COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE ON FINANCE

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Room 696, City Hall
Philadelphia, Pennsylvania
Wednesday, March 19, 2003
11:10 a.m.

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BILL 020647 - An Ordinance amending Section 19-1303(4) of The Philadelphia Code...
BILL 020813 - An Ordinance amending Section 19-1303(2) of The Philadelphia Code...
BILL 030014 - An Ordinance amending Section 19-1301 of The Philadelphia Code...

- - -

PRESENT:
COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILMAN FRANK DICICCO
COUNCILMAN JAMES KENNEY
COUNCILMAN MICHAEL NUTTER
COUNCILMAN BRIAN O'NEILL
COUNCILMAN ANGEL ORTIZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILWOMAN MARIAN TASCO

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I N D E X

3/19/03 - FINANCE - BILL 020813

COUNCILWOMAN BLACKWELL: Good morning. Thank you all for your patience.

We would now like to the begin the Committee on Finance hearing. And we do make one promise, it won't be all day. That does say something. We have a quorum for our hearing. To my right, Councilman DiCicco; Councilman Kenney in the rear; Councilman Nutter is here.

I'm very, again, pleased to have you this morning.

We will have a hearing with regard to three Bills; Bill Nos. 020647, 020813 and 030014.

We will ask the Clerk to read the title of Bill No. 020813, which we will be hearing first. And while he is reading the Title of the Bill, we will ask those testifying on this Bill to come forward to the witness table. This Bill is regarding tax abatements on home improvements.

Mr. Glancey, David Glancey, will be first.

THE CLERK: Bill No. 020813, an Ordinance amending Section 19-1303(2) of the Philadelphia Code entitled, "Authorization to Offer Exemption from Real Estate Taxes on Improvements to

Residential Properties" by amending the definition of eligible residential property and by providing that the exemption from real estate taxes shall be for the entire portion of the additional assessment attributable to the actual cost of improvements to eligible property, all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Glancey, thank you for coming. Would you identify yourself and present your testimony.

MR. GLANCEY: Thank you, Madam Chair.

My name is David Glancey. I am Chairman of the Board of Revision of the Taxes and our responsibility is to administer the abatement bills.

I did not submit written testimony on either 020813 or 020647, but I did think I would be able to explain to you when you get to that Bill, as well as this Bill, some of the history that we've had. And also, if there any technical questions that Council might have, I'd be glad to answer that.

I would say preliminarily that I just saw the amendment to the Ordinance which changes the applicable date to January 1, 2003. I've not had a chance to review my files because the Bill that I saw initially had its effective date immediate upon passage of City Council. I can give you a little bit of the history that we have. It may include the January 1, 2003 cases. However, just for the record and as a caveat, I will tell you this is the first I've seen the January 1, 2003 language.

I think the best thing for me to do is to simply tell you what I believe 020813 does is eliminate the caps that were in place in Section 19-1303(2) of the Code. And currently in that Bill there are two caps. There's a threshold, a cap which excludes any property with a market value of more than $193,125. That is the first door you have to enter. If your market value is more than that, you're immediately disqualified. If it is less than that, you get through the door.

And then the second cap in that current Ordinance is the cap on the amount of the increased market value due to the improvement. So after you've made the entrance for the less than $193,000, you can only get about, as of 01/01/03, about $50,500 of the value of your improvement cap. As an example, if you spent $200,000 to improve whatever that property was, only $50,500 in market value would be eligible for abatement.

This Bill effectively puts existing residential properties -- this current 813 Bill, I believe, puts existing residential properties on the same footing as new construction of residential properties by offering a 10-year, 100 percent abatement on the improved value.

Let me tell you what we have, Madam President, and Members of the Finance Committee. We have about 35 accounts that are currently under the current abatement, and the exempt assessment of those 35 accounts is about a million, four, roughly. And that would convert for both City and School District. When I'm using tax dollars, I'm going to talk about both City and School District. That would convert to about $118,000 a year, City and School District. So if you do the math, 58 percent for the School District, 42 percent for the City. So it's not a lot of money, given those 35 accounts that we have.

However, I'm not so sure we can use what we have historically to project what these costs might be. I'll tell you what I did in order to assist you in some way.

We took about seven or eight properties that I think -- and, again, we are really speculative here -- we believe are going to be developed for the purposes that 813 would assist. That would be an older building that could be converted and turned into a condominium, for instance. The addresses of those buildings are 2001 Hamilton Street, 201 North Broad Street, 501 Vine Street, 1010 Race Street, 2200 Arch Street, 313-25 Race Street, 111 South 15th Street, 121-35 Walnut Street, and the Lippincott Building at 6th and Washington Square. With all of those buildings, what we did was we roughly -- and I must emphasize roughly, because we don't know who's going to do it, and we don't know if there are folks we don't know about who are going to do this. We roughly took and put a market value on those properties as if they did, in fact, get completed. That market value would be about $96 million. The exempt assessment would be roughly $18.3 million. And just using the current millage rate and the current ratio, that would translate to about a million, five in real estate taxes. Again, for both City and School District. A million, five combined, both City and School District. Therefore, it would be about a $15 million cost over 10 years.

And I must emphasize that we have intentionally been aggressive in figuring the projected market values, so the result in taxes may be somewhat higher. What I'm telling you may be somewhat higher than may be actual because I want to give you the most conservative look.

Now, having said that, from my experience in administering all of these abatement programs, we have an abatement program that allows for a 10-year new construction, 100 percent value of the improvement abatement. We don't have that for existing properties. We have the one that is in place, which is capped at $193,000 and then capped again at $50,000. The best example I could use is, if David Glancey owns an old building at Number 1 South Broad Street and Councilwoman Blackwell owns a piece of ground at Number 3 South Broad Street, you could build a brand-new building for condominium purposes and you would be able to offer to those owners today, under current law, a full 100 percent abatement for anybody who makes that purchase. Today under current law, I could not do that because I would only be capped -- first of all, I'd have to make the $193,000 cap and, secondly, I can only offer a $50,000 cap.

My sense with 020813 is that it puts current construction -- by that, I mean older buildings -- current construction on the same footing as any new construction. I think there's a fairness element to that. Also, we also have what we call the 1130 abatement. It puts it on a same footing as somebody who would convert it to apartments. I could take that building at Number 1 South Broad, convert it to apartments, and I could get a 100 percent abatement for the value added to that. If I convert to condos, I do not. So I think in that instance -- again, I'm not speaking for the City, as you know. I'm simply here to give you the numbers that we have seen and will tell you what we have heard anecdotally from developers and other taxpayers about how there is a sense of unfairness. Because if we have a 10-year new construction abatement, we ought to have a 10-year rehabilitated construction abatement.

So with that, I'd be happy to answer any questions concerning that.

COUNCILWOMAN BLACKWELL: Thank you.

I heard you mention the $193,000 cap, ceiling cap. Explain again how the $50,000 --

MR. GLANCEY: : Sure. First, as I said, the $193,000, you have to be that number or lower to get in the door. Once you get in the door, the only amount that can be abated -- and there's a kind of an arcane formula that's in the legislation, and it really relates to state legislation. The only amount that can be abated of whatever amount you put into that property, and we add in market value, is $50,500. Again, the example I would use is, suppose I take and put in $200,000 worth of improvements. Under the new construction, you get it all abated. If I were going to have that as a rental unit, you get it all abated. If I'm going to sell it to you as a condo, the only thing you can do, as the owner, and me as the developer who's selling it to you, is offer a $50,500 abatement. So really, there's $150,000, roughly, that does not get abated of that improvement.

COUNCILWOMAN BLACKWELL: Thank you very

much.

Questions?

Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

Good morning, Mr. Glancey.

COUNCILWOMAN BLACKWELL: Excuse me one moment.

For the purposes of the record, we also have to my left, Councilman O'Neill, and we also Councilman Ortiz who's here. Thank you.

COUNCILMAN DICICCO: Thank you, Mr. Glancey.

Not too long ago, about six years ago when we first started talking about abatements, there was a lot of discussion that has basically centered around the abatements and the negative impact it may have on the City's budget. And it was of the opinion of many people at that time that abatements were not going to be the tool that some of the sponsors of the Bill obviously thought it would be in terms of creating economic incentives or affording economic incentives to developers and individuals to build new homes in the City of

Philadelphia.

Subsequent to that, we did the conversion Bill. Actually, I think the conversion Bill was first, and then the 10-year abatement on new construction came after that. On a number of occasions, you have testified to the success of those two Bills. In your opinion -- and it seems from your statement, your testimony, do you see any negative impact on this at all? I mean, I'm sure you deal with developers, and you said that some of the developers you've had some conversation with -- maybe you don't want to be specific -- but do you know of any cases where a developer or developers, but for this Bill passing, will not be in a position to develop?

MR. GLANCEY: The ones that I mentioned do not fall within that category. However, I did have a conversation yesterday with an attorney who represents some developers. And I'm not going to use developers' names just in case it does develop. But I was told that the developer had these conversations with his counsel. He said to his counsel, and his counsel then said to me, that if this Bill passes, it's a green light; if this Bill does not pass, it is not a green light.

We're talking roughly 69 units at a location, an old factory on North 5th Street; 14 units at -- I don't know what that property is -- on South Front Street; 19 units, and the address here is 619 Catherine Street; and 249-51 North 2nd Street, another six unit conversion. If you put all those together that's well over a hundred, I guess -- or no, I'm sorry. It's about 80, if you put them all together. So at least in that instance -- and I must take the word of the counsel to the developer at face value. I'm assuming he was telling me the truth. He told me they wouldn't go unless this Bill passed.

Now, your further question, the broader question is, what are the negatives? Well, I think there's always the concern that somebody's getting a break and I'm not. We see that every day at our hearings where residents tell us, "Look, I've lived in this City for 50 years. No one has ever offered to abate my property taxes. Now these new folks are coming in and you're telling them they don't have to pay real estate taxes for 10 years." I think that's a fair argument. I think it's an argument that you are sensitive to, as I know you are.

The other side of the coin is, this is a different world than it was 50 years ago. This is a different City than it was 20 years ago. We are in competition with New Jersey, with every county in Pennsylvania, with Delaware, maybe even New York, to try and add population to our town. Because when we add population, we add jobs, we add revenue. It's all kind of a critical mass that kind of runs together.

So the studies that I have seen -- and I don't think there's anything that's empirical simply about real property taxes and abatements. But the studies I've seen, generally coming from the Center City District, indicate, yes, there is some short-term loss of real property tax. But when you do that, you're also gaining some wage taxes, some business taxes, some sales taxes, and all the other things that residents bring to these areas.

So there may be, at some point in the first five years, some kind of a balance. You might lose this, but you kind of gain that. And you're at a net. But eventually, obviously, in year 7, 8, 9 and 10, it's a big gain if it works.

COUNCILMAN DICICCO: Well, when we're speaking about the existing properties, not discussing the new construction, these were properties in the past that had been vacant. We were only collecting a certain amount of dollars on the real estate value. We haven't touched that. We didn't reduce that. And we did bring in new residents for the most part. My understanding is most of the residents now occupying the conversion buildings, if you will, represent about 65 to 70 percent new residents to the City of Philadelphia. We weren't cannibalizing. We're not moving them from one end of the City to another. So, yes, we get their wage taxes, but I always looked at this as an economic stimulus, if you will, because if you take the vacant building, we put it to use, it stabilizes the neighborhood, it creates an environment within the community for other service kinds of businesses to develop. We create tens of thousands of hours for the building trades folks to come in, the carpenters, the electricians, the cement masons. We get their wage taxes and we put these buildings to use. So with that in mind, some of the properties that you mentioned earlier, are they currently vacant?

MR. GLANCEY: Some of them are and some are not.

COUNCILMAN DICICCO: Some are not. Okay. But they're not fully used and they're not being fully used to their potential, I would assume?

MR. GLANCEY: Some of them are in the process of converting. At this point, they're not fully there.

Let me just add, Councilman, I think there's even one more thing. Yes, I agree with you that you at least get what the taxes were on a building that was not being utilized, even if you have a 10-year abatement. I would also add from my experience that once you start these abatements, you will continue to get that. If you don't, the values of vacant buildings over time is going to plummet. So whatever we have today, we won't have five years from now, even if it still remains vacant.

COUNCILMAN DICICCO: And at the end of 10 years, we get the full value of what the value of that 10 years from now is all about?

MR. GLANCEY: That's correct.

COUNCILMAN DICICCO: I don't think I

have any other questions. Thank you again for your testimony. And thank you, by the way, I want to say publicly for all of your assistance during the hearings on the appeals, which I still have many to go through.

MR. GLANCEY: We're calling April Councilman DiCicco's month.

COUNCILMAN DICICCO: We haven't gotten to the 5th Ward yet, but we're getting there. Thank you.

Thank you, Madam Chair.

COUNCILMAN DICICCO: The Chair also notes that Councilwoman Marian Tasco is here, Vice Chair of the Committee.

So, Mr. Glancey, you're saying in terms of the impact on the City, you think we're okay dealing with these hard times financially? You think that we're okay?

MR. GLANCEY: Well, again, my position is not the City's position. It's from the Board of Revision of Taxes. I wax and wane sometimes, Councilwoman. I think that sometimes there ought to be a "no tax zone" and just try to get as many people as we can into the City. And at other times, obviously, I get back to reality and understand that we have to do what we have to do by way of services.

Anecdotally I can tell you that when the City went from 3 years to 10 years, that was a major change from developers all across our region and maybe all across our country. We call it -- I always called it the California test. If I'm this prospective developer who's sitting in California going over every possible Ordinance in every City in the United States, and all things being equal, and this has a 10-year tax abatement, I'm coming here. That's really what we've seen. I think that's the case.

COUNCILWOMAN BLACKWELL: Thank you.

Other questions for Mr. Glancey on 020813?

Any other questions?

(No response.)

COUNCILWOMAN BLACKWELL: We have other individuals to testify on this Bill. If they are interested, Ms. Kamerdeiner, Mary Lou Buffum and Lawrence Rust. Are they here and would they like to testify? Thank you. Ms. Kamerdeiner is next.

Thank you, Mr. Glancey.

MR. GLANCEY: Do you want me to stay for the others?

COUNCILWOMAN BLACKWELL: Please. Would you, please? Thank you very much.

COUNCILWOMAN BLACKWELL: Good morning.

MS. Kamerdeiner: Good morning.

COUNCILWOMAN BLACKWELL: Please identify yourself for the record and begin. Thank you.

MS. Kamerdeiner: Good morning, Councilwoman Blackwell, and Members of the Committee on Finance. I'm Nancy Kamerdeiner, Revenue Commissioner. I'm pleased to be with you today to present testimony regarding Bill 020813.

This Ordinance will amend Section 19-1303, Section 2 of the Philadelphia Code to amend the definition of residential property eligible for real estate tax abatements.

The Administration is presently reviewing this measure together with all of the other tax measures presently being considered before this Council. The Administration has long supported and will continue to support a strategic program of calculated and purposeful tax reductions designed to bring relief to the residents and taxpayers of

Philadelphia while inspiring growth and fostering development within our business community.

However, it's critically important to recognize that all of these tax reduction measures must be considered in the tense economic climate in which we all live right now. The State is making significant budget cuts in the face of the deficit. The full impact of those cuts are still unknown. However, a preliminary analysis shows the City could be facing more than $100 million in cuts to programs and budget dollars that support Philadelphia.

The City itself faces a potential deficit of more than $800 million with the critical cost saving measures contained within the proposed Fiscal '04 budget and the proposed revised Five-Year Plan.

Additionally, the national economy remains sluggish, and that unavoidably continues to affect our local economy, as well. With the very likely potential for a war to further dampen the economy, it is a difficult time, and hard decisions must be made about how to balance the budget, how to continue to work towards reducing taxes and how to responsibly provide needed services to our citizens.

We need to keep all of this mind when we consider any tax cutting measures.

Additionally, I'd like to emphasize that both the Council and the Administration must tread carefully and prudently with regard to making responsible reductions in taxes. The Tax Reform Commission, which was developed to examine the entire tax structure of the City in order to make thoughtful, sensible suggestions regarding tax reductions, has begun its work in earnest. Continued efforts to cut individuals taxes in a piecemeal fashion defeats any effort that will be made by the Commission to take a holistic look at Philadelphia's tax structure and offer knowledgeable prudent suggestions about how to reduce taxes while maintaining the City's fiscal integrity.

It's critical to allow the Commission to complete its work and offer suggestions without compromising their efforts before they even have a chance to complete their analysis.

With regard to the measure at hand, Bill 020813 would eliminate the caps that are currently in place in this section of the Code. At the present time, an eligible residential property must have no more than three dwelling units, one of which is owner occupied. It's market value cannot exceed $193,125, and the increase in market value as a result of the improvement is limited to $50,500. These caps would be removed if Bill No. 020813 is approved. Improvements to residential properties would be eligible for 100 percent abatement on the improved value for 10 years, similar to the abatement potential for new construction.

David Glancey has already testified about the dollar impact and the number of properties that are out there, and some of that information is repeated in my written testimony.

As I have previously mentioned, the Administration supports a strategic program of measured, responsible tax reductions. We're reviewing the prudence of offering the types of tax cuts proposed in this Bill in light of the program of responsible tax reductions the Administration has proposed as part of its '04 Budget and in light of all the other tax reduction measures that are currently being considered before this Council.

Furthermore, all of these tax reduction measures must be considered in light of the many uncontrollable variables that could seriously affect the City's fiscal strength in the near and mid-term future.

This concludes my testimony. I'd be happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there questions?

Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

Good morning, Commissioner. It's like deja vu. We're back talking about the same thing.

MS. Kamerdeiner: Yes, it is. The same thing with many of the same comments.

COUNCILMAN DICICCO: I guess some of my comments -- and they'll be much briefer now than they were in 1997 and '99 and 2001 and 2002.

We talk about the impact, that there's possible potential cuts to programs because we're offering folks, developers, individuals an opportunity to re-invest in their properties. I guess my comment is, if we don't offer these things -- and I think history has proven since 1997, that as a result of the conversion Bills and as a result of the 10-year tax abatement Bills, there's been a very increased -- a market increase in development in this City. And we have provided folks with the options of either buying a new house in the City or moving out or fixing up their home in an existing property that they live in, which in effect is a reinvestment in, not only their home, but in the community.

I think the problem that we have, at least with this Administration -- and nothing personal to you -- is that we just think of today. We're never thinking about the future. Only in terms of the negative that this will impact. What position would we be in today had it not been for the conversion Bills and the 10-year abatements? Because if you remember, even during the best of times under the Rendell Administration, from '91 through '97, with all of the great things that were happening in Center City, as an example, using Center City as the example, there were over 50 buildings that were still remaining vacant. And up until the time that we passed the conversion Bill, nothing was happening with those buildings. Once we passed the Bill, the developers stepped up to the plate and they did something that we couldn't do for decades. So abatements work. There is no loss of revenue. The loss is if we don't give people, the citizens of this City, an option to, when they look at their paycheck and their personal finances at the end of the week, at the end of the month or at the end of year to say, you know, this house is getting a little bit too small. I would like a house that's maybe bigger. Maybe I want something with a little side yard, rear yard, stuff like that. We will either have to look elsewhere from where we live now, because there's nothing like that is available to us. And they'll pack up and they'll take themselves, their families, their wage taxes and everything else and move outside the City.

I mean, I just still can't believe that we're being faced with opposition on these types of Bills when we have proven for the last six years that they work. I mean, this isn't something that we're just taking a shot at and saying, "Let's see how it works." This worked. We proved it. It's been proven time and time again. 4,000 or 8,000 new residents in the City of Philadelphia are now living in units that were once vacant warehouses. Had it not been for those Bills, they would still be vacant.

We have to give people a reason to want to stay in the City of Philadelphia. We have to give developers a reason to want to develop here. This is business. Do we ever calculate into any of these figures what the wage taxes that we get from the building trades folks who rehab these buildings is? Do we ever factor in what the sales tax is of the new residents and the wage taxes of the new residents are? I don't think so. We look at this building and we say, "Well, these are the real estate taxes today, and if we give this abatement based on what the investment will be, that's the loss." It isn't a loss. It is what it is. And if they don't re-invest in them -- and you heard Mr. Glancey's testimony -- the likelihood is that the market value or the real estate value of those properties is going to go down, not up. Property value on vacant buildings doesn't normally go up; it goes down. The only way it starts going up is when there's re-investment within the immediate community.

I mean, I just can't believe that after six years we're still making the same arguments about why abatements don't work. Ironically, the Mayor and a number of other Members of City Council, they enjoyed doing some of the photo ops when we did the signing of the Bills. How wonderful these abatements were. Great day for Philadelphia.

I don't know what changes in this building in 24 hours. I just don't get it. I just don't get it. You know, it worked. And you know I have the utmost respect for you.

MS. Kamerdeiner: Thank you.

COUNCILMAN DICICCO: If I could get into your heart, I believe that you may be testifying differently, but I know you can't say that. It's working. It's working. And I guess I kind of had to let that out. I don't know what it is. I just don't get us. That's why it took us so long to start turning the City around because we keep thinking about what won't work. We've got to start thinking about what works. And now that we have the proven commodity that works, we know this works, let's continue down the path of progress.

You know, the pressure on the housing

and real estate values, at least on the east side -- because that's the east side of Broad that I represent -- as a result of all of those conversions -- and the repopulation of Center City and the surrounding neighborhoods, north and south of Center City is now down in my neighborhood, which is south of Washington Avenue -- property values are going through the roof. Because the pressure -- there's no more room left in Center City. People have to find -- they want to live close to Center City. They want to live in communities that are vibrant. We have done something with those abatement Bills and exemption Bills that makes this a very vibrant and attractive City.

And developers, one after the other after the other will tell you this is what gives them the incentive to do it. They have to make a return on their investment. Without it, they're not going to develop. Mr. Carl Dranoff, one of the biggest developers in the City, has said time and time again, as recently as last week, if it were not for those Bills, half the stuff -- probably all of the stuff that he's done -- wouldn't have occurred.

Again, I don't mean to be disrespectful

to you. I think you know that. I just can't imagine that we're still having this same conversation on something that we've proved is a success.

And we keep using the School District, "The kids aren't going to get books, they're not going to get pencils." Well, when everybody gets up and leaves, who's going to be left to pay for anything? It won't be just books and pencils that they won't have. There won't be any school buildings left.

This is about keeping people here. This is about providing an opportunity for people to want to move to this City. Because everybody, rich and/or poor, needs to look at the bottom line as to what they can afford to do. We just don't want this to be a City where people visit. We need to promote this City as a place to live. We need to rebuild our neighborhoods. I think this is the opportunity, again, based on the last six years performance. This is another opportunity, another layer, if you will, that gives folks a reason to want to stick around and not move out.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

The Chair also notes the presence of Councilwoman Blondel Reynolds Brown.

Councilwoman Tasco, do you have a question?

COUNCILWOMAN TASCO: Yes. I'm just a little puzzled. In your testimony on Bill 020813 -- I haven't really had a chance to look at this thoroughly. Yesterday, you came in and you supported a tax Bill, but here you say the Administration is presently reviewing this measure together with all of the other tax measures being considered. What makes this different?

MS. Kamerdeiner: I think if you look a little further down in my testimony you can see that we're looking at these in conjunction with the program that has been recommended as part of the '04 Budget. And the Bill that I testified in favor of yesterday was one of the measures that was included in the '04 Budget and the Five-Year Plan, and it's something that has been a part of the Administration's program all along in terms of gradual reductions in the gross receipts portion of the Business Privilege Tax. And so that is one of the things that's been factored in and had already been considered.

And what we are suggesting here is that we need to look at the other measures that have been proposed in light of what is already incorporated in the Plan. That's been in the Plan for several years.

COUNCILWOMAN TASCO: So you're saying that the Bill that we voted on yesterday is part of the Five-Year Plan?

MS. Kamerdeiner: That's correct.

COUNCILMAN NUTTER: Say that again.

COUNCILWOMAN TASCO: She said the Bill we voted on yesterday is part of the Five-Year Plan.

MS. Kamerdeiner: It's the reduction in the gross receipts portion -- the rate for the gross receipts portion of the Business Privilege Tax.

COUNCILMAN NUTTER: You were talking about a different Bill from yesterday?

MS. Kamerdeiner: Exactly.

COUNCILMAN NUTTER: It's two different Bills.

MS. Kamerdeiner: I know.

COUNCILMAN NUTTER: That was the -- I think what the Commissioner is talking about is the gross receipts tax Bill yesterday.

COUNCILWOMAN TASCO: I'm talking about Councilman Mariano's Bill.

COUNCILMAN NUTTER: That was the shift from growth in property tax to reducing the wage tax. That's what the Councilman testified.

MS. Kamerdeiner: I'm sorry. I apologize. There were multiple Bills yesterday and I had the wrong one in my mind. But we did not make a statement in support of the Mariano Bill yesterday. We just stated a number of pieces of information about it. We did not take a position on it.

COUNCILWOMAN TASCO: But if it's a tax measure -- it's a tax Bill and you're saying we should look at all the tax measures together. Why didn't you take a position?

MS. Kamerdeiner: I believe I said at that time -- and I don't have my exact testimony here -- but I believe I said at that time that we did need to go slowly. I asked this Committee to hold that Bill in Committee until the Governor's tax reform proposals were put forth and we had an opportunity to look at an entire package and work with the state in terms of tax reform.

And so basically, though it was in different words, I was saying much the same kind of thing, that we need to look at the entire program, the entire package of what we're doing, both real estate and wage tax in concert of what may be happening at the state level.

COUNCILWOMAN TASCO: Well, it's just real confusing to me. I don't know where you all are all on this Bills.

MS. Kamerdeiner: I think basically where we are at this point is that we know that there's going to be some state tax reform proposals that will be put forth next week. We've heard some things about them, but we don't know what the final package will look like. We also know that we have the Tax Reform Commission working here in Philadelphia. And we need to look at both the local and the state situation and review everything that's out there before making a final determination about what the proper mix should be.

COUNCILWOMAN BLACKWELL: Excuse me just

one moment.

Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam Chair.

Thank you for the interruption. I apologize. I have to leave Council Chambers to attend to Council business. I would like to leave my aye vote on any amendments or Bills that are voted on in my absence. And I hope to return before the end of hearing.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILMAN KENNEY: Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

Councilwoman Tasco.

COUNCILWOMAN TASCO: I'm finished.

COUNCILWOMAN BLACKWELL: Thank you.

Are there more questions for the Commissioner?

Councilman Nutter, do you have a question for Commissioner Kamerdeiner?

COUNCILMAN NUTTER: Thank you, Madam Chair.

Ms. Kamerdeiner, let me try to make sure I'm understanding the testimony here. Do I understand from your testimony -- this is 020813 we're talking about?

MS. Kamerdeiner: Right.

COUNCILMAN NUTTER: Top of the second page -- and I thought I heard Mr. Glancey say this, and I know you folks share information -- the BRT has advised that there are 35 accounts taking advantage of the current abatement on improvements?

MS. Kamerdeiner: Yes, that's what he has advised us.

COUNCILMAN NUTTER: 35 homeowners in the City out of over 500,000 homeowners are taking advantage of the three-year tax abatement on improvements to their homes? 35?

MS. Kamerdeiner: I would have to defer to Mr. Glancey.

COUNCILWOMAN BLACKWELL: Mr. Glancey, would you like to clarify that? Thank you.

MR. GLANCEY: Again, David Glancey, Chairman of the Board of Revision of Taxes.

Councilman, 35 is the accurate number, but they are taking advantage of the 10-year tax abatement. It's a 10-year tax abatement for those improvements. They're capped, the ones we're talking about. The current legislation is a 10-year abatement. It's not a 3-year abatement. That's why I wanted to make sure we're correct with that. But there are 35 accounts. You're right.

COUNCILMAN NUTTER: Right. And we extended it from 3 to 10 somewhere in the past few years?

MR. GLANCEY: Let me -- again, because there were about five different kinds of abatements. This was extended from 5 years to 10. This was a five-year declining abatement. This was an old abatement.

COUNCILMAN NUTTER: It was 100, then 80, then 60, then 40 on down. So it went from 5 to 10 a couple years ago?

MR. GLANCEY: That is correct, 5 to 10, and 100 for all 10 with the caps.

COUNCILMAN NUTTER: Okay. And you're telling us that only 35 people in the entire City are taking advantage of this program?

MR. GLANCEY: Thirty-five property accounts, yes, sir.

COUNCILMAN NUTTER: This is on a measure that the Council passed. Councilman DiCicco was the sponsor of a Bill extending the 5-year abatement on improvements from 5 years to 10 years with 100 percent abatement on the improvements, as compared to a declining abatement on those improvements for the 5-year period. So you got 100 at five year, thinking the fourth year you got 80, 60, 40, 20. You took it to 100 percent for the whole 10. There are 35 people in the entire City taking advantage of the program.

Mr. Glancey and I had a discussion, I believe on the record, possibly during budget hearings, for the BRT -- or some other hearing that you were over here for -- and I believe I asked you the question -- or if I did not, I think I asked the Revenue Commissioner -- who has the responsibility in the City to work with individuals and taxpayers and homeowners explaining to them the array -- we have a full array. We need a new little booklet on all the various tax abatements and tax incentive programs that we have, both for individuals and certainly business. But let's stay on the individuals for the moment. Whose responsibility is it in the City to work with taxpayers and homeowners on explaining to them the myriad of programs that we have? Where would a person go and sit down with someone and say, "I'm Joe Schmoe, I'm Jane Doe, this is what's going on with me and I'd like to hear about all these programs." What office would they go to?

MR. GLANCEY: I think it's shared. I think clearly we have a responsibility, and we do that. We put all of our information on our Web site. We have instructions that we send out to folks who make any kind of inquiry. I think it should be -- in the ideal world, I think there should be some sort of a brochure, not just for developers, but for individual homeowners and taxpayers.

Secondly -- and this does not happen, and I think it would be wonderful if it could. The first point of contact for a lot of folks is the Department of Licenses and Inspections for building permits. That's where you go. There is a little notation on the application for a building permit that says, you may be eligible for a tax abatement. That should be, in my estimation -- and I've talked to L&I commissioners going back -- there should be neon signs. There should be bells going off. There should be booklets given out. There should be something.

COUNCILMAN NUTTER: Well, if you're over at L&I, Mr. Glancey, and bells start going off, I'd suggest you get out of there as quickly as possible.

MR. GLANCEY: I don't think it's Ms. Kamerdeiner's department, as much as it is mine and Commerce and L&I.

COUNCILMAN NUTTER: My best sense is, no one is responsible for it ultimately, that everyone has a piece of it.

Now, my sense with the BRT, generally the only time anybody is thinking about the BRT is in the middle of the summer when they get their notice, whatever that date is, when they have to file for their appeal, and then they come to the hearing. It's kind of like the IRS. You think about them when you have to. The other 364 days of the year, it's like you never want to have any conversation with them. So I don't know that anybody is automatically thinking, "Oh, I want to find out about tax abatements. Let me call the BRT." Now, I'm sure some people do that.

I know at least in one similar

municipality, the City of Chicago, for instance, has the Chicago Tax Assistance Bureau where any citizen can call, sit down with a person and find out about the array of tax abatement programs that they have in Chicago, which are quite similar to what we have in Philadelphia. But that's their job and that's what they do 24 hours a day, 7 days a week because they are focused on that.

The Department of Revenue, again, as a regular taxpayer, if I heard that, all I'm thinking is, I call them to either pay my bill, make arrangements to pay my bill, or try to avoid paying my bill to the greatest extent possible. But I'm not looking to them, necessarily, given the name of the organization, for that kind of information. So, I mean, we can have this part of the discussion another time.

I am stunned, though, that only 35 people have gone in, got a permit legitimately, made whatever improvements they made of whatever amount, and I'm sure the form -- I think the Councilman is telling me it has been redesigned. It has an asterisk. Maybe it's in orange fluorescent ink, for all I know. But it would seem to me, with people making all kinds of improvements to their homes, that more than 35 people should be taking advantage of it. But we can have that debate another day.

I guess what I don't get in this is -- and Dave Glancey is at the table and they have more ways of calculating things than Carter's got liver pills. If only 35 people are taking advantage at the moment and we're talking about making this full extension, what is our fear? What's going to happen so cataclysmically by the approval of this kind of manner?

I think the Councilman's argument, as I was hearing it was, every one of these Bills we've done has been a proven winner. They've actually changed market behavior. Beyond the wide variety of things that we've done, people are now converting office buildings to residential, which has lead to a boom in population in Center City. What a coincidence. I mean, I don't understand. I don't understand the opposition. This is the fear of losing the money in the future that we're probably not going to get anyway.

MS. Kamerdeiner: In large part it's the unknown, because all of the caps that have been there come off. And as was mentioned in Mr. Glancey's testimony earlier, there are a number of buildings that are on the cusp that might very well come into this. We just don't know what the full impact would be and think that it needs to be looked at more closely in terms of what that future might look like when we're going forward into other uncertainties.

COUNCILMAN NUTTER: Well, let me mention one other thing. The number one revitalization program in the City is the Neighborhood Transformation Initiative. And a part of its fundamental premise is, we're going to take away the blight. We're going to create large parcels to be assembled for commercial and other development. But there's also, as a part of that, a promotion of the creation of 6,500 new market rate houses. 6,500. I hope we reach that goal. But a part of that promotion is that they're all going to be able to take advantage of the 10-year real estate tax abatement. So we're promoting these programs on the one hand, and believe we're going to get results out of it. And people are building some new houses in the City. I've got constituents here on a totally different matter who have experienced that. So 6,500 that we're hoping to get, and promoting it by way of a 10-year tax abatement for new construction.

What are we doing for people who are already here, the folks who didn't leave,, the folks we're not trying to attract back, the people that we're trying to keep? What are we doing for folks who are already here? That's the missing component of a bunch of our strategies. We will knock ourselves out trying to attract people to the City, whether it's the 10-year abatement on new construction, whether it's TIFs, whether it's KOZs, whether it's KOIZs, whether it's KOEZs. I mean, more programs than we know what to do with to attract people to come. And we want them to come. But the folks who are sitting here are trying to figure out, where are they in this mix. Maybe they should leave and then come back and be able to participate in all of these programs. Now, you know, naturally, that doesn't make any sense. So you have to shed some light on this.

MS. Kamerdeiner: I can only remind you that we're not saying that this should never happen. We're saying we need to look at it more closely in light of some things that will be coming out next week, and some other tax issues that will be coming forward in the review of the Tax Reform Commission, and that we should be looking at these things in concert, one with the other, and not one at a time. And I'm not saying here that this might not be an appropriate and prominent part of a future program.

COUNCILMAN NUTTER: Let me lastly say, Ms. Kamerdeiner, as a person who put forward the Tax Reform Commission, neither the Tax Reform Commission or any other Body created by this government or any other government is going to infringe, restrain, or constrict my ability or what I believe is my right to be a legislator. So if there's something going on out there, the Tax Reform Commission will do what it was charged to do. In the mean time, life and the government go on. So we want them to study a wide variety of things. We've given them a very broad charge. But they don't have the exclusive right to do anything in a tax and finance area. Ultimately, that's still left to this City Council. And we made that very clear in the creation of the Tax Reform Commission.

I was over at their meeting this

morning, and I'll continue to be a participate in their proceedings. But I don't work for the Tax Reform Commission. I work for the citizens of the City of Philadelphia. I'm a member of City Council, and we, I think, still have a right to continue to legislate while we're being mindful of their work. Because, actually, they're going to go away one day. We're not.

MS. Kamerdeiner: I didn't mean to suggest that you didn't have that final role. What I was suggesting was that the Council and the Administration should be taking a look at all of the proposals that come out from there, as well as from the State, and to be mindful of all of those things in making a decision about what the most appropriate methods of tax reduction and/or change are going forward.

COUNCILMAN NUTTER: All right. As long as we accept that no one has a lock on knowledge, information, and the ability to get something done.

MS. Kamerdeiner: Not at all.

COUNCILMAN NUTTER: All right. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome. Councilman DiCicco.

COUNCILMAN DICICCO: Thank you, Madam Chair.

Earlier I mentioned the fact that about 50, 52 formerly vacant buildings have now been converted. For the most part, I think most of that work has been completed, at least a large portion of those 52. Some of those conversions started immediately after 1997 when we passed the conversion Bill. I don't know what number of those properties are coming due in the next three, four years. The point I'm trying to make is, the 10-year exemption on a number of those buildings is soon coming to an end. That means that we will now be recouping, at the end of that 10-year exemption, the full value, real estate value, assessed value, of those properties. Have we looked at those numbers?

MS. Kamerdeiner: I believe that's factored into the projections for real estate tax revenue in the future years in the Five-Year Plan.

COUNCILMAN DICICCO: Mr. Glancey?

MR. GLANCEY: When I testified last week at the budget hearing I submitted a table with my budget testimony, which was a snapshot in time of those abatements. I brought that with me today because I thought you might ask that question. There are 108 properties that are still -- I guess only because this is now a sunset legislation -- there are 108 properties that have applied for and been granted that 10-year abatement under the conversion Bill. And the total abated market value is about $94 million. Assessed value is about $30.1 million. The real property taxes that are abated -- and I think the first ones can only come off in '08. This was passed in '97, right? So I think we didn't get any aps until the beginning of '98. So it's $2.5 million in real property taxes that will start coming back on-line. And maybe more because by that time there might be more value --

COUNCILMAN DICICCO: The value of the property may be higher.

MR. GLANCEY: Yes.

COUNCILMAN DICICCO: Thank you.

MS. Kamerdeiner: My reference was that we generally look at the abatement programs and what's coming off them as part of the process. Which year it falls into or whether it would really affect this current Five-Year Plan would depend upon the abatement program and when the properties came back onto the tax rolls.

COUNCILMAN DICICCO: Thank you. No further questions.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any other questions?

Ann Rubin, President, Philadelphia Realtors Association.

Next, Mr. Lawrence Rust, developer.

Is there anyone else, other than those two individuals, who would like to testify? Thank you.

Ms. Rubin, good morning, and welcome.

MS. RUBIN: Good morning. I'm actually now, after two years, the past president of the Greater Philadelphia Association of Realtors. And thank you for allowing me some time to speak to you. You do have prepared testimony.

We strongly support this Bill. It really is a no-brainer. It does not affect our tax base in the negative at all. These are tax dollars that are not coming into the City anyway. So, oh, wow, we might improve the City without taking money out. Sounds good to me. I'm not sure why everybody isn't on the bandwagon and supporting this Bill.

Interesting statistic that only 35 people have used this. My guess is that's because most people are unaware that maybe their taxes wouldn't be affected by using it, and my guess is they're probably not even applying for the permits for fear of their taxes going up. So maybe by publicizing this and increasing this, we'd actually bring revenue into the City for people applying for permits through L&I.

So my testimony is there. You've spent a lot of time. There's no reason in the world we should have anything but a yes vote for this Bill. Thank you. If there's any question, I'm happy to take them.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

COUNCILWOMAN BLACKWELL: Thank you.

Mr. Lawrence Rust, developer. Good morning. Welcome. Please identify yourself for the record and begin your testimony.

MR. RUST: My name is Lawrence Rust, R-U-S-T. I'm a member of the Greater Association of Realtors and I'm also a real estate developer.

Presently, I'm working in the area near 10th and Green -- 12th and Green. I'm doing renovations of single family homes, as well as have new construction on the boards. I have one property in particular that I applied for the tax abatement at the $50,000 threshold. The work that we're doing on the property, however, is substantially greater. I have other shells in the neighborhood that I would like to renovate and I would love to be able to get the full abatement. It would certainly be an incentive if it were available to us.

COUNCILWOMAN BLACKWELL: Thank you. What's that area called?

MR. RUST: Brandywine East is the name that's being used. It was pretty much coined by the neighborhood association 10 years ago. It's in Councilman Clarke's district bounded by Spring Garden on the south, Fairmount on the north, to the east 9th Street, and 13th Street to the west. It's an interesting area.

The fabric of the neighborhood is very

interesting because you have the changes that have occurred since the implosion of Richard Allen and Cambridge Homes. And the new homes that are going back, you have Friends Rehab doing mixed-use development and then you also have a substantial amount of market rate development.

My focus is on market rate development for resale, as well as rental. And I think that this Bill is necessary in order to create more in-fill renovation work and to spur that along. And I think that this will do that.

COUNCILWOMAN BLACKWELL: Thank you. That's a great area. I know it because of the church there at 10th and Wallace. It's my family church. And many people still go there, people from around the City, but who were born in public housing, as I was. But they still come from everywhere to visit that area.

MR. RUST: The neighborhood is changing dramatically, but for the best. There's another factor that's going on, which is Chinatown, is boxed in and has nowhere to go. There's been a flow across Vine, obviously. Now it's occurring across Spring Garden Street, as well.

COUNCILWOMAN BLACKWELL: They have a lot of lots right there on 10th and Wallace.

MR. RUST: The City has approximately, from what I can gather, maybe 60 lots in that area. PHA has some. And my company has made application to RDA for assembly of some of the lots. And I'm interested, not just in assembly of lots to do large parcels, but I want to do in-fill. This would help me immensely to do the in-fill renovation.

COUNCILWOMAN BLACKWELL: Thank you. Thank you for your interest in the area.

Good afternoon.

MR. DOMB: Good afternoon. My name is Allan Domb.

COUNCILWOMAN BLACKWELL: Can you spell your last name?

MR. DOMB: D-O-M-B.

COUNCILWOMAN BLACKWELL: And is it Alan, A-L-A-N?

MR. DOMB: A-L-L-A-N.

I just want to thank you for letting me speak today. I just want to be real brief and just say that I really view this Bill as an issue of fairness.

Currently, I'm involved in several properties in Center City, not only as a real estate broker, as a developer, and I'm a member of the Greater Philadelphia Association of Realtors.

Here's the problem. We have a vacant piece of land -- and Mr. Glancey was very eloquent in how he put this. When you have a vacant piece of land and you build on it, the homeowner that I sell to gets a 10-year tax abatement. When you take that building and you make it rentals, you get a 10-year tax abatement. But if you create home ownership and condominiums, those individuals don't get it. Which has created -- and it's been very good, by the way, what Councilman DiCicco introduced in '97 -- that's created a lot of people re-populating downtown tremendously. I've lived it every day since 1979. It's been a great Bill.

My only goal is I'd like to continue it and create more home ownership. Philadelphia has always been a great city of home ownership. We ran home ownership rates of 66 and 67 percent 20 years ago. We were the highest City of any in the country in home ownership. And this is a Bill that would make it fair and create home ownership.

You know, it's not the developer getting the tax abatement. It's the homeowner coming into the City who's going to get that tax abatement. When you think about it, I almost think it should go the other way. I think there should be a better benefit for rehabbing a historical building that's 75 years old and building a brand-new building. Because Philadelphia is about old buildings. That's what the City is about. So I just hope that this Bill will pass and I hope we'll continue to create that City of home ownership. Thank you for your time.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

Is there anyone else who would like to testify with regard to Bill No. 020813?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

We will proceed to Bill No. 020647 and ask the Clerk to read the tile of the Bill.

THE CLERK: Bill No. 020647, an Ordinance amending Section 19-1303(4) of the

Philadelphia Code entitled, "Authorization to Offer Exemption from Real Estate Taxes on New Construction of Residential Properties," by extending the exemption period for certain existing grants of exemption, all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much. I understand we have various residents who would like to testify about this Bill.

Is Mr. John McGovern here?

Is Mr. Gerald Fretz here? Gerald Fretz.

John Kay.

Fine. You may join him, as well. Thank you.

Jim Marino. Jim Marino. Thank you. Why don't you come up, as well.

Before we ask you to testify, Councilman Nutter will make a statement. Thank you.

COUNCILMAN NUTTER: Thank you, Madam Chair. I will try to be brief.

There is a history here that tells, on the one hand, a wonderful story for the City and, on the other hand, goes to the heart of issues of fundamental fairness for many of our citizens.

The many constituents who are here today are from a development called Spring Lane Meadows in the 21st Ward section of the City. And there was a piece of property that was open space, grass, trees and a number of, I think, deer inhabiting for some period of time. And a developer who's become known to us over the past few years and, again, is an active participant with the Mayor's Neighborhood Transformation Initiative, the Westrim (ph) Development Company came along with the bold idea of ultimately building 78 market-rate houses, and I believe asked this government for three things. One, to strike some City paper streets off the City Plan. Two, to put new streets on the plan and asked permission to dig in Spring Lane to put a forced main in. Other than that, the developer asked for nothing from this government and we thought this was a wonderful opportunity to build new houses in the City.

At the time of this construction, Spring Lane Meadows was the only market-rate housing development in the City of Philadelphia that was not receiving any governmental support. The project moved along. The demand was high, which also, I believe, bumped up some of the prices, because this kind of housing was not available anywhere in the City.

In the course of the development, again under the leadership of a Bill sponsored by Councilman DiCicco, we boldly extended the three-year tax abatement for new construction to 10 years. Unfortunately for many of my constituents, this activity took place in the middle of the development, and many who are here this morning were the pioneers of Spring Lane Meadows who dealt with construction, noise, mud, trash, no trash pick up, and helped to make this development what it was. And now they're faced with the prospect of their neighbors across the street, down the street or around the corner who are the beneficiaries of a 10-year tax abatement. A third of the development have only three-year tax abatements.

I believe this Council has the opportunity, if not the responsibility, to try to right this wrong. It is an issue of fundamental fairness to people in a planned development community, in a way that speaks to how we deal with these planned communities, how we treat people who are trying to return to the City.

If you talk to the developer, he can give you all the statistical data and tell you that there are a number of people living in Spring Lane Meadows who are not Philadelphians, who relocated from somewhere else in the City, but are netting new residents to the City of Philadelphia, again because of the unique nature of this development.

I'm asking my colleagues to listen to this testimony, as I know you will, and think about our opportunity here to right a wrong and to make this community whole, as it is, except for the fact that some homeowners are paying one level of tax and the other homeowners are paying no tax at all in the same community.

With that, I thank you, Madam Chair, and I appreciate the opportunity to put some information on the record.

COUNCILWOMAN BLACKWELL: Thank you.

Mr. McGovern, would identify yourself and begin your testimony.

MR. MCGOVERN: Yes. My name is John McGovern. My wife and I own 9013 Buttonwood Place.

In November of 1999, we moved from Montgomery County to our current address, which was the new construction built by John Westrim's company. Our family was the second family to move into this successful project. We've noticed that the City is using the development as a model to attract more suburban residents to the City of Philadelphia.

As Councilman Nutter testified, we were granted a three-year tax abatement while, we learned, that of the 78 homes, 50 homes were given a 10-year abatement. In discussion with the Board of Revision of Taxes, I learned that the other homes were given 10 years because of a date of March 1st, 2000, and the homes that were moved in before March 1st, 2000 would be given the three-year abatement because that was the rule at that time. We believe that it was unfair because it was the early people who took a chance on this project and made this project successful. We notified Councilman Nutter of our community's concerns related to this matter and he advised us he agreed with our position and he then introduced the legislation that we're now talking about.

Furthermore, we realized there must be a firm date that would identify a change in time. But we believe that this date should be moved to this landmark project date, which it would be November 1st, 1999.

Finally, we believe in the spirit of Philadelphia, that all taxpayers should be treated fairly. And because some of our neighbors who moved in just days apart are granted 10 years, while we're only granted three years, it's just not fair. And we believe that, therefore, this law would correct the violation of City and state law.

Any further questions?

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions for Mr. McGovern? Thank you very much.

Ms. Gallagher.

MS. MARINO: I'm Gerry Marino.

COUNCILWOMAN BLACKWELL: Okay. Please identify yourself and begin.

MS. MARINO: My name is Gerry Marino. I live at 9007 Buttonwood Place. To me, this is an issue about fairness.

My husband and I both were born and raised in the City of Philadelphia, so we didn't move from anywhere else into this new development. We've always been cheerleaders for the City of Philadelphia. I think it's a great place to live. And, actually, you probably couldn't even get my husband to move out of this City. He works for the City and loves the City.

What is so unfair about this is that we were the champions in this development. We were the ones that said, you know what, we're ready to upgrade our home. We're going to take a chance on this new development. We put money down on the development first, and then some people followed. And we feel it's totally unfair that we're the ones that are not getting the tax exemption for 10 years.

And just the feeling in the neighborhood itself is a bad one itself. We've moved in the neighborhood. It's a very diverse neighborhood, which we were happy about for our children's sake in raising children in the neighborhood. But what ends up happening is now you feel like you're a neighborhood of the have's and have not's. You walk around the neighborhood and look at homes where they're getting the 10-year tax abatement and just not feeling good about it. So we would really appreciate if you would pass this Bill.

COUNCILWOMAN BLACKWELL: Thank you, Ms. Marino.

Questions?

Mr. Kay.

MR. KAY: Good morning. My name is John Kay. I live at 9017 Buttonwood Place. I don't have any prepared statement.

Basically I'm here to support myself and my neighbors. It's an issue of fairness. Yes, we buy. Yes, we all bought in phase one of the development. Most people bought sight unseen. We took a chance. I myself, I had the Westrim trailer in front of my house for two years while they developed the rest of the neighborhood.

When the issue of this 10-year tax abatement came to light, there was some hope, there was some light and then there was some disappointment in the 20 homeowners who didn't receive letters in the mail saying that we didn't qualify for this 10-year abatement. I made settlement on 2/29 of 2000. It was a leap year. My other neighbors here, I'm sure we had issues prior to settlement where we wanted to delay settlement for whatever reason, but that didn't happen. We had promises from the developer that things would be made whole. Some were. Some weren't. We just feel it's a matter of fairness. And we're here and we're invested and we hope you do the right thing.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Kay.

Is Cindy Gallagher here?

John and Colleen Moderski next. Are the Moderski's here? Thank you.

Please identify yourself for the record and begin your testimony.

MS. GALLAGHER: Yes. Good afternoon. My name is Cindy Gallagher. I live at 521 Green Hill Lane. I am here to testify on behalf of myself, my husband and my neighbors. My husband, unfortunately, couldn't be here today. He's been deployed, actually, with Operation Enduring Freedom, so I'm here on my own for our house.

Ironically enough, four years ago, we were residents of Roxborough. My husband was a Philadelphia detective for 12 years. And when we decided to move, my husband actually worked in Bosnia, serving for the United States Army Reserves.

And I took a chance on my own and he was away and the neighborhood came up and we had talked about moving and I decided to take a chance. I put my house up on the market myself. I put a deposit down and kind of took a chance on Spring Lane Meadows. And I think it was the best decision that I ever made. When my husband came home from Bosnia, he was also excited, and very excited to move there, too.

In the meantime, however, right before settlement, my husband left the police force and he took a job outside of Philadelphia. At that time we were faced with the decision, well, we don't have to stay in Philadelphia anymore. Should we stay or should we leave? And we loved the community we built. We met nice neighbors. We took a chance. We liked everything about the neighborhood. And we really felt good about our decision to stay in Philadelphia, even though we didn't have to stay.

Unfortunately, last year, it was, I guess, at the end of the summer, we were outside and people were returning home from work. And I live on Green Hill Lane. I think I'm the only person here that wasn't awarded the 10-year tax abatement. My neighbors were all getting their mail about the same time and everyone was jumping for joy and letters and hugs and kisses and I was standing there amidst all my neighbors, saying, what's going on? They're like, look in your mail box. We just got great news. And sure enough I did not have a letter in my mail box because I had made settlement a few days before these people. My next-door neighbors, people across the street, actually everybody on both sides of my street. We were the only family not awarded the 10-year abatement.

So for my family and for my neighbors and for the people that did take a chance on this neighborhood, I just came here to talk about the fairness and support of this Bill. Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you, Ms. Gallagher.

Councilman Nutter.

COUNCILMAN NUTTER: Ms. Gallagher, two things. One, I'm sure we all wish your husband safety in this time of potential conflict.

MS. GALLAGHER: Thank you.

COUNCILMAN NUTTER: And we will keep him in our prayers. If I can offer one slightly lighthearted thing, you mentioned that when he was away before in Bosnia you moved to Spring Lane Meadows.

MS. GALLAGHER: That's correct.

COUNCILMAN NUTTER: You're not planning to move again, are you? Every time he goes away, you move and then he has to come home to a new place?

MS. GALLAGHER: The first time he went away I bought a new car, and my friends made fun of me. They're like, every time he leaves, you do something big. And then the house. And they're like, okay, Cin, he left again. What are you going to? I'm like, I don't know what I'm going to do.

COUNCILMAN NUTTER: I'm sure you'll come up with something. We'll keep him in our prayers.

MS. GALLAGHER: We would love to stay in the neighborhood. And this Bill would really, really help us to do that. And, actually, that brings up another point.

With him being in the Army and his pay and the difference, I mean, this 10-year abatement would really help my family. His orders right now are for two years. That's a long time to be away with someone who works and is, you know, a big provider of the income in our home. And we really like where we are and we would love to stay, if we can. This would certainly help us be able to do that.

COUNCILMAN NUTTER: Thank you for your testimony.

COUNCILWOMAN BLACKWELL: Thank you. Councilman Nutter speaks for all of us when we say we will be praying and everything goes well.

MS. GALLAGHER: Thank you. I appreciate that.

COUNCILWOMAN BLACKWELL: John and Colleen Moderski.

Martin Bogdon.

Timothy Bickle.

Matthew and Lynn Melady.

MR. BICKLE: Good morning. My name is Timothy Bickle. I'm a resident of Philadelphia at 528 Spring Lane -- I'm sorry -- Lantern Lane in Spring Lane Meadows Development of Philadelphia. I'd like to start out by thanking each of you to give me the opportunity to talk about this Bill this morning.

I was born in Philadelphia and remained a resident here for 45 years, and homeowner for the last 20 years. I have seen a lot of changes in the City of Philadelphia, so has a majority of the people on this board and business leaders in Philadelphia. Changes include loss of business, jobs, education and affordable housing. For City leaders and business leaders, making a decision about finding ways to bring those people back, keep the people here remaining here. For residents, in making decisions and choices.

Twenty-three years ago my mother and father, who were residents of this City for many, many years, had to make that decision. My father lost his job. My mother, who was an employee of the School District of Philadelphia, also lost her job. My youngest brother was in his last year of high school. My father was offered a job in New Jersey. My father's decision was to leave.

Growing up in Philadelphia, in the Fairmount section 25 years ago, we all know what happened. The same thing is happening now in a lot of neighborhoods in the City of Philadelphia. Property values went up. Everybody wanted to be close to Center City. Along with those property values, property taxes went up. My father could not afford to pay property taxes and traveled back and forth to a job in New Jersey. He moved.

In 1997 my brother and his family faced the same decision. There are no jobs in the City of Philadelphia where him and his wife could sustain his family. Three kids, putting them through high school, Catholic high school. They decided to leave.

In 1997, my family and myself faced that same situation. My daughter was entering high school. My wife was offered a job in Montgomery County, along with myself. It was a hard decision for me to make because I was a -- I'm still a Philadelphia Police Officer of 13 years. At that time, I was 10-year City employee. And I thought about giving up my career as a police officer at 10 years to move out of the City to give my daughter an education that wasn't afforded in the City of Philadelphia because of crime. And, myself, I wanted to live in a newer place and be closer to a job that I felt would support my family.

Westrim Development decided to build

houses in the Spring Lane Meadows section of Roxborough. Being a third homeowner in there, I endured a lot of what Councilman Nutter stated, the construction problems, not having my trash picked up. For three years, not having really much City service, other than water, gas and electric.

I want you to know that Bills like abatements and this Bill that's before you today work. I'm living proof. Because I had my heart set on moving out of the City. Giving up my job as a police officer, which I love, to give my daughter a better education. With the tax abatement, it allowed me to stay in the City of Philadelphia to save money, the traveling cost of my wife going back and forth to work. To send my daughter to a better school for education, and it also allowed me to remain a Philadelphia Police officer.

I ask that when you consider this Bill that you take that into effect, that I'm one of the people who want to stay. I lost my family members. I'm the only remaining person in my family left in Philadelphia. And I don't want to join them. I like the City of Philadelphia. I have 20-some years left, I hope good years left, in the Police

Department. I'd like to spend them in the City of Philadelphia.

So when you go back and you think about this, I hope you vote in favor of this Bill and you consider my family. And as yourselves touched on, let's not worry about the people who are coming in here all the time. Let's worry about the people who are here who don't want to leave. They also should be afforded a tax abatement. Thank you.

COUNCILWOMAN BLACKWELL: Councilman DiCicco.

COUNCILMAN DICICCO: Thank you. Good afternoon. I'm sorry. I didn't get your name.

MR. BICKLE: Timothy Bickle.

COUNCILMAN DICICCO: At the time that you were making the decision to purchase this home, were you of the impression, based on news articles that were probably being reported about the 10-year abatement, did you basically make your decision to buy because of the 10-abatement? And the reason I say that, when I first introduced the Bill, my office received a lot of calls from people in your development asking me, would they be entitled to the abatement. I wasn't absolutely certain at the time whether or not that would be the case. So I guess my question, again, is -- and it's probably to everybody else out in the audience -- is most of you, I think, bought these homes with the understanding, at least at the time, that you would be entitled to the abatement?

MR. BICKLE: When I first purchased the house, there was a three-year abatement and there was talk of extending it to a 10-year abatement. And the developer was the only way I found out about the abatement, first of all, was through the developer. He kind of led us to believe that, since the development was put together under one plan, as a planned community, that there should be no reason that everybody wouldn't be afforded the 10-year abatement. I said that the three-year abatement made me stay here. The 10-year abatement was in the back of my mind. Three years is better than nothing. It was a community-based thing.

And as some of the other residents testified, you're walking down the street and it's those that do and those that don't. Being the second family who actually moved in, I've seen everybody else move in. I've seen all their homes built. I know every one of them. I've be in every one of their houses before they were even in them because I lived there. I lived through all the construction. And for certain neighbors -- I don't know, they feel like they don't have to talk to you or they're afraid to talk to you because you don't have the 10-year abatement and they do. I talk to everybody, whether they have the 10-year or they don't have the 10-year, but it's not returned to me.

My neighbor and myself were just talking about it during the big snowstorm while we were actually out shoveling. And one of the neighbors who had come over to help us shovel had the 10-year abatement. Me and Mr. Bogdon were talking about it -- when we talked about it, he was kind of like, well, I think it's time for hot chocolate. He didn't want to get involved in it. I felt bad. You could tell he was concerned about our thing. And I explained to him, I have no hard feelings toward you. You got the 10-year abatement. God bless you. It's our chance now.

COUNCILMAN DICICCO: I only got the three. So much for my bill. But, anyway, thank you. I just wanted to make sure that I understood that you -- I'm sure most of the people out there are all shaking their heads. Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much, Mr. Bickle.

Please identify yourself and begin.

MR. MELADY: At the risk of being redundant, I'd just like to read from a quick prepared statement.

My name is Mat Melady. My wife Lynn and I purchased a newly constructed home in Spring Lane Meadows Development on November 27th, 1999. We were pleased with our purchase and we were happy to stay in the area and not flee the City like many people have been inclined to do over the recent years.

When we decided to invest in our present property, we met with the developers and found that we were fit potential property owners to commit to purchasing a home that was still in the planning stages. Lynn and I, for no other reason other than we like the lot, decided that we would build our house in the first phase of the building process. We liked the house and the area and we were intrigued by the three-year tax abatement that the City was offering and with word that the developer would be possibly included into a 10-year.

This past Thanksgiving, our three-year tax abatement was up. Our taxes went from their present cost of $400 to $4,700. This is okay in some ways because Lynn and I knew this would happen. And although with three children it is tough, we prepared ourselves for the increase.

The reason I write to you today is that during that time I went to settlement and at the time some of my neighbors went to settlement, City Council passed a Resolution that increased the years of the abatement program to 10 years. Some of my neighbors who live no more than 200 yards from me have received a 10-year tax abatement primarily because they decided to purchase a home in the final phase of the construction of this beautiful neighborhood.

I've lived in this area my whole life, as has my wife. I am not upset with this situation that presents itself, the tax abatement, and hold no one responsible for it. I just feel that it is not fair that for the next seven years I will pay $28,000 more in real taxes than some of my neighbors who were lucky enough to decide to purchase a home in the final stages of construction. I have invested in my neighborhood and community and would just like to be heard.

In closing, I would like to say that this tax abatement plan, as good as it is, in this particular case it was not dealt fairly to all new construction investors in Spring Lane Meadows Development and should be corrected, with the 10 years applied to all members of the community. Thank you for hearing me.

COUNCILWOMAN BLACKWELL: Thank you very much.

Ida Walker.

MS. WALKER: Good afternoon.

COUNCILWOMAN BLACKWELL: Good afternoon.

MS. WALKER: I too do not have a prepared statement. I just would like to speak from my heart.

I was born and raised in Roxborough. Even though I have lived in other states due to employment, whenever I had the opportunity to return to Philadelphia, I returned to Roxborough.

Like some of my other neighbors have already said, we live in a very beautiful, diversified community. It has afforded us a place of comfort and a place that we can really be proud of.

I might be somewhat different than the others who have spoken, in that I have reached the retirement age, so this presents a significant difference in my income level in regard to this tax abatement. The community is itself. As we have stated, it is a lovely place to live and it's a shame to see any sort of dissension or controversy arise amongst the neighbors due to a tax abatement.

I would greatly appreciate the support of the Council in that this abatement could be approved in our behalf so we could continue to live in a harmonious community. Thank you.

COUNCILWOMAN BLACKWELL: Councilman Nutter.

COUNCILMAN NUTTER: Thank you. We've corresponded on just a few occasions and I do appreciate the correspondence and your commitment to the effort. We may have to have our Chief Clerk or possibly Mr. Glancey check some of your documentation with regard to your announcing you've reached retirement age. I believe that there is a significant question on the record as I look at you across the table. And I just want to remind you that your testimony before City Council is considered unsworn testimony. There are provisions in the law related to that and I'd ask you to reconsider what you stated earlier. I'm not sure if you're actually retirement age, but we'll leave it at that.

MS. WALKER: That's a wonderful compliment. I thank you very much.

COUNCILMAN NUTTER: I appreciate your testimony. Thank you for coming in.

COUNCILWOMAN BLACKWELL: Thank you. We certainly agree.

Next we have Nadine Watkins-Alexander.

Owen O'Neill.

Trish and Christopher Campbell.

Is there anyone else who would like to testify who I didn't mention?

I understand we do have some written testimony. We have written testimony from Christopher and Owen O'Neill.

COUNCILMAN NUTTER: Madam Chair, we also have Michael Leinheiser, Joseph and Anna Rose

Vitelli, and a letter from Matthew and Lynn Melady, but I believe that was just read into the record. Madam Chair, if we could have those letters entered into the record as if they were read, I'd appreciate it.

COUNCILWOMAN BLACKWELL: Absolutely. Thank you very much. Thank you.

(Testimony attached.)

COUNCILWOMAN BLACKWELL: Identify yourself for the record and begin.

MR. BROGAN: Yes. My name is Joseph Brogan. My wife Mary Ellen and I are residents of 523 Lantern Lane. I'm the retired Deputy Commissioner of Recreation. I worked in that department for 37 years and maintain relationships with many of the Council people on this Finance Committee.

I'm here today really to thank the Chair and the Members for doing the right thing. And I know the feeling in the heart of the Revenue Commissioner as she sat here to give testimony, that she has to give the Administration's line. But when you look at the impact of this Bill with a few homeowners and the small amount of money involved, the economic impact of the City will be negligible. But it is the right thing to do, and I commend Councilman Mike Nutter for steadfastly pursuing this through all the intricate steps he had to follow. I want you to know that both my wife and I and all our neighbors appreciate your service. Thank you.

COUNCILMAN NUTTER: Thank you.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Brogan. Thank you very much.

Mr. Glancey or Ms. Kamerdeiner, would you like to testify with regard to this Bill?

Rich Fader, welcome, as well.

Mr. Glancey.

MR. GLANCEY: Again, I didn't submit written testimony on this, but I do have the numbers and the background.

Before I begin, let me just say that -- I think it was Mr. McFadden who was at our hearing, if I'm not mistaken -- Mr. McGovern. I'm sorry. Mr. McGovern was at a hearing before the Board of the Revision of Taxes on property values this year and he gave very heartfelt and intelligent testimony concerning the fact that -- he wasn't there to talk about the value of his property -- he was there to say that there are some similar homes that have 10-year abatements, and we have three-year abatements; can you help us?

At that point in time, clearly there was no assistance that could be granted because we couldn't take away the value of the property. And I did say to him that day, that the day this Bill was going to be heard I would be over here testifying on behalf of it.

I think the fairness question is very obvious from the testimony that you've heard in the past. There are 65 accounts that currently doesn't include -- it includes more than these folks. But right now, we have 65 accounts that would fall within the window of, I believe it's 10/27/99 and March 1st, 2000, about 65 accounts that would possibly fall within the gambit of this particular legislation.

I will say a caveat, however, that there may be accounts that never filed for this. And I have not read it in conjunction with the current Ordinance, but my sense is if it's the same language as the Ordinance that it is amending, there may be certificates of occupancy that could be viable for that small window. But our experience has been that those who utilize this particular -- they utilize the amendment first, were those folks who were already enjoying the three-year abatements, so our belief is that's probably all we will see in this instance. And that brings you to about 65 accounts.

Of those 65 accounts, there is about a million, nine of exempt assessed value on those properties. And, again, using the current millage that the City and School District uses, again, a joint taxation number, it's roughly $160,000 a year in real property taxes for both City and School District. Doing the math, this would add -- you multiply it by seven, this would add about $1,119,000 over the seven-year period, roughly $160,000 a year. So that's the math of it and that's my testimony.

It seems to me where you have one half or one part of a development being treated differently than the other part of a development. If there's anything legally that can be done, it should be done. So I thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

Ms. Kamerdeiner.

MS. Kamerdeiner: Good afternoon. Nancy Kamerdeiner, Revenue Commissioner.

Most of what is in my written testimony has already been dealt with. As David Glancey points out, the numbers that were included in there. The one thing I can and need to call to your attention to is the fact that the initial legislation to change the abatement period for new residential construction from three to 10 years was introduced April 13, 2000. And the state enabling legislation was not effective until December 17th, 2000.

In accordance with a memorandum that the City Solicitor has provided dated March 18th, 2003, it's my understanding that it's not within this Council's power to grant the tax exemption provided for in the proposed Ordinance because it pre-dates the effective date to a time period before the state enabling legislation. Richie Fader is here from the Law Department to amplify on that.

COUNCILWOMAN BLACKWELL: Thank you.

Mr. Fader.

MR. FADER: Yes. Thank you. Madam Chair, Members of the Committee, I'm Richard Fader, Chief Deputy Solicitor for Appeals and Legislation from the Law Department.

Obviously, I'm not here to discuss the fairness, one way or the another. The fairness argument is certainly very strong. The City, unfortunately, only has the power to grant tax abatements to the extent the General Assembly has authorized us to grant tax abatements. And in this case, the General Assembly's authorization became effective December 17th of the year 2000.

And moreover, the legislation specifically provides that any amendments to tax abatement legislation can only be only effective with respect to applications at the time of the building permit issued after the amendment to the Ordinance. Therefore, it seems reasonably clear to us that the General Assembly has not authorized us to provide the abatements that are requested here.

COUNCILWOMAN BLACKWELL: Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam

Chair.

COUNCILWOMAN BLACKWELL: That's a tough one.

COUNCILMAN NUTTER: Well, you know, they only send Mr. Fader over for the toughest of cases, and we've had our opportunities to engage in the past.

Mr. Fader, I appreciate the legalistic explanation. In the plainest of English, why don't you tell us what the bottom line is and what the Administration's position is with regard to this particular Bill?

MR. FADER: Councilman, it's not so much the Administration's position. What I'm trying to say in plain English is that, as I read the state legislation, the City is only authorized to grant tax abatements prospectively.

The City is not authorized to extend the tax abatement, in this case, to properties that were constructed prior to the grant of the tax abatement. And I think the solution lies in the General Assembly. If, in their wisdom, they want to provide this incentive they may me free to do that, but I think the legislation is fairly clear that we're not authorized to do that.

COUNCILMAN NUTTER: Is it true, Mr. Fader, that the legislation in question, Bill 000226, that Bill was approved on September 12th, 2000, and isn't it a fact that that particular Bill actually extended the abatement period back to the March 1, 2000 date? Was that the chain of events?

MR. FADER: I don't remember the particular effective date for that. I believe it was effective upon the enactment of authorizing state legislation. I think there was a subsequent legislation which may have affected the effective date. I don't remember the details on that one.

COUNCILMAN NUTTER: Well, I think my recollection is that -- we're talking about a State Act and then a City Council Act. There was a State Act, Act 2000-83, that was approved by the General Assembly on October 18th, 2000.

MR. FADER: Right. My memorandum incorrectly says 2003, Councilman.

COUNCILMAN NUTTER: I was not going to point that out.

MR. FADER: I was just pointing out that your confusion was based on my memorandum.

COUNCILMAN NUTTER: No, I haven't admitted that I'm confused yet. But when I am, I'll let you know.

The City Council legislation was passed on September 12th, 2000, but it took the line in the sand date back to March 1, 2000 because I think we realized that we were allowed to do that. So there has been some retroactive activity in the legislative process already; isn't that correct?

MR. FADER: Apparently that is correct.

COUNCILMAN NUTTER: And you and I have had wonderful discussions over the years about this notion of the legality of legislation, which you've not raised. You raise a slightly different point, which is whether it's legal or not is secondary to the general argument that we don't have the authorization to take these particular actions.

Now, you know from our many, many discussions, as a legislator, I've never been overwhelmed by the argument about what my authority is or is not, because I generally believe that we'll do whatever it is that we do and Bills will go through the process and that the ultimate arbiter of whether we have the authority to do something or not is another group of people in that third branch of the government called the Judiciary. They get to wear the robes and get to make those kinds of decisions.

MR. FADER: I completely agree with that, Councilman.

COUNCILMAN NUTTER: So as we move through this process, my commitment here is, I'm going to do everything that I have a legislative ability to do because I'm a legislator, pure and simple. It is what I do for a living every day.

We put forward this piece of legislation to right a wrong. This is fundamental unfairness here, and we're staying focused on the issue. We'll let the lawyers and the courts deal with legalisms and authority. But I'm going to represent my constituents to the best of my ability. We put forward a Bill that corrects, from a public policy standpoint, what cannot be good public policy.

If you have a development, everything is being basically developed at the same time. It is not good public policy to have one group of people getting one thing and another group getting another thing, and they all live in the same place under the same conditions in the same circumstance. You know and I know -- and you don't have to respond, because you don't want to -- you know and I know that that is an unfair circumstance and condition. So I'm going legislatively seek to correct it.

Now, if someone disagrees with me, they'll then do what they have to do or what they're legally authorized to do. And then ultimately this is going to end up somewhere else. Now, you know that and I know that. So we're moving through a process here.

This legislation, I believe, is right. I believe it is fair. And the issue of whether or not we are authorized to do certain things or not -- because you know we have heard that argument before. And ultimately the courts have made various decisions about what we're authorized to do or not. I'm sure the General Assembly, as good legislators, would not agree and would not think is a good policy to have one neighbor getting one thing and a neighbor across the street getting something else. And it must be violative of the City Charter, the state Constitution. I mean, we can drag the Magna Carta in.

We can bring a whole lot of things here when we're talking about fundamental issues of fairness and equal protection and a whole host of other statutes, which you are much more versed in, which I will not debate you on because you'll embarrass me and then I'll be upset and we'll have to have some other fight.

So I appreciate the testimony. You've made your position clear. And we don't have to have a big blowout debate about it. I appreciate the testimony. But we believe we do have the authorization to correct errors in public policy. There's a fundamental wrong here. Our responsibility is to make it right. I appreciate your testimony.

MR. FADER: Could I just comment, Councilman? We certainly have had many discussions over the years and we've had disagreements on legal issues. I want to be very clear that it is absolutely your responsibility to vote legislation after hearing all the advice you've gotten in the way you think that's most fit. And I'm here just to simply give you what we believe is the legally correct answer, but in the end it is your responsibility to vote the way you want. But I think it's important that you hear from us what our ultimate advice on the issue is going to be.

COUNCILMAN NUTTER: Thank you. And you know I always appreciate the advice. I do. Thank you.

Thank you very much, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Questions or more testimony with regard to this Bill?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

Then we will go to our next Bill. Bill No. 030014, would the Clerk please read the title of the Bill?

THE CLERK: Bill No. 030014, an Ordinance amending Section 19-1301 of the Philadelphia Code entitled, "Real Estate Taxes," by providing that the taxes levied on a property under that section shall not increase in any one year by more than a specified percentage as the result of an increase in the assessed value of the property as returned by the Board of Revision of Taxes, all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much.

So we're ready for you, Mr. Glancey and Ms. Kamerdeiner. Richie, you might as well stay there, just in case.

MS. Kamerdeiner: Good afternoon again. Nancy Kamerdeiner, Revenue Commissioner. I'm pleased to be with you today to present testimony on Bill 030014.

This Ordinance will amend Section 19-1301 of the Philadelphia Code entitled, "Real Estate Taxes" by providing that the taxes levied on a property shall not increase in any one year by more than a specified percentage.

This Bill would limit the assessment increase to 10 percent by amending the definition of taxable assessed value used in calculating the real estate tax for the City for 2003.

As proposed, the taxable assessed value would be the lesser of the assessed value as provided by the Board of Revision of Taxes for that year's tax, or 110 percent of the taxable assessed value of the property for the prior tax year. In

2004, the tax would be levied on the assessed value returned by the BRT for that year without comparison to the prior year's tax.

This is the re-introduction of a Bill that was vetoed last fall and the companion Bill that would provide a similar 10 percent cap on the School District portion of the real estate tax remains on the calendar of this Council pending final passage. It's estimated that this Bill would cost the City $7.98 million in the current Fiscal Year. Its companion Bill would cost the School District $11.01 million in '03, if it were also approved.

The City Solicitor has indicated that this Bill, just like its predecessor is not, quote, lawful with respect to the current Fiscal Year, unquote, because it would reduce current revenues during the current Fiscal Year. He opined last September that, quote, having enacted a balanced budget in accordance with the Home Rule Charter based on the Mayor's estimate of revenues for the current Fiscal Year, I do not believe the Council is free to unbalance that budget after the Fiscal Year begins, end quote.

In this case, not only has the Fiscal Year begun, but the vast majority of the tax for 2003 has already been collected. The tax is due March 31st, just a little over a week away, but a majority of the taxes are generally paid before February 28th each year in order to take advantage of the 1 percent discount. This year was no exception. And I expect that payments will continue to be heavy in the next week as we approach the due date. Therefore, if this legislation were to be approved, a tax that's already been paid would have to be recalculated and, in many cases, refunds paid.

The Solicitor also remind us that the Charter clearly states that the Mayor's estimates of revenue are binding on Council and Council is not free to reject them. The Mayor's estimate of real estate tax revenues for 2003 were based on a given millage rate imposed on 2002 assessments, and Council is not free to impose its own judgment about those revenue estimates, especially not in mid year.

The Solicitor went so far as to say that, quote, to the extent an assessment increase was unanticipated, the Council might determine, that in its view, the reduction in assessment base of the cap on any tax increase merely offsets the unanticipated assessment increase. In my opinion, there are numerous reasons why that is not legal for a mid-year tax decrease, end quote.

Among those reasons are that the Mayor is charged with estimating revenue and the Mayor's estimates are not to be taken on a tax-by-tax basis. Each tax cannot be looked at in isolation, but should be viewed as an accumulation of all City taxes and fees. Increases in one tax may be necessary to offset decreases in other taxes.

All things considered, the Solicitor concluded that the Council may not ordain a decrease in tax revenues for the City after the budget has been balanced at the start of the Fiscal Year.

This concludes my testimony. And I'd be happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you.

Do we have questions, comments?

Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Mr. Glancey do, you have testimony?

Mr. Fader, are you planning to jump in

this foray also?

MR. FADER: I'd like to speak very briefly.

COUNCILMAN NUTTER: Let's go through it.

MR. FADER: Thank you, Madam Chair, Members of the Committee. Ritchie Fader, Chief Deputy City Solicitor for Appeals and Legislation.

The Law Department just wants to remind the Council that the Solicitor issued an opinion back in September of last year on the prior version of this Bill.

COUNCILMAN NUTTER: How could we forget?

MR. FADER: The Solicitor and the Law Department have looked at this again and remain of the view that Council is not free to effectively decrease the rate of tax in the middle of the Fiscal Year. For those reasons, we will, again, be advising the Mayor that the Bill is unlawful.

COUNCILMAN NUTTER: Thank you so much.

MR. GLANCEY: Thank you, Councilman and Council Chairwoman.

First of all, I'd like to thank Councilman DiCicco for saying the property values in his district in Center City have skyrocketed. I'm very happy to hear you say that, Councilman.

On October 1st of 2002 I testified at some length before this Council, and I would just like to reiterate that testimony on this particular -- I think it was close to this particular piece of legislation, if not on this piece of legislation.

COUNCILMAN NUTTER: I think that was the week before.

MR. GLANCEY: I said at that time that I believe that we must redefine the relationship between property values and assessments and revenue raising.

My duty, the duty of the BRT, is to value the real estate in the City. And it is your duty and the duty of the Administration, among a host of other things that you have to do, to create and fund a budget for the City and the School District. I don't want your duties and authority and you don't want mine.

I think the Bills introduced by Councilman Nutter and Council President Verna are a responsible attempt to separate the valuation function from the revenue raising function. The BRT is in the business of real estate valuations and should not be in the revenue business. It's your responsibility, along with the Executive Branch. Let's work cooperatively to unband these two functions.

If I might just add one further thing, and I'll be very brief. Somebody used to say, in the palace of truth and justice -- or really in the ideal world, what would take place, for the BRT situation -- and, again, I'm only speaking for the BRT -- and we've discussed this somewhat -- would be to have a budget-driven system as opposed to a rate-driven system, where it would be possible to value all the properties in the City and have Council and the Administration and the School District decide what those expenditures would be, and then look at the millage year to year as they do in other counties surrounding us. That would be the ideal situation, as far as I'm concerned. And you don't need legislation to do that. Thank you.

COUNCILWOMAN BLACKWELL: Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Mr. Glancey, you'll be surprised to know that as recently as yesterday, when the Revenue Commissioner was here, we actually engaged in some discussion about this. We vote a budget with a revenue estimate in that budget for real estate taxes for the City and the School District in the spring. And then we have this phenomenon of the summer when the assessment notices come out and I think in a -- it doesn't even have to be a perfect world -- in a decent world, property values are going up. I've said this five times at every hearing that I've attended at the Board of Revision of Taxes this year that, all things being equal, you want property values to go up every year. It's a positive thing for the City. It's a positive thing for the region. It shows that people want to be here and that values are increasing.

At the same time, it does not necessarily mean that your tax bill should go through the roof. The fact that the value of your home has improved, there are a wide variety of factors that cause that. Most of which you have no control, other than the fact that you keep your property up and, hopefully, your neighbors do, as well, and somebody thinks that this a better neighborhood to live in and they're willing to pay a little more for the house. It does not mean that your income goes up. It does not mean your social security goes up. It does not mean that your SSI goes up. It does not mean that you did well in the stock market that year, which virtually no one has done. So the value of your home has nothing to do, generally, with how much money you have, and whether you can pay increased taxes.

And so we have engaged, for the last 11 years at least, in a process that is politically driven, from my particular perspective, that allows us the benefit of the rising value in many neighborhoods that has, again, usually nothing to do with what's going on in that neighborhood. If not the local economy, the regional economy or the national economy and just what people are willing to pay and interest rates being so low and people are actually willing to pay more -- they can afford more house when the rates are low because their ultimate total pay out is not extended that much.

And so what we do is we're willing to take the benefit of the rising assessments. We haven't touched our tax rate for 11 years. And during that same time, we've passed budgets, told people what we thought the government was going to get back, benefited from these windfalls, which we use, as the Revenue Commissioner and Budget Director shared with us yesterday, to shore us up in other places that maybe are not performing as well, whether it's the sales tax or the wage tax or any other of the 18 different taxes that we have in the City. And so we know the one sure place that we can always get extra money is on the real estate tax side. And we don't adjust the rates downward in many cases to match what we estimated in the budget we passed in the spring, which we cannot know in the summer what the assessments are going to be from the BRT.

And, finally, we don't know how successful people are going to be now, from the October 7th deadline through April and possibly May, when you finish your appeals process, what the actual revenues are going to be. Now, that system makes no sense. It is unfair. It is a back-door tax increase. You can call it the overage. You can call it the wonder money we found. Or it came down from the sky. You can call it whatever you want to call it. But we told the citizens when we voted the budget last spring that we expected to receive -- Commissioner? $321.7 million in real estate taxes? We were anticipating getting what, 328, 329, something like that?

MS. Kamerdeiner: I don't have the exact figure, but it's in that neighborhood, yes.

COUNCILMAN NUTTER: I think it's 321.7 versus 328.7, what we were expecting to get, short of appeals and the like. This is the little chart that we all agreed that the numbers were correct.

Now, it seems to me that the tax rate should reflect the 321.7, in which case, the tax rate would go down, which is the integral component of what your actual tax bill is going to be after you do all calculations and the assessments and the like. And so it is unfair.

The system does not operate properly in this particular regard, and we actually have no one to blame but ourselves because we've refused to touch the tax rate in the last 11 years. What do we do? The assessments go up. People pay more. And we say, "Oh, no, it wasn't us. I didn't raise your taxes. It was those nameless, faceless, uncaring people over at the BRT. They did it."

I've defended you during all those years, just for the record, so you know.

Madam Chair, what I would like to ask -- because we can have this debate for a long period of time -- we had extensive hearings on this matter back in October. What I would ask is, rather that argue with our good friends up at the table here, is that if we can incorporate all of the debate, all of the arguments back from October on this particular Bill and others, into this particular record so we don't have to have those debates, because we're going to have the same argument resulting in the same disagreement. But I do want to at least clarify two things for the record, since they've been entered.

One, Ms. Kamerdeiner, let's make sure that we're laying out all the facts. When you say in the first sentence of paragraph three, "It is estimated that this Bill would cost the City $7.98 million in the current Fiscal Year," let us distinguish what exactly we're talking about. Based on the budget that we passed last spring, this Bill would actually only cost the City against the budget $980,000; isn't that correct?

MS. Kamerdeiner: I'm just trying to follow the statement that you made. The number that is here is based on the evaluation of the --

COUNCILMAN NUTTER: It's a post-assessment determination of what the real estate tax will generate. When we passed the budget, you didn't know, I didn't know, Mr. Glancey didn't know what the assessments were going to produce in terms of real estate tax because the assessments had not been done. They were done in the summer. We passed the budget in the spring. The budget says the City estimates it will receive $321.7 million in real estate tax for the City; isn't that correct?

MS. Kamerdeiner: That's correct.

COUNCILMAN NUTTER: And based on the assessments that were done in the summer and the increased growth -- I won't use the word excessive -- but the increased growth in assessments now anticipate the City receiving $328.7 million, which is a $7 million windfall to the City. We didn't expect it. We didn't budget for it; isn't that correct?

MS. Kamerdeiner: I wouldn't use the term "windfall," but we are expecting a higher revenue collection rate as a result of the increased assessments. But there are, as you pointed out earlier, other areas where our estimates --

COUNCILMAN NUTTER: I understand that. We don't need to get into all that. But when you have in your testimony here that the 10 percent cap Bill would result in a $7.98 million decrease in revenue to the City, we have to maintain the distinction between the budget that we passed and the estimates that were made. And if you don't want to say windfall, you can say you were walking down the street and you found out after we passed the budget that you were getting $7 million more than you anticipated. You're combining those two figures, which inflate the actual number.

MS. Kamerdeiner: Each year, as you know, the budget estimates are made in December or January in anticipation of a budget that's introduced and reviewed during the winter months and passed in the spring.

During the course of the Fiscal Year, we do revise those estimates in terms of what's happening currently, and so the number that you're seeing here is against the current estimate of revenue for real estate tax based on the interim year of the revised projection. We do that for every tax, every source of revenue during the course of the year so we can see whether or not on balance we are going to be coming in where we expected, whether we need to reduce expenditures in order to maintain some sense of balance on the budget.

COUNCILMAN NUTTER: I just want to make sure that the record is clear about the numbers. That's all I really care about. There are two numbers here; there's a budget figure, there's the assessments after budget which give you the universe of what we might be able claim, right?

MS. Kamerdeiner: And the expected cost figure that I'm citing is against what we currently anticipate in revenue for real estate tax which does take into account --

COUNCILMAN NUTTER: As opposed to what you estimated back in December of 2000?

MS. Kamerdeiner: Before the budget was approved, yes.

COUNCILMAN NUTTER: Of 2002, rather.

That's the one thing.

The second thing is, on the second page of the testimony -- it's not really part of the testimony. It's my notes.

Mr. Glancey, isn't it true that the Board of Revision of Taxes, when citizens either appeal through the formal process or, after receiving at times the assessment shock notice in the summer, have a conversation with their evaluator, isn't it true, that notwithstanding what the City estimated when we passed the budget, notwithstanding what the City has revised its estimate to be, based on the assessment notices that went out this past summer, isn't it true that some taxpayers end up receiving tax relief that ultimately lower these particular figures based on actions taken by the Board of Revision of Taxes in the appeal process?

MR. GLANCEY: Yes.

COUNCILMAN NUTTER: Okay. And so here we have a situation where the Board of Revision of Taxes, in effect, ends up lowering the estimate of real estate tax level because of its own actions. But we're now faced with a situation where we're told here in City Council, we have no ability to do anything about the assessments, about the actual tax that people pay. We're now caught in a, well, you can't do anything in the course of the current Fiscal Year. While we know on a daily basis people are being told over at the BRT that their actual tax due is going to decrease during the current Fiscal Year, but the City Council is rendered somehow, at least in the view of some, as powerless to do anything, while the BRT is affecting City revenue estimates on a daily basis.

MR. GLANCEY: Councilman, if I may respond. You understand our process, so I'm not going to get into that. We affect valuation. It does have the impact on the revenue, as you suggest. Just to make it clear, however, you and I aren't disagreeing on anything.

COUNCILMAN NUTTER: I know that.

MR. GLANCEY: I just wanted to make the record clear, because you were saying that we at the table have -- whatever our disagreements -- you and I agree. I think absolutely what you're saying should be the case. I think every year you ought to look at the millage. You ought to project what is needed, and whatever it is to somehow to figure our time tables to work better. As long as we can do that within the first class county assessment, I'd be happy to do that. I think it makes some sense to do it that way. But I just wanted to be real clear for the record that I'm not disagreeing with what you say.

COUNCILMAN NUTTER: I think probably the one big fear about the annual recalculation of the rates is that one year that potentially comes along where the values are less than the year before, which would then put us in a position where we may have to raise rates.

MS. Kamerdeiner: Councilman, if I may. The estimates that we do during the course of the year takes into account an expectation that some of those who appeal to the Board of Revision of Taxes will be, in fact, successful. And so the number that's here should have already taken that into account. And so I wanted to make sure that you understood that that was already a factor in those revised estimates.

COUNCILMAN NUTTER: That's certainly smart. And the history has been that certainly many people who do appeal go through that particular process because the Board is respectful. They pay attention to what's going on. And when they think they've made a mistake, they're mature enough to recognize it and make the adjustment. So I do appreciate the testimony. We'll continue the struggle on this particular issue.

Mr. Fader, I continue to appreciate your advice. Thank you very much.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: You're welcome.

Any other questions from Members of the Committee?

(No response.)

COUNCILWOMAN BLACKWELL: All right. Having said that, we are happy to make all testimony with regard to these issues part of this record.

This will end our public hearing part of our meeting today.

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

COMMITTEE ON FINANCE

- - -

March 19, 2003

- - -

Public Meeting conducted by the Committee on Finance, held in Room 696, City Hall, Philadelphia, Pennsylvania, on the above date, to consider action on the following:
BILLS 020647, 020813, 030014.

- - -

PRESENT:
COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCILMAN FRANK DICICCO
COUNCILMAN JAMES KENNEY
COUNCILMAN MICHAEL NUTTER
COUNCILMAN BRIAN O'NEILL
COUNCILMAN ANGEL ORTIZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILWOMAN MARIAN TASCO

- - -

COUNCILWOMAN BLACKWELL: We will now enter into the stated meeting.

Councilman DiCicco, we will ask you to make a motion that we submit an amendment for Bill No. 020813.

COUNCILMAN DICICCO: Madam Chair, we have since changed our position on that. After having conversations with Mr. Fader and others, there will no amendment at this time for that Bill.

COUNCILWOMAN BLACKWELL: Would you like the Bill considered?

COUNCILMAN DICICCO: Yes.

Madam Chair, I move that Bill No. 020813 be reported out of this Committee with a favorable recommendation.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 020813 be reported out of Committee with a favorable recommendation.

All in favor?

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: And so it is

passed.

We will now entertain a motion, Councilman Nutter, for Bill No. 020647.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I move that Bill 020647 be reported out this Committee with a favorable recommendation, and a further recommendation that the Rules of Council be suspended so as to permit first reading at our next Session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 020647 be reported out of Committee with a favorable recommendation and, furthermore, that a suspension of the Rules be entertained so that it may be considered at our next Session of Council.

All in favor?

(Aye.)

COUNCILWOMAN BLACKWELL: All opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it. And so this Bill is passed out of Committee.

Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I move that Bill 030014 be reported out of in this Committee with a favorable recommendation, and a further recommendation that the Rules of Council be suspended so as to permit first reading at our next Session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: Thank you. It has been moved and seconded that Bill No. 030014 be reported out of Committee with a favorable recommendation, and also that the Rules be suspended so as to permit first reading at our next Session of Council.

All in favor?

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it. And so it is passed.

We thank you all for coming and we'll see you on the next go-round. Thank you, Members of the Committee, as well.

(Council adjourned at 1:20 p.m.)

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 March 19, 2003, were reported fully and accurately by me, and that this is a correct transcript of the same.

RE: COMMITTEE ON FINANCE

Lisa C. Bradley, RPR
and Notary Public