to ease the transition, because no matter how this is implemented, there will be winners and losers, and the losers will complain loudly, and there needs to be a way to kind of ease their transition.

Those were the points we wanted to cover, and we'd be happy to take any questions.

COUNCIL PRESIDENT VERNA: Mr. Dubow, I was just saying to Mr. McPherson the losers, in my view, that you're referring to would be many of the residents who I am told have already received their assessment notices -- and I cannot, for the life of me, remember who was telling me -- that it's gone up by 700 percent. I mean, we might as well start packing our bags, because I think there would be very few people in the City that would be able to afford the type of taxes and the type of tax increases that we're talking about.

MR. DUBOW: Right. I don't understand that, because I didn't think that the BRT had --

COUNCIL PRESIDENT VERNA: There are some that are 300 percent. That's a lot of money. I think that if people were able to have, I guess, some sort of indication, predictability, as to how much their taxes would go up perhaps on an annual basis for X number of years, they'd probably feel a lot more comfortable about that than being hit all at one time with this enormous increase in property tax.

What is PICA's position on that?

MR. DUBOW: I think that makes sense, and I think that you will need to have some kind of buffering technique as this is implemented. Otherwise, you're right, the reaction to it will be so strong that it will create a furor that will damage the City.

COUNCIL PRESIDENT VERNA: Let me ask you another question. The ten-year abatement, how long has that been in existence and when will the first group of taxpayers come on board?

COUNCILMAN DICICCO: Madam President, I may be able to answer it a little bit better, I think.

From my understanding -- and Mr. Glancey, right on cue, is coming in now -- there were two bills that were enacted. One was in 1997, which was the original bill that we referred to as the conversion bill. That bill gave relief to developers who took vacant buildings and converted them into residential rental units.

That original bill, under the Rendell Administration, which I authored, was on a sliding scale. So the first year your property was not reassessed for the full value of the improvements. The second year was ten percent, et cetera.

So in '07, we will be collecting on those properties that opted into the conversion bill, will be paying full real estate value. We've been collecting some of that, but we'll collect a full value on the improvements to the real estate as a result of the improvements that took place probably in

'07 -- probably '08, because the bill was enacted '07. Give a year or so. '07, '08, in that general vicinity.

As for the flat ten years, we enacted that bill in 2000. I'm not sure of the exact date in 2000. Sometime it was March or April. I know we had to make some adjustment to roll it back to capture some folks who, for whatever reason, did not file the appropriate application.

My understanding is, it's either '09 or '10, in that general range, depending on if someone immediately, the day after the bill was enacted, pulled a permit and made application. So it could conceivably be late '09, early '10.

Now, those properties that have either been developed or stuff that's being done now as we speak will be ten years out. So '10 I think is a safe bet that we'll start seeing whatever taxes we had abated on applications that were taken out in 2000.

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And I believe, Mr. Dubow, in your other capacity, it may have been you, who actually had some estimates of what that value would be, because I think that was rolled into the Five-Year Plan, if I'm not mistaken.

MR. DUBOW: It is rolled into the Five-Year Plan.

COUNCIL PRESIDENT VERNA: So it's already been calculated.

COUNCILMAN DICICCO: Only for those developers or the individuals who had taken out a permit back in 2000 or 2001. But since 2000 up until the present date, new applications are being taken, construction is going, some of the properties are being completed now. So they will be entitled to the ten years, and we won't be capturing those until 2015.

I mean, it's a continuum. It's constantly moving. Because of the development that's occurring literally -- my understanding is that on a daily basis currently in the City of Philadelphia, there are between 100 and 125 building permit applications going into L&I. Nothing to do with business privileges. Building applications alone. So, conceivably, most of that stuff, if not all of it, will be developed and then we will be entitled to the ten-year abatement.

COUNCIL PRESIDENT VERNA: For people who own property and, say, want to do an addition to their property, do they also receive an abatement and, if so, what percentage?

COUNCILMAN DICICCO: What I did in, I think it was, again in 2000 -- because we were hearing some complaints from long-time residents about, I'm paying X, I've been here 20 years and Frank DiCicco just moves in at the end of the block and he's only paying a third of what I pay -- we did a bill that will allow for a ten-year exemption, similar to the '97 bill. If you do improvements, your property will not be reassessed based on the value of your improvements for ten years. And I believe, and Mr. Glancey is here, he could correct me, even under full valuation, if we go to full market value, those people who have taken out the permits and made application for the abatement on the improvements would not see an increase in their real estate taxes, because they took -- I see Charlie shaking his head no, but I believe that they would be covered, if I'm not mistaken.

Well, I'm being corrected. I'm close to it. The fair market value, whatever that comes to, would be implemented, but they would be reduced the value of the improvements from the fair market value, and that's what the tax would be. So if you put $50,000 into your home but your full market value brings you up an additional 150 from where you are today, you'd back out the 50,000 and you would be paying on the additional 100,000 for ten years.

COUNCIL PRESIDENT VERNA: Okay. The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President. Certainly I agree with what you have said, and it seems to me that what we need to do is relook at all our taxation, all the ways institutions are taxed, our pilot programs and others, to figure out what to do.

I know that I've talked with some press members, one in particular who talked about how great we are between New York and Washington. But I agree with the President, that those who already live here are really, really frightened to death.

And, Madam President, all we have to do is raise their taxes and they'll say, Throw the rascals out, and they will not believe that this revaluation -- every time we've had any kind of equalization, taxes have gone up. And they can't do it, not when the energy prices are higher. Everywhere you look, people just feel besieged by people asking for additional money, and I just don't know where it's going to come from, unless we get some amazing invisible increase in wages. And as long as that doesn't happen, I really, really -- and albeit I agree that we're in better shape than some other cities, but the people who live here really just don't have dollars to pay more. And even though we talk about lowering the millage and all these other assessment mechanisms, taxes always go up. And I've been around here long enough, and I'm sure the President, you'll agree, every time we deal with real estate taxes, they go up.

COUNCIL PRESIDENT VERNA: Exactly.

COUNCILWOMAN BLACKWELL: And I don't believe our people are going to believe us if we tell them their taxes will go up and we'll lower the millage and it will be revenue-neutral. They won't believe that.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

I guess the one thing that truly bothers me -- and I don't think anybody's naive enough to think that we're not going to have taxes increased from time to time, but right now the real estate market is really so hot, and I guess what concerns me is the fact that say I live on a block and one of my neighbors decides to sell his property. He's probably getting five times the amount of money he's selling it than I probably would ever, ever realize.

He fills his pockets with the money that he has achieved by selling this property and off he goes to Jersey, never to be seen again. Yet, the people who are staying and living on that block, many of whom could be senior citizens and don't have that type of choice, maybe they could fill their pockets and move to Jersey, too, but they'd prefer to stay in their own homes where they've been for years and years and hope to die there.

That bothers me. It truly bothers me that people are being penalized for staying in the City when they could just as well put their houses up for sale, fill their pockets and say, Asta lavista, I'm out of here.

What do you think of that, Rob, or am I being unfair asking you that question?

MR. DUBOW: Well, no, you're never unfair.

COUNCIL PRESIDENT VERNA: Thanks. I'm glad to hear you say that.

MR. DUBOW: I mean, I guess it's an underlying issue with property taxes, is that the tax is based, in some ways, on an increase, not necessarily in your immediate ability to pay. So you're having an increase in the value of your home, but that doesn't actually translate into your being able to actually pay more each year until you sell your house. So, I mean, it's an underlying issue with that type of tax.

COUNCIL PRESIDENT VERNA: And then I wonder -- and I should have asked Mr. Glancey this, and I will at another time, I guess -- how do they determine what your house is worth or how much more taxes you would have to pay? Do they do comparables? Do you do comparables? How is that achieved?

Mr. Glancey, do you mind answering that for me?

Good afternoon, Mr. Glancey.

MR. GLANCEY: Good afternoon, Council President Verna.

COUNCIL PRESIDENT VERNA: Welcome. Identify yourself.

MR. GLANCEY: My name is David Glancey and I'm the Chairman of the Board of Revision of Taxes, and before I begin to ask you to kind of restate the question, I too want to say that I always think you're very fair.

COUNCIL PRESIDENT VERNA: Thank you, and I hope you'll be very fair.

MR. GLANCEY: I think our history is that we will continue to try to be that way.

Could you restate the question, Madam President, because I really didn't hear all of it?

COUNCIL PRESIDENT VERNA: My question is, when you raise or propose to raise the taxes, how do you do that? Is it on a comparable basis with properties on that block or in the next block? How is that done?

MR. GLANCEY: We do that today, as well as what we will continue to do in the new software system. What we do today -- we're going to do it better with the new software -- is that we do in fact look at all of the sales of given types of property and group them together.

COUNCIL PRESIDENT VERNA: See,

here we go with sales again.

MR. GLANCEY: Well, sales are going to be value indicative. There's no question that it is indicative. The sale does not always define 100 percent of what the value is going to be, but just as any appraiser, and there probably are several in this room, in order to make a judgment about what the property is worth, you must look at sales at least as an indicia of what the value is.

What we will also do is to take into consideration not just the sales but the location, the characteristics of a property, attempt to put a value on each characteristic and then run an analysis through statistical models to see what that valuation will be.

We will also have a human being take a look at those numbers prior to making a decision that those numbers would be accurate.

Really what we will do, and it will be done because we have to do it on

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a mass basis, what we will do is very similar to what any appraiser does in order to value a property. And I think what your concern is, are the sales really indicative of what a property is worth, and if they are, what about the person who is not selling the property. I mean, that's really the question I think you were honing in on.

COUNCIL PRESIDENT VERNA: Yes, that is a concern.

MR. GLANCEY: My answer to that is, I think, first of all, we have to get what the sales are and then step back from those if we find other indicia that says, Well, there's a premium being paid here for some reason, and that happens. There are various neighborhoods throughout the City that are ideal locations, and we've had our arguments with staff about that, saying, Look, we don't think they're valid sales because we think they're being overpriced and overpaid, so we may not wish to consider those in our common-level ratio, in our pre-determined ratio.

But, again, one of the things -- and this is something that City Council, I think, can be extraordinarily helpful with, and as I said the other day, we want to walk hand in hand with you and the Administration through this process -- are property tax relief measures. We believe that most of the properties as we go through this revaluation system will see very little change. Again, we're talking fast numbers, about 450,000 properties. We believe they'll see very little change. Some up, some down a little bit.

We do believe that there will be 50,000, maybe 60,000 properties that may look at some very severe changes, and it's that group of folks, whether it be low-income seniors, whether it simply be low-income folks to begin with, those that are in affordable housing or the vast middle class who also -- I mean, I think I'm probably going to be one of them who sees a rather steep increase in what my property taxes may be, unless there is some property tax relief measures, either -- and I think what we were talking about from the Tax Reform Commission, about a rolling average of what values might be, of what a phase-in of those taxes might be based on that, of obviously property tax deferral legislation.

If we speak to the state legislature, and I know our time frame is somewhat limited here, but homestead exemptions I think are something that have to be explored.

So there's a series of legislative remedies that can help mitigate those severe increases, if they take place.

COUNCILMAN RIZZO: Point of information, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo.

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COUNCILMAN RIZZO: Thank you.

Did I hear you, Mr. Glancey, just say that the tax relief scenario, that there's a way that that group of 50,000 that you just described, or whatever the number may be at the end of the day, that there could possibly be some relief, that that would not kick in until the sale of that property and then the next purchaser would then be at the new range?

I mean, legislatively, are you telling that this Council could possibly put the brakes on a particular class of taxpayer that would not be affected by the 100 percent valuation?

MR. GLANCEY: No. I'm sorry. I obviously didn't state that clearly enough. No, I'm not saying that.

COUNCILMAN RIZZO: But I'm asking, can we do that?

MR. GLANCEY: I believe you can do it for certain classes of homeowners currently today under the Constitution and under the enabling legislation out of Harrisburg, but those certain classes today are income limited and age limited. I don't believe there's any other legislation currently that allows for a broader definition.

However, there is a gentrification enabling legislation in Harrisburg, which we've never used it here in Philadelphia, as far as I know. If you recall, back maybe 10, 15 years ago, there was a Constitutional amendment that passed twice, and that Constitutional amendment -- then there was an ordinance that passed pursuant to that Constitutional amendment that would allow local governments to pass ordinances that would in fact apply to gentrified neighborhoods without having to have an income. I'm not so sure about how long you had to live there, but it wasn't income and age oriented, let me put it that way.

COUNCILMAN RIZZO: Could you

check -- again, we talked the last time you were here about other models around the country. Has anyone implemented a way to protect our seniors that would really be up against it in the event --

MR. GLANCEY: We can certainly do that, and as I said, the ability to do that in Philadelphia is now available, because we do it with the senior citizens in a freeze already. So there is an availability to do that.

I was thinking that you may wish to explore the possibility of having a broader look at that for other folks that will be in that.

COUNCILMAN RIZZO: We'd appreciate every suggestion you could make to make this as painless as possible.

MR. GLANCEY: I'd be happy to do that, Councilman. And, again, as I suggested, the information that I was talking about before, a deferral, which is some of your legislation that's already law, again, maybe you have to relook at it and see what it is, but nonetheless, we see that type of legislation all across the country.

COUNCILMAN RIZZO: What I'm envisioning -- and this is just a point of information, and I'll catch up with you in a minute -- is that there's a way that whatever we do, that we select a class of taxpayer that it would be an extreme hardship on and that new tax rate wouldn't become effective until the sale of that property to the estate or the heir or whoever that would have to deal with it.

MR. GLANCEY: I guess if I could put it in a way that maybe a lot of folks would understand, that's what happens in California under Proposition 13. There's no increase in value, but for one or two percent for inflation, until the sale of that property.

Council can certainly pass whatever legislation they wish. I would --

COUNCILMAN RIZZO: Proposition 2005.

MR. GLANCEY: My sense as somebody who comes out of the valuation world is that that is not really equitable, because it has a welcome stranger impact on it.

COUNCILMAN RIZZO: But that is really broad, that proposition.

MR. GLANCEY: My sense is, if I lived in a house for 25 years and I'm paying taxes at a level that could only be increased one or two percent a year and then somebody buys the house next door to me and their value goes up to whatever they paid for it, they're going to be paying a lot more taxes than I am. But, listen, as I said, that's up to you.

COUNCILMAN RIZZO: My gut is to protect some of our seniors that this is going to affect possibly. And you mentioned the number 50,000, and that's a big number of people that are going to be stressed over this.

MR. GLANCEY: Councilman, again, I want to reiterate --

COUNCILMAN RIZZO: Thank you, Madam President.

MR. GLANCEY: I want to reiterate, whatever you wish to pass, we will certainly work with you on that. So that really is your decision, but we will give you all the information you need about that.

COUNCILMAN RIZZO: That's important, because you're the experts.

Thank you, Madam President. I appreciate that.

COUNCIL PRESIDENT VERNA: You're welcome.

Before I recognize the next Councilperson, Mr. Glancey, please remain at the table. Would you elaborate on homestead exceptions, please.

MR. GLANCEY: Homestead what, ma'am?

COUNCIL PRESIDENT VERNA:

Homestead exceptions.

MR. GLANCEY: Oh, I'm sorry. Homestead exemptions are very simple. What a homestead exemption is is that a certain either percentage or an actual dollar number of the value of a property is entirely exempt from taxes. The best example I can give you is the State of Florida. If you are an owner/occupant of real estate in the State of Florida, the first $25,000 of property value is entirely exempt. If you got a $100,000 property, it's only taxable on $75,000.

There's no age limitation. There's no income limitation. It is given to everybody who is an owner/occupant of property in that state.

COUNCIL PRESIDENT VERNA: But we would need state approval for something like that.

MR. GLANCEY: Yes, that would be state legislation, have to approve that.

You know, there is a state

legislative act, of which we are not a part, that currently does have a homestead exemption. I think it was Act 50 of the year 1998 or something like that. It is a very convoluted school income tax/getting rid of property tax kind of legislation.

So they have passed that in Harrisburg already, but it wouldn't be the kind of exemption we're talking about.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam President.

I think the purpose of these hearings is probably going a lot better than I originally thought. We're at least getting to the discussion stages and we're talking about a lot of different variables.

I think Councilman Rizzo had

some questions about -- I don't know if it was the deferral and/or maybe caps. Caps I know, based on what we found out in California, do not work quite as well as people would expect. In fact, the State of California is going bankrupt as a result of the caps that were imposed out there.

But there are a lot of different variables, things that we can look at, and that, again, is the purpose of these hearings, is to flush out as much as we can in this forum, and then individually or collectively as a Council, we can come up with recommendations.

But, understand, if we did nothing right now but lower the rate, we would capture a significant number of property owners, I believe, Mr. Glancey, which would probably see little or no increase, just by lowering the rate. But there is that group, could be 50,000 or in that range, that are the folks that we have to be most concerned about, because probably 35,000 of them are in my district. At least there were 35,000 in '03.

And going back to your comment, Madam President, earlier, whoever got this tax increase notice is not a result obviously of the full valuation. It's probably just part of the normal yearly routine reassessment.

COUNCIL PRESIDENT VERNA: I think so. I would hate to think of what it would be like next year.

COUNCILMAN DICICCO: Well, it could be worse, but --

COUNCIL PRESIDENT VERNA: It could be? It will be.

COUNCILMAN DICICCO: Again, in '03, if history taught us anything, at least it taught me something, of the 35,000 homeowners in my district who received a notice of increase -- granted, some of them were a couple dollars literally. Several of them or a number of them were in the $10,000 range or in the few thousand dollar range -- we represented, my staff, 2,000 cases, and we were able to, by the appeal process, get everyone some reconsideration. And I can honestly say that of the 2,000 cases, not one person who came back with the readjusted figure complained.

The one thing that was uniform in every town meeting in my district, and I had about five of them, several thousand people total attended, everyone complained about the fact that it was in one fell swoop. And that's the key to this whole thing, how do we figure out either by using existing techniques, lowering the rates or a combination of those to keep the -- I think Councilman Nutter used the word and I'll borrow his phrase -- sticker shock.

Because, again, as I said to Mr. Glancey the other day, and I'll probably repeat it again on Monday's hearing, we can make this as simple a formula to follow that a third-grader could understand. What everyone understands is what the value of that increase on the right-hand side of that tax bill is. If I'm going from 3,000 to 6,000, I don't care how the formula got me there, that's what I'm worried about most. And that's what this Council needs to deal with, and we're going to deal with it. There's deferrals. There are rolling -- what's that term?

MR. GLANCEY: Averages.

COUNCILMAN DICICCO: Rolling averages and all kinds of other things, and hopefully I think what we need to do is try to figure out a way -- which we can't promise people that they won't have a tax increase, because that would be untruthful on our part and be misleading -- is how do we mediate the increases so that they are least painful, while letting the Board of Revision doing its job and making this more transparent and equitable across the board.

So that's the challenge that we have, and we have some things we're going to be putting out in the next few weeks, hopefully, and hopefully by the spring when you're ready to roll out your reassessment, full value reassessment, we'll have a plan in place working with the Administration that we can all live with.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you, Councilman.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you very much, Madam President.

I'm sorry I missed your full testimony. I watched a little bit of it on television on Tuesday.

On Page 3, you talk about what would happen as a result of full value. Then you say, "Yet, there is also no question that full value will cause increases for others, especially those properties which have been severely undervalued for many years."

Now, I'd like for you to explain that, because as I understand it, back in 1980, there was a lawsuit by then-President Coleman to have this equalization process take place. And that was maybe, what, 25 years ago. I mean, we haven't reached the equalization since that time? And we still have --

MR. GLANCEY: I joined the Board in 1983, but I'm very familiar with the Coleman versus Green situation. At that time, it was an attempt -- I guess let me backtrack.

There were no market values on properties in 1980. There were no market values on properties until sometime in the mid '80s, towards the late '80s. There were simply assessments.

COUNCILWOMAN TASCO: What was the assessment on?

MR. GLANCEY: I'm sorry?

COUNCILWOMAN TASCO: What was

the assessment on?

MR. GLANCEY: The assessment was some percentage -- and, honestly, I don't know what it was then -- of what somebody thought the market value of a property was, but there was never a market value placed on anything. So how the assessment came about I could only speculate, that in some internal document there must have been a number that was then percentaged to show an assessment.

What Coleman-Green tried to do, and I think it was an effort that was a good attempt, what they tried to do was to say, if your assessment was way up here and my assessment was way down here, using a gradual process, and it was a mathematical formula that I won't go into, that they would step this property up to where yours was. They forgot in the first formula that this property could also go up because of market forces. So as this one was being stepped up to match the higher one, the higher one was creeping up as well. So it never got there.

There was then an attempt to change the formula to finally get them equalized. It did happen, to a certain degree, but the assessments were not reflective even then of what the real sale prices of the properties were.

So there was always from that point, probably well before that but certainly in my memory from that point, always a percentage of what a home would sell for then became what the market value of the home was. And for the past decade or so, Councilwoman, and we use the number 70 percent or 71 percent a lot, and I think that's the correct number, but we also have to realize that that is an average. When we're talking averages -- I wish I could tell you that every property in the City was 70 percent of its market value. What we say is, the market value is an average of 70 percent. So that means there's a significant number that were more than that and a significant number that were below that.

So that's -- and I'm coming maybe to your question about severe undervaluation, because that's really where you started.

If the market moves rapidly, as it has in the last four or five years, those properties that were, say, at 60 percent of market value, even if the Board increased them incrementally, they could very well today be 50 percent of their market value or 40 percent of their market value. Even those that were higher are now -- obviously if they were 80 percent of their market value, probably are dropping to 70 percent of their market value.

So it's that group of properties that I think -- and I couldn't have said it better than Councilman DiCicco did. It's that group of properties that are severely undervalued that even if you lower the millage rate, and I know that's the thing to do and I know Council agrees with that, when you lower the millage rate, there's still a need to look at that possible increase for those properties to mitigate a one-time increase in property taxes that may be very detrimental to the person who lives in that property.

And the kinds of things that we are suggesting to Council -- and as I said, we'll walk hand in hand with you -- are various property tax relief measures that we are researching across the country.

I intend by the early part of next week to send every one of you the research that we have done in kind of a resource guide that I put together for the Board back in July. But we'll share that with you, and it has lots of policy information. It's really simply a starting point, however, because I think there are other property tax relief measures that we may not have even thought about, and we'll attempt using our -- we will attempt to find more.

So I know that's a wordy answer maybe to your question, but I think, as I said the other day, this is a complex problem. It is a complex job, but it's very easy to say you're just going to raise the value to market value. That's an easy thing to say. It's very difficult to do, and it would be bad policy not to think of the ramifications of what we're doing. That's why we think this is terrific that Council and the Mayor have started the hearings today, well before the time it has to be instituted. But the need to think about it, to debate it and institute legislation I think is now. I think the time is now to be talking about it.

So I'm sorry to take so much time, but I thought that fuller answer would help you.

COUNCILWOMAN TASCO: Well, one of the concerns I have also is this whole issue of predatory lending and some of the forces in the community where the appraisers and the market brokers are working together to drive up the price of the sale of these homes. And right now when the market boom is going on, there's some indication that that's going on, that the appraisers give a higher value than they really should and then, of course, the market brokers are selling these houses.

I mean, I could see that in my area where there's a lot of -- certainly an increase in a lot of the properties, and some of the forces that are in that neighborhood selling those properties could force those prices up, and then you come along with -- this fair market value could have a real adverse effect on my community.

MR. GLANCEY: Absolutely.

COUNCILWOMAN TASCO: It has nothing to do with the undervaluation. It just has to do with what's going on out there in this whole business of the real estate market.

MR. GLANCEY: Well, just as you are averse to that kind of predatory lending and false price information, so are we. Obviously, if there's information that you would have, that would help us immensely, but we also attempt by using our field professionals to see if there looks like a blip in the market like that for certain properties that are entirely different from other properties that are selling in the average real estate market as opposed to somebody inflating the prices of homes because of the situation you just described.

I'm not saying that we can always see that, but when we do, we throw those properties out. They are not part of our comparable analysis.

But it would be helpful, again, as I said, as we walk through this if there are areas that anybody in the

City -- we're talking to you, but anybody in the City and any Councilperson knows that that kind of situation is taking place, we would love to have that information, because it will -- we're not married to the values. We're married to getting it right, but it doesn't matter to us if we have to lower values or raise values. It really doesn't matter. What we want to get is the right value.

So if there is a value that is an incorrect one because of some artificial pressure, we would certainly want to not ever consider that as part of a comparable. We would just toss that out.

COUNCILWOMAN TASCO: Well, one of the issues was raised by Councilwoman Krajewski. She and I both are experiencing this influx of supposedly outsiders coming in to the Northeast, my area and the 35th Ward, buying these houses for cash, supposedly the buyers are from New York, and some of these houses are going for astronomical prices that normally would not go for that value. You read it every day, every Sunday, in the real estate sales transaction section. And I look at these properties and I look at who is buying them.

So the prices are really getting inflated in an area, and those people, some of the comparables are not the same as maybe what's going on now.

MR. GLANCEY: I would agree with you. I think that if it looks like it's suspicious, we'll analyze it.

COUNCILWOMAN TASCO: Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Do you have more to say, Mr. Dubow?

MR. DUBOW: No. We're done.

MR. McPHERSON: The next set of witnesses are Steve Mullin and Brett Mandel.

COUNCILWOMAN BLACKWELL: I

agree that you've all said quite enough.

Good afternoon. Please identify yourself for the record. It's great to see you, Mr. Mullin, Mr. Mandel. Thank you.

MR. MULLIN: And thank you. My name is Stephen Mullin, resident of Philadelphia and also, I guess, I'm a principal of Econsult Corporation here in Philadelphia.

COUNCILWOMAN BLACKWELL: Thank you. Do you want to begin your testimony, or Mr. Mandel?

Mr. Mandel, do you want to introduce yourself then to the record?

MR. MANDEL: Sure. My name is Brett Mandel, and I'm the Executive Director of Philadelphia Forward.

COUNCILWOMAN BLACKWELL: Thank you.

MR. MANDEL: Mr. Mullin has asked me to go first.

Madam President and members of City Council, I have exhibits for you.

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COUNCILWOMAN BLACKWELL: Thank you.

MR. MANDEL: Madam President and members of City Council, thank you for providing this forum to discuss real estate taxation and tax reform legislation. I am Brett Mandel, Executive Director of Philadelphia Forward and former Chair of the Real Estate Tax Working Group of the Philadelphia Tax Reform Commission.

As you well know, the Tax Reform Commission recommended that we dramatically reduce the much-hated tax wage -- and the City has enacted legislation to do so -- phase out the job-killing business privilege tax -- and we continue to debate the timetable for this crucial reform -- and make real estate taxation fair and understandable. I come before you today specifically to focus on real estate taxation.

Today real estate taxation in Philadelphia is unfair. Inaccurate assessments creates a situation where similar properties do not have similar tax bills and where not all properties pay taxes based on the same percentage of property sale price.

The average City home is assessed at only approximately 70 percent of its potential sale value. Many, often higher-priced properties, are assessed lower, while many, often lower-priced properties, are assessed higher than potential resale value. Many property owners are not paying their fair share, while others pay too much.

Examining how assessment unfairness affects tax bills Philadelphians pay, it is clear that some neighborhoods are overtaxed, while other neighborhoods are undertaxed. On average, homeowners in neighborhoods in the chart that I provided you shaded dark have a lower effective tax rate, while homeowners in neighborhoods shaded light have a higher effective tax rate. That's a crucial finding of the Tax Reform Commission, that taxes are not levied equally when it comes to real estate in Philadelphia.

As you can see by the chart that is provided, the underassessed property might be paying a tax based on 30-some percent of the value of their home, while an overassessed property might be paying tax on a value of 100-some percent of their home.

Real estate taxes in Philadelphia are also unpredictable. Assessment inaccuracies distort the real estate market and increase the volatility of real estate tax revenue streams. Tax bills that are higher or lower than they should be because the market value for tax purposes is different from the potential sale price affects property values, since buyers are willing to pay more for a low-tax property and less for a high-tax property.

Homeowners and investors live

with uncertainty in terms of potential future dramatic changes in tax burden that would result from changes in the system.

Real estate taxation in Philadelphia is also confusing, as these hearings certainly have figured out. Fractional assessments and technical jargon create unnecessary confusion. The terms "market value" and "assessed value" sound alike, but they are very different. The relationship between market value, assessed value and tax bills is often unclear to taxpayers. Taxes, as you know, are only applied to a fraction, 32 percent, of market value. The fact that the BRT sets property values while Council and the Mayor set tax rates further complicate the situation.

Philadelphia Forward has chosen example homes to illustrate how the revaluation will affect City property and how proposed policies can move Philadelphia toward real estate tax fairness in the most painless manner possible. And I have provided you with some of that information here, although our website, www.philadelphiaforward.org, has much more of this information, including a tax calculator where people can actually put in their addresses and see what may happen to their homes as part of the real estate tax changes. That is up now and live, if anybody wants to go visit.

The City's property assessment agency, the Board of Revision of Taxes, announced it would end fractional assessments and complete a City-wide reassessment to establish accurate values for properties in 2006 for implementation in tax year 2007. Because the Board of Revision of Taxes only determines property values, City Council and the Mayor set tax rates and establish tax policy. Unless other changes are made, a BRT revaluation will dramatically increase tax bills for City property owners.

You can look at the table and you can see our example houses all see many, many, many hundreds of times increase in their property tax if we just simply complete the revaluation.

We must make real estate taxation more fair. Maintaining the status quo is nothing short of maintaining a flawed system that forces some to pay too much, while allowing others to pay too little as part of an overall system that skews the real estate market.

But policy options do exist to make the transition to a more fair system less painful. First, as you have discussed many times already, reduce the tax rate to create a revenue-neutral change. The proposed changes to the real estate taxation system are not intended to generate additional revenue for the City, but eliminating fractional assessment will increase the value of

City properties for tax purposes.

By reducing the tax rate, City Council and the Mayor can generate the money the City currently counts on to fund service delivery efforts, while reducing the shock to the system caused by the reassessment. This revenue-neutral change would then reduce tax burdens for properties that are currently overassessed, but it would increase tax burdens, and in some cases substantially, for properties that are dramatically underassessed. And in the chart you can see the example properties. One who is underassessed still sees a significant change. The overassessed property gets a significant decrease. The average assessed property sees essentially no change. As Mr. Glancey suggested, there are probably about 50,000 houses in the City that fall into that first category that would see the dramatic increases.

Second, we suggest you use a

real estate tax relief buffering system to prevent dramatic changes in the property tax bill. Any dramatic shift in tax policy that is implemented in a single year may have corresponding dramatic effects. By using a real estate tax relief program to buffer the increases, City officials can phase in a fair system of real estate taxation without creating unreasonable spikes in tax burdens.

Buffering the assessment changes, applying a new revenue-neutral tax rate to the average of the current year's assessment plus two prior years' assessments -- this is the Tax Reform Commission's recommendation -- will implement a system of rolling averages so historically underassessed properties will not have such dramatic single-year increases in tax bills. Owners of historically overassessed properties would not have as dramatic single-year decreases in their tax burdens.

In the chart, you see the same example houses now instead of having a 116 percent increase, the first property will see a 61 percent increase. The dramatically overassessed property instead of having a 42 percent decrease would only have a 36 percent decrease.

Third, the Tax Reform Commission suggests we tax buildings less and land more to reduce burdens for homeowners, while encouraging development and discouraging speculation, by making it more expensive to hold vacant land and underutilized property.

Because most homeowners own structures that are worth considerably more than the land upon which they sit, a decrease in tax on buildings and a corresponding increase in tax on land will reduce most tax burdens. By implementing land-value taxation in a way to be revenue-neutral for the City, officials can encourage development and discourage speculation, while reducing taxes for homeowners.

Implementing the land-value taxation consistent with the Tax Reform Commission's recommendation would reduce tax burdens for 80 percent of Philadelphia homeowners. Owners of property where land represents a significant portion of the overall property value, more than 22 and a half percent, would see their tax burdens increase marginally.

Again, you can look at the table and see how that would affect the sample properties.

By combining the policies, the City can create an equitable and transparent real estate tax system that can be implemented in the most effective and painless manner possible, a tax rate decrease to ensure that the reassessments are revenue-neutral, a tax relief buffering program to eliminate the most dramatic one-year changes and the shift to land-value taxation to reduce tax burdens for most homeowners, while encouraging development and discouraging speculation. And as you can see the chart, the overassessed property receives a significant decrease, the underassessed property does receive an increase, but it is certainly nowhere near as severe as it otherwise would be, and the average assessed property actually sees a pretty good decrease, too.

To ensure that Philadelphians are never forced to sell their homes to pay real estate tax bills, the City can implement additional policies to help vulnerable homeowners. You can create real estate tax deferments or expand on existing deferments so vulnerable homeowners can live in their homes today and pay their tax burden in the future when they sell their homes.

You can establish a Taxpayers' Advocate to educate about tax issues and help residents appeal unreasonable assessments.

You can allow taxpayers to pay their real estate tax bills in quarterly payments so homeowners can spread their payments through the year. As a bonus, this measure could save the City and School District millions in avoided borrowing costs.

You could also apply tax payments to the current year's tax liability so delinquent taxpayers making tax payments can qualify for state assistance that right now they're not eligible for.

You can also advocate for increased property tax relief from the Commonwealth of Pennsylvania. A state circuit-breaker property tax relief program could hold down tax increases for those on fixed incomes, and state-funded low-income property relief tax programs could be expanded for truly needy taxpayers.

Policymakers must beware. Other policies presented to address these issues could do more harm than good. For instance, do nothing. Right now the real estate taxation in Philadelphia is unfair, uncertain and confusing. Doing nothing maintains a flawed system where some pay too much, while others pay too little.

The suggested caps on increases or assessments, assessments must keep pace with the changes in the value or the system will become even more unfair. Rate reductions or tax deferments are much better tools to help homeowners. For example, if assessment increases are capped at five percent and two homes worth $100,000 today increase in value at different rates, one at five percent and one at 20 percent, after five years the owner of the first home will be paying taxes based on an assessment of 100 percent of the potential sale value, but the owner of the second will only be paying taxes based on assessment of 51 percent of sale value, and you could see the chart there how that plays out.

To improve the debate on issues surrounding real estate taxation in Philadelphia, Philadelphia Forward is creating an interactive resource on www.philadelphiaforward.org using example City homes to give citizens and policymakers a resource to evaluate how proposed real estate taxation changes will affect City properties. This tool will illustrate the current unfairness in Philadelphia real estate taxation to underscore the very real need for change and model the potential effects of a City-wide reassessment and other proposed policy options designed to improve the system.

I, again, note that we have a tax calculator up on that site, so you can put in your address today, right now, and see how these likely changes might affect your property. This is a very exciting thing. We're very happy to launch it in its test form today.

I thank you for focusing attention on this critical issue, and I'm pleased to be a resource for this legislative body as you consider legislation to make Philadelphia real estate taxation fair and understandable. Please do not hesitate to call upon me if I can be of help to you as you consider these important issues.

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Mullin.

MR. MULLIN: Yes. Thank you, Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Certainly.

MR. MULLIN: And good afternoon, Councilmembers. My name is Stephen Mullin. I'm a principal with the Econsult Corporation here in Philadelphia, and I'm a Public Finance Economist with 15 years of experience in municipal government and 25 years of economics public finance teaching experience in Philadelphia and St. Louis, Missouri.

I'm pleased to offer some comments concerning the proposed revamping of the City's property assessment practices, which I support, and I would be very happy, as Brett and others here, to answer any questions about these comments.

First, I agree with the conclusions of the Tax Reform Commission that the current assessment practices are both inefficient, in that overall investment in the City is less than it otherwise would be, and unfair, in that similar taxpayers are treated very differently.

While much discussion is focused on the equity side, I think the efficiency side is just as important. Since both harm the City's fiscal condition, not to mention many citizens, the process should be improved, and I agree that a movement to 100 percent market valuation is an appropriate way to address the issue.

Second, mechanically, just saying 100 percent market value doesn't solve the problem. So we have to be very careful about the derivation of accurate market valuations on properties that are not sold during the year. This is not impossible, as thousands of other jurisdictions do this throughout the United States and even the world.

I dislike arguments that we are somehow too different or, worse, we are too incapable of reforming this system. Excellent statistical methods exist, and pointing out that since none are perfect, we shouldn't use them at all, is, I think, a very weak argument. I have a ton of faith in the BRT's ability to implement this new assessment system.

No. 3, there will be a transition period impact that ought to be addressed, but not used as a reason to scuttle reform. I am opposed to caps on assessments or tax bills, because they foster the same problem we have now. However, to address this, it seems that we can do one of two things. We can either change how we measure and deal with annual market value changes or defer some payment obligations into the future, or a combination of both.

I favor the use of some type of statistical smoothing factor. A version is being discussed as buffering, such as a three- or five-year rolling average of market value for assessment purposes. This method is commonly used when measuring annual changes in wealth as in endowments and pension fund assessments.

Using a rolling average alone really only addresses smoothing large swings up and down in market values, but alone doesn't completely address the transition issues associated with going from the current system to the proposed 100 percent system, because we still have to deal with the estimating previous

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period market values and recognizing some significant adjustments, which has been a lot of the topic of the discussion here.

No. 4, deferrals of increased tax liabilities, either spread over a few years or back-ended, for example, as a lien against property or use of reverse mortgages and the like, seem to be a decent way to phase in some large changes. Use of back-ended deferrals, however, should be used with some caution or at least careful disclosure to the property owner. Ultimately, property taxes are capitalized into the real estate prices, so deferral does not mean free earn exemption. A deferral will impact someone's property value and it will impact that negatively in the current time.

No. 5, I agree with the Reform Commission's recommendation to increase the weighting of land versus improvements in the assessment. It seems a good time to try to do that, and I think this helps

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with virtually every issue involved and discussed here and more.

No. 6, any discussion should lead by declaring the independence of the assessment function, assessment of wealth base and millage rate determination, which is determined -- I'm sorry. Any discussion should lead by declaring the independence of the assessment function, the assessment of the wealth base, and the millage rate determination, which is determined by the ultimate amount the City and the School District wishes to raise via the property tax.

Any discussion of the proposed revamping that does not include the virtual certainty of reduced tax rates seems to me to be quite misleading.

No. 6(b), concerning the debt cap, Rob Dubow, who spoke here earlier, who is as knowledgeable and conscientious about City finances as anyone I know, has noted that such a change would lead to an increase in the outstanding general obligation bond cap. While I understand his point about caution about not going hog wild with capital spending, my view is that the City currently underallocates resources to the upgrading of the City's infrastructure. So I actually see this as a good thing for Philadelphia.

And, No. 7, fear of the unknown and a sense that Philadelphia is somehow so different as to be incapable of doing what many other jurisdictions already do I see as no reason to fixing an unfair and inefficient system.

I thank you for the opportunity to address Council this morning.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions for these witnesses?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. MULLIN: Thank you.

COUNCILWOMAN BLACKWELL: Al

Perry, President, Philadelphia Association of Realtors. Robert Gessler, Gessler Valuations.

Mr. Glancey, when Councilwoman Blondell Reynolds Brown comes back, we'll ask you to come back, if you would. She has some questions for you. Thank you.

Good afternoon. Thank you for your patience. Please identify yourself for the record and begin your testimony.

MR. PERRY: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

MR. PERRY: My name is Al Perry. I am the President of the Greater Philadelphia Association of Realtors. I'm a realtor in South Philadelphia, actually in Council President's district, for over ten years, and I'm here in my capacity representing our 1,800 realtor-member organization who sell and manage real estate in the City of Philadelphia.

I want to thank Council for having these hearings, first and foremost, and providing this forum for us, as I think this is the beginning of what's going to be a long and difficult process, but one that I hope will have a positive outcome.

The Board of Realtors have quite a few concerns, to say the least. Those concerns are predominantly that we are in what has been an unparallel real estate market, and some speculate that we're at the end of this real estate boom. Others speculate that it will keep going. But what I do know after ten years of selling real estate and a lot of resources from other members who have a lot more experience than myself is that the real estate market spikes in different areas, and Philadelphia has always been a city of neighborhoods. Some neighborhoods can handle this spike better than other neighborhoods, and a broad-based tax reassessment is going to be a difficult structure to implement across the City.

Some areas have experienced quite a bit of boom and are grossly underassessed, while other areas have experienced a boom that might be interest-rate driven. And I think you've heard from a lot of economists lately in the Wall Street Journal and various sources that interest rates are going to continue to be on the rise. So those areas are going to become less affordable and I feel, as our association does, that we will start to see in some areas a decrease in property values. Other areas that might be more attractive may continue to rise.

So this is a difficult process. So whatever is implemented with this reassessment, I think a program is going to need to be put in place where the opposite is true. When values drop, if they drop, that the City moves quickly on reassessing values lower, because I have concern at the timing of this at the end of a five-year boom. So it's one of our issues.

Another issue is that many of our fringe areas are dependent upon affordable real estate taxes. We exist in a very difficult tax city, transfer tax being the highest in the nation from a municipal level, city wage tax, business privilege tax. These are all things that I know Council is very familiar with, but one of the things that as a real estate agent that we can sell to for our City is that our property taxes can be affordable in certain areas and fringe areas. I'll use one as an example because it's one that I have a lot of experience in, Southwest Philadelphia.

A lot of people who move into Southwest Philadelphia often call our office looking to move into Yeadon, Lansdowne, Sharon Hill, areas that are suburban areas as opposed to City areas, and when we break down the way banks would approve them, which is principal, interest, tax and insurance, we can show them that their money goes further in the City of Philadelphia, mostly because the real estate taxes are more affordable. So those are some of the driving factors in those areas that are keeping people in the City.

Now, areas like our Center City District that might have a lot more attraction to them might not be so dependent upon them and might be an area that needs to be reassessed in some of the areas that have been developed, but I caution Council to be very concerned with keeping focus on the varying neighborhoods that exist.

We have three suggestions. One, we would suggest having a revenue-neutral reassessment. This will help people become acclimated with real value assessments and give us an opportunity to learn what we're doing right and learn what may need to change in the near future before people see an impact on their taxes.

Two, use a phase-in structure. There are definitely going to be people that are impacted by this, and deservedly so in some instances or in many instances, but instead of driving these people out of the City by saying, You're going to experience a 300, 400 percent tax increase, let's use a three-year, for example, phase-in process that might help people afford these or make plans to sell in the future and not put people at a burden where they are going to be cash poor in a house and be forced out of the City.

And we would like to also offer our resources as an organization to this Council. A lot of what I hear in these hearings is about market demand and valuation and the different spiked areas in the City that might see increases or decreases. I think we could be a great resource, and I would like to be one to offer the resources of our organization in any way that we can help make this a fair and equitable process so that we can thrive as a City.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. It is apparent that you deal with people who are buying houses in neighborhoods, as we do, and that's reflected in your testimony.

MR. PERRY: There are a lot of parallels between what you do and what I do, because we both deal with the public and we both sell our City, and it's very important to maintain something tangible there to sell. And I think some areas have more tangible selling points than others, and I think this is potentially something that could be very harmful to those areas that don't have as many tangible assets as other areas.

COUNCILWOMAN BLACKWELL: We certainly agree. Thank you very much.

Thank you.

Mr. Gessler.

MR. GESSLER: Yes. My name is Bob Gessler. I'm a state-certified General Real Estate Appraiser, life-long resident of Philadelphia. I was born in Kensington, got married, moved to Port Richmond. I now live in Councilwoman Krajewski's district up in Torresdale. And I think what you're seeing here in Philadelphia is really a remaking of the Philadelphia real estate market totally and that there are totally different price structures that even the boom of the late '80s no one could envision seeing today.

And although I respect Mr. Glancey and Councilman DiCicco, I think the estimates of underassessment, radical underassessment, are going to be way more than 50,000 properties, and I think it comes down to with this dynamic a marketplace, that the staff of the BRT, given their small numbers, just can't keep up with it. It's not a question of competence. It's a question of too few quality people. They need more people.

When I was asked to speak before this body, not knowing which direction -- I mean, yes, I think it's very important that we get the full value and very important that this reassessment remains revenue-neutral, but I just went back to two recent appraisals that I completed and just looked at the sales I used versus the sale price of today or when they sold and their 2006 projected assessment.

The first property, 7314 Dorcas Street, it's a ten-unit apartment building that sold in March of 2005 for $560,000. Its projected assessment for 2006 is $240,000. So that's a 233 percent difference between the actual sale price and the projected assessment. And, like I said, I wasn't looking for properties. I just selected the properties that I used on a comparable basis to value this problem.

8414-16 Torresdale Avenue, it's a 20-unit apartment building. It was sold for 865. The 2006 projected assessment is 423,000, 205 percent difference. It just keeps going.

I mean, 511-21 Gilham Street, a 24-unit apartment building, sold for $850,000. The projected assessment for 2006, $163,200, a 521 percent adjustment.

So there's two other apartment buildings there. I also grabbed just a single-family property that we appraised in West Philadelphia, and the sales there show the same type of things.

Understanding that sale price is not necessarily indicative of market value, other forces there, but I think this speaks to the general question that the task before the BRT is going to be daunting and that as part of this process, maybe we should look at increasing the capacity of the BRT so they can handle this, because we're talking almost 600,000 parcels here.

One of the properties is 5647 Lansdowne Avenue. The 2006 market value is $20,000. It sold for $50,000 in August of 2005. The people that bought it did a rehabilitation of the project. It's on the market today for $77,900. It just keeps repeating itself.

1321 North Frazier Street, 2006 projected market value, $34,300. It sold for $53,000 in July of 2005.

603 North 55th, projected assessment 2006, $17,000. It sold for $41,000 in May of 2005.

So, I mean, this is the task that the BRT has in front of it, and I really believe that you might see more than 50,000 properties that see a severe reassessment. So my suggestion as a professional is that they need all the help they can get, because given the staff they have, they do the best job they can, but the staff just isn't big enough.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. Very, very important testimony.

Are there questions from members of Council who are here?

(No response.)

COUNCILWOMAN BLACKWELL: Very, very important testimony. Thank you both very, very much.

Mr. Glancey, would you come back.

Councilwoman Blondell Reynolds Brown.

COUNCILWOMAN BROWN: After these series of questions from the Councilwoman will be Lawrence Rust, President of BIA. Are you here?

MR. RUST: I'm here.

COUNCILWOMAN BLACKWELL: As soon as Mr. Glancey has been questioned by the Councilwoman, you'll be next. Thank you.

Councilwoman Brown.

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COUNCILWOMAN BROWN: Thank you, Madam Chair.

Good afternoon again. I listened with interest upstairs to your testimony and that of Rob Dubow, and I appreciate the very layperson's definition of what homesteading means. Given that, what potential impact do you believe that would have on any ultimate proposal we end up here in the City, knowing, of course, that it has to be state authorized?

MR. GLANCEY: Sure. Is your question about the numbers?

COUNCILWOMAN BROWN: Yes.

MR. GLANCEY: I haven't crunched the numbers. I have not done that. In fact, I don't think we can until we actually get you the numbers in December that we had talked about at the other hearing on Tuesday.

I don't really know -- first of all, I think the first step is to think whether or not -- again, this is me giving you an opinion outside of my realm of expertise.

COUNCILWOMAN BROWN: Sure.

MR. GLANCEY: But I think the first thing to think of is whether or not a homestead exemption is something that is right for Philadelphia, and that I will try to help you with with some of the information I hope to send you next week.

COUNCILWOMAN BROWN: Okay.

MR. GLANCEY: However, I think there's plenty of intelligent folks here that can make that debate as well with the Finance Director and the budget folks in the Budget Department.

Then what happens, I believe, Councilwoman, is -- I use the example from Florida. That number may not exist, may not be the number that works in Philadelphia. It could be 10,000, it could be 50,000. I have no idea what that is, but that then really does in fact depend on what the taxable assessments will be under the Full Value Project. And with that info, then I think you're going to be able to look at some realistic budget numbers and what the tax yield might be.

COUNCILWOMAN BROWN: Okay.

MR. GLANCEY: I know that's not the answer I can give you specifically, but that's the best I can give you today.

COUNCILWOMAN BROWN: That's appreciated. And, again, it's an initial step on where we have to end up.

I also learned in listening to my colleague, Councilman Frank DiCicco, that potentially his district may be the most severely impacted with whatever we come up with when we look at the 50,000 number that you mention.

MR. GLANCEY: Well, I believe that's based on history from the year 2003. It was in the year 2003. I would attest to the Councilman's good memory and all of the appeals that he filed and we helped folks file in our office. That was in fact the case.

So given that, although I did say last week, and I think maybe what Mr. Gessler was referring to -- and by the way, I think he's making a point, that we need to do this. The very thing that he was saying I think militates towards the fact that we should have more equalized values, and I think he agrees with that. But I think there's some counterintuitive thinking that we do here, and that lots of folks are thinking, Well, you know, maybe in parts of North Philadelphia or parts that we have traditionally thought to be low-income housing, there may be some significant rise in value there, too. I don't believe they're severely underassessed, as may exist in Councilman DiCicco's district, but I do believe that there is probably throughout the City some underassessment.

And, again, I don't want to belabor this, but if you're at the average, say, of 70 percent of market value, you're not going to see an increase no matter how high I put it, because the rates will go down concomitantly to set that off. If you're above it, you'll see a decrease. If you're below it, you will probably see an increase.

We believe that there is this kind of great middle, hopefully, that most of the residential properties will fall into, but we will make sure we let you know all of that as we work through the process.

COUNCILWOMAN BROWN: Okay. Now, I know there's a lot of pending homework that has to be done. With this 50,000 number, let me know if you believe this is reasonable, because it would inform us, and I would think particularly District Councilpersons, when they want to know what the ultimate impact is going to be on their Councilmanic district.

Parenthetically, when I was

attempting to get a child care bill passed here, I got information and research that showed me precisely how many family child care centers there were per district, how many child care centers period, and that informed me when I went to speak with District Councilpersons soliciting their support.

So when you look at the 50,000, is it reasonable to break that down by Councilmanic district so that we can see district by district what the impact will be?

MR. GLANCEY: Not only will we be able to do that for you, we will be able to break it down neighborhood within Councilmanic district, small little geographic units within Councilmanic districts. We'll give you maps, GIS maps, that you can see everything that exists there. Absolutely. We will do that.

COUNCILWOMAN BROWN: Very well. That will be appreciated. Thank you very much.

MR. GLANCEY: Thank you.

COUNCILWOMAN BROWN: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Thank you, Mr. Glancey.

BIA.

COUNCILMAN NUTTER: Madam Chair.

COUNCILWOMAN BLACKWELL: Excuse me. Councilman Nutter, did you have a question for Mr. Glancey?

COUNCILMAN NUTTER: Thank you, Madam Chair. Not a question; just a comment based on the question that had been raised by Councilwoman Reynolds Brown, which provides at least an opportunity to comment on the homestead exemption issue, which I had a brief conversation with Councilman DiCicco about this morning.

Mr. Glancey's response to Councilwoman Reynolds Brown is absolutely

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correct, which is why in the bill that was introduced earlier today there is no number set for the homestead exemption amount, because it's virtually impossible to put a number in until we know what comes out of the process that the BRT will conduct. So if anyone was wondering why there's no number in there, the reason is because there is no number to put in there at the moment until we have greater information.

So I appreciate you putting that on the record. It will make it easier to explain why there's no number in the bill. But thank you for all of your other advice and information.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

Please identify yourself for the record. Thank you. Begin your testimony.

MR. RUST: My name is Lawrence Rust. I am the President of the Building

Industry Association of Philadelphia, the BIA. We represent builders of residential housing.

I appreciate your asking us to come here today and speak on this issue.

This issue is about people and their ability to afford homes. It's also about fairly gathering the revenue needed to provide excellent services and excellent schools to Philadelphians.

When I think of the people who will be affected by full valuation, I think of Lucy and Ed Bonnett. Lucy and Ed live in the 700 block of South 9th Street, just south of Bainbridge. Lucy's parents moved into their home over 100 years ago. Lucy was born in that house. Lucy and Ed raised three children there.

Now, Lucy and Ed are retired. They live on a moderate fixed income. They enjoy their home and they enjoy the neighborhood. Lucy likes to walk to the library. She shops at the Italian Market up the street. They no longer have a car and it's easy to get around with public transportation because the bus stops right there on 9th and Bainbridge.

Their neighborhood used to be South Philly. It's now called Bella Vista. And homes along Lucy and Ed's street are selling for $500,000 or more. If Lucy and Ed's home were reassessed today, their full valuation multiplied by the current millage rate of 0.08264, it would mean that their tax bill would be over $10,000 a year, and Lucy and Ed would have to sell the house that's been home for three generations.

Every Councilperson knows a Lucy and an Ed. We all know the impact that raising taxes will have on the elderly, those on fixed incomes and the poor. Understanding the human side of this issue is of utmost important. Raising tax revenues so the City can provide trash pickup, police and fire protection and schools is also of utmost importance.

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The issue is how do we repair the inequities in the current valuation system and provide the BRT the ability to value real estate correctly, raise the necessary revenue for the City's operations and not displace Ed and Lucy.

The BIA believes that there is a way to achieve all of these goals, and these are our recommendations. Firstly, in Florida, they use homestead exemption, which provides that no taxes are levied against the first $25,000 of valuation of a home occupied by its owners except for special assessments. This is a tool to reduce the impact of full valuation across the board in a fair manner.

Secondly, seniors or other designated classes of citizens should have the increases to the taxable portion of their full valuation capped at a fixed percentage of, say, two or three percent.

Thirdly, the path to full valuation should be gradual and phased in over a period of time. This will buffer and soften the impact to residents of Philadelphia.

Founded in 1937, the BIA is the leading association promoting residential development and construction in the City of Philadelphia. Our mission is to advocate for and create more market-rate housing in Philadelphia and to support public and private initiatives to create more affordable housing.

This issue of full valuation will have direct impact on the affordability of new and existing homes. The BIA urges Council to craft a fair and equitable solution that will allow the BRT to value property correctly and yet will not displace the elderly, those on fixed incomes and the poor.

Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you so much.

Are there questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank

you.

Is Peter Kelsen, Blank Rome here?

MR. KELSEN: Good afternoon, Madam Chair, members of Council. Peter Kelsen from Blank Rome. I want to thank you for giving me the opportunity to give you my perspective.

I am coming to you, members of Council, as a practitioner in the area of real estate tax assessment law. I've done that for a number of years. And prior to my going into private practice, I had the privilege of representing the Board of Revision of Taxes for a number of years, and I thought it might be helpful if I could give you the perspective of my practice, as well as the perspective of those of us who practice in the area of assessment law and those of us who represent many property owners throughout the City of Philadelphia and the suburbs and in other jurisdictions.

I will tell you that I have looked at the concept of full valuation with Mr. Glancey, with others, and have looked at it as it has evolved in other jurisdictions, and I will tell the members of Council that from a concept standpoint, it is essential and it is appropriate.

The City of Philadelphia, for as long as I've been practicing in this area, which is about 20 years, unfortunately has a very disparate level of valuation, and I believe Council is aware of that. The disparity in valuation creates a very difficult situation in assessing proper tax loading throughout the City.

As you've heard from a number of witnesses today and at prior occasion, you have situations where a number of property owners are well above their tax load when compared to comparable properties down the street and, in some cases, adjacent to each other. You have other situations where property owners are not paying their fair share of taxes for the same reason. And I think that the full valuation system should be implemented so as to create a level playing field for valuation.

Real estate valuation, as the Council President indicated, in Philadelphia fortunately has taken a dramatic increase, but that doesn't mean that you have to create a system which imposes sticker shock, and I think that the examples given in other jurisdictions, in other counties adjacent to Philadelphia, by way of example, like Montgomery County, Chester County and others, can effectively temper the rate of increase and the impact of what you call sticker shock on the homeowner.

There are a number of programs that are currently in place at the state level and can be implemented at the local level that will temper the increase and in fact create a revenue-neutral situation. There will be cases where there will be increases in value, as you've heard the testimony. That's to be expected and that's to be generated by the program. But a creative approach by Council and by others to either defer the level of increase, to eliminate the level of increase with appropriate tax planning can be implemented, and that will protect the seniors, those in the affordable housing community that cannot withstand those increases on a full-board basis.

I will tell you that these safeguards have been implemented in a number of other jurisdictions and they have been implemented in a very effective way. A number of jurisdictions right outside of Philadelphia have caps on the amount of tax increase that occur in any given year. Some are at ten percent, some are at lower levels, some are at higher levels. And it's incumbent on Council to protect the constituency by looking at those safeguards and implementing them where appropriate.

My only role today is to sort of seek to guide Council as a practitioner and to indicate that full valuation, if done effectively and if done in a revenue-neutral manner, will be a benefit to the City and will create a fairness in terms of property valuation that certainly does not occur today.

I have one other point I would like to make, and I will tell you that Councilman DiCicco alluded to this earlier. By having the appeal process in place that currently exists and will continue to exist, you will create another level of safeguard so that individuals that feel and can demonstrate that their valuations are excessive have a vehicle in place to redress their concerns, and as my experience has dictated, virtually every time there is a valid supported appeal demonstrating excessive value, the Board makes the appropriate adjustment. That's not going to change, and, therefore, you have not only the tax revenue programming, the deferral programming, but also the appeal procedure that can be extremely effective in protecting those that need those protection.

I thank Council for their time and welcome any questions that you may have.

COUNCIL PRESIDENT VERNA: You're welcome.

Are there any questions from members of the Committee?

(No response.)

MR. KELSEN: Thank you very much.

COUNCIL PRESIDENT VERNA: Thank you again for coming in to testify.

Judie Gilmore.

MS. GILMORE: Thank you, Madam President. Good afternoon and thank you for giving me the opportunity to testify on this important issue. My name is Judie Gilmore and I am the Policy

Coordinator at the Philadelphia Association of Community Development Corporations, the PACDC.

PACDC is the umbrella organization for over 80 community development corporations, or CDCs, and other members that are working to rebuild our communities and revitalize our neighborhoods.

At PACDC, we have a history of striving to create communities that attract new investments, businesses and residents in a way that ensures that all community stakeholders benefit from these improvements. In short, we are constantly striving to balance growth and equity, and it is our interest in equitable development that brings us here today.

We don't claim to be experts on tax reform, but we are experts on strengthening communities, and let there be no doubt about it, property tax reform will profoundly affect our communities.

But we believe that if property tax reform is instituted in a way that balances growth and is equitable, it will have a profound effect on our communities and a positive effect.

So, in theory, we believe that changing the property tax assessment to full valuation makes perfect sense. The current tax assessment system is inaccurate, it's inequitable and research has shown that it's actually regressive, because historically lower-value properties have been overassessed and higher-value properties have been underassessed. So because of its inaccuracy, the current assessment system is inequitable.

So in order to develop a system that is accurate and, therefore, equitable, we encourage City Council to support the BRT's proposed change of property tax assessment to full valuation.

But this is only one step in

the right direction. We believe that changing the assessment system to full and accurate valuation must be accompanied by other measures and programs that will ensure that low-income households and individuals living on fixed incomes are not hit with an unreasonable property tax increase or are put in a position where paying the property tax bill is simply not possible.

There are many recommendations about how to do this, and we're happy to see that Council is interested in exploring the many options that are on the table right now.

We don't have the right recipe of what these programs will be, but we are currently researching what other jurisdictions are doing and what other communities are doing, and we look forward to sharing our ideas and working with City Council and the Administration on this important issue that we know will affect our neighborhoods.

We believe that the more dialogue there is around all of the options, the more community input that's solicited and the more research that is done about what's going on in other communities, the more likely that City Council will adopt the measures and programs that will be right for Philadelphia right now.

And we also don't want to forget that property tax reform will affect more than just homeowners but also small businesses and renters as well. We want to keep that in mind.

On a final note, I'd like to remind City Council that many of the issues that have been raised at these hearings, and I'm sure issues that you're hearing from your constituents about a movement to full valuation, are really issues with a larger fact, and that's that many of our neighborhoods are changing and actually many of our neighborhoods have already profoundly changed.

Property value appreciation can be a great tool to help families build wealth, but it can also impact lower-income households' ability to pay their tax bills and their ability to remain in their communities.

So City-wide increases in property values is an issue that will not be involved using the property tax system alone, and we do think that the City has other tools at its disposal to help manage neighborhood change, and we encourage City Council to explore other solutions, like encouraging the development of mixed-income housing and reevaluating other economic incentives such as tax abatements.

Tax abatements have been an incredible tool to encourage development, but perhaps it is time to reevaluate their need in many areas where the market would probably be producing housing without abatement incentives or to explore using them to leverage other community benefits.

In closing, the City has made great strides recently in revitalizing our neighborhoods. The fact that property values are rising reflects the fact that some of our neighborhoods are improving and the market is reflecting these improvements. We urge City Council to take the necessary steps to ensure that all community stakeholders, including low-income and long-term residents, will benefit from these improvements.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much.

Are there any questions of this witness?

(No response.)

COUNCIL PRESIDENT VERNA: We certainly appreciate your taking the time to come in to testify.

Our next witness is Rosemary

Cubas, Community Leadership Institute, and Lois Fernandez from Odunde.

Good afternoon. Welcome. Please identify yourself for the record.

MS. CUBAS: My name is Rosemary Cubas. I live at 2124 North 2nd Street for 33 years. I'm a homeowner and I'm also the Director of the Community Leadership Institute, and I come here, Madam Chair, in outrage and hope that Councilmembers are really listening carefully to what is being said by all, including those of us that are homeowners in this City and that basically have improved conditions in our communities sufficiently for this housing boom to happen. We have done the improvements. The City has not. We have done it with the meager resources that we've had available.

I'm on a fixed income. Many people in my community are low income and on fixed incomes. We are working people. And what this tax reform represents, from what I can read, is a disaster. It's one more way of pushing, forcing us out of the City. We've already been forced out through eminent domain on places like the 2100 block of Bodine where the entire block was taken and now lays infested with weeds and vermin.

We've been forced out with the tax liens and sheriff sales that often ask for an inordinate amount of up-front money, which people who backed up in their taxes cannot pay.

We're being forced out with bogus L&I violations that target in our neighborhood, as a habit, one house per block, which in other times would be called block-busting. Because if those houses go down, they would deem that block unviable.

So this tax proposal that is being done by the Tax Revision -- and we're not tax experts, but I do know that anything that basically creates a situation where we cannot pay the taxes for our homes, those of us who are low income, who have lived there for 40, 50, 60 years, means that we are systemically being forced out of our neighborhoods after we have improved them.

Where I am, we are bounded by the river, by Delaware Avenue, and you know about the 3,000 condominiums that are going up now, and more to come.

All of this is on a backdrop that to me -- the reason I said outrage is, there is a tax year tax abatement for those 3,000 condominiums and the other thousands of units that are being built and rehabbed over 50 percent in this City. This tax proposal is in the face of me and Lois and other homeowners of our category having to pay for the police, the fire, the school, the libraries, the streets, the sewers of the $12 million condominium at the tops of the Ritz Carlton or the 10 million condominium at the top of the towers that are being built along the river not far from me.

That is the outrage that I feel, because it is unjust. It's almost that there's a gigantic elephant in the room and nobody wants to see it. But we see it and we understand it, and it is to push us out of the City.

The injustice in that is that ten years from now, or whenever the tax abatements are over, Madam Chair, mark my words, because you'll be around hopefully and the others will be around too, ten years from now there will be a glut, and the same thing that happened with the office space in this City that they didn't know what to do with, the same thing will happen.

If you're a good, smart businessperson, you're going to sell that 12 million condominium, make a profit on it or take a tax loss and run. Because Mr. Greenspan has said the bubble is over. Somebody mentioned that it may be or may not. It's over. Greenspan said it, AARP says it, who has no interest in this, and the bubble will be over and we will have a glut, and that tax that the City expects will not come.

So this is a method to have us pay for what they already know, that it's not coming. That tax that is expected and the amounts that are projected are not going to come. So we are being burdened in a way that tries to cover our eyes as if we're stupid, that this is a way of making those of us that have stood in Philadelphia in hard times, have built up the value of this City and the credibility of this City, make us pay for what's not going to come down the pike.

Thank you, and I hope that this Council finds ways to protect those of us that are in this place and that have stuck through this City and that will stick through this City, because I want my grandchildren to live in my house and to add to the quality of this City and enjoy it as I have.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much for testifying.

We will now hear from Lois Fernandez.

MS. FERNANDEZ: My name is Lois Fernandez. I live in South Philly. I've lived in South Philadelphia all my life, soon to be 70 years.

I am beyond being disturbed. Council President, as you know, I've been before Council 20, 30 years ago when John Anderson was a Council-at-large. We were fighting for our neighborhood.

We are responsible homeowners. We take care of our homes, but you know what? Who cares about poor working-class people? How are you supposed to live in a house and they don't want to give working-class people a decent wage, a livable wage? What are we talking about, to tax us at market rate? This is absurd, Councilmembers. This is a nightmare. What are we talking about?

The house on my corner, it's $800,000. You're going to tax me at that rate? Are we crazy? You all sit here because rich people don't put working-class people in office. They will put other rich people in office. So you're not secure.

We're saying join the fight, join us, because we have to survive. Who says that we're supposed to be happy because the house next to us is $800,000?

As I told an editor from the Daily News, did your momma say she wanted to move because somebody came in and shot the prices up? Does your uncle, does your father want to move?

Councilman Goode, do your family want to move from their neighborhood? They didn't tell you that.

Mr. DiCicco, in your neighborhood, do people want to move who have been there all their life? No. You're going to give them a nightmare, talking about you're going to tax us at market rate. Are you crazy? This is a nightmare.

What I'm saying is, last year, I've been to you, Councilwoman, as you know, over a year and a half. I met with you and Jim Kenney and said, We need relief. Let's get serious.

I think, Juan, I said it to you. We need relief. And what we're saying is -- damn it, I'm saying freeze our taxes, those of us who are senior citizens. Freeze them where they are.

My check I get from the City, you all know this, when I retired in 1988, it's the same damn check. The City has not increased my money. What are we talking about, ya'll? It's less because my healthcare is taking over half of it. Let's be for real. Now with the gas bill, what are we talking about? No. We can't have no market-rate tax assessment. No.

I tell you because I'm from the street. I love where I live, and my

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neighborhood has changed. I'm tired of dogs, because I know people. No more do I know my neighbors. No more do they get out on the corner and talk to each other. Philadelphia is no longer, in my view, becoming or will be a city of neighborhoods. We're a city of strangers, and nobody cares about working-class people. Where are they supposed to live? North Central being taken by Temple, West Philly by Penn and all the others. The colleges and the hospitals are taking up our neighborhoods. Where are working-class people supposed to live? Let's be more real.

You all got to do something. Don't come to us just at election time. Many of you all came from the same background, came from where we -- Anna, you know you're the heart of South Philly. All of ya'll came from neighborhoods. Did you forget where you came from? Your people got to live there.

My daughter couldn't live in the neighborhood if I didn't keep my house on Madison Square, Anna. Broomie (ph) could not live here. I knew it 30 years ago.

We got to have relief. You all don't talk about that.

Twenty years ago, Council President, do you remember they put our neighborhood on a six-year equalization plan?

COUNCIL PRESIDENT VERNA: Yes.

MS. FERNANDEZ: We got hit then. I don't forget. The fight has been long, and the fight continues. But our young people are not sharp enough to know that we must continue to fight, because they're going to be out of their neighborhoods.

It is a sad day, and I had to call folks and said, We got to get to Council. That's why Ellen Sumakowa (ph) is here, Rosemary is here, Tiffany from

Point Breeze. We must bring the people out, because this is survival for us, and you all cannot sit back. No, no, no. It's time. We must rile the forces up or we won't have places to live.

I've spent most of my -- I'm almost 70 years old next year, if I'm blessed. That's how long I've been in Philadelphia. I went to school here, public school, and I advocate for all of that, because all of us are good products of Philadelphia, but where will we be when our neighborhood is gone, when you don't even know your neighborhoods, you don't know your neighbors, because they come in with that elitist attitude.

They do not care about us. They don't care if the street is swept, because they're not used to sweeping steps, sweeping the pavements and scrubbing steps. We know what it is. That's a legacy in South Philly. That's our pride. We let nobody tell us we don't know how to take care of our neighborhoods that they came in and told us. Not hardly, Anna. No.

I've always lived in a good house, when it was a rented house, because my parents said, It ain't who owns it, it's who lives there. We took pride in our neighborhood, in our houses. And I say to you, we still love where we live. I ain't going nowhere. South Philly is my life. Rosemary is going to stay where she is, because we love our neighborhoods, but we need help, and you guys got to get up off it. You got to give senior citizens -- you got to freeze our taxes and you got to get working-class people a tax that they can live with, because you go up on them taxes, what the hell for, when the big boys got tax abatement for ten years and their report says they're only living there for 7.5 years, then they go to a new one, they ain't paying those taxes. And on the other side, they got KOZ, Keystone Opportunity Zone. They ain't paying shit. Nobody is paying taxes but us, because you all let them off the hook and the people don't know. Big business is not here. They getting off like a fat rat.

No. It's time. Expose it. Everybody is getting a break but working-class people. This is our time. We deserve to live here, and Philly belongs to us, and we will stay here in this City if you don't tax us the hell out of here because you think that's the way to go, because money is running this City. You come downtown any night after 6 o'clock, you don't even see African-Americans. It's gone. It's gone.

I look at all of it. And I'm saying to you, get off the pot. It's time. You owe us.

COUNCIL PRESIDENT VERNA: Are there any questions or comments of these witnesses?

(No response.)

COUNCIL PRESIDENT VERNA: I would just say to Mr. Glancey, Ms. Fernandez is one of my constituents from the 30th Ward and I think that she shares sentiments of most of the people in her community.

I've been to Lois's house. She keeps a lovely, lovely house.

I would say most of your family have lived in that community all of their lives; have they not?

MS. FERNANDEZ: Except for one of us, yes.

COUNCIL PRESIDENT VERNA: And how many sisters do you have?

MS. FERNANDEZ: Six sisters and now just one living brother.

COUNCIL PRESIDENT VERNA: And they all live in the same immediate community. They love it. They are a part of that entire community and really strive to make it a better place in which to live.

Lois, I'm surprised to see you

here today, but I do want to thank you for coming in and expressing yourself so eloquently. Thank you.

MS. FERNANDEZ: Thank you.

COUNCILWOMAN BLACKWELL: Madam President.

COUNCIL PRESIDENT VERNA: Yes. The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

I certainly would like to thank Ms. Fernandez. All of you know, Odunde is Lois Fernandez, and she's been a leader around our City as long as all of us have been in politics, and we thank her for her commitment.

Lois, we have been complaining about this since we heard about it just about a week ago where it's been on the front burner in terms of hearings. So we understand, and we're very, very, very concerned about what our constituents are to do, and we wanted you to know that.

MS. FERNANDEZ: Thank you.

COUNCILWOMAN BLACKWELL: Thank you for coming in.

MS. FERNANDEZ: We're looking forward to some action.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

I was just given a note and I just can't make out the writing, but we do have another witness, Jim Kernham.

MR. KERNAGHAN: Kernaghan.

COUNCIL PRESIDENT VERNA: Please approach the witness table.

Good afternoon. Please identify yourself for the record.

MR. KERNAGHAN: Yes. My name is Jim, last name is Kernaghan, K-E-R-N-A-G-H-A-N. I'm a resident of Philadelphia and have been since -- I was born and raised in the Olney section. After the Service and coming back to college, I moved back into the Center

City District, where I've been pretty much the last 15 years.

I'm just here to reiterate what the two ladies said, that me being a middle-income person making a decent living and recently being tax assessed 200 percent, going from $800 a year to $2,000 a year, I can sustain that type of tax, but under the new flat plan, the easier plan, the plan that is easy to understand for the taxpayer, I am not able to sustain that type of tax in a given year.

I choose to live in Philadelphia because I was born and raised. I reiterate about living in a neighborhood. I don't want to live in the suburbs, but if this type of tax is incremented and I'm subjected to it, I no longer have a choice to live in the City. I'm now forced to move out of the City.

COUNCIL PRESIDENT VERNA: Don't move yet. Don't move yet. Let's see how this pans out, so to speak.

MR. KERNAGHAN: Okay.

COUNCIL PRESIDENT VERNA: Because it's not only you. It's going to be all of us.

May I ask what part of the City? I know you said Center City.

MS. KERNAGHAN: Yes, ma'am. I live in Francisville, Councilman Clarke's district.

COUNCIL PRESIDENT VERNA: Thank you very much. We appreciate your coming in, and at the appropriate time, I do hope you'll appeal.

MR. KERNAGHAN: Yes, ma'am. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Do we have anyone else to testify whose name we do not have?

(No response.)

COUNCIL PRESIDENT VERNA: Anyone else to testify?

(No response.)

COUNCIL PRESIDENT VERNA:

Seeing no one, this Committee will stand in recess until Monday, October 31st at 10:30.

Thank you all very much.

(Committee of the Whole adjourned at 1:30 p.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 October 27, 2005, and that this is a true and correct transcript of same.

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MICHELE L. MURPHY
RPR-Notary Public

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