COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEES OF THE

WHOLE & HOUSING, NEIGHBORHOOD DEVELOPMENT

AND THE HOMELESS

- - -

Monday, June 6, 2005
4:40 p.m.

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Room 400, City Hall
Philadelphia, Pennsylvania

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BILL NO. 050388 - Resolution approving the annual Program Statement and Budget for the expenditure of the NIT bond proceeds for FY 2006

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PRESENT:

ANNA C. VERNA, Council President
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN JUAN F. RAMOS
COUNCILMAN FRANK RIZZO
COUNCILMAN FRANK DiCICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN MARIAN B. TASCO

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PRESIDENT VERNA: We will now have a Public Hearing of the Joint Committees of the Whole and Housing Neighborhood Development and the Homeless which was supposed to start at 1 o'clock.

I would ask Mr. McPherson to please read the title of Resolution No. 050388.

MR. McPHERSON: Resolution approving the annual Program Statement and Budget for the expenditure of the Neighborhood Transformation Initiative Bond Proceeds for Fiscal Year 2006.

COUNCILWOMAN BLACKWELL: Information is being distributed. We will ask the Secretary of Housing and Neighborhood Preservation and the Director of Neighborhood Transformation Initiative to make their statements. Thank you. And also Deb McColloch, the Executive Director of Housing and Community Development.

MR. KEVIN R. HANNA: Good afternoon, Councilwoman Blackwell and other members of City Council. My name is Kevin Hanna, I serve

as Secretary of the Office of Housing and Neighborhood Preservation.

Again, with me is Pat Smith, the Director of the Mayor's Office of Neighborhood Transformation Initiatives and Deborah McCulloch, the Director of Housing, Office of Housing and Community Development.

I am here today to testify on behalf of the Administration on Resolution 050388, the Neighborhood Transformation Initiative FY 2006 Program Statement and Budget.

Last week, as you know, we had a very productive hearing on the NTI budget for next year, as well as on the CDBG consolidated plan and housing trust fund.

As you also know, we agreed to reconvene today to consider the budget for NTI for Fiscal Year 2006.

In the interim, at your request, Councilwoman Blackwell, the Administration has reviewed the NTI budget in three specific areas: The basic system repairs program, adoptive modifications program, and homeless prevention. And we are prepared to make

recommendations in each of those areas this evening.

First with regard to the basic systems repair program, the administration concurs that the additional funding is in fact needed to support Tier II of this program. As the attached chart indicates, there are approved Tier II cases currently waiting for services which are valued at $5.4 million.

To meet this need, while allowing for the continuation of intake for new cases during Fiscal Year 2006, the Administration would support additional resources of $5 million.

This $5 million is comprised of $4.4 million in NTI bond proceeds and $600,000 in Community Development Block Grant funds as described below.

Second, with respect to the adaptive modifications program, we agree with the concerns raised primarily by Council President Verna regarding unspent funds already allocated to this program.

The Administration is committed to

making improvements in the implementation of this program during the coming year.

However, because of a backlog of unspent funds, we cannot recommend that any additional funding be provided above the total amount proposed in the consolidated plan and the NTI program statement and budget.

We do agree, however, with the request made by Susan Klein of the Philadelphia Corporation for the Aging that a, quote, swap, unquote, of CDBG and NTI funds be made for the program portion of the adaptive modifications line item.

With this change, the federal Title X lead-based paint requirements will not be triggered.

We propose to amend the consolidated plan budget by reducing CDBG funding for adaptive modifications from 1.4 million to 800,000 dollars, that's a $600,000 reduction.

We will then increase NTI funding for adaptive modifications from 600,000 to $1.2 million. The savings in CDBG funds of $600,000 will be applied to the BSRP as part

of the $5 million in additional funding described earlier.

I am attaching a chart, or I have attached a chart, which shows the swap in funding sources.

The total amount of funding available for adaptive modifications program in Fiscal Year 2006 will, therefore, remain at $2.72 million.

Third, we have reviewed the homeless prevention program, which was part of the Administration's continuum of services to the homeless under the direction of Rob Hess, Director of the Office of Housing and Adult Services.

Mr. Hess is here today, by the way, and will speak more specifically about that program.

The homeless prevention program formerly operated by the city using General Fund dollars was not achieving its goals and the Administration cannot recommend adding additional funding for that program at this time, although I understand that a compromise

on this particular program may have been reached by Council.

In order to fund the additional $5 million on NTI resources required as described above, the Administration is proposing that 10 percent be trimmed from each NTI budget line over $2 million and that the balance required be deducted from Fiscal Year 2006 and Fiscal Year 2007 resources allocated to residential demolition, that is $3.34 million; as well as large vacant building demolition, that's another $425,000.

The revised total available for demolition in Fiscal Year 2006 would, therefore, be $11,659,192.

Exhibit C, an attachment to this testimony, revises the demolition budget which is Table 4 and replaces Page 21 of the NTI program statement and budget.

Finally, in order to make clear the allocation of resources for the proposed equitable distribution strategy, as well as the affordable rental NTI line item, we are proposing that these resources be spent in

CDBG-eligible areas that have experienced more than 25 percent appreciation in real estate values since 2001 or for large-scale public or private development activities.

Large-scale redevelopment projects in nonresidential areas of the city or along the riverfronts would also be eligible for this funding. A map is attached which details these areas.

We have also redrafted the commercial Corridor Support Program narrative to detail that a request for proposals process will be used to select corridors which must be CDBG eligible, commercial corridors or blocks immediately contiguous to those corridors.

Proposed revised program descriptions for each of these three programs is attached to this testimony.

The Administration has prepared an amendment to the program statement and budget to reflect the demolition and program description changes and respectfully offers it for your consideration.

I hope that this information is

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helpful, and I as well as my colleagues are certainly available to provide any answers to any questions you may have.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair notes that we have tried to work during the interim with the Administration and with the housing community and all the activists across the board to try to come up with something, it is called a win/win situation, that all can support.

We believe this is that document and hope that you will consider that. Thank you.

We will now entertain questions. Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You are welcome.

COUNCILMAN NUTTER: Mr. Hanna, I was trying to follow through your testimony, and I just have a couple of questions.

The next-to-last paragraph or so, this equitable development strategy, and you

are proposing that the resources spent in CDBG-eligible areas, and it kind of goes on. And then there is a page which looks like it comes out of the program statement, which is bold and double underlined.

Can you explain, what does this actually mean?

MR. HANNA: The equitable development strategy, I'm not quite sure. And I certainly want to address your question. I'm not quite sure --

COUNCILMAN NUTTER: What does the new language mean and what's going to happen as a result of it?

You have got this somewhat similar language on affordable rental development and then equitable development strategy. I'm just --

MR. HANNA: Several members, Councilman, several members of Council came to us during and after last week's hearing and expressed a desire to see more specifics provided from a couple of different standpoints, in no real order.

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There were questions relative to where the monies in this particular initiative would be spent, where geographically the monies could be spent. And, so, that --

COUNCILMAN NUTTER: This is a new --

MR. HANNA: This is a revised version of what was presented last week. And so that the first --

COUNCILMAN NUTTER: Is it an old program or a new program?

MR. HANNA: The equitable development strategy is a new program, yes. And what I think you are looking at is a revised version of the program description that was provided last week.

COUNCILMAN NUTTER: Okay.

MR. HANNA: And, so, again, in getting to your question, that first bullet point speaks to those geographic areas in the city which we propose to be eligible for these funds. Actually, those first two bullets.

The first speaks to CDBG-eligible census tracts, speaks to areas that are experiencing higher than average property

appreciations.

And this next bullet speaks to large-scale development projects in nonresidential areas or along the riverfronts.

There we specifically wanted to provide opportunities for this money to be used along the river, rivers, even if they weren't in CDBG-eligible tracts.

In addition, another question that was provided -- well, asked, in addition to the where the money would be spent, was a how question.

And, so, what we've said to them there, what we wish to introduce into the record today, is our desire to use these funds also from a how standpoint to write down interest rates to make units that would not ordinarily be affordable, affordable in these aforementioned geographical areas.

COUNCILMAN NUTTER: Let me ask this question: The 25 percent appreciation in real estate values since 2001, is that a new criteria for both of these programs?

MR. HANNA: Well, the programs

themselves are new.

COUNCILMAN NUTTER: Both of them?

MR. HANNA: Yes. Well, both, equitable development strategy and the commercial corridor strategy are two new programs that are being proposed in the NTI budget.

COUNCILMAN NUTTER: The affordable rental development, I assume --

MR. HANNA: That has been around at least the couple of years that I have been here.

COUNCILMAN NUTTER: Did that have the 25 percent appreciation value criteria before?

MR. HANNA: No, it did not. So, yes, that particular criteria is new.

COUNCILMAN NUTTER: So that criteria is new to an old program, and then two new programs, when they came in, did not have that criteria, and now it is proposed to amend those in, as well?

MR. HANNA: That's correct.

COUNCILMAN NUTTER: Now, how did you

decide that the sales price change of greater than 25 percent should be the criteria?

MR. HANNA: There really was no science to it, it was more art. It could have been 50 percent, it could have been 15, but 25 seemed a nice, round number.

COUNCILMAN NUTTER: The reason I raised that issue is a couplefold.

One, there may be areas of the city that on the one hand are either relatively stable or their sales prices are pretty much where the market is or has been for some time.

So they very well may not experience a 25 percent growth over the last four years, but one has nothing to do with whether or not they're CDBG eligible or not.

And, second, as a result of that standard, many of the neighborhoods that you would want to support in an environment where either money is no object or, you know, we are being fair and equitable, you would want to support who, under that set of circumstances or criteria, are not eligible.

I mean, a quick look at the map

tells me that some of the best areas in the 4th District, as well as, it appears, probably in the 9th, at least, under that criteria, are not really participants in this program; as compared to other sections of the city that are experiencing tremendous growth for any number of reasons, whether it is the heat of the real estate market, NTI activities direct, or somewhere in the neighborhood.

So, I mean, I guess, depending on what the goal is, that particular criteria seems to eliminate a couple of different sections of the city that, under any objective criteria, would probably be looked at as rather stable and having some growth activity, but probably not in the 25 percent range.

Now, you have already articulated that you just picked 25 percent based on, sounds like a nice number.

MR. HANNA: Couple of things. First of all --

COUNCILMAN NUTTER: Does somebody have a map of all the CDBG-eligible areas that we could overlay on this?

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MR. HANNA: Let me speak to a couple of issues, first of all, that you just raised, Councilman.

First of all, relative to the 25 percent, it wasn't completely pulling it out of the air.

And in looking through some information that has been provided from a couple of different sources, the average, on average, across the board, real estate values have appreciated somewhere between 20 and 25 percent.

Obviously in certain areas it has appreciated at a higher rate and certain areas at a lower rate. But, by and large, 20, 25 percent is kind of a median number. That's why we came up with that number.

Second of all, you may have made our point without knowing it, doing it on purpose. The goal --

COUNCILMAN NUTTER: If it is working against my interest, I am sure I didn't make it on purpose.

MR. HANNA: The goal, as you pointed

out, is one of the key elements of this whole program. The goal of the strategy is really to address gentrification.

That's why, if we take neighborhoods that were appreciating at higher than average rates, that's why -- but at the same time we also wanted to, you know, try to avoid areas like Chestnut Hill or Society Hill or Center City, areas that are appreciating at pretty high rates, but may not necessarily -- the Administration may not necessarily want it targeted as an area, to go back to your point, as to stabilized neighborhoods.

If the neighborhood is relatively stable, then almost by definition there won't be a whole lot of gentrification, or the threat of gentrification certainly won't be as high in a stable area, even as values are appreciating at a rate in, paraphrasing your terminology, at a rate that is comparable to what the market is seeing overall.

Those kinds of neighborhoods, we don't necessarily want to target. Because, again, they are probably least at risk to be

gentrified simply because they are relatively stable.

It is those areas that are experiencing relatively high market appreciation that heretofore had been considered low to moderate income, which is another definition of CDBG eligible, and/or those areas that the Administration has targeted, namely the riverfront neighborhoods, that those are the ones that we are looking to target with this program.

And so, again, you were asking, you are right, those stable neighborhoods would not be eligible for this program, but that wasn't one of the goals of the strategy when we proposed it.

COUNCILMAN NUTTER: What's the money going to be used for?

MR. HANNA: Again, among others, but perhaps primarily, to write down interest rates for mortgages.

So if, for instance, houses are selling for $175,000, which may not be all that affordable, I couldn't tell you without a

table in front of me what that would mean in terms of monthly mortgage payment, but let's say that's somewhere around $1,000, 900 to 1,000 dollars a month.

With these funds, we could write that interest rate down from whatever, 5 or 6 percent, to, say, 3 percent. And my guess is bringing the monthly mortgage payment down to somewhere around 600 or 700 dollars, which, again, even though the sales price may not be considered affordable, with the help of these dollars, the monthly payments would in fact be affordable.

COUNCILMAN NUTTER: I hear what you are saying. And I saw the map of the smaller maps down the bottom. But let me just kind of carry this out.

I mean, if you go along the -- if we are talking about the commercial corridor program or even equitable development strategy, I mean, if you look at 54th Street, from Upland Way to City Avenue, you are not going to find a house for $17 5,000 possibly until you went north of Woodbine, maybe.

They're mostly in the 70s and 80s.

So.

MS. PAT SMITH: And it is our premise that if the house is currently around 75 or 80 thousand dollars, with a 6 percent mortgage, the current market through mortgages, that property is affordable to a low- and moderate-income household without additional assistance.

What we are trying to do with the equitable development strategy is to really look at -- and we are trying to be responsive to concerns that we have heard from the advocacy communities and others about, as a result of the increased development activities -- some of which may be sparked by large-scale development, you know, rising real estate values -- getting to a point that a low- and moderate-income family, if they were a current renter in a certain neighborhood and wanted to remain in that neighborhood and buy, would effectively be priced out of that neighborhood.

So an effort to try to achieve or

maintain some mixed income and economic diversity in what had historically been low- or moderate-income neighborhoods but are changing, subject to neighborhood change, this is a resource, is a limited resource.

Now, there is still a variety of programs run by, like, for example, the housing finance agency that still provide below-market interest rates that will make it -- which can help in other types of neighborhoods that won't be as deeply subsidized.

But, generally speaking, the 80 or 90 thousand dollar house is affordable in today's market to a low- and moderate-income household without additional assistance.

MR. HANNA: And please keep in mind, Councilman, we are only talking -- only, $1.9 million is certainly not chicken feed -- but we are talking about $1.9 million for what is, essentially, a pilot program.

Depending upon its success, obviously we could look to try to expand it with more money and, obviously, over more

neighborhoods and expand the criteria.

But with $1.9 million, we had to draw some parameters somewhere.

COUNCILMAN NUTTER: I understand that.

I guess in the whole concept of the equitable development strategy, I guess I was also at least articulating a perspective that maybe there would be some amount of equitable distribution of the dollars.

And, again, some of this may be the lack of complete understanding of all of the goals.

I understand that this is a new program. But, I mean, I don't -- I guess at least by way of the maps, which, you know, I love a good map as much as the next person, but I also know that, I mean, there is a significant percentage of people in the district that I represent, regardless of what anyone might think, who are low and moderate income or, in some instances, low income, who are trying to, quote, unquote, move up, pay a significant portion of their income, more than

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30 percent, on housing costs, and could very well benefit from this kind of program. But, at least according to the map, virtually none would be eligible.

So, I mean, that's --

MR. HANNA: The neighborhoods to which you are referring, Councilman, are they neighborhoods that are undergoing or might be threatened by gentrification in the -- well, over the past couple of months, over the past year or so?

COUNCILMAN NUTTER: Was that a question?

MR. HANNA: Yes. Because we weren't trying to exclude anyone. We really weren't trying to --

COUNCILMAN NUTTER: It is pretty interesting.

Actually, one of those neighborhoods is probably Manayunk, is experiencing some of that same activity. And people complain about it in East Falls.

I mean, again, one of the challenges is not a tremendous amount of development

activity at the moment going on in West Philadelphia. There is in East Falls and in Manayunk.

And I see that there is a fair amount of red in the lower portion of the district over on that side. That's probably more Allegheny West than it is the East Falls community. I think that line there is probably Hunting Park Avenue, where it breaks.

But, I mean, what would you estimate to be the breakout? You rightly point out, it's -- I don't want to make it sound like we are at a level that a million dollars isn't a lot of money. But at $1.9 million, how would you expect this is going to be distributed?

MS. SMITH: The 1.9 million would be used to write down interest rate on a mortgage financing.

The Redevelopment Authority representatives from that agency have been talking with the Pennsylvania Housing Finance Agency, which is the primary issuer of single-family mortgage bonds.

And we are estimating that, if we

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were to include about $2 million in NTI bonds to write down interest rates to about 3 percent, that that will leverage about 10 to 12 million in mortgage dollars that would be available.

COUNCILMAN NUTTER: And lastly, you said that this will be done by RFP.

MS. SMITH: Not for the equitable development strategy. That one --

COUNCILMAN NUTTER: That's for commercial?

MS. SMITH: The commercial corridor strategy, it is slightly different. That will be, we are talking about RFP process, yes.

COUNCILMAN NUTTER: And the affordable rental development?

MS. SMITH: The affordable rental would be by RFP process.

COUNCILMAN NUTTER: So individuals -- obviously individuals I think don't generally respond to RFPs. So who would actually be responding to an RFP?

MS. SMITH: For the affordable rental, it will be developers, both for-profit

or nonprofit, who wish to use this type of money to provide mixed-income development, rental development opportunities.

What we found when we first proposed the affordable rental development program last -- this fiscal year, we were assuming that there would be enough tax credit projects that could make use of the bond proceeds. But because of the bond proceeds, you have to use 4 percent, as opposed to 9 percent credits. There really wasn't any demand for it.

So we wanted to restructure the program to -- and work with the for-profit and nonprofit development community around how they can use this money with 4 percent tax credit to do mixed-income rental development; rental development that maybe have 20 or 30 percent of the units available for low income families, but the balance of the unit rent would be at market rate. And we would issue an RFP with those criterias and solicit proposals.

And, again, because we are really concerned about areas that there is perceived

or actual gentrification occurring, we said, this will be a way to increase the number of affordable rental units in those types of markets.

So, again, it is an effort of taking -- it is an effort to kind of direct these dollars to those areas of the city that there is this concern about gentrification because of the spike in rents or sales prices.

COUNCILMAN NUTTER: I have one last question.

In the previous budgets, I am now looking at the -- I think there is a proposed amendment Exhibit B or Table 2 within the proposed amendments. We had some discussion about this before, so I would just like to get a better understanding.

Over the past three years, as a result of the work by Council, there has been money made available to deal with the ongoing retaining wall reconstruction problem in the city. The FY '06 budget appears to allocate no dollars for that program?

MS. SMITH: That's correct. We did

not include any new dollars for those programs. We are still spending the additional money. And the other thing that we have done is that we --

COUNCILMAN NUTTER: When you say spending the additional money, what additional money?

MS. SMITH: Spending the money that's been allocated in the prior years, but no new monies were added for FY '06.

COUNCILMAN NUTTER: I think all the FY '05 dollars are allocated; right?

MS. SMITH: But they may not have been spent yet.

And then the other thing that we allowed for is, for those Council districts who have not completely expended their vacant property stabilization dollars, they may use those funds to do emergency retaining wall repairs.

So, in a way, depending upon the Council district, there are some additional dollars available.

COUNCILMAN NUTTER: But those

dollars are already allocated for the vacant property stabilization; right?

MS. SMITH: What we said is that the Council district may elect, as long as it is consistent with the tax-exempt government bond purpose, they may elect to use those dollars in other ways.

Because there have been Council districts who felt that they could not make -- they weren't able to identify properties that met the criteria that we had set out for vacant property stabilization, which also included acquisition and assumed some moderate rehab.

So, again, we acknowledge that, and we tried to be responsive to individual requests by various Councilpeople who haven't spent down those dollars, to be able to make those funding a little bit more flexible.

COUNCILMAN NUTTER: But, Ms. Smith, I mean, at least for the budgets that we have, regardless of whether the dollars have been spent or not, I mean, they are allocated for that particular purpose, there are more than

enough properties to spend those dollars for.

I mean, it is not like an amount of dollars was allocated that is beyond the demand. It is absolutely the opposite.

So, I mean, you are either spending it on that or you're now saying, because for whatever reason, the process, the system, just kind of the way things worked out, you can kind of rob that pot to go spend it on something that previously had its own line item in the budget.

I mean, it is not like we are going to run out of properties that need, what is that category, the vacant property stabilization.

MS. SMITH: Again, but, there were several districts that, you know -- again, we are trying to be responsive to requests to kind of be able to use those dollars in other ways, so we did try to accommodate that.

And, again, with respect to, as always, there was only 21 or so many odd new dollars available in this fiscal year.

We had initially not programmed

additional funds for retaining wall. And we made a policy decision to allocate the additional new money in some other ways.

COUNCILMAN NUTTER: But hold on for a second.

But you did have new money. Because in the last offering, you got more money than you expected.

And the amendment before us, the original budget that came in was $31 million. And I think, if I am reading this right, the budget that's now in front of us is $36 million.

MS. SMITH: But what we did was to take some of the dollars, the new money that we had available as a result of the bond issue, instead of programming something, I think was in the area of $6 million in FY '07, we just moved it all forward into Fiscal Year '06.

COUNCILMAN NUTTER: How much new money was there in total? Didn't you get about $20 million more --

MS. SMITH: In additional new money,

that's correct.

COUNCILMAN NUTTER: -- than you had expected?

MS. SMITH: That's correct.

COUNCILMAN NUTTER: For all the other things that are being moved around, you have, basically, 20 million in new funds that you had no reason other than, if you are an interest rate watcher, to anticipate, why couldn't you at least put $500,000 in the retaining wall program, which we pretty much have been spending for the past few years -- obviously last year's was double that -- to keep some semblance of that part of the program going for something that is a very serious issue across the city and addresses many of the issues in at least some of the districts which may not have one set of problems, but they have this particular problem? I mean, out of 20 million in brand-new funding.

And some changes are being made as a result of that, even as we speak, compared to what came in. When I say, "what came in," as

compared to the budget that was originally sent over.

Somewhere in the course of the past couple of weeks, up through this morning, this afternoon, changes have been made.

MS. SMITH: And, again, we made some decisions. And I understand you don't agree with those decisions, Councilman, but we allocated the new 21 million.

Initially it was allocated between, I think it was, demolition, the PHIL Loan program so that we can do another issue, and the two new programs, equitable development and the commercial corridor program.

And then as a result of the hearings on Wednesday and at the request of this Council, we went back and, particularly trying to be responsive to the backlog of cases in basic system repair, we moved money around.

I mean, this is the Administration's proposed, you know, budget and how we propose to allocate those new dollars. We know it's -- it needs in so many areas that exceed, you know, available resources. And this is

our recommended budget.

COUNCILMAN NUTTER: Well, I understand that. I guess my last comment will be, I respect and appreciate the Administration's thought and process that you go through.

But I would only ask you to think about it from the perspective of, if there had been a program already in existence, to now find that, in essence, it has been zeroed out and two new programs created, as important and significant as they may be, with, in essence, 1.9 each, so it is really about $4 million in new spending for programs that never existed, which partially causes the demise of one that did exist, you know, that's a bit of a problem.

MS. SMITH: Okay.

COUNCILMAN NUTTER: Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You are welcome.

Councilwoman Tasco, you are next.

COUNCILWOMAN TASCO: Yes. I just

want to sort of echo the concerns raised by Councilman Nutter, since we tend to have similar districts. And I won't repeat all he has said.

The retaining wall program certainly was and has been beneficial to my area. What is important, everything is relative to where you are.

You may not have some of the issues in my district that you may have in other neighborhoods, but the issues that my constituents have to deal with are just as important to them as these issues are someplace else.

And, so, when you look at taking away that program, not putting any money into that program, again, disenfranchises the people who live in the 9th Councilmanic District.

The other thing is, when you get to all of these three programs, now you have tied them into the Community Development Block Grant. So when you do that, again, you X a number of the neighborhoods in my district

district, where we thought NTI dollars could be used to support the commercial corridors and other programs that traditionally -- and, you know, that the city has used as, you know, these Community-Development-Block-Grant-eligible neighborhoods, which by national standards don't apply anyplace else except in Philadelphia.

So I just really have a problem with this. In that, when you look at my district, and we are divvying up this money, it is very little.

I have a question, though. On your map, you have in red sales price change greater than 25 percent. And I see a little red dot up near Cheltenham Avenue. And I want to know how that got in there.

But, at the same time, that neighborhood wouldn't qualify for any of these dollars because it is not a Community Development Block Grant area.

How do you propose to address the issue up there in East Oak Lane?

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MS. SMITH: Based on the map, the CDBG-eligible census tracts alone are represented in purple.

And that does look like, it looks like it does cover sections of East Oak Lane. This was based on the 2000 census, would qualify as a CDBG-eligible census tract.

In addition to the chart, we listed all the commercial corridors which are currently CDBG eligible, and there are a number in the 9th Councilmanic District. If I recall correctly, I think it was about four.

COUNCILWOMAN TASCO: I have a problem using that criteria to make the selection. Because these are not Community Development Block Grant dollars; they are NTI dollars.

And I think that you are doing the people in this city whose tax dollars you have used to go to the bond market to pay this back, tell them they can't now get it because they are in an area that doesn't qualify under federal government, and you are not using federal dollars --

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MS. SMITH: Again --

COUNCILWOMAN TASCO: And I want you to explain to me how that East Oak Lane got in there.

If you look at the census track, I don't know if that really falls into the Community Development Block Grant eligible.

MS. SMITH: We can go back and check. But based on the data that we used --

COUNCILWOMAN TASCO: I have a real problem, because it is not equitable distribution.

It is equitable distribution of tax dollars if you live in a neighborhood that meets the federal guidelines. And you can't -- in my estimation, it is unfair, and I don't support that, Madam Chair. I really don't.

I understand you all are trying to reach some of these issues. They may have to go back and figure out another way to help these neighborhoods that are being gentrified.

But this is not the way to take tax dollars and then exclude the communities that

we look to in this NTI process to provide support to the neighborhoods.

We could never get any money for commercial corridor development up in West Oak Lane and 50th ward because they didn't meet the criteria.

Now we go through this process, and now you are saying now you can't further have any of those dollars because now you don't meet the federal guidelines, and we are not using federal dollars here.

And so, you know, all three of them just X out a large portion of my district, which I have a real serious problem with.

Especially about the retaining wall program. It was a successful program, it was going well, and in my community it is very helpful, and now there are no dollars for it.

But I still don't have enough dollars for the stabilization, so I can't make a choice. I can't be based on or whether you get the stabilization or whether you get the retaining wall.

Thank you.

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COUNCILWOMAN TASCO: Thank you, Councilwoman.

Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair.

I had a question. I just wanted to get a little clarify or the affordable rental development projects.

You referenced the volume cap tax credits. What's the relationship between the volume cap, 4 percent credits, in this program, versus 9 percent credits?

MS. SMITH: We received an opinion that if one uses tax-exempt bonds, any part of a low-income housing tax credit project, you cannot use -- apply for 9 percent tax credits; it triggers -- you can get 4 percent tax credit, and not 9 percent tax credits. And that affects the overall basis or how much equity you can raise out of a project.

COUNCILMAN CLARKE: Why is that?

MS. SMITH: It is the federal tax laws.

COUNCILMAN CLARKE: IRS regs.

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The ability now to utilize this bond financing, will that enhance our opportunities at PHFA?

Because right now, based on my limited knowledge of the application process, most developers go in for 9 percent credits, and there are potentially 4 percent credits available that we don't see because they are not as lucrative.

Will this now give us an opportunity to be more competitive?

MS. SMITH: Yes.

COUNCILMAN CLARKE: Yes, competitive in terms of resources.

MS. SMITH: The 9 percent program, as you well know, is oversubscribed and it is highly competitive, but 4 percent tax credits go begging. And we were hoping to induce more developers to go for that program.

COUNCILMAN CLARKE: So if we now have an overabundance of developers in the pipeline for 9 percent credits, are we going to ask people, if this is in fact successful, to rethink their position, or will they be

able to reapply PHFA to accommodate this particular pool of bond financing to go in for 4 percent?

MR. HANNA: Precisely. That's precisely the strategy.

As Pat said, the state -- much less Philadelphia, but the state -- at least for the past couple of years have oversubscribed the state's ability to provide 9 percent credits.

But for anybody who wanted to do a 4 percent tax credit deal, they could do them until the cows come home.

So what we are looking to do, as you pointed out, what we are looking to do is steer people out of the oversubscribed 9 percenters to the undersubscribed 4 percent tax rate deals.

Let me make one more point relative to that. In the past, one of the main reasons that 4 percent tax credit deals were undersubscribed or unused had to do with the fact that the rents required for 4 percent deal -- well, part of the rents that are

required for a 4 percent deal had to be higher because your 4 percent deals also require some debt, whether tax exempt or taxable debt. That debt, obviously, needs to be paid back, debt that isn't required for a 9 percent deal.

So the rents, which would be your source of repayment, would have to be a little bit higher for 4 percent tax credit deals.

In the City of Philadelphia, most real estate markets in this city could not support or couldn't generate the kinds of rents that were necessary to repay the debt that went along with the 4 percent tax credit.

With this rising tide in real estate values, we believe that people will now be willing, can now be willing, to pay those necessary 4 percent -- the credits -- the rents necessary in order to make a 4 percent credit deal.

COUNCILMAN CLARKE: Aren't we governed on 4 or 9 by income guidelines in terms of eligibility?

MR. HANNA: I didn't hear you.

COUNCILMAN CLARKE: Aren't there

certain limitations as it relates to income eligibility for 4 and 9?

MR. HANNA: Yes.

COUNCILMAN CLARKE: So we are not talking about the proper market; we are talking about --

MR. HANNA: For the tax credit units, are those units that are supported by the 4 percent units, yes, there are caps on those.

But with most 4 percent credit deals, there is also a market rate component to it.

That market rate component has to be such that it basically helps subsidize the 4 percent tax credit deals.

And what I'm saying is, the market rate rents that could have been demanded in previous years weren't sufficient to make those deals work.

Now the Philadelphia market is at the point where the market rate rents are high enough to make a 4 percent deal work.

COUNCILMAN CLARKE: So you are

telling me that there is a category of 4 percent credits that you can utilize for market-rate development?

MR. HANNA: No. The 4 percent credit program is, basically, a mixed-income tax credit program. "Mixed income" meaning the credits will go towards subsidizing the units that will be affordable. Only a percentage of the units built will be subsidized by the tax credits. The rest of the units built can be rented at market rate.

And, no, the tax credits will not go towards subsidizing those. But in order to -- again, because we are talking debt with 4 percent deals, in order for the package, the entire deal, to make sense, not only must the 4 percent -- and the 4 percent --

COUNCILMAN CLARKE: You need an additional subsidy with 4 percent, bottom line?

MR. HANNA: Right. And that comes from the market rents that will be demanded --

COUNCILMAN CLARKE: So the market-rate portion of the development to some

degree subsidizes or makes the deal financeable with the 4 percent credits and, therefore, the higher debt on the 4 percent credit?

MR. HANNA: Yes.

MS. SMITH: I kind of uses the example of the old 80/20 rental projects that used to -- we used to finance in the city until the tax credit program came along.

There are a number of multi-family buildings that actually have a low income -- that house low-income families, but you don't know it because everybody thinks of them as market-rate developments.

This will help us get back to some of those types of projects, particularly in areas where you are building a larger-scale development that's going to have, you know, significant rents.

I am trying to think --

COUNCILMAN CLARKE: The 80/20 is still available; right?

MS. SMITH: It is still available, but the market hasn't been able to make it

work in Philadelphia, yes. So no one has been using that program for a very long time.

And we are going to try to sort of incentivize people to do -- basically get market-rate developers to include within their development low-income units.

COUNCILMAN CLARKE: Given the significant increase in market-rate development, shouldn't we now rethink 80/20?

MS. SMITH: This is helping. This is the whole intent of that, to get back to some model like that.

I mean, we did some research and talked to some people. For example, New York does a 50/30/20 program, and the 30 percent they use, that's, like, middle income. They use another source of funding. And 20 percent is tax credit, and then 50 percent is market.

And I think the West Coast is a little bit more advanced because of their market, kind of like subsidizing within the same development.

COUNCILMAN CLARKE: Okay. Thank you.

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Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You are welcome.

Councilman Cohen.

COUNCILMAN COHEN: Thank you. It would seem to me that in discussing a citywide program, you run into the fact that with respect to District Council members, each one would feel the need and the urgency and the representation of their constituency to push those aspects of whatever programs exist that would yield the best result; that citywide is where Council members at-large could be more dependent on than District Council members in developing a fair, equitable system for all of Philadelphia.

Would you agree with that kind of statement?

MS. SMITH: Again, we attempt to work with everyone. And, again, while we would probably want a fair and equitable distribution system, there are limited resources, and a lot of demand on those resources.

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And so we just have to make -- we have made some hard choices, and this is the Administration's proposed budget. Of course we understand that Council may differ from that and wish to change it.

COUNCILMAN COHEN: That's a very diplomatic answer, but I don't think --

MS. SMITH: Thank you. I was trying to make it diplomatic, Councilman Cohen.

COUNCILMAN COHEN: I understand that. But I am just suggesting that you may find helpful the resources that Council members at-large can present to you because they see -- they have to run in every area of the city and they have to arrive at answers as to why one area of the city is more important than another area of the city, without being directly attached to the neediest areas of the city themselves. There is much more objectivity.

So I am just suggesting that I think that not enough attention is given to certain matters. Dilworth understood that. He always felt that Council would be much better off by

having a majority of Council members at-large viewing the needs of the whole city and providing a majority based on overall needs of everyone, rather than basing the system on individual districts, where individual roles in City Council rather than anything else may be the decisive factor.

But let me ask you, how would you define looking at the things citywide? What areas in the city do you find the problems of gentrification more present than other general areas?

And without placing them in councilmanic districts, so to avoid that, but just to give is it the Northeast, the Northwest?

How do you define gentrification on a citywide basis? How do you know whether that's a problem?

MS. SMITH: That's an excellent question.

First of all, we have been using, I think, the Policy Link, which is a national organization that's been doing work around

gentrification, their definition; which is, essentially, it speaks to the long-term residents being displaced by rapidly appreciating market values and other market conditions; so in low/moderate income residents, long-time low/moderate income residents.

With respect to the areas of the city, one of the things that we did state as part of the equitable development strategy is that we very much would like to conduct a more in-depth analysis of various neighborhoods to get a better handle on whether or not this type of displacement is being caused through the increase in real estate values.

In the interim, though, we did want to single that there are areas of the city where there is appreciation going on, there is other economic activity, both private and public activity, that's going on, and that are currently low and moderate census tract. These could be eligible areas for any program. When we issue an RFP, we may elect to further define that for that part.

So that's, basically, our definition. And, again, we acknowledge and just one of the things we talked about in the program statement, the need to do -- gather up even more data and analysis in this area.

COUNCILMAN COHEN: Well, as you presented it on many occasions, you did not come across clearly -- at least I didn't see it, and perhaps you can show it to me -- as to the ability of people to suddenly pay higher rents.

Like you said, that at certain times the 4 percent rate could not be used because there was no -- there wasn't enough demand for the use of that because of the rate that had to be paid on a monthly basis.

Now, it's not that working people are choosing to pay; it is a question of their ability to pay.

And, so, I would find a flaw in your reasoning that a time comes when the market rate changes because people now see that there is competition for their dollars and they have to put up more of them to get what they regard

as affordable housing.

MR. HANNA: Councilman, not to get into a real long debate, but I would agree with your premise in an otherwise stagnant market, in a market where no new residents are coming in.

But in a market where new residents are coming in either from outside of the city or from more affluent areas of the city, those folks are used to paying higher rents and, therefore, would be able to pay the higher rents in some of these older, more established markets.

COUNCILMAN COHEN: Okay. Then I understand what you are driving at. Thank you.

PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I would just like to go back for one second to the discussion we were having earlier.

The line item for large vacant

building demolition, the current budget would propose, am I reading this right, 3.825 million?

MS. SMITH: I am sorry. I realized I didn't bring up my '06 budget.

COUNCILMAN NUTTER: That's okay. It is in the amendments that you passed out.

MS. SMITH: I'm sorry. What was the question?

COUNCILMAN NUTTER: I was trying to make sure that I was reading this Exhibit B now, I guess, Table 2, Large Vacant Building Demolition, FY '06 projected budget is 3.825 million?

MS. SMITH: Yes. We did a 10 percent cut.

COUNCILMAN NUTTER: My question is, over the past three years, it would appear that this line item, the allocated dollars have been in excess of the dollars actually spent.

In FY '03, that budget had $3 million for this line item, but actually only a little over a million was spent.

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In FY '04, you had $4.25 million in that line item, and it appears that only $340,000 was spent.

In FY '05, you have the same $4.25 million, and year to date it appears that $134,000 has been spent.

So when I go back to the original discussion, I mean, the five years of the program you anticipated spending $7 million in that line item, and so far only 1.5 million has been spent.

It must be possible in a line item that every year consistently the amount of money allocated has nowhere near been spent, that we would be able to take at least a half a million dollars out of that line and fund the retaining wall program.

MS. SMITH: I mean, as you know, just for the record, in explanation of why the expenditure rate for large building has been slower, there is a number of things that need to take place for large building.

It is a matter of city policy to go into equity court and actually get an equity

order before we demolish a large building because you have greater economic value. That, of course, takes time.

The other thing that happens is that owners show up, they may do enough, and they extend it.

So we have been steadily cutting away at that budget, but we still have a pipeline that can use those dollars. And it includes projects --

COUNCILMAN NUTTER: And I have a pipeline, and Councilwoman Miller has a pipeline, and Councilwoman Tasco at least have pipelines of retaining walls.

And I would venture to say, without any particular commentary about any of the other 15 components of the program, that the money that has been spent over the past three years on that one item alone, I believe those dollars have been spent efficiently, they have been spent productively, and have had a significant and vital impact on the neighborhoods where those activities have taken place.

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Have you had an opportunity to see any of the walls that have been done and what the condition was before and what the condition has been subsequent?

MS. SMITH: Yes, I have.

COUNCILMAN NUTTER: You have seen that. So you know there has been a dramatic impact?

MS. SMITH: Uh-huh.

COUNCILMAN NUTTER: And I understand it may take time in equity court and other courts and all that.

There have been virtually no real delays in this. People have worked quickly and had a significant immediate impact in those neighborhoods.

And, so, I mean, given the length of time that it has taken and the amount that has gone unspent in that particular line item, I would only ask if you and your colleagues would give consideration to that kind of change in an item that, you know, for the moment, at least, has probably at least $5 million unspent and will take some time to

spend; whereas, you laid out earlier, 10 percent of that could be spent in a relatively short period of time and have as great an impact as building new houses or rehabbing other places.

Every neighborhood -- and I think it was the framework and the umbrella under which NTI was initially discussed -- is that different neighborhoods will have different needs.

And I am only appealing to you based on that philosophy -- it is where we started and it is where we end up today -- that we give some reconsideration on that particular issue.

MS. SMITH: Yes, I understand. And at this point, I mean, the Administration feels that we have put together our best effort in this area. We have made changes responsive to what we heard some of the issues raised the other day.

COUNCILMAN NUTTER: You thought that when you sent the budget over. When you sent the budget over, you thought that you had put

together the best plan and the best program. And then today, I mean, we got, like, another 50 pages of new ideas. Which is fine; I am a pretty flexible kind of person, notwithstanding what some might think.

I had my oatmeal this morning, I got my juice this afternoon, I got the personality going. I am just trying to figure out a way to get something done on behalf of my constituents.

You will probably be at the table for a little bit. If you can think about it, I would greatly appreciate it.

MS. SMITH: I will confer with my colleagues.

COUNCILMAN NUTTER: Thank you, Madam Chair.

PRESIDENT VERNA: In Appendix G, you attempt to break down the FY '06 budget by district and citywide. You have budgeted $9,990,000 of the total by district and show $18,782,000 as citywide.

Can you explain why this does not total the FY '06 requested amount of $36

million, $36.5 million?

MS. SMITH: I am sorry. I will explain what we attempted to do in response to the questions and when we sat down with Mr. McPherson.

I understand that it is still not exactly what you are looking for, but we were having trouble doing that.

PRESIDENT VERNA: It is really quite a difference.

MS. SMITH: First off, what we attempted to do in this exhibit in -- that's called Appendix G, in response to the questions that were raised last week, was to give a district-by-district breakout of those resources which were district specific, as we always contemplated, primarily our demolition dollars.

And, so, for each district, District 1, district -- for each district we showed the district breakout for Fiscal Years '03 to '05, how much of that has been committed as of 5/31/05, and then we broke out the balance for each district that's remaining, and then we

showed the proposed district budget of -- district budget, and then showed between the balance remaining plus the proposed how much is available for district-specific activities.

And those district-specific activities include things like residential demolition, large vacant building demolition, land acquisition, vacant property stabilization, and retaining wall reconstruction.

In addition to that, as you know, we operate on a citywide basis a number of programs that people apply for.

And what we attempted to do there was show the entire five-year budget, the FY '06 budget, which totals $18 million, and then give a breakout of the expenditures in these programs to date by various programs.

I know there was a last-minute meeting where there was some additional information needed. But I'm not -- to be honest with you, we weren't able to figure that out.

I don't know if you want to talk a

little bit about that.

MR. McPHERSON: What the issue is, if you take a look at the proposed '06 break out by district, it totals $9,990,000. And then on the page, you show the proposed budget citywide '06 of $18 million 782, which only totals approximately 26 million versus the 36 million that you show as the NTI budget. So there is about an $8 million discrepancy.

MR. JACOB FISHER: Good afternoon, Madam President. My name is Jacob Fisher. I am the Assistant Director for Policy for NTI, and I worked on these charts.

As I discussed this afternoon with Mr. McPherson, there are two line items which are missing from the citywide programs.

They are the demolition dollars, which are going to go to the NTI-targeted demo program, which is $5 million, and there are the balance of the large vacant building demolition funds which are not currently allocated to specific buildings which total about 2 and a half million dollars.

PRESIDENT VERNA: Do we have any

indication as to how many large vacant buildings need to be demolished?

MR. FISHER: In the program statement and budget, I believe it is attachment -- or Appendix D, rather, we have nine buildings which are currently in the pipeline.

Based on the projected demolition costs of those buildings that we have available right now, it is about a million dollars in demolition.

PRESIDENT VERNA: You know, as I look at the NTI Table 2, Exhibit B, I am looking at some of the new programs we're funding in FY '06.

We will start those programs in '06. Come FY '07, we don't have any money to budget for the same programs that we will be initiating in FY '06.

MS. SMITH: We would have whatever monies we haven't spent from '06. But that, along with all the other programs, that there will be no more NTI bond proceeds, that's correct.

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And with respect to demolition, as we initially testified, $8 million is also being included in the General Fund budget over and above the NTI bond proceeds.

Initially, before we actually went to the market in March, we actually had zeroed out, I think, almost everything for FY '06 and '07, particularly around demolition activities. So what we're doing now is, restoring some of that. But we will eventually go back to the General Fund.

PRESIDENT VERNA: Can you explain what the Homeless Prevention Program, which is being funded at a million dollars in '06, can you give us some indication as to what that program will do?

MS. SMITH: Yes. Well, we haven't -- in the proposed budget from the Administration, we included 5 million for BSRP. And, as Mr. Hanna testified, we did not fund any homeless prevention activities. We can bring Mr. Hess forward to talk about the previous program.

PRESIDENT VERNA: Exhibit B does

show a million dollars.

MS. SMITH: Again, this is an amendment that I understand that's being recommended to fund at a million dollars. And I believe it is taking money out -- the Administration has recommended 5 million for BSRP, and this is taking some money --

PRESIDENT VERNA: This is not the Administration's amendment?

MS. SMITH: No, not this one.

PRESIDENT VERNA: But it is included in Exhibit B?

MS. SMITH: In our paperwork, no. It is not in our paperwork. Our paperwork had recommended $5 million into BSRP.

PRESIDENT VERNA: Can you explain what the equitable development strategy is?

MR. HANNA: The goal of the equitable development strategy is to address concerns that had been voiced to the Administration from a number of different fronts; from Council members, from housing advocates, from some developers, from neighborhood and civic associations, over the

threat, perceived or real, of gentrification.

This is a pilot program that the Administration is proposing that will attempt to at least start to address that issue from the relatively narrow standpoint of helping to provide lower interest loans to individuals who want to buy in a neighborhood that may otherwise be gentrifying.

PRESIDENT VERNA: I guess my question, again, is, if we're funding this in FY '06, and if all of that money is spent in FY '06, we don't have any NTI money left in '07, where is that money supposed to come from?

MR. HANNA: Councilwoman, we are certainly not disagreeing with you in your premise that the money provided or budgeted in '06 is -- '05-'06 is all we have identified so far.

What we have attempted to do is address a realtime issue as best we can, whether or not we can readdress it next year. And if current real estate trends continue, it will probably be an issue, if not a larger

issue, next year.

But our attempt is on a realtime basis to address it as it stands right now. Come next year, we will have to deal with it in some other way, obviously not with these NTI bond proceeds.

PRESIDENT VERNA: That's not included in the five-year plan.

MR. HANNA: As Ms. Smith pointed out, there are a number of issues facing the city, as you well know, with relatively limited dollars with which to address them.

This is our attempt to address the issues as they have been presented to us. As Councilman Nutter pointed out, we thought we had a pretty good plan this time last week.

With comments from the advocates, from comments from you all, we attempted to go back and modify what was presented to address those as best we can.

Even with this proposed or revised proposed budget, we still didn't provide the advocates, for instance, all of the money that they were looking for for basic systems repair

or for some of the other initiatives that they deemed very important and, in fact, are very important.

With this budget, it would appear we haven't addressed all the issues that you all may have. But, again, at some point we had to lay our cards on the table and say, look, this is what we have, here is how we propose to spend the money, it is our best shot.

PRESIDENT VERNA: I think we are skating on very thin ice.

Councilwoman Tasco.

COUNCILWOMAN TASCO: Yes. I guess the question I was going to ask also is the same one the President just asked about what happens in 2007.

If you are starting three new programs, what happens when the money runs out for those programs?

MS. SMITH: Well, I think it is going to be a question across the board for all the NTI programs that we funded even beginning back to '03-'05.

COUNCILWOMAN TASCO: But the

programs for demolition and stabilization is a little more defined than when you look at the -- this economic, what is it called?

MS. SMITH: The equitable development strategy.

COUNCILWOMAN TASCO: You are going to have staff, and next year there will be in there affordable rental development. That's a little more defined, because that's a tax credit; right?

But when you get to the -- I mean, those programs, when they end, they end. But when you get to this whole economic commercial corridor support program, I mean, what happens with that in 2007?

MS. SMITH: With the equitable development strategy, the bond proceeds will be used to write down interest rates and mortgages.

And I anticipate that we may have about 10 or 12 million dollars in mortgage dollars to spend over a couple of years. So I think that will be like the PHIL loan program, we will be able to support it for two or three

years going forward.

With the commercial corridor support program, again, I think what's going to be important here is to also begin to elevate neighborhood and commercial corridors as a priority, to begin to look at maybe this money as matching funds to other state dollars that people may have for districts, for commercial corridors, and there may even be an opportunity to go to the foundation community, if we have a successful demonstration project.

One of the things I also wanted to clarify for the record, because I think one of my colleagues pointed this out on the commercial corridor support program you raised earlier, the map that we included is not intended to show the eligible areas for the commercial corridor program.

What we want to make clear is that we were taking CDBG-eligible corridors plus any contiguous corridors. So we are looking at the entire corridor.

It doesn't have to be specifically CDBG eligible, but we are trying to use it as

a starting point then and trace out those major corridors in the city. Because these are your major corridors. And then that the map itself is not represent the corridors.

There is a list by Council district attached that we gave out with the testimony that actually describes the CDBG-eligible corridors and specifically says that any area contiguous to that.

The bottom line is that, you know, again, we were trying to make clearer from the other day, when people said there was no clarity, we had no sense of where we wanted to spend the money, again to try to articulate the areas in which we thought we could make a difference here.

And, again, we are looking at an RFP process. So the intent wasn't just to restrict it to CDBG-eligible corridors, but to use that as a starting point for discussion.

COUNCILWOMAN TASCO: Well, once you start something in this government, it never ends.

And to make the Community

Development Block Grant criteria a part of this is not something I support, because there are other -- no one asked me.

I see you have some corridors on there that are fine. But there are others that also need some support and help, and they are not on here. And I just have a problem with that, I really do.

I think that there can be other ways of trying to figure out how to divvy up the money.

MS. SMITH: I do believe the Planning Commission has a list of commercial corridors that totals around 200 something, and we can use that as the baseline.

COUNCILWOMAN TASCO: I think it ought to be left up to me as the District Councilperson as to which corridors I want to do. I don't want someone else making that decision for me.

You know, we have a plan. We spent money on a commercial corridor development plan, and we are working to fund that plan. And I don't want to be restricted to which

corridor I can do first or second or not at all based on this criteria. I think that should be my choice.

And I don't think they should be designed, because some of the corridors will never meet the Community Development Block Grant eligibility.

And, again, I say that these are not federal dollars, they are city dollars, and they shouldn't -- the criteria should not be used.

MR. HANNA: Councilwoman, just to maybe add one more point relative to how and why we chose the criteria that was provided.

One of the things that I talked about last week in terms of how the money will be spent dealt with leveraging these relatively limited dollars, leveraging them with federal and, maybe more important, state collars.

The state has several programs that we hope to track these programs. All these programs involve some matching by the local municipality.

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The state certainly has criteria for which corridors qualify for those dollars. And, so, in our thinking, in trying to create criteria for these dollars, we obviously had to keep in mind the state's criteria.

And the extent to which our criteria matches up with the state helps us put ourselves in line for some pretty big bucks from Harrisburg.

COUNCILWOMAN TASCO: Well, I think the state criteria is much more flexible than the criteria that's used by this city under the Community Development Block Grant program, which is a criteria that is not used by other cities across this country.

I know other cities use Community Development Block Grant programs to build both marinas. So, you know, we have been told only low-income neighborhoods.

I have a problem because for years, ever since I have been on this Council, my district has been excluded. And now thinking NTI is going to be something, I am going to community meeting tomorrow night to talk about

this because they want to know about it, and it is not in the targeted area, where is their piece and share of the pie? Because they haven't gotten it. And so, again, this process excludes them.

And I still would like to know how the programs go on beyond 2007.

Let me ask you a question. In the back of this document, the summary of recommended changes, you have current targeted systems, basic repair, contracts, and amounts. They are not just -- and you have the Council districts.

MS. SMITH: One of the questions that was asked for us to submit in terms of additional documentation was a break out of the expenditures of funds, even for our citywide programs, by Council District.

Most of these programs are what we call customer driven or application driven, they are not -- we don't target it.

Then there was the original targeted basic system repair program that, I think, we funded at about 2 or 3 million dollars. There

were ten organizations that participated in that one.

COUNCILWOMAN TASCO: And they can do basic systems repair program projects throughout the city?

MS. SMITH: No. The targeted program was specifically for preidentified neighborhoods that the organization identified.

And, again, the organizations were selected by RFP process. And that was about two years ago.

COUNCILWOMAN TASCO: Thank you.

Thank you, Madam President.

PRESIDENT VERNA: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam Chair.

Isn't the ultimate in the kind of tax reduction we're talking about to lower the rate of taxes -- the interest rate, rather, to lower the interest rate on rental loans, isn't the epitome of that the tax abatement which in Philadelphia lowers it to zero for a good

number of years, like for ten years?

MR. HANNA: No, Councilman. We are talking about two different issues here.

COUNCILMAN COHEN: Would you explain the difference.

MR. HANNA: I won't speak to the various tax-reduction initiatives that have been espoused by Council and talked about ad nauseam in the media.

But relative to the buydown of mortgages from whatever the market rate happens to be, 5, 6, 7 percent, down to perhaps 3 percent, there we are talking about using these dollars to make a mortgage less expensive for an individual -- well, for a family looking to buy a house.

I'm not quite sure how that relates to reduced taxes.

COUNCILMAN COHEN: Well, the tax abatement plan for new-construction homes, for example, gives a ten-year tax abatement to the developer of a new home, which lowers the rate from 6 percent or 8 percent, below 3 percent, lowers it all the way.

Why doesn't that fit the definition of government help to make purchasing homes more affordable? That's the purpose of it.

MR. HANNA: In fact, it does. It does. You are absolutely right.

There is PITI, principal, interest, tax, and insurance, are four components of most people's mortgage payments.

And to the extent that one of those I's, that is -- I am sorry, to the extent that T stands for taxes, and you reduce that particular component, then, yes, you certainly bring down the cost of a family's monthly mortgage payment.

It is pretty much the same thing, you are right. The difference, the one difference I would point out, is, the tax abatement program is available citywide.

We're not talking about making these funds available citywide, only in certain targeted neighborhoods.

And the criteria that we are proposing to be used as the basis for making those decisions are the criteria, I think,

that certain Councilpeople are kind of calling into question.

COUNCILMAN COHEN: In practical use, have the tax abatement been used in limited areas.

It is my understanding that while it is available citywide, it is of use only in certain areas basically. I wonder if a study has been made or could be made of the use of tax abatement, what areas of the city, how frequently. And wouldn't that give us important information?

MR. HANNA: We have asked that very same question and are, in fact, trying to engage a consultant -- actually we are looking to engage University of Pennsylvania -- to do that kind of a study.

They haven't agreed to do that as of yet. But that same question occurred to us, and we did attempt to get a study done.

COUNCILMAN COHEN: I think that would be very important to see the role, if any, of tax abatement, say, in the direction toward gentrification. Does it have any

impact, or doesn't it? And I think that would be a good question to raise together with the other question.

MR. HANNA: Great minds obviously think alike, because we were thinking along those lines months ago.

COUNCILMAN COHEN: Thank you.

PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam President. I just had a question about the acquisition component of NTI.

How many properties do you anticipate that are going to be acquired through the program?

MS. SMITH: It is a little over 6,000.

MR. HANNA: We don't have a specific number, but somewhere between 5,000 and 6,000. Unfortunately, Mr. Wetzel had to attend to some family business, and so he is not here anymore. But it will be somewhere between 5,000 and 6,000, thereabouts.

COUNCILMAN NUTTER: And do you have

rough estimates on within that 5,000 to 6,000, percentage of how many are being acquired directly for development versus land banking?

MS. SMITH: Here we go.

The numbers are for affordable housing. This is based on an FY '03 and FY '04 City Council, so it may not include the most updated approvals that have just gone through Council today.

But City Council authorized the condemnation of 5,512 properties to support land assembly. 27 percent of that number is for affordable housing, 4 percent is for market rate, 61 percent is what we call land banking -- that means it doesn't have attached to it a specific development project at this point in time -- open space or side yard projects is about 3.5 percent, commercial development 3 percent, institutional 1 percent, and other -- I'm not quite sure other, maybe community facilities -- about five-tenths of a percent.

COUNCILMAN NUTTER: I thought when we acquired properties using the government's

power, that generally you had to have a planned use or a development project or some plan for the acquired property.

How can we acquire so much property and, in your words, that has no specific proposed development plan at this time?

MS. SMITH: Again, as we described in the program description, which we felt did meet the intent of the Urban Redevelopment Renewal Acts and the like, that for the land banking projects, we set out certain principles; we also talked about, you know, the idea of doing RFPs, which we are beginning to use a little bit more, coupling it with subsidy dollars to encourage development.

We talked about the acquisition zones and our rationale for targeting those issues.

COUNCILMAN NUTTER: Aren't we using urban renewal powers?

MS. SMITH: Through the eminent domains.

COUNCILMAN NUTTER: Don't you have to have a plan before you acquire?

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MS. SMITH: Before you disposition it. And, again, I am not the expert; Mr. Wetzel isn't here.

But clearly, I believe, on the front end, it could be a little bit more general, you don't have to have a specific project in hand.

I believe it has to meet things like blighted and other criteria in order to exercise the power of eminent domain. And then when you dispose of it, it needs to be in accordance with specific redevelopment plans.

COUNCILMAN NUTTER: So almost two-thirds of the land that's been acquired is for land banking purposes for which there is no plan of disposition at this time?

MS. SMITH: Other than getting hold of title.

And I think that's important with vacant property, particularly we are experiencing some of the development pressures that are taking. That enables us to more proactively to market that property for development activity.

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One of the consistent complaints that we heard in early days is, if we waited for a developer to come to the door and ask for the property and then begin to assemble that land, we end up taking several years, and the development opportunity may have gone.

By land banking, the intent here is to be able to more -- say we have land in hand, and then put that out to the development community. That was the intent of our ability to do some land banking.

COUNCILMAN NUTTER: And as a result of that process, I would take it -- I mean, I have been in a few of these hearings -- people have been relocated under that scenario with no known intention?

MS. SMITH: Not for land banking. All of our acquisitions that involved relocation was for specific projects and, in fact, for affordable housing development projects.

Two last questions. The earlier discussion with regard to -- which one of these programs is it? Is it the affordable

rental or is it the equitable development strategy?

Mr. Hanna, you talked about utilizing funds to write down the interest on development. Which of these initiatives?

MR. HANNA: The equitable development strategy.

COUNCILMAN NUTTER: Can you explain how exactly will we use these dollars to, quote, unquote, write down the interest on someone's purchase of their home?

MR. HANNA: We actually used a similar initiative in my previous life in a big city in Georgia.

The city -- well, the city could issue bonds, take those proceeds, to subsidize a payment.

COUNCILMAN NUTTER: Are you talking about new bonds?

MR. HANNA: Yes, housing revenue bonds.

COUNCILMAN NUTTER: And what is the source of the debt service?

MR. HANNA: The debt service would

be the payment from the homeowner.

COUNCILMAN NUTTER: I thought the homeowner was getting a mortgage for their house?

MR. HANNA: Let me back up, then. In point of fact, we talked to --

COUNCILMAN NUTTER: This is out of the 1.9 million. Are we talking about the same program?

MR. HANNA: Yes.

COUNCILMAN NUTTER: Equitable?

MR. HANNA: Equitable development strategy.

COUNCILMAN NUTTER: 1.9 million to support the equitable development strategy.

So you got the $1.9 million. So what do you do with it?

MR. HANNA: In this situation, PHFA -- because PHFA is the only entity that issues single-family mortgage bonds.

PHFA would issue the debt. These $1.9 million would be leveraged by a PHFA bond -- would be leveraged by a PHFA bond issue.

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The $1.9 million would, essentially, be used to help pay an individual's mortgage payment.

I mean, there is a way that the money is actually used to buy down the interest rate. But the net effect is that the individual's mortgage payment will be less with the help of this $1.9 million on, obviously, a per-mortgage basis.

COUNCILMAN NUTTER: So was the $1.9 million being used to somehow support the PHFA bond issue?

MR. HANNA: Yes; specifically those bonds issued in the City of Philadelphia.

MS. SMITH: It would be like a subsidy. I mean, initially --

COUNCILMAN NUTTER: So no individual will actually -- the $1.9 million never -- none of that money is ever given to an individual?

MS. SMITH: Well, the Pennsylvania Housing Finance Agency, as you know, issues single-family mortgage money constantly. That's their bread and butter.

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What we're in the process of doing through the Redevelopment Authority is having a conversation with them.

There was two options, either the state could give the City of Philadelphia volume cap to issue our own residential mortgages through the Redevelopment Authority.

We haven't done that in a good 25 years. Because what we would issue would be, you know, relatively small and probably not efficient in the marketplace.

So PHFA has indicated a willingness to create as part of one of their mega single-family mortgage bond programs a targeted program for the City of Philadelphia that has certain characteristics.

And among those characteristics would be, say their mortgages are 6 percent, then one of the characteristics with these mortgages would be 3 percent. And the way we --

COUNCILMAN NUTTER: Stop right there.

MS. SMITH: For Philadelphia, yes.

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COUNCILMAN NUTTER: Let's say that you are one of the probably like the luckiest persons in the either the 4th or the 9th Councilmanic District. And you decide, I guess, what, to buy a new house?

MS. SMITH: That's correct.

COUNCILMAN NUTTER: You buy a new house.

And you shop around, and you look around. And after, you know, the 20th house that you have seen, you pick the 21st house. And earlier you used the number of $175,000. So now I found a house.

So tell me from the day I find the house, decide that I want to buy it, how does this program affect what I do and what I ultimately pay in my mortgage?

MS. SMITH: We would, in partnership with the housing financing agency, probably put out some special marketing materials that would go to their originating lenders. I am not sure of all of their originating lenders. But I am quite sure banks like Citizens and Wachovia and Sovereign, they probably

originate these.

Because the way I understand the market, the bank issues the fund and then PHA buys, you know, that back. They issue the mortgage.

So what PHFA would tell their originating lenders, for any individual who is in Philadelphia, in one of these neighborhoods that meet these characteristics, we will buy that mortgage from you.

So to the customer, it shouldn't make a difference, the way I understand these programs work. They won't know.

MR. HANNA: It would be invisible to the customer.

COUNCILMAN NUTTER: They keep making their payment to whatever bank?

MR. HANNA: Right.

COUNCILMAN NUTTER: Okay. And all they know is that their monthly payment is lower than the original conversation started to be versus going out on the open marketplace and never participating in the program. Okay.

Last question. Now, tell me, why

did you decide -- this is along the lines of where Councilwoman Tasco is -- the map, based on what I understand the goal to be, trying to deal with gentrification issues, the map down the bottom, the smaller one in the middle --

PRESIDENT VERNA: Excuse me, Councilman Nutter.

If you don't mind, Councilman Clarke would like to be recognized just for a minute, if you don't mind.

Councilman Clarke.

COUNCILMAN CLARKE: I just wanted to recognize, we have one of my constituents from Francisville, Ms. Penelope Giles from the CDC. She was actually at the first hearing last week, had to leave, and she is here today. And she wanted to submit her testimony for the record.

PRESIDENT VERNA: Has it been submitted?

MS. PENELOPE GILES: I did submit it. I have attachments that were given with the testimony.

PRESIDENT VERNA: We will make

certain that the stenographer has a copy and it will be made part of the record. Thank you for your patience.

COUNCILMAN CLARKE: I just wanted to apologize for your having to stay so long.

PRESIDENT VERNA: Councilman Nutter.

COUNCILMAN NUTTER: Thank you.

So the goal here is to help in neighborhoods that have experienced this somewhat explosive growth in values?

MR. HANNA: Correct.

COUNCILMAN NUTTER: How does the program -- I mean, in most instances gentrification is about rapidly rising property values; people who are long-time owners find themselves pressed trying to deal with their property tax problem, and often get pushed out of the neighborhood. Is that fairly general?

MR. HANNA: That's certainly one aspect of gentrification, yes.

COUNCILMAN NUTTER: What are some of the other aspects?

MR. HANNA: Specifically the aspect

that we are trying to address here is the fact that, in certain neighborhoods, it becomes impossible for new residents, for teachers, for policemen, for firemen to buy in a neighborhood because prices are so high.

COUNCILMAN NUTTER: Right.

MR. HANNA: Or as Ms. Smith points out, people who were tenants before who are looking to graduate to their first home purchase.

COUNCILMAN NUTTER: So you write down their interest.

But, I mean, is the theory here that, since you are now not paying a particularly high interest rate, that the savings you can now use to pay your somewhat excessively high real estate taxes? I mean, what's a person getting out of this?

MR. HANNA: If a typical mortgage payment is PITI, principal, interest on that loan, taxes, and insurance, the interest component of PITI is what we're looking at trying to decrease.

And to the extent that that

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component of that four-part equation is less, than obviously the mortgage payment is going to be less, no matter what happens with -- given that taxes and insurance --

COUNCILMAN NUTTER: Four parts being principal, interest --

MR. HANNA: Taxes and insurance.

COUNCILMAN NUTTER: So you attack the interest component. Obviously this doesn't do anything to the tax component.

I mean, is the person going to find themselves in the situation where they can, at least by way of their income afford, a house that might have been a little beyond their reach?

But, I mean, if the taxes keep going up, then what happens?

MR. HANNA: We can't speak to that. But what we are trying to address, as I said, is that first part of that PITI equation.

COUNCILMAN NUTTER: If that's the goal, what made you decide not to use the map in the middle that just deals with the whole sales price greater than 25 percent issue?

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Which obviously has a much greater distribution throughout the city.

MS. SMITH: Because what we were trying to do, again, was to look at -- identify those areas of the city that were -- in 2000 could be considered low/mod areas; but because the real estate prices were jumping up, most likely our assumption is that in low/mod areas you may have low and moderate renters who may be interested in buying a house, that kind of a thing.

So we were trying to -- and, again, as with always, this isn't a big pot of dollars, even with -- we probably, as I said, will only be able to leverage 10 to 11 more million dollars out of this. It is a little bit, I know.

COUNCILMAN NUTTER: I grew up in West Philly. $10 million is still a lot of money.

MS. SMITH: I meant citywide.

COUNCILMAN NUTTER: Citywide, countrywide, $10 million is $10 million.

MS. SMITH: Again, this was, as I

said, Councilman, this was, you know, our effort to come up with, you know -- focus a targeting strategy that took into account where low and moderate income families currently live.

They tend to be neighborhoods that people -- where you are hearing more and more concern about either the rental market or the home ownership market being priced beyond existing residents' means.

COUNCILMAN NUTTER: But you see from your own map, I mean, obviously, the 25 percent increase issue is spread across what, you know, quote, unquote, are considered even some upscale neighborhoods.

And you cannot ignore the fact that there are some either low- and moderate-income younger people or certainly older people who live in those same neighborhoods who then buy, when you put the additional CDBG screen on it, for a program that has no criteria whatsoever and is not a CDBG program, knocks out a significant portion of the population in some neighborhoods that I think, all things being

equal, you might want to help.

I mean, how do you attach criteria to a program that is not governed by another program?

MS. SMITH: This was our best effort in that regard.

And, again, in the conversations that we were having in a relatively short period of time, we also were concerned, well, what happens to a neighborhood?

Yes, there may be a low-income family in Chestnut Hill. But, you know, there's not probably likelihood of a lot. So we were trying to come up, you know, with a targeting criteria to get to that.

COUNCILMAN NUTTER: When the program was introduced, though -- we talked about this a while ago, not in this level of detail -- it did not have this criteria attached to it.

So when did that come into play, and why?

MS. SMITH: Because we thought we were trying to be responsive to this body that were saying because we didn't have enough

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detail before, there were lots of questions being asked. So we tried to be responsive to the body and hearing testimony from Wednesday.

COUNCILMAN NUTTER: Did someone ask for these criteria to be attached?

MS. SMITH: Not the specific criteria. But it was clear, in my opinion, that this body was concerned that we didn't say enough, that it was too open-ended.

COUNCILMAN NUTTER: Knowing this body, do you think we want a program that has more coverage or less coverage?

You have been around for a little bit. You might want to think about that question. What's your best guess on that?

MS. SMITH: I'm not sure anymore, to be honest.

COUNCILMAN NUTTER: Generally, I think we have demonstrated an interest in more coverage.

COUNCILMAN NUTTER: You are just trying to get to July 1. I understand. Like, why am I sitting here. Okay. Well, I have the same expressed concerns about --

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MS. SMITH: And we have heard you.

COUNCILMAN NUTTER: -- about coverage and attaching criteria.

I mean, as many -- not you and I, but the young lady to your right -- as many battles as we have had about who is CDBG eligible and who is not eligible, part of the framework, part of the allure, part of the marketing of NTI was city dollars that are flexible, that are not as restrictive as any of the programs around that exist. That was one of the key sales features.

And here we come back five years later and use criteria that are some of the most restrictive in the United States of America. I mean, only here. I mean, I don't get it. For new programs.

I mean, we haven't even gotten to -- I mean, as you laid out, it is a pilot program.

So, I mean, if you started out with the open-ended situation, and then found after a few years that, well, maybe we do need to kind of contain this thing a bit, we might be

having a different kind of conversation.

But, I mean, you went from no criteria, to extremely restrictive, and now a whole bunch of people are left out. And I mean, they are all paying the tab on the bonds. That's my concern.

Thank you, Madam Chair.

PRESIDENT VERNA: The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I guess, Madam President, we can go around and around on this until tomorrow morning.

But I suggest that since this is a resolution and we have some time to vote on it, that they go back to the drawing board and try and figure out how to implement these programs without these restrictions, because I don't think the people in my district will be too happy with this.

PRESIDENT VERNA: Thank you.

I think that you heard what the concerns of several of the Council members are.

So, Councilwoman, do you want to

continue this until Thursday?

COUNCILWOMAN BLACKWELL: Yes. Our concern is that the issues addressed by Councilwoman Tasco several times this afternoon and Councilman Nutter toward the end of this hearing be addressed.

They're concerned that the income criteria meet various areas in their district, since this is NTI, and NTI is a city-created program, and they feel that they should be able to, and rightly so, access the program for various members of their district.

I don't know if you are able to respond to that issue today. If you are not able to respond to it, then certainly I suggest we continue this hearing until Thursday morning. The choice is yours.

MS. SMITH: Can I get a second? We haven't had a chance, as I said in response, I would like the opportunity to confer with my colleagues, just to make sure that we are all on the same page.

Can we have just a short break to talk about this?

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PRESIDENT VERNA: And I think another concern that has been brought to the floor is with the four new programs that were initiating in '06. Come '07, we don't have two pennies for the same programs, and I don't know where the money would come from.

MS. SMITH: I believe it is only two new programs, that's the equitable development and the commercial corridor. We have the affordable rental development.

MR. HANNA: That was started a year or two ago.

PRESIDENT VERNA: I beg your pardon?

MS. SMITH: That's not new. It was, initially, a fund in '05. We just brought the money forward and changed it.

PRESIDENT VERNA: There is nothing that's shown in '05.

MS. SMITH: Because we carried the money forward.

PRESIDENT VERNA: According to Table 2, there was no money in any year.

MS. SMITH: We initially funded it in '05, but we didn't use any of those

dollars. So I represented it to Council as part of this budget.

But we can -- I mean, affordable rental was something that was actually at one time --

PRESIDENT VERNA: The equitable development strategy --

MS. SMITH: That's been around for a little while.

PRESIDENT VERNA: -- we don't know what that is and how that will be funded next year.

The commercial corridor support initiative, again, there is nothing for '07.

And then, of course, we have the homeless prevention, that's a million dollars. And I don't know how we would fund that next year, or in '07.

So I am suggesting that if you cannot address the issues that were brought to the floor today, that we continue this and you could get back to us.

MS. SMITH: I just was asking for a short break to confer with my colleagues,

specifically around the criteria of the CDBG eligibility.

PRESIDENT VERNA: Councilman Clarke.

COUNCILMAN CLARKE: Thank you. I just wanted to actually bring up an issue that has been discussed by Councilman Nutter and Councilwoman Tasco as it relates to retaining walls.

I don't know where we are going to go with that. If we proceed and that particular issue is addressed in some, quote, unquote, new money, I do -- when we originally talked about this, I didn't physically technically represent areas that had a substantial amount of retaining walls.

But I do actually have a ward, in Councilwoman Tasco area, in one portion along the Roosevelt Boulevard, the 42nd ward to be exact, that they have a number of retaining walls; and on the south side in, I guess you would call it the 23rd ward Northwood, where they have a number of retaining walls.

So I may want to have some levels of discussion with them. I am just not familiar

with how the program is operating, how the money is being allocated, how those areas are being determined.

So if we agree to proceed, to some degree I would like to be a part of that discussion with some of the newer areas.

MS. SMITH: Can we have a five-minute break?

PRESIDENT VERNA: Before we talk about a break, I see Councilman Nutter's light is on.

Did you want to be recognized?

COUNCILMAN NUTTER: Yes, Madam Chair. Just a technical or logistical issue. Two things.

One, I don't know that we ever actually got to the proposed amendments that were in front of us which involved adaptive modification, BSRP, and all of those issues. That's one.

Second, I believe any change that we make to the NTI program requires a similar change to that particular line item in the CDBG bill which is coming up for second

reading and final passage this Thursday.

So we would need to amend that. Whatever the numbers are going to be and whatever the agreements are, they probably have to get done this week, no later than Thursday, so we know what's going on with NTI.

And then we can make an amendment on the floor for CDBG this Thursday in order to be able to vote all of this the following Thursday.

So I think we are in a need-to-get-it-done-by-Thursday situation because the NTI number has to be consistent with the resolution as compared to what's already in the bill for CDBG.

So my only other recommendation was that, whatever we do -- and I know Wednesday this week is not exactly totally wide open -- but if we at least recess until some time on Wednesday, the representatives from the Administration and Council members and the two Chairs will work out whatever we are going to work out, reach an agreement on Wednesday, and then all of that gets taken care of the next

day on Thursday.

Because if we don't amend the CDBG bill on Thursday, there is no time.

PRESIDENT VERNA: Exactly.

MS. DEBORAH McCOLLOCH: Just as a point of information, the Community Development Block Grant consolidated plan can be amended following the criteria that are in the con plan. There is an amendment process in the con plan. So that can be amended separately.

COUNCILMAN NUTTER: But CDBG is a bill, and it has a schedule in it.

All I am saying is, any changes that we have to make to CDBG have to be done this Thursday. You are saying there is a process after that?

MS. McCOLLOCH: Yes. There is an amendment process to the con plan, to the consolidated plan, that we are allowed during the year to amend the consolidated plan.

And those criteria and that process are in the consolidated plan that was approved the other day. It is in the appendices. So

we can amend that consolidated plan.

COUNCILMAN NUTTER: But you have NTI as a line item, I am assuming, in the con plan; right?

MS. McCOLLOCH: The NTI budget is included in the con plan, yes.

COUNCILMAN NUTTER: Right. And if we are proposing to either shift dollars or -- presently this amendment, which we never got to, takes the NTI line item from about $31 million to 36; right?

MS. McCOLLOCH: Yes. Yes. For this fiscal year, yes.

COUNCILMAN NUTTER: You are not saying that if we don't change the CDBG line item from 31 to 36, that you can somehow go and still spend the money and you don't have in the con plan the right number, are you?

MS. SMITH: The other option we have is to amend -- after Council approves it, to amend the plan to represent all the changes to the NTI budget. Because that's submitted to HUD, you know, afterwards.

So we are saying there is a process

that, if we so chose to choose it, we could. Or we can get everything wrapped up and amend by Council on the floor.

COUNCILMAN NUTTER: Why don't we get it all wrapped up.

COUNCILWOMAN BLACKWELL: If the body is willing to give them ten minutes, then all the issues that were raised would have to be addressed or else we would have to recess until a date certain to deal with the issues.

COUNCILWOMAN TASCO: Madam President, I think they ought to take time to look at this, and that we recess until Wednesday. If we don't finish, we come back Thursday.

PRESIDENT VERNA: They would have to prepare the necessary amendments, and I wouldn't want to do it verbally this evening. What time on Wednesday?

PRESIDENT VERNA: The joint committees will stand in recess --

Councilwoman Miller.

COUNCILWOMAN MILLER: Okay. Before we recess, I have one question about the

homeless prevention program. And I just want to know, with the new program -- under the old program, you helped people with security deposits, mortgage assistance, rental assistance, utility assistance. Is that still going to be happening with the new program?

PRESIDENT VERNA: I can't answer that. But Mr. Hess is here, and I think he ought to come to the witness table and address it.

COUNCILWOMAN MILLER: Or will services just be added, other types of services?

MR. ROBERT HESS: My name is Robert Hess.

With respect to homeless prevention, I would say that the final pieces of that program have yet to be designed.

However, I think we can be clear, after taking a close look at the former program and working closely with advocates, providers, and a number of local and national scholars, that we have the foundation of a solid program that would be similar to what

you described and target people that are most likely, individual and families that are most likely, to end up in our shelter system but for this assistance.

PRESIDENT VERNA: Would you mind explaining what type of assistance? Because I'm not truly that knowledgeable.

MR. HESS: With respect to the former program, it was, as was described by the Councilwoman, rental assistance, utility assistance, and basic eviction prevention dollars that were also tied to counseling.

The question of the former program was, did it really target people that but for that support would end up in the shelter system. And we were unable to determine that.

So we needed to do a better job of targeting people that are most likely to end up in the shelter system once they received that support. And I think we are well-positioned to do that at this point in time.

COUNCILWOMAN MILLER: As the program develops, I guess we would all like to get

further information. Because I really want to know how you would actually -- how you want to target, I mean what factors will you use to measure or predict whether someone will actually end up on the street or maybe doesn't -- I think I heard you said maybe some of the people that you serviced in the past really didn't need the help? Because they would not have -- they would not have been homeless?

MR. HESS: Councilwoman, I think there is a distinction between people -- I think all these folks that received that support needed the help. They were poor folks that were just trying to hang on.

The difference is that some of those poor folks, if they didn't receive this assistance, would still not end up in the shelter system. And some other folks, if they didn't receive the assistance, would end up in the shelter system.

In terms of homelessness prevention, we would like to kind of focus on, to the extent possible, keeping as many people as

possible out of the shelter system and provide them that support. Now, that's not a perfect science.

But I think there are some indicators and scholars, Professor Culhane at Penn and others, have given us some -- a lot of food for thought in this area and have done some research that can help us better target these resources.

COUNCILWOMAN MILLER: How long would someone be eligible for assistance?

MR. HESS: I think what we would do, if funds were available to proceed with this kind of program, is we would RFP it, we would lay out the basic criteria, let organizations across the city respond to that RFP, and then we would make those decisions based upon those responses.

So I don't know that we have an answer today as to how long an individual or a family could benefit from those services. But the hope would be that they would benefit adequately not to end up needing to come into our shelter system.

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COUNCILWOMAN MILLER: Well, I would be interested in getting information as the program develops and as they figure it out.

MR. HESS: We would be delighted to come back and share that information and have that discussion.

COUNCILWOMAN MILLER: Thank you.

PRESIDENT VERNA: Are there any other questions or comments from members of the committee?

Seeing none, this committee will stand in recess until Wednesday, June the 8th, at 11:30. Thank you very much.

(Hearing adjourned at 6:45 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Monday, June 6, 2005, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COMMITTEE ON HOUSING, NEIGHBORHOOD DEVELOPMENT AND THE HOMELESS

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DEBRA A. WHITEHEAD