COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, December 3, 2019
2:35 p.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN DEREK S. GREEN
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN HELEN GYM
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DAVID OH
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN CHERELLE L. PARKER
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILMAN AL TAUBENBERGER

BILLS: 190943, 190944

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COUNCIL PRESIDENT CLARKE: First of all, I would like to thank everyone for coming down today. Some might say this is a relatively significant moment. I probably would say that, too.

I want to thank all the members in particular who have worked on this initiative, actually, a former member Councilman Goode sitting over there. I remember Councilman Goode sponsored a number of bills on the tax abatement years ago. So, this is not something that just happened to come up in the last moment as some people are attempting to imply. Sorry, had to take a shot.

So hopefully, we will have a thoughtful discussion today. We would like to hear all sides as we do in the City Council of Philadelphia and come up with a reasonable solution to an issue that continues to be hotly debated and somewhat controversial and hotly contested. At the end of the day, this Council has been real good about being in a position to come up with what people believe to be the most reasonable approach to governing in the City of

Philadelphia.

So, I want to thank you all so much. This is the hearing that's called to order. I recognize the presence of a quorum of the Committee of the Whole. This is the Public Hearing on the committee. The purpose of this hearing is to take testimony on Bills No. 190943 and 190944.

Mr. Christmas, would you please read the title of the bills.

THE CLERK: Bill No. 190943: An Ordinance amending Section 19-1301.1 of The Philadelphia Code, entitled "Homestead Exclusion," to increase the amount of the homestead exclusion, under certain terms and conditions.

And Bill No. 190944: An Ordinance amending Chapter 19-1300 of The Philadelphia Code, entitled "Real Estate Taxes," by modifying the duration and/or amount of certain tax abatements, and by providing for periodic evaluation of the abatements authorized by Sections 19-1303(2), 19-1303(3) and 19-1303(4), all under certain terms and conditions.

COUNCIL PRESIDENT CLARKE: Thank you,

Mr. Christmas.

At this time, our first witnesses to testify on Bill No. 190943 -- testifying on both bills. Right now we have Mr. Rob Dubow, City Finance Director and Mr. Uri Monson, the Chief Financial Officer for the School District of Philadelphia.

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE: Mr. Engler, are you testifying, also?

MR. ENGLER: On 944.

COUNCIL PRESIDENT CLARKE: On the next bill. Okay. Thank you.

Good afternoon. Please proceed.

MR. DUBOW: Good afternoon, Council President, Members of City Council. Rob Dubow, Finance Director joined by Jim Engler, Chief of Staff to Mayor Kenney; Uri Monson from the School District. I'm here to testify in opposition to Bill No. 190943.

The legislation would raise the Homestead Exemption from the existing $45,000 to $50,000 starting for Tax Year 21. The Homestead Exemption is available to anyone who owns a property in Philadelphia for whom the property in question is the primary residence. As you know, the Homestead was increased earlier this year from 40 to 45,000. And the earlier changes to the Homestead were made in part to help offset increases in property assessments.

The proposed increase in this bill is not coupled with any change in assessment, and has substantial costs to the City's General Fund and to the School District. The combined FY21 costs to the City and School District would be about 15.4 million with about 8.5 million, that cost being born by the District. The District's Five Year Plan already assumes it will begin incurring deficits in FY22. This bill would exacerbate those deficits.

Given the anticipated financial impact of the bill, we would want to -- we would want any revisions to the Homestead Exemption to be weighed against other priorities as part of the FY21 budget process and to be considered in the context of any change in assessed values.

That concludes my testimony. And we're available to answer any questions you might have.

COUNCIL PRESIDENT CLARKE: Thank you

very much.

Mr. Monson.

MR. MONSON: Good afternoon, Council President Clarke, Members of the Committee. My name is Uri Monson. I'm the Chief Financial Officer for the School District of Philadelphia. I'm here to explain the impact on the School District of the ordinances to amend the code regarding the Homestead Exclusion and regarding the City's Real Estate Tax Abatement Program.

I want to begin by briefly addressing proposed increase in the Homestead Exclusion. Last June, I testified regarding a similar bill to increase the exemption, and noted the negative impact to the District of any such change as significant. We estimate the proposal here today would cost the District about 9 and a half million in '21; about $50 million over the life of our Five Year Plan.

For perspective, 9 and a half million dollars, equivalent to the annual costs of 79 teachers' salaries.

Last year, the City was able to designate funds to keep the School District whole relative to the eventual change of the

Homestead Exclusion that was adopted in June. And we would hope the City would take the same approach to any future changes to the Homestead Exemption.

The proposed changes to the Real Estate Tax Abatement Program would have a positive short-term impact on the School District's budget allowing for the collection of revenues not currently received in years two to ten of the ten-year tax abatement.

In Fiscal Year '18, the District's revenues from real estate taxes are reduced by just over $61 million as a result of the current residential and commercial tax abatement programs. According to the research conducted by eConsult on behalf of City Council, the District would expect to realize an additional $148 million in revenues over the next ten years if the proposed ordinance is passed.

Recently, with the help of the Mayor, this Council and through smart fiscal financial management, the School District has been able to return to fiscal stability, allowing for Moody's to upgrade the District to investment grade for the first time since 1977, and Fitch to upgrade the District to two notches this past October. These additional funds would be the sustainable recurring predictable revenues in which the District relies in order to make investments in our students, staff and schools.

I think it's important to know it will be crucial to continue to review the impacts of these amendments in the performance of the Tax Abatement Program going forward on a routine basis. I was an assistant budget director for the City when the current abatement programs are first enacted over twenty years ago. And have used the City's taxation system through a variety of lenses over that period.

The Abatement Program, like other incentive programs -- TIFs, KOZs, exemptions -- are all exceptions to the tax code which are presumably initiated to provide some type of economic activity in the City or correct for recognized disadvantage to the tax code. While it would take time to determine whether or not the amendments proposed in this ordinance will have impact on construction and home improvement activity in Philadelphia, studies have shown we can expect some impact.

It's always challenging to construct the "but/for" analysis, what would have happened under a different set of circumstances. Would greater funding improve the quality of our public schools, also potentially driving up real estate values regardless of any tax abatement?

With the eConsult study, a baseline has been established, which should be utilized to evaluate the impact of these amendments and the tax abatement reconsidered in whole or in part within some defined period of time.

This concludes my testimony. And I am happy to answer any questions you may have.

COUNCIL PRESIDENT CLARKE: Thank you.

You are on the next bill, right? Want to do it now?

MR. ENGLER: Up to you.

COUNCIL PRESIDENT CLARKE: Might as well.

MR. ENGLER: Good afternoon, Council President Clarke and Members of City Council. My name is James Engler, Chief of Staff to Mayor Kenney. I am joined by Rob Dubow, City Finance Director and Anne Fadullon, Director of Planning and Development. I am here to testify on Bill

No. 190944.

This legislation would modify the existing ten-year Real Estate Tax Abatement for certain new construction, creating an annual 10 percent step-down scale over the course of ten years. This change would be applied for an initial abatement application submitted on after July 1, 2020. Each year, each new abatement would step down an additional 10 percent so properties would have a 100 percent abatement the first year and 90 percent abatement the second year, 80 percent the third year and so on. After the tenth and final year, the abatement would terminate.

The Abatement Program was implemented to spur construction development in the City and strengthen what was a very weak market. Numerous studies have shown the Abatement Program helped achieved that goal. Implementation of the abatement helped to drive investment building production, including both new construction and rehabilitation. In turn, the abatement helped to strengthen the City's real estate market and boost the City's property tax base overall.

Studies also note, however, that the market has changed since the abatement was first implemented. And we agree, the abatement is worth revisiting in light of these market changes. We also strongly support the requirement that the abatement be reevaluated every three years.

Studies have also concluded that elimination or reduction of the existing abatement would lead to reduction in construction activity, which would be accompanied by a loss of development, employment and related tax revenue over the long term. Over a 20 or 30-year period, the current abatement is projected to generate more development, create more jobs and raise more tax revenue than scenarios to modify or decrease the incentive.

In addition, outside studies also show short-term revenue gains following the reduction or elimination of the abatement. At some point, however, there is a crossover. After which, the City and School District begin to lose revenue. The Department of Revenue analyzed the proposed reduction scenario in this legislation and it's likely impacts over the next 20 years starting in 2021. This analysis found an anticipated short-term increase in Real Estate Tax revenues, which is expected to peak at $56 million in 2030. After that peak, the increase is expected to decrease each year leading to a loss of over $15 million in 2040.

Over a ten-year period, this is expected to reduce construction volume by over 12,000 new properties as compared to the status quo. Over the 20-year period, the change in construction volume is expected to grow to a reduction of over 28,000 new properties.

While we remain concerned about the loss of long-term revenue and the possible negative impacts a change would have on development, employment and other City revenues, we understand the concerns of residents who view the current abatement structure as unfair. We support a change to the abatement with a percentage phased out over a period of years but with a few caveats.

First, we strongly believe that the legislated periodic evaluations be conducted jointly by City Council and the Administration.

Additionally, we have concerns that the effective date of July 1, 2020 could have significant negative impacts on the development projects currently in the final planning phrases. We would respectfully request that the effective date be adjusted to July 1, 2021 to allow for both the City and developers to better plan for implementation of this change.

That concludes my testimony. And we are available to answer any questions you may have.

COUNCIL PRESIDENT CLARKE: Thank you very much for your testimony. I have a couple of quick questions.

Homestead. Would you acknowledge that the Homestead has been probably the most effective way to offset increasing numbers as it relates to existing residents and neighbors to offset, in most cases, the increase in taxes based on new construction?

MR. DUBOW: It has been --

COUNCIL PRESIDENT CLARKE: I know that's a loaded question. In reality, when you look at neighborhoods, you go to Francisville, you go to Brewerytown, you go to Point Breeze, these neighborhoods where there's been significant levels of ten-year tax abated new construction, the property values on existing properties are going up dramatically. And I think that's why having Homestead would be in support of, you know, mitigating any negative impacts of that to a degree.

Would you acknowledge that?

MR. DUBOW: I think the Homestead has been valuable in offsetting increases in assessments. And it's been -- those increases have been coupled with changes in assessments before. Meaning, it's our most widely used relief program, about 220,000 properties. So, that has been one of the big benefits of the Homestead, yes.

COUNCIL PRESIDENT CLARKE: All right. Then our ability to locally put in place measures that will allow us to support existing residents are quite limited. Probably Homestead, maybe one or two other small measures?

MR. DUBOW: So, there's Homestead --

COUNCIL PRESIDENT CLARKE: Because OPA just want to do what OPA has consistently done unless we change it. But it's been problematic for a lot of residents.

MR. DUBOW: There are a number of relief programs in addition to Homestead. There is the LOOP Program. There are payment plans which hit the lowest income levels, actually have zero payment options.

COUNCIL PRESIDENT CLARKE: Right.

MR. DUBOW: So, there are other relief programs, too.

COUNCIL PRESIDENT CLARKE: Would you acknowledge that LOOP has certain qualifiers? Must have lived in the property for a certain period of time, income. Homestead is for everybody that owns and occupies the house.

MR. DUBOW: For everybody --

COUNCIL PRESIDENT CLARKE: So, that's the most effective.

MR. DUBOW: Right. Regardless of income, regardless of anything else. As long as you own the property and live in it, you can get a Homestead.

COUNCIL PRESIDENT CLARKE: All right. Okay. I just want to make sure we on the same page on that.

Mr. Engler, you referenced this figures

over a period of time. You, actually, referenced 2039 as the year where there will potentially be some negative impact on any changes. And I will say here today, I guarantee you, I will not be the Council President in 2039. I know that might make a lot of people happy. They may want me to accelerate that date. But 2039, I am not going to be the Council President, all right.

But over that same time period until we get to 2039, we are looking at around $420 million in projected revenue going towards our schools and our City to help with services and existing homeowners and making sure our children live in a safe environment. Just want to acknowledge that.

MR. ENGLER: Yes. And I think I acknowledged in the testimony, there are revenue gains in the short term. I think that's what every study has shown.

COUNCIL PRESIDENT CLARKE: Short-term? Are you talking about from 2020 to 2038 short-term?

When you say short-term, I am trying to understand what's short-term.

MR. ENGLER: So, what I reference in there is where you get to the crossover point, which is what economists have looked over that said, where does the revenue cross over? Where do we see actually a reduction revenue with the change?

So, if you were to continue the current abatement structure, you would see increased revenue. If you were to change it, how you would change it would increase revenue over a certain period of time. It could be ten years. It could be twenty years depending on the type of change that you would implement. And you would see increased revenue.

The question is, what happens after that? And what JLL who looked at it two years ago, I guess it was now, a year and a half ago, found there is a crossover point no matter what change you were to implement where there would actually be reduced revenue from the status quo.

COUNCIL PRESIDENT CLARKE: Okay.

MR. ENGLER: But I think also in the testimony, I note that we agree that it's fair to make a change to the abatement in light of the changing market conditions. And that we believe that the phased-out approach is a fair way to do that.

COUNCIL PRESIDENT CLARKE: Okay. We are looking at 2039. Probably get away with that. All right. Okay. Going to limit my questions because we have a lot of individuals here to testify today.

Chair recognizes Councilwoman Gym.

Councilwoman.

COUNCILWOMAN GYM: Thank you very much, Council President.

So Mr. Engler, I wanted to ask a little bit about the tax abatement as a program overall. Are you aware of any other city in the country that does a tax abatement similar to ours? In which case, it is ten years of property taxes, granted not land value, blanket across the city with no income restrictions or caps or anything like that and also, interestingly enough, not necessarily frozen? The tax abatement actually grows over time.

So, are you aware of any other program in the country that does something along those lines?

MR. ENGLER: I'm not. I am far from a

subject expert on it. But Anne Fadullon, our Director of Planning and Development is here. She can provide any expertise.

COUNCILWOMAN GYM: It's a pretty yes-or-no question. I don't want to bring up Anne for a long --

MS. FADULLON: My favorite. So, the short answer to your question is no. But there are -- I don't have it at the tip of my tongue and the top of my head. But a few years ago, we did kind of look at this and pulled a bunch of cities. Are various types of tax abatements. In fact, you know, New York City has some of the most generous tax abatements, but they are usually tied to something else.

The only place that we found that did not have any kind of abatement was Boston. And when I said why is that, they basically said because it was so difficult to build anything there and supply was so limited, that they didn't need an abatement.

COUNCILWOMAN GYM: Interesting. And has the ten-year property tax abatement changed at all in the last 18 years plus of its existence?

MS. FADULLON: So, I don't believe it's

changed in the last 18 years since this version was passed, right? Initially, it was a three year. And it was only for rehab of the upper floors of commercial properties. And then I think it went to some kind of a five year.

And ultimately, this passed where it was a ten year full abatement on any type of improvement.

COUNCILWOMAN GYM: So currently, there has not been any substantive changes to this tax subsidy program for almost two decades, in other words?

MS. FADULLON: Correct. Since this version passed, there has not been any changes to it.

COUNCILWOMAN GYM: And is that standard? I mean, tax subsidies --

MS. FADULLON: I honestly don't know.

COUNCILWOMAN GYM: -- can evolve and change.

MS. FADULLON: I can't -- I don't know.

COUNCILWOMAN GYM: So, one of the other questions I had is that if -- the Controller's report says about 6 percent of Philadelphia's neighborhoods receives almost 60 percent of the benefits of the tax abasement.

Do you feel like this is the type of tax policy that is reflective of the City's efforts to move towards equity in terms of our use of development dollars, incentives, et cetera?

MS. FADULLON: So, I think in one hand it's equitable, because anybody can get it, right? So, even our affordable housing developments get it. You know, when you do a tax credit deal, you actually by law have to have a for-profit entity.

Even, for example, when the Housing Authority does a project, they have to do it as a for-profit entity. And they get a tax abatement.

So in that respect, I think it's equitable. But I think kind of what's built in is, obviously, the higher the value of the property, the more that gets abated. So, there is sort of this lean towards kind of properties with higher value getting a bigger benefit.

COUNCILWOMAN GYM: Yeah. I think that map says a lot about how equitable it is. I know especially for yourself, Ms. Fadullon, that you've been dedicated to seeing equity.

MS. FADULLON: Yeah.

COUNCILWOMAN GYM: I think what we are looking for is equitable development, and the map doesn't show that. So, whether it's intended to or not, the actual outcome, would you say, is equitable?

MS. FADULLON: You know, I think it's complicated, right, which is why we are having the conversation today. So I think, you know, development is part of what's added to us having a stronger tax base; and then using that tax base to support more equitable programs is a very advantageous thing.

However, you know, like I said, properties that have a higher value tend to get a bigger benefit from this type of incentive.

COUNCILWOMAN GYM: So, Mr. Dubow, so one clarification about the tax abatement that I found really interesting is that say if someone were to get the tax abatement in year one and say the value of their house is $300,000, is it true that the tax abatement would actually grow?

So for example, if property values grow over the next ten years, they're entitled to a ten-year property tax abatement. They not only -- they aren't just frozen in at the 300,000. The tax abatement actually grows and expands.

Is that accurate?

I mean, they are taxed on the land value, I understand. But say if the property value were to grow by 30 percent over ten years, it would then be valued at 420,000 by year ten. They are not responsible for taxes on the 120,000? They would get a property tax abatement for the full 420,000; is that correct?

MR. DUBOW: They only pay on the land. That's right.

COUNCILWOMAN GYM: They only pay on the land.

MR. DUBOW: Yeah.

COUNCILWOMAN GYM: So, the tax abatement is something that grows expansively. It would have no limit or cap if the value or property; whereas, other counties might say, hey, you got a $300,000 tax break. That's pretty good for the next ten years.

MR. DUBOW: I don't know how other counties do it, but that's correct. That's got to be how it works here correctly.

COUNCILWOMAN GYM: We can agree, though, that no other municipality gives such a generous program as does ours? So whether or not you --

MS. FADULLON: I think the honest answer to that is we just don't know because we don't know what every single other municipality is doing. But I think your assessment of if you buy a house at 330 -- at $300,000 and let's say the value of the land was 50, you get the 250 abated. And if the value of that house goes up to 300, that yes, your -- technically, your abatement kind of grows because of the value. You don't get then retaxed on that increased increment.

COUNCILWOMAN GYM: Thank you.

So, Mr. Monson, could you talk a little bit about what the School District's facilities needs are right now?

What is the actual -- couple years ago, the School District issued a report about urgent facilities needs within the School District. It was something in the billions of dollars i think it was.

MR. MONSON: It's about four and a half billion dollars was that facility's condition index. We are actually in the process of updating it for both work we have done and, obviously, have conditions have deteriorated. But the number we generally use is four and a half billion dollars.

COUNCILWOMAN GYM: And the ten-year property tax abatement impacts the School District how? What does -- how is the School District impacted by the property tax abatement?

MR. MONSON: It reduces our real estate tax revenues by -- for 2018, the last full year of data, $61 million a year.

COUNCILWOMAN GYM: $61 million a year?

MR. MONSON: Yes.

COUNCILWOMAN GYM: Okay. So, $61 million is what the District might have lost as a result of this?

MR. MONSON: In a raw number, yes. Not accounting for the "but/for" argument of what economic activity would or would not have happened.

COUNCILWOMAN GYM: And the District has been doing significant amount of work in the area facilities. You recently announced a infrastructure investment of how much borrowing?

MR. MONSON: We completed a borrowing of $500 million. Actually, closed on it about three weeks ago.

COUNCILWOMAN GYM: And if we were to delay implementation of this tax abatement, would that put the District in a better or worse position financially?

MR. MONSON: If --

COUNCILWOMAN GYM: If we were to -- the proposal on the table is that the tax abatement would change as of July 1. If we were to delay that, say, a year or so, would that put the District in a better or worse position?

MR. MONSON: It delays a year from when we would recoup some of those revenues. So, reduces our revenues.

COUNCILWOMAN GYM: And I assume that you have use for that revenue?

MR. MONSON: Yes.

COUNCILWOMAN GYM: You can put it to use right away?

MR. MONSON: Yes.

COUNCILWOMAN GYM: Are there instances of school facilities that you can probably come up with a list of?

MR. MONSON: I am sure everyone here is familiar with a list of facilities that need work.

COUNCILWOMAN GYM: Yes. Sometimes we read about it in papers as you know.

MR. MONSON: Sometimes.

COUNCILWOMAN GYM: Yes, unfortunately.

I just wanted to clarify that. And the District's amount of debt service on that -- on the borrowing that you are doing for infrastructure is about how much?

MR. MONSON: I don't have the debt service for just that piece. Our total debt service for this year is just shy of $300 million a year. The borrowing -- we had always anticipated doing a borrowing about now. And with our better credit rating and market conditions, we originally anticipated doing about 275/300. Those conditions would have allowed us to borrow about 400 million with the same debt expectations.

Obviously, because of concerns about the facilities and market opportunities, we took advantage doing the $500 million borrowing. Adding about -- we are estimating the final numbers in about 8 to 10 million dollars a year of additional debt service.

COUNCILWOMAN GYM: Okay. Thank you very much. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Just want the members, we have a lot of questions. Be cognizant of the fact we have a lot of witnesses. And we want to make sure we get everybody in today. I actually ordered dinner, all right?

Just playing, just playing. Just playing. Just playing.

Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

As far as when doing -- Rob, I guess. When you are doing a -- applying for abatement when you have a mixed-use building of commercial and residential, now that we are doing this, will that be done by OPA?

MR. DUBOW: Yes.

COUNCILMAN SQUILLA: And they would then have to differentiate between, say, a residential apartment building on top of a commercial use?

MR. DUBOW: Right. So, the residential portion would be covered by this legislation. And the commercial would be covered by the preexisting legislation.

COUNCILMAN SQUILLA: So, they would receive two assessments?

MR. DUBOW: I think so. Either -- yes. They would have to receive two. That's right.

COUNCILMAN SQUILLA: Okay.

MR. DUBOW: Didn't actually talk through those logistics, but that makes sense.

COUNCILMAN SQUILLA: All right. I didn't know how that would work. So, I was just curious to see how that would play out.

It would be OPA who would do that?

MR. DUBOW: OPA, yes, takes the applications and makes the determinations.

COUNCILMAN SQUILLA: Of the assessed values for both the commercial use and the residential use?

MR. DUBOW: Yes. And whether someone qualifies for the abatement and which abatement they would qualify for.

COUNCILMAN SQUILLA: Right. I think

right now if they do it, it's commercial -- you get a commercial abatement for a building like that. So, that would change in the new --

MR. DUBOW: So the residential abatement, that would be different from the commercial abatement. So, the differentiation would be really important.

COUNCILMAN SQUILLA: Okay. Thank you.

Thank you very much.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Council President.

Good afternoon. Just have a few questions. And Councilwoman Gym started some of these questions. And I am curious on a couple matters.

Mr. Monson, the School District has a capital deficit of -- what was the amount again? I'm sorry.

MR. MONSON: Four and a half billion dollars.

COUNCILMAN GREEN: Four and a half billion dollars on the capital side. Now currently they have -- what's your current fund balance?

MR. MONSON: We projected to end this past June 30 with about $214 million fund balance.

COUNCILMAN GREEN: And what is your projected fund balance for the next couple years going out?

MR. MONSON: I believe we are projected to end the current year at about 154 million. Dropping to roughly $50 million in '22 and being negative by '23.

COUNCILMAN GREEN: By FY23 having a neg --

MR. MONSON: I'm sorry, by FY22. '20 and '21 are positive; '22 would be negative.

COUNCILMAN GREEN: FY22, having a negative fund balance?

MR. MONSON: Yes.

COUNCILMAN GREEN: Okay. And if the tax abatement were to go way immediately, how much money would the School District receive next year?

MR. MONSON: I actually have not done a year-by-year analysis.

COUNCILMAN GREEN: Give a range.

MR. MONSON: Sorry. Just give me one second.

So, '21 we wouldn't receive anything.

COUNCILMAN GREEN: FY --

MR. MONSON: In the first year, we wouldn't receive anything.

COUNCILMAN GREEN: Let me make sure I understand that. If the ten-year tax abatement were to go away immediately, you would receive no dollars in the upcoming fiscal year?

MR. MONSON: Correct. Because all the projects already out there, the issue is projects that could no longer qualify for the abatement as it's currently constructed.

COUNCILMAN GREEN: So, you would get no new money in FY21. What would happen in FY22?

MR. MONSON: Estimate about one and a half million dollars.

COUNCILMAN GREEN: Okay. And then, you have significant financial problems going forward, correct?

MR. MONSON: Correct.

COUNCILMAN GREEN: Okay. Mr. Dubow, last year in the budget process, how much money

did the City Council and the Mayor put in for
the School District?
MR. DUBOW: One second. Let me just get
that. It's about -- I think it's 220, but I
might have the year wrong.
COUNCILMAN GREEN: 220 million?
MR. DUBOW: Think so, yeah.
COUNCILMAN GREEN: And then over the
past couple years, how much money has City
Council and the Administration put into the
School District?
MR. DUBOW: Over the current Five Year
Plan, it's $1.2 billion. Over the '20 to '24
plan.
COUNCILMAN GREEN: And was that done
with property tax increases?
MR. DUBOW: It was not, no.
COUNCILMAN GREEN: So then, what was the
source of that additional money? My
understanding is the City's budget now is about
$5 million?
MR. DUBOW: There are a few things.
One, we slowed down the pace of wage taxes --
wage tax reductions. We increased the transfer
tax. And we shifted money from our General

Fund. It's a combination of things.

COUNCILMAN GREEN: But we've also, based on information I have seen from Pike and other financial entities, we have also had a increase of revenue coming to the City, correct?

MR. DUBOW: That's correct.

COUNCILMAN GREEN: Increase in wage tax?

MR. DUBOW: Increase in wage tax, yes.

COUNCILMAN GREEN: Sales tax?

MR. DUBOW: Yes.

COUNCILMAN GREEN: Transfer tax I think is, like, 185 percent higher now than ten years ago.

MR. DUBOW: That's right.

COUNCILMAN GREEN: And what was the basis of those dollars, of that increase?

MR. DUBOW: Why did it increase? Because the economy has been expanding. We have had a really strong economy and one of the longest expansions in the country's history.

COUNCILMAN GREEN: And when you say the economy is expanding, in what areas has it been expanding? In reference to --

MR. DUBOW: So, real estate values has grown. That has helped both the School

District's revenue and the revenue that City receives. Employment has grown, so that has helped us with wage tax. And that then, in turn, will help with things like sales tax because people have more money.

COUNCILMAN GREEN: And so, has there been additional development over that period of time?

MR. DUBOW: Yes. There has been additional development.

COUNCILMAN GREEN: And what's been the source of that development from your perspective? I mean, you have been Budget Director for Mayor Street.

MR. DUBOW: For the source development, I think I am going to defer to our Director of Planning.

COUNCILMAN GREEN: Okay.

MS. FADULLON: So you know, predominantly as we have seen a lot of the development that has eds and meds. They continue to build. And then also, we have seen a lot of growth in the apartment sector.

COUNCILMAN GREEN: In the, I'm sorry?

MS. FADULLON: In the apartment sector.

COUNCILMAN GREEN: So, new construction?

MS. FADULLON: Predominantly, new construction. You know, I think we touted that probably ten years ago, it would have been hard to find a crane in the sky. And now we see them proliferate. You know, we still aren't growing as strongly as some other places. But I think for Philadelphia, we -- as Rob Dubow said, we have been in a period of sustained growth.

COUNCILMAN GREEN: And Ms. Fadullon, I believe prior to you coming to the public sector, you worked in the private sector?

MS. FADULLON: Yes, I did.

COUNCILMAN GREEN: And in that role, you were responsible doing development projects?

MS. FADULLON: Yes.

COUNCILMAN GREEN: And from your experience in some of the development projects you've involved in, were some of those projects able to get done because of the tax abatement?

MS. FADULLON: Yes.

COUNCILMAN GREEN: Okay. So clearly whenever you have some type initiative that will start 20 years ago, we definitely need to make changes. Would you say that's a correct assumption?

MS. FADULLON: I do think that the market has changed since this was first introduced. And it always makes sense to look at this type of policy on a periodic basis. Which, again, is why I think you heard Administration's testimony that we are very supportive of the evaluation piece in this legislation.

And that it's important to look at the impact of this type of policy every -- you know, every few years. In this case, every three years. That that makes a lot of sense to figure out what's working, how it's working, what's not working. I think that's -- I think we believe that that's just good practice.

COUNCILMAN GREEN: Okay. So, I will close by saying this. I mean, from what I'm hearing from you and also from the issue of revenue of School District, we need to make sure we maximize as much revenue as possible for the District. But at the same time, we need to do it in a way that's not going to impact the City's economy.

MS. FADULLON: Yes.

COUNCILMAN GREEN: Okay. So, I mean, clearly having this type of conversation is something that's important. We definitely need to make some revisions any time we do a policy that's over two decades old. There needs to be some changes, but we need to do it in a way that benefits especially our School District that has major financial challenges.

And hopefully, today's conversation will be able to get to some type of decision that does the best that we can going forward with the respect that we can continue to look at this policy in reference to how we can increase the revenue for the School District, but also making sure we have strong economy in our City.

Thank you, Council President.

COUNCIL PRESIDENT CLARKE: Thank you. Thanks, Councilman.

Chair recognizes Councilman Johnson.

COUNCILMAN JOHNSON: Thank you, Council President.

Mr. Dubow, I just had a couple questions regarding the Administration's opposition to the increase in the Homestead Exemption. So, I just want a clarification. My only interest is in addressing individuals who are losing their homes to mortgage foreclosure, addressing individuals who are experiencing issues around gentrification. As we see neighborhoods thrive as a benefit of the tax abatement, we also have some individuals who want to stay within their homes. And I'm always an advocate in trying to find all the tax relief measures that we can possible to helping people stay inside their homes, most importantly, making sure they can stay homeowners.

And so for FY21, what's the projected number of revenue that we are looking at to receive as relates to property tax assessments?

MR. DUBOW: For FY21, we are projecting about a 3 percent increase in --

COUNCILMAN JOHNSON: Give me a dollar amount.

MR. DUBOW: Have to look in the budget. Take me a second to get that if I have it here.

COUNCILMAN JOHNSON: I'm going to help you, and then you can just clarify if I'm off.

Projected number of revenue that we are looking to receive from property tax assessments is in the amount of a hundred million. That's when the Homestead Exemption would go into effect, projected.

MR. DUBOW: Yeah. So, the reason I talked about the change in the base is the dollar numbers influenced by when appeals are heard. And so, part of the reason for that increase is we're assuming that some of the appeals that were for the tax year '20 taxes are actually heard in '21. And so, there are some increases off of that.

The dollar increase isn't just a one-year increase. It has to do with kind of writing up appeals from prior years, too.

COUNCILMAN JOHNSON: And what's the current amount of money in our surplus right now in our fund balance?

MR. DUBOW: We are projecting that we will end this year with a $300 million fund balance, which is roughly 6 percent of budget which is at the low end of the target range we have where are fund balance should be. Much, much lower than where the Government Finance Office Association says we should be.

COUNCILMAN JOHNSON: Okay. And during your last two budget cycles ago, there was a construction tax that was on the table. And how much revenue as relates to -- the construction tax didn't pass, but the Administration came up with additional funding.

How much money did we come up with over a certain period of time over the several years? How much did we come up with of non-new money to cover the Affordable Housing Trust Fund?

MR. DUBOW: So, what we did for the Affordable Housing Trust Fund is say that expiring abatements, the revenue from the expiring abatements would go to affordable -- City-side of that revenue would go to affordable housing. And it was $83 million, I think, over five years.

COUNCILMAN JOHNSON: 83 million over five years?

MR. DUBOW: Yes.

COUNCILMAN JOHNSON: Okay. And in June you talked about us -- you talked about putting out a search for a new director of OPA.

MR. DUBOW: That's correct.

COUNCILMAN JOHNSON: What's the status? Because that's been quite some time since we've been looking for a new director for Office of

Property Assessment.

MR. DUBOW: Yeah. So, we went through a search and didn't find someone. So, now we have hired a recruiting firm to help us with the search. And they are on board looking for someone.

COUNCILMAN JOHNSON: Okay. All right. I just wanted to state those questions for the record. Again, we definitely want to be supportive of the School District. And so, the reason why I use the analogy of how we were very creative when we didn't use the construction tax, we found a way to come up with additional funding for the Housing Trust Fund.

I think even moving forward with the Homestead Exemption, to give some level of relief to predominantly low income families who are living in very changing gentrified neighborhoods, the opportunity to take advantage of an increase of the Homestead Exemption. I think we can be just as creative. I think the members of this body, who have always stepped up to the plate to fight on behalf of those who need support, will find ways to work with the Administration to find funding to help people stay inside their homes. And so, I just want to state that for the record.

Thank you, Mr. Dubow.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilwoman Quinones-Sanchez.

COUNCILWOMAN QUINONES-SANCHEZ: Thank you. Good afternoon, gentlemen.

Every year we get to do a budget and we create a new document and a new Five Year Plan. And every year that target moves and moves through different appropriations. We move money around and we set up a document that prioritizes the values and the interest of all the citizens of the City of Philadelphia. So, I'm not as concerned with filling the gaps of our Five Year Plan. Because in the last twelve years, I have seen that target move every single year.

But I do want to get to the point of the reason we are having this debate around tax abatement, when you look at the $7,000 appeals, is our assessment process. And our dependency on the value of all land; and then, ultimately, who pays for that value?

And the problem is not the abatement; although, it could be tweaked. I mean, we all have our ideas about it. The problem is our insisting in spreading the value of the abatement to long term residents, which has created the "them" versus "us"; the "new" versus the "long term residents."

The leadership of OPA is a huge part of it. But we can do this minor tweaking today, and we are going to still have 7,000 pissed off people and a bunch of other people because the assessment process is still broken. And our dependency on artificially valuing our land has created this policy intersection in which we are now. How do we continue to incentivize and subsidize the building that we have in the City and minimize its impact on long term residents who have not had value appreciation based on OPA, not real one.

(Applause)

Whose houses are not worth $250,000 because we are using trending models and spreading the abatement value. And so, a document, a financial document on the income side is as much of a reflection of the values that we have as a government as the expense or the investment side.

And so, the fact is that this abatement discussion is -- the problem is our assessment and our unwillingness to say that next year we are not going to have double digit assessment increases on people whose houses don't have value.

This City policy, our OPA policy is, we want to capture all that development value that's unrealized. It's not realized until they pay taxes on it. But this unwillingness or this deliberate attempt to put all of that value on long term residents has created this process.

What are we going to tell the residents in March when they get their new bills?

MR. DUBOW: So just to be clear, the growth in Tax Year 20 on residents was about 3 and a half percent. It wasn't double digit growth. It was only about 3 and a half percent. And if growth is in that range again, I think we can say to residents, you know, your value has gone up nominally. And that is what your assessment reflects.

COUNCILWOMAN QUINONES-SANCHEZ: But

that's not what that reflects. When you look at the last reassessment had a 10 percent increase, right?

MR. DUBOW: That's not correct. The last reassessment had the 3 and a half percent increase.

COUNCILWOMAN QUINONES-SANCHEZ: Three and a half percent all over when you spread it out. The problem is how we spread it out.

MR. DUBOW: For residents, that's right.

COUNCILWOMAN QUINONES-SANCHEZ: For residents.

MR. DUBOW: City wide for residents, it was about 3 and a half percent.

COUNCILWOMAN QUINONES-SANCHEZ: Right. But it's how you spread it out.

MR. DUBOW: Right. So, some people would be higher and some people would be lower.

COUNCILWOMAN QUINONES-SANCHEZ: On the last three or four years, what has been the base value increase we have realized in the City of Philadelphia? And the majority of that burden, where has it laid? Because we know we messed up on the commercial side. That's why we are in court and we lost.

MR. DUBOW: I'm not going to comment on something that's in court, and you know I can't.

COUNCILWOMAN QUINONES-SANCHEZ: But that's why we lost.

MR. DUBOW: I'm not commenting on that.

COUNCILWOMAN QUINONES-SANCHEZ: And we are losing the public discussion around residential when we can't demonstrate to people that their value -- that they are not paying for the value of the growth of the City in a disproportionate way, right? And when you have 7,000 appeals, that tells you how people are feeling.

MR. DUBOW: 7,000 appeals on 540,000 properties. So, that's appeals on about 1 percent of the property -- 1.2 percent of the property.

COUNCILWOMAN QUINONES-SANCHEZ: When you look at the value in some of the -- again, this was partly our fault with how historically we have assessed properties in the City, right? We assess based on permits, right, which essentially disincentives improvements and preservation, right?

We have to change the -- we were sold on

AVI as a basis to get to more real value as a way for people to realize real equity, right? And we have not gotten to the point where there is fairness in that system, right?

And so, because we have not been able to guarantee people that the new -- the three new houses on their block, they are not going to pay for that spread, that's why we are here where we are, right?

MR. DUBOW: So, I think we are here where we are in part because values Citywide have gone up. The market has been strong. And that means that value has gone up.

COUNCILWOMAN QUINONES-SANCHEZ: But the market is for the new development, not for the long term residents. And we have not been able to convince the long term residents of their value other than increasing their taxes. Their house still has one bathroom. It still has a bad roof. It still needs all the improvements.

(Applause)

MR. DUBOW: Right. But it can sell for more than it did before. But --

COUNCILWOMAN QUINONES-SANCHEZ: We created that. That is a policy decision on our --

MR. DUBOW: That's the reason we put in place a variety of relief programs, right? That's why we put --

COUNCILWOMAN QUINONES-SANCHEZ: But the relief has nothing to do with equity.

MR. DUBOW: -- the Homestead in place, why we put LOOP in place, why we have the payment plans that are as low as zero payment.

COUNCILWOMAN QUINONES-SANCHEZ: That is after the fact. That is after the fact. We have a broken system. And then, we are going to create all these relief programs that people have to opt in because we know we have a broken system. And all I'm saying is, that regardless of what we do today, the fact that you are sitting here debating on a minimal Homestead support is problematic and goes counter.

Because on the one hand, we have value to the abatement and its growth. On the other hand, we want to provide no or minimal support for residents. That is a debated --

MR. DUBOW: That's not fair. We provided a lot of support for this.

COUNCILWOMAN QUINONES-SANCHEZ: Council

has working with the Administration --

MR. DUBOW: The Homestead already provides --

COUNCILWOMAN QUINONES-SANCHEZ: This is so minimal.

MR. DUBOW: -- $130 million a year in relief. That's not minimal.

COUNCILWOMAN QUINONES-SANCHEZ: It is minimal because the utilization is not there. It --

MR. DUBOW: 220,000 properties have Homesteads. That's utilization.

COUNCILWOMAN QUINONES-SANCHEZ: And what percentage of that is City?

MR. DUBOW: So --

COUNCILWOMAN QUINONES-SANCHEZ: We still have thousands of people who are not utilizing that.

MR. DUBOW: For residential homes, that's about 70 percent.

COUNCILWOMAN QUINONES-SANCHEZ: Right.

MR. DUBOW: Then there are other people who have things like the LOOP Program or have Senior Citizen Freeze. When you add all those, and you get -- you get a much higher percent.

COUNCILWOMAN QUINONES-SANCHEZ: Again, the reason this debate conversation is so frustrating is because this Council has always wanted to incentivize development.

I have sat here and taken votes all over the place. We are not against that. We are trying to create tools to minimize the impact of what that is doing to long term residents because we have no plan. We have a broken assessment process. And we are still going to piss off all of the long term residents until the political will is there to fix the OPA system.

(Applause)

Thank you, Mr. President.

(Councilman Henon sitting in as Chair.)

COUNCILMAN HENON: Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. Chair. And let me say good afternoon to each of you.

I want to go back, Mr. Dubow, to where you -- and I think you just requoted this number for us in terms of Council President's question relative to the Homestead Exemption.

How many households are there in the City of Philadelphia? How many households or homeowners?

MR. DUBOW: I think the homeowner number is probably about 340,000.

COUNCILWOMAN PARKER: So, about 340,000. And you said that 70 percent of those, that's where the 220?

MR. DUBOW: Yeah.

COUNCILWOMAN PARKER: Okay. So obviously, of all of the tools that we have here in the City of Philadelphia, it is obvious that the Homestead Exemption is the most utilized tool to help bring much needed property tax relief to residents in the City of Philadelphia. But because of the Uniformity Clause, we can't pick and choose based on income levels about who is eligible to receive or not.

Is that accurate?

MR. DUBOW: That's accurate, yes.

COUNCILWOMAN PARKER: So with that being said, I want us to -- and I know this should be very familiar to you, Mr. Dubow, because this is the strategy we used during my tenure in the Pennsylvania General Assembly. When that enabling authority that this City Council needed in order to even enact the Homestead Exemption, to enact the Long Term Owner Occupant Program to codify the ability for you to offer payment arrangements and plans to Philadelphia residents along with our ability to collect additional delinquent property taxes, we use visuals like this.

So with this in mind, I want you to -- and I don't know if you can see it. I want you to think about residents who are in that section where it says Substantial Rehab. Substantial Rehab. That is actually the visual we see in the middle. And very much like we see current residential tax abatements and abatements just for new construction, you will see that the cluster is in the specific area where neighborhoods are growing.

I want you all to tell me, what do you think we have done wrong with this program that residents outside of this hustling, bustling and growing Fifth and Third District and First, that they are not taking advantage, even if it's not new construction. Because you know these neighborhoods are landlocked, right? Many of them you can't just go and build new houses because you don't have the land there.

But even when it comes to Substantial Rehab where preservation is needed the most, what reason or rational do you give or understanding about why the abatement is so underutilized in those areas outside of those that are growing?

MS. FADULLON: You know, so I think what we see kind of what we talked about at the beginning, that that abatement sort of favors higher property values because you have to have something that can be abated. You have to have a value that can be abated in order to really get the benefit of that.

So, I think what we are seeing in a lot of these other districts is potentially that the cost of going into those districts and doing those renovations, even with something like the Abatement Program, that you are still not going to get the property value high enough up there or the revenue stream high enough in order to justify the cost of doing those improvements even with the abatement.

COUNCILWOMAN PARKER: Let me go back and

ask you this question. As I, again, look at this visual, it is defined as Substantial Rehab.

Can any of you tell me how is substantial rehab defined in the tax abatement?

What do I have to do to be considered to have made a substantial rehab to my property in order to be eligible to receive the abatement?

MS. FADULLON: Yeah. Unfortunately, I'm not sure that the definition -- that is probably something that came through L&I and how they would classify the building permit. I assume that what that means is that you are doing some kind of major system repair, something that would require a building permit.

So, there is some kind of work that you can do to your house that doesn't necessarily trigger a permit. But off the top of my head, I don't know exactly with the definition is.

COUNCILWOMAN PARKER: Okay. And the reason why I ask is because when people think about substantial rehab, and as I've understood it, you should be putting on some kind of addition to your property in order to be eligible for the substantial rehab portion. And the reason why we need to re-think that and re-think the way the enabling legislation is written that created the tax abatement, because if we are -- let's commend this Council and the Administration for the things that we have gotten right and the tools for neighborhood preservation that we have done.

But if our goal is truly to focus on neighborhood preservation for long term, owner occupants who are in those good-old fashioned brick and stone houses that have good bones but need new modernization on the inside, we have to find a way to redefine what substantial rehab means so that regular, everyday people who are making substantial repairs to their properties are eligible to see them get abated.

Let me give you an example.

You are trying to increase the value of your home, improve your property and you decide that you want to go and get new hardwood floors put throughout your house. Guess what? That becomes a substantial improvement.

If you want to modernize the house and knock a wall down because you do like the modern floor plan but you like your good old brick and stone and not the aluminum siding that they are using today, you should be able to have those substantial rehabs abated.

Is this Administration in a position to say that it is willing to work with this Council along with the General Assembly to figure out how we can broaden the definition of substantial rehab?

(Applause)

MS. FADULLON: Sure. The response to that is sure. I think all those things -- again, I think the trigger is whether you need a building permit. So if you are putting in flooring, you may not necessarily need a building permit to just replace your flooring. And again --

COUNCILWOMAN PARKER: So -- but listen. What if you -- for example, when we talk about people who are trying to do things on their own, and let's be real about this. We talk about the good brick and the good stone.

Do you have to get a building permit when you are getting your bricks pointed?

MS. FADULLON: I don't -- I think it depends on what kind of -- the nature of that work is. Whether if that structural -- if it has impact on structural, I believe you do have to get it.

COUNCILWOMAN PARKER: And again, the reason why I am being so very specific is because if we are talking about fairness and equity and trying to manage investments and relief for Philadelphia residents, I would argue that the people outside of the areas where we see the most growth, they have been consistent contributors to this City's tax base. And they have not seen a return on their investment.

MS. FADULLON: Yeah. I think the question to look at beyond just the definition of substantial rehab --

COUNCILWOMAN PARKER: Yes.

MS. FADULLON: Remember, the abatement is about your property value increase. So, it would be -- so what -- if you put in new hardwood floors, for example, and it was determined that what that does is increase the value of your home by $5,000 or, let's say, $10,000 because you put in those floors, your abatement would only be on that $10,000 increment, right?

COUNCILWOMAN PARKER: But my --

MS. FADULLON: I think its to look at --

COUNCILWOMAN PARKER: But the issue is right now, the 10 to 15,000 dollar investment that you just made on the flooring, I would argue that there are very few, if any, because I haven't heard of any. And when you go and look at these charts and these numbers -- you have to excuse me, because my district has sort of may be nine is substantial rehab, maybe two in new construction. But I never heard of those kind of significant improvements being included, you know, as being abated.

Which is why I know we have to work in a coordinated effort to have them included.

MS. FADULLON: What I am going to say, you know, that increment, if you are just getting abatement on that 10,000-dollar value increase, that might not be enough to help support that kind of renovation.

COUNCILWOMAN PARKER: Stop. Put a pin in it. Put a pin in it. You just hit the nail on the head. You want me to tell you why?

MS. FADULLON: Because we know --

COUNCILWOMAN PARKER: We just talked about the Homestead Exemption being the most valuable tool. Mr. Dubow just told us that of all of the programs we offered, 220,000 Philadelphians are signed up for the Homestead Exemption. But you want me to tell you why by 10 to 15 to 25,000 dollar improvement wouldn't be included? Because I have to choose between whether or not I want to receive the Homestead Exemption and/or apply for my substantial 25,000 dollar investment.

So when you hear me talk about a coordinated effort, we have got to go back and change the laws. Because now I got to make a choice whether or not I'm going to get this $45,000 Homestead Exemption, you know. And I need it. It's extremely valued. But at the same time, why am I not benefiting from the 20 to $25,000 that I was able to invest in and improve in my property?

Maybe what we need to do as a team is go to the Pennsylvania General Assembly. And we need to tell them that we need substantial changes to this enabling legislation. We need to redefine substantial rehab. We need to remove the requirement that you have to pick or choose whether or not you get the Homestead

Exemption or the abatement. And what I am saying is, we have done some good things. But we have to work together in order to get this done. I'm not finger pointing. We got to work together to get it done.

MS. FADULLON: Again, I think what I am trying to say is, we just got to make sure that whatever we come up with, is actually a benefit. Right.

COUNCIL PRESIDENT CLARKE: Thank you.

Just one more time, I want to remind our colleagues. We have eight additional panels, so we really need to be cognizant of the time.

Next up, Councilwoman Reynolds Brown and Councilman Jones and then Councilwoman Bass. That will conclude the first round. On the second round, we have to limit it to five minutes so we can make sure we get to the individuals who have come down to testify.

Thank you.

Councilwoman.

COUNCILWOMAN REYNOLDS BROWN: Thank you, Mr. President. Good afternoon, Administration.

Two questions. Following up on the percentage of those who have taken advantage of the Homestead or, more specifically, those who have not, if we are at the 70 percent range, what does it take -- what will be required to inform that 30 percent that this is an opportunity so that we can be in a 90-plus situation?

MR. DUBOW: Yeah. The 70 percent, it's a little understated because there are people in other programs like abatements or the LOOP Program or the Senior Citizen Tax Freeze that have other kind of opportunities. But there are still thousands of people. And I think it requires, you know, some significant outreach which I know we have done over time. But that's really the answer to that, is it just requires outreach.

COUNCILWOMAN REYNOLDS BROWN: Define significant outreach.

MR. DUBOW: We have tried, and even going door to door, you know, to letting people know. So, that's the kind of outreach I'm talking about.

COUNCILWOMAN REYNOLDS BROWN: As someone who started my career going door to door, linking up with the senior citizen homes in particular would be valuable. Because too often when we visit senior citizen homes on Fridays, the Homestead is still a foreign anomaly that many of them could be taking advantage of. And so, non-traditional approaches are going to be required.

My second and final question is, since the tax abatement based purely on data, which is in front of us, the Maps, is centered primarily in Center City neighborhoods -- and many would argue the obvious, that increasing have become gentrified -- has the Administration considered tax strategies that might spur development in other communities like the Seventh or the Ninth?

MR. DUBOW: Unfortunately, she's gone. She probably -- Anne, probably better to answer that question. But, yes. We have -- one of the challenges with tax strategy and trying to have it spur development in particular areas is the Uniformity Clause. So, we can't tax differently in different areas. So, it makes it really complicated to try to spur development in a particular area.

COUNCILWOMAN REYNOLDS BROWN: So, that punctuates Councilwoman Parker's appeal.

MR. DUBOW: Yes.

COUNCILWOMAN REYNOLDS BROWN: Thank you very much.

(Councilman Greenlee sitting in as Chair.)

COUNCILMAN GREENLEE: Thank you Councilwoman. Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. Chairman. Thank you. Good afternoon.

Couple of just clarifying facts because we do have other panel members to testify. But if I understand all of these numbers -- I am going to start with the question.

Our taxable property base is a hundred billion?

MR. DUBOW: Our tax -- I think it's about -- hold on, give me second. I have that here somewhere. It is 168 billion.

COUNCILMAN JONES: So, it's 168 billion. If I recall, we were talking about 99 billion maybe five years ago when we were visiting some of our City call for crisis. So we have done --

MR. DUBOW: So that was -- the first year after AVI, we were at 137 billion.

COUNCILMAN JONES: So, if we were to try

to look at the value, increased value of our property into, say, is that a trajectory that has leveled off or it's going to continue, what would be your response?

MR. DUBOW: So in FY20, the increase was about 3 and a half percent. It's much -- we do trending. It was much slower than it had been in the year before. So, there was a bit of a leveling off in that year. And I think if you look at -- if the, you know, 70 percent of economists project that we are going to go into a recession, if that happens, you will see a real leveling off in --

COUNCILMAN JONES: I'm not talking -- I been here long enough to know that when we have surpluses, we have doom-and-gloom recession and when --

MR. DUBOW: I'm not --

COUNCILMAN JONES: Wait a minute, whoa. Hold on. And then when we have recession, we have to cut back. So, there's never an opportunity for, you know, a positive outlook. So, I get that. Your job is to be --

MR. DUBOW: And really quoting economists. It's not just me saying it, so.

COUNCILMAN JONES: I get that. But the trend has always been we've been optimistic about the amount of revenues that have come over. I've been here long enough to hear that pattern develop, too. So, I just want to state that for the record. We are talking about $168 billion worth of taxable properties increased from the time we have done AVI from 130 --

MR. DUBOW: Four-ish. Increase about 30 billion.

COUNCILMAN JONES: So if we were looking at the stock markets or whatever other form of investment, this ain't bad.

MR. DUBOW: Yeah. Stock markets done a lot better than that, though.

COUNCILMAN JONES: This is not bad. We are doing well. I know the doom-and-gloom recession is coming. Winter is coming. I get it. But right now --

MR. DUBOW: Winter is coming. Thank you for that phrase.

COUNCILMAN JONES: Right now, summer is $300 million worth of surplus. I want to establish that.

Second thing I want to do is say that, how many residential properties are there in the City of Philadelphia?

MR. DUBOW: I think the number is about 340, I think. Don't have that one with me.

COUNCILMAN JONES: Say it again.

MR. DUBOW: I think about 340, but I might be off.

COUNCILMAN JONES: And how many of them are receiving abatements of some kind?

MR. DUBOW: On the residential, it's about 12,000 -- little more than 12,000 get abatements.

COUNCILMAN JONES: And I have number that says 15.

MR. DUBOW: 15 is all properties. But for residential, it's about 12.

COUNCILMAN JONES: And that's about $133 million worth of abatement?

MR. DUBOW: For residential?

COUNCILMAN JONES: Yes.

MR. DUBOW: For residential, I think it's about 80 million just for residential. For all properties, I think it's more like 150/160.

COUNCILMAN JONES: Okay.

MR. DUBOW: The 130, I think, may be the Homestead number.

COUNCILMAN JONES: Okay. So, if that is indeed true, then we are trying to look at our tax strategy for four basic food groups. One is the taxpayer, of course, homeowners.

MR. DUBOW: Right.

COUNCILMAN JONES: The second group is the School District, I would say.

MR. DUBOW: Right.

COUNCILMAN JONES: Developing community and then our City operating dollars.

MR. DUBOW: Yes.

COUNCILMAN JONES: And so, any way that we adjust this, there is some predictable up or down ebb and flow.

MR. DUBOW: Right.

COUNCILMAN JONES: Question I have, if we have increased our property values consistently over the last five years, is it safe to predict that we will continue to do so, that some of these stakeholders including the City's operating budget, may not be as adversely impacted because of our growth?

We were asked a couple of years ago not

only to get AVI but also to increase the millage. Had we done that, we would have -- we would have probably seen triple, no, double the surplus. So as we look at pessimism, we also should measure that with optimism about where we are and the values that people are finding in our real estate. And be able to kind of find that middle ground on what we should do with abatements.

Because if we cut the abatements -- as I got a chart here -- it says we will probably over the next eight years as the City of Philadelphia, get $61 million; is that correct?

City portion.

MR. DUBOW: It looks like it would probably be a little higher than that. But we would receive additional revenue, yes.

COUNCILMAN JONES: And the School District portion is about 74 million?

MR. DUBOW: Little higher, yeah.

COUNCILMAN JONES: Little higher.

MR. DUBOW: Yes. Because they get 55 percent of the property tax.

COUNCILMAN JONES: So as we look at AVI, and I do agree with my colleagues that say we need to fix that formula somehow to be a little more realistic and, like, somebody that doesn't have a Harvard degree and economics can figure it out. But there is probably at least a platform to stand on that our property values are continuing to rise. And that is probably a safer predictable revenue for two of the stakeholders, School District and the City of Philadelphia.

The only question I have is, this impact on the development community. But we are going to -- we are going to be fairly okay if we don't have that recession that you're talking about in the --

MR. DUBOW: I think that's a big if. But, yes. If the economy continues to grow, we will continue to see growth in our values. If it doesn't, if as most economists predict we start to see a recession, then that growth can stop.

COUNCILMAN JONES: And if I understand this process here about taxation, we can't change our taxes in mid year. But we can always adjust them every year to meet our reality.

MR. DUBOW: We can adjust them for the

following year. That's right.

COUNCILMAN JONES: So, I'm not afraid of the change to come. I love your pessimistic kind of review. I love how we get pleasantly sometimes surprised with our revenue. But we need to make it better if we want to keep long term residents -- residents in the City of Philadelphia because we are losing them.

MR. DUBOW: And I think kind of -- get to one of the points you made, I think that's why Administration favors looking at the abatement and making change to it. So, I don't think we disagree with you there.

COUNCILMAN JONES: No. I said I love how you project some things. But I tend to be more optimistic over the years about the future of this City than sometimes you have to be.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilwoman Bass.

COUNCILWOMAN BASS: Thank you, Mr. President. I'm going to be brief because I know we have a lot of folks who came down and spent a lot of time here from the communities who want to testify. And I think it's most important to hear from them. You all are great. We really want to hear from them.

So, I just had the --

MR. DUBOW: If you want to start now, that's fine with us.

COUNCILWOMAN BASS: Not yet. Not just yet. But I did want to just really add some clarity. I feel like sometimes we give mixed messages unintentionally. And so, I just want to go back to some of the testimony in which -- I think it's a little confusing.

And I just wanted to make sure that we are absolutely clear that we are -- you know, that the Administration is on board with what we are trying to do here. And that is to make some very small incremental changes to a program that has had a huge impact here in the City of Philadelphia and is desperately in need of some significant change.

So, the question that I had was on, Mr. Engler, it was on your testimony in which you said that the abatement has helped achieve the goal of strengthening a very weak market here in the City of Philadelphia. Numerous studies have shown the Abatement Program helped achieve the goal, and then you go on otherwise. And that statement to me suggests that the Administration should wholeheartedly support the proposal as presented. It should wholeheartedly support the bill that we presented.

But then as I read a little bit further on, you know, it states that -- studies have concluded the elimination and reduction of the existing abatement would lead to a reduction in construction activity and loss of development and employment and tax revenue and sort of like the -- you know, I hate to put it this way, sort of like the doom and gloom we always hear is going to happen if we take away a the ten-year tax abatement. And I just don't believe it to be so.

And so, you know, again, I think that this is a program that when it started, keeping in mind that we have had abatements in Pennsylvania since the 1970s. This is nothing, you know, radically new. But what changed, you know, in the early 2000s is the, you know, like the lifting of caps and the, you know, just sort of anything was able to be abated to some degree.

And so, I just wanted to make sure that we were all on the same page. That, you know, periodic evaluation should happen between City Council and the Administration. I think that that's something that's very important. But I think that how we start and the message that we send is very, very important. And so again, I think it jus sends a really, you know, unclear message in terms of whether the abatement has done it's job. And that we need to make some significant changes or whether these changes are going to be detrimental to the economy, which I personally don't believe to be true. But it's also in your testimony.

So if you can clarify that for me, I would appreciate it.

MR. ENGLER: Sure. So, discussing the abatement in, I guess, in that paragraph in that testimony when we talk about the very weak market, I am talking about the market that existed when this ten-year abatement was instituted.

COUNCILWOMAN BASS: Yes.

MR. ENGLER: And then towards the end of

the same paragraph, we agree that because the market has shifted since then in the intervening eight or so years since this was adopted in its current form, it makes sense to revisit it and look at it. Also later in the testimony, we also mentioned the phase-out approach as being discussed today, makes sense as a way to change that.

COUNCILWOMAN BASS: Right.

MR. ENGLER: So, I don't know that it's necessarily disconnected in other that this was a program implemented several years ago to address the market as it existed then. And it make sense to make changes as the market changes. But it also makes sense to evaluate that change and to evaluate how this change has impacted the market in three years or in four years, and to do that prospectively going toward.

COUNCILWOMAN BASS: I think that makes a lot of sense. I think it makes sense to take a look at this, you know, going forward on a periodic base. Here we are almost 20 years, and we are finally getting around to making some changes that really should have happened a very long time ago.

But I think that your statement, you know, would have been fine, you know, if your statement would have stood as it was. But adding the fact that, you know, what the studies have concluded, the elimination, you know, lead to job loss and revenue loss and, you know, the sky is falling, I think that that sort of makes it seem as if the -- that there is not a clear vision from the Administration in terms of where you all are on this.

MR. ENGLER: Sure.

COUNCILWOMAN BASS: I think that additional information you provided in the testimony really does make it a little murky.

MR. ENGLER: Sure. I think at least we felt it was necessary to do that. That we asked Jones Lang LaSalle to do a study for us a year and a half ago to really analyze several different options for changing the abatement. And what they found was that no matter which way you changed it, there would be some negative activity. It's not that -- you can't change a policy, change a policy that has been successful in changing the market, at least we think it has, and not expect to have any impact at all. And I think what they found in their study is that there would be impact. I think we found it necessary to make sure that in our testimony, we note what that impact is.

That doesn't mean that you don't make a change.

COUNCILWOMAN BASS: Okay.

MR. ENGLER: I think we have to understand and go into making any policy changes, no matter what we do as a government, no matter what we decide to fund, no matter what policy we decide to implement, it's always going to have impacts. And some of those impacts are not going to be known to us when we make the change. Which is why I think it's so important that we do the periodic evaluations to really get a sense of what we are doing, has it worked, has it not worked, has it had unintended consequences that we didn't know of when we implemented it.

COUNCILWOMAN BASS: Right.

MR. ENGLER: So, I think that's why we felt it was necessary to include that in the testimony because we have that from the study that we conducted in the recent past. We should all go into any changes that are going to be implemented with eyes wide open about how it will impact certain sectors of our economy.

COUNCILWOMAN BASS: Okay. I would agree. You know, I think to some degree it's irresponsible not to make a change. Where we see a policy that's had such a huge impact here on the City of Philadelphia, for us to, you know, go this long, like I said, almost 20 years in and we are just getting to make changes now. I think that this should have been done a long time ago.

But thank you for your clarity. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman. I believe we have Councilman Domb and then Councilman Oh and then we will start the five minutes, Councilman.

COUNCILMAN DOMB: Thank you, Mr. President. Thank you for your testimony today. I have a few quick questions.

In our current billing of real estate, I think you mentioned it was 168 billion that we bill. And is it about 120 to 122 billion that's actually billed? Because the others are eds and meds that we don't bill real estate taxes for.

MR. DUBOW: That's right.

COUNCILMAN DOMB: That's pretty accurate?

MR. DUBOW: Yeah.

COUNCILMAN DOMB: So, we don't bill about 48 billion of real estate value.

MR. DUBOW: Right.

COUNCILMAN DOMB: Okay. And any idea what that billable figure was four to six years ago?

MR. DUBOW: That's the 99 billion that we were talking about.

COUNCILMAN DOMB: Okay.

MR. DUBOW: The taxable number, yeah.

COUNCILMAN DOMB: And is it true, like six, seven years, Real Estate Tax billings were about 1.1 billion seven years ago?

MR. DUBOW: I would have to look at that.

COUNCILMAN DOMB: That's what it looked like in the records.

MR. DUBOW: I'm guess you're looking at

a document you have.

COUNCILMAN DOMB: Yeah. And today it's 1.7 billion?

MR. DUBOW: Again, I don't have it in front of me.

COUNCILMAN DOMB: Okay. And then the other question I have is that -- I want to just clarify. You mentioned 340,000 properties are residential?

MR. DUBOW: Right.

COUNCILMAN DOMB: And you have any idea of that amount, how many are actually owner-occupied?

MR. DUBOW: That's the owner-occupied number. That is the owner-occupied number, yeah.

COUNCILMAN DOMB: And how many total tax bills are there?

MR. DUBOW: Total tax bills are about 580,000. But that includes, obviously, nonresidential and commercial.

COUNCILMAN DOMB: Here is my question. If I keep hearing that the City's 51 percent owner-occupied housing, how could that 340,000 be accurate?

MR. DUBOW: Right. I would have to look at that. That sounds -- I think it wouldn't work.

COUNCILMAN DOMB: Okay. And then just last question I just want to mention regarding this bill that we are trying to discuss today. I want to give credit to the Council President for herding us together to get this bill put through. And we have all different opinions. And no, it's not perfect. And everyone feels it's not perfect on either side of the equation. I guess that's governing to a degree.

The good thing about it is it keeps in place a very important factor. And that is, we all agree that we need more jobs in the City and good paying jobs. And this bill keeps that piece in place, which is very important. And it keeps in place the renovation of our existing structures. So, old factories, old warehouses, run down row homes that need to be renovated, keeps it in place.

So I think for those things, I want to thank you, Council President. And that's, basically, my comment today.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. And as you know, thank you for the collective effort of this Council which is part of being a legislature. You always have to build consensus about whatever it is we do.

Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much. Thank you very much Council President. I'm just making a speech.

But the reason I'm doing it is because I have a very different understanding of this entire situation, so I just want to put it out as best I can. And you can respond or not if you think it's important or whatever.

But to me, this issue is about the building industry and developers versus residents, homeowners and renters. And it doesn't have to be, but it's just ended up that way. And I think people are confused over the effects of what they have seen. And they think it's the ten-year tax abatement. And it's actually not. It's the assessments.

The ten-year tax abatement has been a good thing. We had area of the City that had a very little value to it. And after Mayor

Rendell did his thing, John Street cleared the way and along came investment and improvements that actually increased the value, truly increased the value with real investments.

But that ten-year tax abatement which meant that a house or two houses that were exactly the same value, a hundred thousand dollars in real value, when someone put a million dollars into one of those houses, that increased the value truly by a million dollars but they only paid a hundred thousand dollars in taxes. But at the end of ten years, the money would then come to the City as it is coming. It might not have been there, people argue it might or not have been there without the ten-year tax abatement.

But what people are reacting to is the fact that their house has not increased in value in any way. There has been no improvement to their home. Their home is just getting older. And the City comes along and assesses it at a value beyond what they can pay. And they are watching their neighbors, family and friends being forced out of their homes with sheriff sales for a value of a home they are never, ever going to receive.

And so, even if we amend the abatement and move it around, it will continue to help development. It will help the building industry. They will be able to do their things, right? But it won't help the homeowners who are being pushed out of their neighborhoods because of incorrect, inaccurate overly high assessments that they can't afford to pay the taxes on. And so, the assessment has to be fixed.

And so, I think you can do both. I mean, the abatement was a state incentive to invest and develop poor communities, oftentimes high in crime where there wasn't development or investment. But the City made it the entire City. That's why when you look at the map, the investments are in Center City and other luxury highrise development areas. And I know the City wants to keep that incentive there, to keep building because we are a high tax City with high labor costs. And that offsets it.

And so, if you separate the two, we can keep doing the building in Center City. But really, we are kind of coming down towards the end of the value of the ten-year tax abatement.

It really is meant for helping economically challenge communities, and then maybe there are some specialty projects.

But I would just like to say that I don't think it helps people, whatever we do with this ten-year tax abatement if we don't fix the assessment problem.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Chair recognizes Councilman Green. Councilman, we are on our five minute.

COUNCILMAN GREEN: Thank you, Council President. I was not going to go through another round of questions. But after my colleague Councilwoman Sanchez asked about the OPA process, and I -- to be quite honest, I just can't even believe that we are about to go through another budget cycle more likely than not without an OPA director with still a flawed system.

I have asked about CAMA, which computer system managed appraisal system, which we are not going to even get to because we don't have an OPA director. And so, the fact that you have

7,000 appeals on property assessments, that's because people with resources have the ability to make those appeals. When you say 3 percent increase, the majority of that increase is hitting people who are lower or moderate income because they don't have the resources to get an attorney or do the assessment themselves. So, we are putting that additional burden on people who are low to moderate income because we have a failed system.

And so my question is, when are we going to address OPA? I do not want to go through this budget system once again without having OPA director, the fact we can't get CAMA -- we've been talking about CAMA for ten years at least since you were budget director under Mayor Street. The fact that we are a City that is a major City in this country and we cannot fix our assessment system is unbelievable.

I cannot believe that we are -- we didn't known even we didn't find an OPA director. The fact that we are about to go through this process once again, go through the budget process with revenue based on assessments that we don't even know are actually correct.

They are impacting people with moderate income to all peoples throughout the Philadelphia. That is one of the issue that has been exacerbated by the ten-year tax abatement is that OPA system.

Please, tell me we are not going to go through a budget process once again without having some type of fix on OPA.

MR. DUBOW: So, CAMA is still going live early next calendar year.

COUNCILMAN GREEN: It's going live early next year?

MR. DUBOW: Yeah.

COUNCILMAN GREEN: How long has CAMA been going live?

MR. DUBOW: Every year when you've asked me when it's going live, I've been telling you it's going live --

COUNCILMAN GREEN: Right.

MR. DUBOW: Wait, wait, wait. Can I finish my sentence?

COUNCILMAN GREEN: Every year --

MR. DUBOW: It's been going live in early '20.

COUNCILMAN GREEN: Let me finish.

MR. DUBOW: And it still is.

COUNCILMAN GREEN: Every year we have been saying CAMA's been going live for how long?

MR. DUBOW: Every year since being in this Administration, I have been telling you it's going live in early '20 --

COUNCILMAN GREEN: And the previous Administration?

MR. DUBOW: No. No. You didn't let me finish my sentence. It's been going live in early '20. And that's still when it's going live. It's going live when we've been telling you it's going live.

We told you every year it's early '20. That's still the schedule.

COUNCILMAN GREEN: Okay. Let's get back to OPA because my time is almost done.

MR. DUBOW: Yeah. OPA, there were a number of recommendations from the audit that Council did and from the audit that we had done. And we are implementing those recommendations.

So, part of that is the search. Part of it is getting outside vendor to help us make sure that our data is accurate. Part of it is hiring more staff for OPA. Part of it was building out the modeling unit, which we have done. Another part of it was putting in place a sales validation unit to check the accuracy of sales. So, those were all things that we have done over the course of the last year to make sure that the assessments are more accurate.

COUNCILMAN GREEN: Mr. Monson, I have a question. How much money has the School District lost from appeals from assessments.

MR. MONSON: How much lost have we lost on appeals of assessments?

COUNCILMAN GREEN: How much you lost on appeals of assessments. Let's go last year. Give me a range. Don't give me a specific number, give me a range.

MR. MONSON: I actually don't know. Just to explain, when we budget, we assume a certain amount is going to be appealed. A certain percentage is appealed.

COUNCILMAN GREEN: Right.

MR. MONSON: I'd have to go back and figure out. Actually, we have been -- the appeal rates been a little better than what we anticipated in terms of it's been lower than --

COUNCILMAN GREEN: The appeal success

rate is better than you anticipated?

MR. MONSON: The dollar amount, the dollar value has been --

COUNCILMAN GREEN: Higher than you thought?

MR. MONSON: No. The successful appeal has been lower than we thought. We have been conservative in our projections. We have been getting a little -- I'm trying not to create this into a tongue twister. I'm sorry.

Let's say we assume 10 percent is lost in appeal. The net result is that 8 percent is lost in appeal we have found the past few years. Ballpark, those are the accurate figures.

We always assume there is some measure of appeal and some loss. Like there is some measure of uncollected. And all those go into the factor of when we do our projections.

COUNCILMAN GREEN: So in your budget process, you assume you are going to lose some dollars on appeals?

MR. MONSON: Correct.

COUNCILMAN GREEN: Every year?

MR. MONSON: Yes.

COUNCILMAN GREEN: I would venture part

of the reason why you are doing that is because we do not have a consistent system of evaluating property in the City of Philadelphia. If you write -- if we go to the City website, you should be able to get a sense of how we assess City properties. We do not have that.

We are in a situation where we have people of all incomes, especially moderate to low income are believing we are raising their taxes every year not because City Council has done that, because the assessments keep going up and because we keep doing assessments on the backs of people that can't afford it.

Thank you, Mr. President.

(Applause.)

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Any other questions of these witnesses?

There being none, guys you need to get out of here as soon as you can. Thank you very much for your testimony.

We would like to briefly go into the Public Meeting just for a couple of minutes.

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(Public Hearing adjourns.)

(Public Meeting commences.)

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COUNCIL PRESIDENT CLARKE: Chair recognizes Councilman O'Neill.

COUNCILMAN O'NEILL: Yes, Mr. President. I would like to record my votes. I have to leave the Chamber. And I know that requires us to us go into a Public Meeting.

COUNCIL PRESIDENT CLARKE: Yes, thank you. That vote shall be recorded. Thank you very much, Councilman.

COUNCILMAN O'NEILL: As on Bills No. 190943 and 190944.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman. Thank you. We will now go back into the Public Hearing.

COUNCILMAN O'NEILL: Voting aye on both.

COUNCIL PRESIDENT CLARKE: Aye on both bills. Record will reflect that.

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(Public Hearing Recommences.)

COUNCIL PRESIDENT CLARKE: We will now go back into our Public Hearing.

And next on my list -- we had a -- sorry, I just want to make -- we had a couple of cancellations.

First of all, we are going to ask the witnesses to keep their testimony to two minutes if at all possible. We want to make sure we have a lot of people listed, and some people have signed up in addition to our list. So as best possible, if you can keep our testimony to two minutes.

We have David Feldman, Gary Jonas and Jim Maransky.

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE: Good afternoon, gentleman.

("Good evening.")

Please proceed.

MR. MARANSKY: Good afternoon. My name is Jim Maransky. And I'm President of the Building Industry Association of Philadelphia. I'm joined by Treasurer Gary Jonas.

The BIA is a trade association of residential and mixed use developers working throughout Philadelphia along with the professionals who provide the development industry with products and services. Thank you, Councilman Clarke and the rest of Council for the opportunity to provide commentary on Bill 190944.

I would like to spend a couple minutes walking through -- walking the community through the abatement and why it is so critical to residential development in our City. Gary will then discuss some amendments that we proposed.

It's no secret that Philadelphia has fundamentally transferred since the passage of ten-year residential property tax abatement, bringing much needed investment to the City, increasing revenues, creating jobs and improving infrastructure. The tax abatement served to correct the market failure to supply housing where demand already existed.

(Audience interruptions.)

COUNCIL PRESIDENT CLARKE: Excuse me. Come on, folks. Go ahead. Please proceed.

You will get a chance to testify.

MR. MARANSKY: The benefit to the program have not yet reached all the neighborhoods because demand has not been strong enough. And the rents and sales prices, therefore, not high enough. Which is why you see a large cluster of the abatements in Center

City. It's where the prices are high enough that you can build new construction. And the abatement is taken advantage of.

While construction has been impressive, we lag our peer cities in construction of housing units. Our unprecedented construction boom is not because there are windfall profits to be had, not because there is excess demand but because we have finally reached a point where just enough demand for real estate and real estate financing conditions are just at the right point making sense to do low interest rates and City incentives that finely make sense to build.

Philadelphia real estate development is in a Goldilocks Zone. It's a demand that evaporates a little bit or if the incentives lever is pushed to increase cost even the slightest, construction favorable to financeable conditions will disappear. And the cranes we all enjoy working will slowly fade from the skyline along with the wage, sales and use, sales and occupancy, business income, realty transfer and real estate taxes that new buildings generate.

New real estate development creates a broader tax base. And all of those dollars provide additional funding for public services for schools, regardless of whether the -- where the development occurs. In contrary to the widespread misperception that the abatement is just a temporary windfall to developers. The numbers strongly confirms that represents a long term source of growth to the City economically, demographically and fiscally.

Of the 10,000 units built under the abatement, two-thirds remain owned by the initial occupant. Of those that are since sold, the majority have sold for prices greater than original purchase price despite no longer having abatement. Over the course of ten years that abatements were in effect, these dwellings still generated nearly $140 million in real estate taxes and currently generate $44.8 million per year in real estate taxes.

There is a question asked earlier whether or not the abatement has changed and -- since its inception. Maybe not by legislation. But a few years ago the OPA changed how they were assessing land value after the project was complete, which then reduced the abatement by about 25 percent. Now we are talking about another 45 percent decrease with this change.

COUNCIL PRESIDENT CLARKE: Mr. Maransky, if you can limit.

MR. MARANSKY: Yes, sir.

Two quick points to wrap up. You know, over the last couple days, we have received -- the BIA has received a lot of questions on why we have proposed a compromise to the bill because BIA's position has always been to fight any change to the abatement. And the reasons it's been 14 Council people signed on to this bill, so we understand there's a time for change and there's a need for change. We ask that the City Council listen to the BIA and hear us when we say a change this drastic will have a major effect on the market and could spin the real estate into a recession.

And one other point on implementation. Regardless of the timeline, I know there's back and forth different proposal on timeline. Regardless of the timeline, I would propose that the deadline be based on building permit application and not on the building permit approval.

We saw that same deadline be set and the same implementation deadline set when we did the new plumbing code this year as well as the new building code because it creates undue stress on L&I to try to determine when that building permit gets approved and when it comes out. It's unfair to L&I. And it's also unfair to the applicant that it be on the approval date of the build permit that's. Why I propose it's on the building permit application.

COUNCIL PRESIDENT CLARKE: Thank you. And do want to acknowledge that you all, the BIA has been working with people. You know, we had other conversations around the construction tax. You guys were integral part of that discussion. So, I do want to acknowledge your willingness to work with City Council and other stakeholders on a number of different issues. I want to say I appreciate that.

MR. MARANSKY: Thank you.

MR. JONAS: My name is Gary Jonas. I am Treasurer of the BIA. I am going to be super quick here in trying to stick with your timeline. We have these proposed amendments we are looking at.

Number one, we would love to see the amendments stay in a hundred percent effect for the first five years and decline for the next five years. There is reasons for us as developers why that is beneficial. But more importantly, there is reasons for buyers and, specifically, affordable homeowner buyers that when they are qualified for their mortgages, it's based on what the taxes are over the next five years.

So what that means is, somebody buying an affordable unit that has this tax abatement that declines over five years now has an additional significant burden from a qualification standpoint. So, while you could get to almost the same thing by putting that first five years in a static state, we think that's really important to potential homeowners that are buying specifically affordable. So, we wanted to mention that.

The second thing is, we would love to push back the implementation date. And we are suggesting July of 2021, which I know nobody is really in favor of. But I wanted to give you a quick -- one of our member examples that explains why we are requesting that. It's this.

We have somebody that purchased a property already that's a current member, so working with their Council District and local RCO to provide 20 percent of the units in the building affordable. They're 12 to 18 months from today to get in for building permit. Which would mean that if this proposal were to go into effect as proposed, that project would not have -- would not be able to work the way it was. We would have to go back and reduce the amount of affordable housing that's in that unit.

So by asking for the extension, what we are really asking for is the projects that are currently in the pipeline or stuff that people have purchased already, that that stuff is able to get through based on all the underwriting that was done and all the good projects, that they would be able to continue.

And then finally, we are requesting that there be an amendment to the language that says that if a project receives it's zoning approval and then gets appealed, that they have 180 days from the end of its appeal to file for its building permit and still get the full tax abatement. And the reason for that is, we don't want a project to get appealed just for the purposes of trying to get it to not get its tax abatement, right? And that could happen as an unintended consequence.

COUNCIL PRESIDENT CLARKE: All right.

MR. JONAS: So, those are the three things that we are looking for. To the point that you made, we think we have shown that we are willing to compromise and willing to try and create a better outcome for everybody. But we think that sometimes there some unintended consequences that come with that. And that these amendments would be thoughtful in that process.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you for your testimony.

Mr. Feldman.

MR. FELDMAN: Thank you. I'm David Feldman, Executive Director of the Development Workshop. I will summarize through my written testimony in the interest of time.

The Development Workshop fully supports

preservation of the ten-year tax abatement because it's been instrumental in growing Philadelphia, pulling the economy out of the Great Recession, a time when people were starting to look ten years ago at the tax abatement. We saw a drop from almost 12,000 construction jobs in Philadelphia in 2008 to 9,000-plus jobs, about a 20 percent drop in one year from 2008 to 2009 in construction job. And it stayed down for five years.

This is why ten years ago and fifteen years ago it was not a time to be debating it because we were bleeding construction jobs. So, we realize now is the time to look at this debate and have the periodic evaluation requirement. We think that makes sense to make sure we are looking at what is the impact of any change that's made and enough time to evaluate that.

The bigger more problematic piece is, as the other two presenters have said, is the timeline. Our suggestion is that the deadline be any project that's applied for zoning prior to July 1, 2020 as opposed to building permit.

The example I would like to give,

Council President, there are three projects in your district. An Councilmember Squilla, there are two projects in your district that as we are sitting here today across the street and across Love Park, there are five projects that are at CDR. I think one or two of them have already been delayed and are not being even heard at the CDR. They have applied for zoning a couple months ago.

None of those five projects is going to be able to get through what the City process is to get through zoning and building permit to be able to apply by July 1 for the tax abatement application. So those are -- there are a lot of projects that already somewhat far along that would be hit by this -- that would be changed, so that's our concern there.

And one thing I would like -- because the question has come up, just a point of information. There are about 575,000 residential units in the City of Philadelphia. Ten years ago we had a 58 percent homeownership rate, which got us to that 320/340 owner-occupied. We are down to about a 51 percent, thank you, Councilperson Parker --

51 percent homeownership rate. Which means, we are now down 280 to 290,000 homeowners; 220,000 of those have Homestead Exemption; 16,000 of those have LOOP. And then certain amount of those have the abatement. And as the Councilmember Parker pointed out, those 16,000, the homeowner units under the Construction and Rehab Abatement are not eligible for the Homestead Exemption. Excellent point. Thank you.

So, we are probably at something like 85 percent of homeowners who are eligible. And quite honestly, there are at a lot of homeowners who don't think they are eligible because they have higher incomes, and they don't know that the program is because of state legislation, not allowed to be targeted. And it may be an excellent point that that's something to look at.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you for your testimony.

Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President. And let me say good afternoon to each you. For those of you who were in the

Chambers earlier, I want to reference my questions again to the visuals that are in front of us; and particularly, in the middle where we see Substantial Rehab. And there are areas, if you can see the dots, where there are very few from a utilization perspective.

My question to you as members of the development community, because whatever you do, it has to make good economic sense, right? And we recognize that.

What is it that you think would need to happen from a legislative perspective and investment. And how do we incentive the development community to work more in those areas where we haven't seen great utilization of this tool? Is there any, like, direction or guidance that you can give to us as local legislatures and go to state legislatures saying, if you want us to find it to be economically prudent for us to go in to work on substantial rehabs and those areas, this -- hey, this is what we would need you to do.

Because for me, the reason why the commercial and the industrial side is a no brainer is because of the job creation, right?

How can we get an industry to look at that substantial rehab from an innovative perspective to say, wait a minute, maybe we can make more investment into a new market that's been underutilized?

MR. JONAS: Great question. And my suggestion would be the following. That one, the City owns a lot of actual houses, right? And the first thing I would do is take the actual houses that you own and get them into the market because we can fix them up cheaper than we can build a new house, right?

And so, if you have this housing stock that's out there that's underutilized and doesn't get to the market, that makes it difficult. So, that's the first thing we can do. And if we do that, I don't know if this is what you want. If we do that, that is going to increase the values and create stability in some neighborhoods, which would then allow us to invest in other houses in those same neighborhoods because you are starting to get an upward trend.

What you are seeing is the area where there is an upward trend, there is tons of utilization. Where there is no upward trend, there is no utilization, right? So if we can get targeted in those areas that you are talking about and start with houses that we can make economic sense of which is -- by way of example, if it costs $230,000 to build a workforce house new construction, cost $75,000 to rehab that existing house, right? What we don't have is access to that existing house and if we can start there, I think that would be a huge step in the right direction.

It would get developers comfortable in neighborhoods they are not in currently, right, and it would start to get the discussion going where you want. And then you can go to the market and start to take houses from the market and continue that process.

MR. FELDMAN: And Councilmember, I think the -- using that visual is misleading in a lot of ways. I think your discussion with Anne Fadullon was instructive in that, in that either/or.

So you know, Councilmember Bass, Jump Start Germantown, I am not seeing enough dots to represent activity of Jump Start Germantown exactly because of that discussion that happened earlier. So, a young developer from the neighborhood -- and Councilmember Quinones-Sanchez isn't in the room right now. But Jump Start Kensington in that area, and I'm sure Councilman Henon, some of that bleeds to your district.

We have small mom and pop developers. Developers meaning police officer who is fixing up a house on the weekend that he bought that was around the corner because he knew the family where someone passed or my family's old neighbor in Strawberry Mansion. We see rehabs, I sold the house for $80,000 that was rehabbed. Because for $25,000, you can do a rehab.

Well, if you are selling that to a homeowner, they have got a Homestead Exemption of $45,000. Why would they trade that? So, where those dots are missing exactly the wonderful kind of opportunity and the kind of development that is expanding the role of actually safe, up to date simple rehab.

The model, for instance, Habitat For Humanity, which I was former executive director in Philadelphia, talks about clean, safe affordable housing. It may not have granite countertops. It may not have three bathrooms. It may not have a rainfall shower, but it has a brand new kitchen that went in with formica countertops.

Maybe the stove is white and not stainless steel. You know, maybe it doesn't have central air. But for 80 to 150,000 dollars, a family was able to buy a home that was newly rehabbed. The electric, the heating the roof and the windows are done and half to a third of their real estate tax bill is completely waived by the City of Philadelphia through Homestead Exemption.

So, I actually want to thank City Council for spending $250 million in other abatements that have really addressed the concerns that we have to preserve existing housing and expand entry-level homeownership.

COUNCILWOMAN PARKER: Mr. President, thank you. And I want to thank the panel. Let me just say, I look forward to furthering this discussion. I think you heard the President and many of my colleagues note that this is sort of a tweak, right, first time in 20 years. But as we begin to move forward, fairness and equity in this growth and upward mobility has got to be the focus of this conversation. So, I look forward to having that in the future.

MR. FELDMAN: Thank you, Councilwoman.

MR. JONAS: Us too.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Chair recognizes Councilwoman Gym.

COUNCILWOMAN GYM: Thank you very much. I will be very brief, also. Are any of you familiar with the school Thomas Peirce Elementary School? Have you been there.

MR. JONAS: I have not.

COUNCILWOMAN GYM: Okay. So, can you -- it's been in the papers recently because of asbestos that was found, I think. When we did a visit, a number of us went there. And you can smell the bathrooms before you even hit the floor in which they are on.

You can acknowledge the impact that struggling schools have on a market as well in the City of Philadelphia --

MR. FELDMAN: So, Councilmember I appreciate your comments. And as --

(Audience shouts out.)
COUNCILWOMAN GYM: I wasn't quite done.
MR. FELDMAN: I want to answer the question.
COUNCILWOMAN GYM: I understand.
COUNCIL PRESIDENT CLARKE: Hold on. Hold on. Hold. on.
Councilwoman, were you finished?
COUNCILWOMAN GYM: I was not.
COUNCIL PRESIDENT CLARKE: Mr. Feldman?
MR. FELDMAN: I'm sorry. I'm sorry. I thought that was the end of the question. I'm sorry.
COUNCILWOMAN GYM: Sorry.
COUNCIL PRESIDENT CLARKE: Don't be so anxious.
COUNCILWOMAN GYM: I wanted to --
COUNCIL PRESIDENT CLARKE: Let her finish her question.
COUNCILWOMAN GYM: Per other comments, you know, we are in the work of looking at equitable development. You are in the business of your area of work. But we are looking at equity. And you can understand the impact that struggling schools have on our market as well on

your market, in fact. And I'm wondering how in encouraging the delays or other types of things to changes in the abatement, how the -- how the starvation of essential funding around our schools, how you would offset that?

MR. JONAS: So, I would suggest -- I agree with your point, right, which is everybody wants more money for the schools. So, certainly fair. I would suggest that we don't believe that we are delaying the revenue coming in. We believe what would happen is that a bunch of stuff would have to go back to the drawing board that's currently in the process that would start to generate revenue for all the different parts of the City. And now that stuff is not going to be able to generate stuff in the short-term.

So, a project that was hoping to get a permit in September and now the rule changed, and now I go, I got to go back to the drawing board. I can't do that project the way I was going to. So now, I don't submit that project for another twelve months. Well, I've already delayed what the income was going to be twelve months that way. In every way. In the construction, you know, every place that there is revenue made through that process gets delayed because those projects have to go back to the drawing board.

So, I think what we are trying to say is, we are not trying to delay it just because we don't want to start paying the money, right? Obviously, I don't want to pay money when I don't have to. We recognize and came here under the impression that we are going to have to pay more money and we are comfortable with that. And what we don't want to happen is the unintended consequences of, hey, look, let's rush this so we can make money today. And in fact, you are not making that money because the process is getting delayed further because the projects come off the board and then go back on.

COUNCILWOMAN GYM: I understand that. We also heard testimony from the School District earlier that a year's delay is $61 million on their end. And so, our question is, how are we looking at this? If projects aren't shovel ready, ready to go, we want to make sure that those projects that are shovel ready, ready to go, are moving in the pipeline. We certainly are going to work with everybody possible to make sure that they can do it.

But at the end of the day, if they don't quite get there, it means you pay 10 percent a year. That's it. It doesn't mean that you don't get the abatement or that nothing happens. It just means you pay in 10 percent a year, and that our schools become more stable and steady and that we can work with other things. This is an evolving process.

But you know, part of the goal is to recognize that there is a level of urgency around consequences that are not just individually related or just project related but that are significant because, in aggregate, the schools pay $61 million for a year's delay. And that is not something that I think your industry can offset right now.

MR. JONAS: Right. So, totally agree with that.

(Applause.)

MR. JONAS: I agree with you a hundred percent. Delaying $61 million is not a good option, right? The question is, did we sit down collectively and look at what we really thought would happen to the projects that are in the pipeline, and what would that really mean revenue wise? Because if it was $61 million, I think that that's a fair discussion. I don't believe that that's the number. And I don't believe that us industry and Council have sat down together and really done that math collectively to say, hey, what is this really and how do we come to something this is a compromise for both of us versus just kind of throwing a number out there, which is a correct number if all your assumptions are right.

What we are saying is, we don't think you thought through the entire process. We don't think those assumptions are a hundred percent correct.

COUNCILWOMAN GYM: I'm just saying that we are the ones who went to Thomas Peirce School.

MR. JONAS: And I'm just saying --

COUNCILWOMAN GYM: Thank you, Council President.

MR. JONAS: Can I just respond to that? You know, so, just from a school perspective, right, with the thought that we don't care about the schools, right? So, we are actively working with schools; the Laureate Academy, which is one of the highest risk -- dealing with one of the highest at-risk populations of students in the City, right? Providing scholarships, looking to provide buildings for them, working through the process of trying to help the schools, right?

So, the narrative that, hey, look, if you don't -- if you don't believe in this, then you don't believe in helping the schools isn't really a fair narrative. The fair narrative is, let's look at where the dollars are getting spent at -- (Audience cries out response.)

Fair enough.

I am just saying, again, everybody wants to help the schools. The question really is, is what you are proposing, what's the real dollar effect.

COUNCIL PRESIDENT CLARKE: Thank you. Hold on. Thank you. And thank you for your testimony. Going to move on.

Real quick, though. I just want to give you -- Councilman Oh kind of touched on it. This is really about the person in the neighborhood, particularly the person in the neighborhood that is "gentrifying" increased values, the whole nine yards. That person bought a house 20 years ago. They are there. And the development comes in. And there are a bunch of homes that are sold high value -- 5/6/700,000, whatever, right?

And the concern for that individual, I'm told, could conceivably be every year that that tax phases out, that there will be more tax liability on that individual. I am assuming that will be the concern of the development community because you guys are building.

But the concern from the existing residents, because I represent a couple of those areas is, you know what happens in those neighborhoods when the values in those neighborhoods for the existing homeowners goes up, they get a letter every year from their mortgage company. And they say, you know what, your escrow account is going to go up, right, because your values and your taxes are going to increase every year in the foreseeable future. And you know what those residents do? They send in that check for that escrow account.

So, they are figuring out a way. And it's much more burdensome for them to adjust because they want to stay in their homes. So all due respect, I think that the people who have a phase down on their tax abatement will probably figure out a way to adjust. All right? Because I think what we are proposing here is a reasonable approach. We got to have equity, right? And there are a lot of people who don't think we are going far enough, all due respect.

But we want to reach -- we want to reach a reasonable approach. Because at some point, any I you all -- this has to change. Can't -- I can't keep looking in the faces of individuals and telling people, said, well, I know. And they say, Darrell, my taxes keep going up. And this guy built this house. I don't even like the way it looks, right? It's four stories. I got a two story. I ain't got to tell you. You guys know what's going on out there. At some point, you know, you have to adjust.

This has been a 20-year run. The simple reality is that we are at a point in time where we think we are approaching a meaningful change that will provide significant revenues to the School District while continuing to stimulate the market.

Thank you, again. I want to thank you because you guys have been one of the few organizations that I got to say is willing to always have a reasonable conversation to talk about possibilities of this making a change.

I want to thank you all. Thank you for your testimony so much.

MR. JONAS: Thank you, as well.

MR. FELDMAN: Thank you.

MR. MARANSKY: Thanks.

COUNCIL PRESIDENT CLARKE: Thank you guys.

Next up. We will have panel three --

(Audience members continues to shout out.)

COUNCIL PRESIDENT CLARKE: Come on, my man. Sir, it's okay.

Next up, we will have Madam Shakumba, Rhea Powell, Gail Loney and Ron Whitehorne.

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE: That's Ms. Loney. That's a Fifth District resident. Come on up. You all can self-select. Just state your name for the record and proceed with your testimony. We want to try to limit your testimony to two, three minutes. We got a lot of people on the list.

MS. POWELL: Good afternoon. My name is Rhea Powell. I'm here in support of Ordinance 190944, which would modify tax abatements for new construction and improvement costs such that they decrease over time instead of remaining fixed.

I commend Council on this first step towards reforming what should be a targeted and fair system of tax incentives, one with clear goals and transparent assessment of its impacts. I do not doubt that the abatement has contributed to development over the nearly two decades that it has been in its current form. But although we know that the abatements have likely contributed to development, we cannot know to what degree some of that development might have happened in the absence of such a broad and untargeted abatement.

Economic and demographic shifts have also played a role in the growth of the City in parsing out which factors have had what degree of impact is complex. What we do know is that the growth and development that has occurred in recent years has not been uniform across the

City. The majority of abated properties are concentrated within the greater Center City area. And many of the neighborhoods that have seen the most development and reaped the greatest tax benefits are the very same neighborhoods where growth is likely to occur, even the absence of a generous tax abatement.

Meanwhile, neighborhoods with less favorable market values, the neighborhoods that stand to gain the most from development incentives have not seen the same growth. The blanket abatement may be equally available, but it has not been equitable -- it has not had an equitable impact across the City.

We also know that even though high value properties represent a small percentage of the total number of abated properties, they make up a significant portion of the total tax benefits. And in the last 20 years, properties with tax abatements received over 1 billion dollars in tax benefits. And over half of those benefits go to a relatively small number of high value properties.

As a parent of children in the School District of Philadelphia, I cannot help but think how some of that revenue might otherwise have been used. Even if you are not a parent, anyone who opens the Inquirer can read about crumbling infrastructure and insufficient support for our schools. Buildings that expose our children and our educators the toxins like lead and asbestos and educators who try to meet our children's needs with limited resources.

In a time of utmost need for our schools, it's imperative that there are clear and specific goals for any tax incentives, and that the City regularly reevaluates whether the goals are being met and if the benefits of development outweigh the costs of foregone revenue. The changes to the abatement that are proposed in this bill are for one path for change, but other options exist such as targeting the abatement to areas where reinvestment is needed most, capping the abatement to set limits on benefits for high-end properties, excluding revenue for the School District from the abatement or ending it outright.

With any number of ways to support school and City in front of you, I urge that you consider this a first step in creating a smart targeted tax incentive program that supports all of our schools and all of our City.

Thank you.

(Applause.)

COUNCIL PRESIDENT CLARKE: Thank you so much for your testimony.

MS. LONEY: Hi. My name is Gail Loney. And I'm a block captain in a neighborhood in the Fifth District. I'm not going to read my whole paper. I submitted it through email, but I will say this.

I live in a community that I believe was and still is intentionally divested in. And the only investment is to rid the community that is there now for what I call the power brokers want it to be in the future. We constantly hear about the developers and construction industry and how they bring jobs, which is supposed to bring stability to our City. But no one is talking about the people factor, the jobs we as poor Black people don't necessarily get or keep.

Jobs for two years is fine, but a job for twenty-five years is better. Education is not fine. The playing field is not level. Your

ZIP code should not determine anything about you other than this is the area you happen to live in right now, but somehow it does. This has to end.

The abatement is meant to bring business in and that is what it is doing. But at what costs? When you have neighborhoods that are experiencing development on steroids, backhoes, blocked streets, dirty air, noise pollution. And then once built, no air, no light and in some cases no respect for your neighbors. While the developers are building 500 to 800,000 dollar homes in communities that the people that -- that the people there can't afford and mega apartment buildings for students, though everyone denies it, are being built.

Those that have been there through drug wars, gang wars are still suffering through construction wars only to be on the verge of being taxed out of these homes. Elderly are being solicited by speculators calling and leaving cards at their home on a daily basis only to sell their homes they own and go where? Somewhere, they have to pay rent. And then what happens? The rent goes up too high because the landlord wants to kick them out to do a paint job and to get more money for that place.

Homeownership is something that has been for me made possible by my parents who found a way to leave some wealth for my family, but everyone does not have that. This abatement could have been a really good thing for businesses and communities. Had our government kept up with redeveloping working class neighborhoods and putting our tax dollars back to help those in need steadily over the years, we may not have become the largest poor City in the nation.

However, since that did not happen, we are -- we are -- here we are with gentrification, workforce housing and affordable housing that just keeps pushing homeownership further out of the reach of everyone. Because none of those words speak to the truth that incomes of $40,000 dollars or less can't pay for $300,000 housing or rents of $1,000 a month. In our neighborhoods, we see the developers when they come to ask for variances and rezoning for large construction projects we have had no say in developing.

The RCOs were a mechanism for the people to have say in their communities how they should look, how tall, wide, even color. But now in some cases, even the RCOs seem to be compromised, totally made up of well-connected developers, property managers for landlords and realtors. Even the plans can be totally in opposition to the look of the block, street or neighborhood. But we are not a factor.

Homes for the aging population is not a consideration unless for elderly. Notice, aging and elderly are not the same. Not much for disabled either. In a complex of 170 units, not one -- not one for disabled person or five for low income and maybe only five, and that's not every building. They come with the knowledge that the City already supports anything and everything they do in our neighborhoods. And sometimes, the outright arrogance is evident because they wear it well.

Since they support our officials, our officials support them. And when we oppose, we are just -- you know, we are just in the way, rabble rousers who don't even live in the neighborhood, which is what they would like to believe. But that's -- but that's just it. We do live in the neighborhood, but you don't know that because you think our neighborhoods are all made up of all the same types of people. Everyone does not scream running from the neighborhood because they have a little success. Every one of these neighborhoods is not a drug deal or is uneducated.

To the contrary, our neighborhoods are made up of firefighters, teachers, bus drivers, retired teachers, business owners just to name a few. We look out, share and care for one another. We help each other being there in their time of need. There are young adults and the elderly. And they are not always at odds. We have block clubs clean our streets and care about our homes. Our kids are well behaved, smart and educated. They travel and have dreams and deserve homes in the neighborhood of their choice.

Please consider thoughtfully and wisely the scope of this and other bills and how and why they effect your constituencies. This bill should be held for further discussion and amended considering the many factors involved.

I have only named a few, but ten years is too long with no plan showing how the money finally received will be used for the betterment of our schools and assistance to our aging housing situation and property owners.

Thank you.

(Applause.)

COUNCIL PRESIDENT CLARKE: Thank you for your testimony.

MR. WHITEHORNE: Good afternoon, Councilmembers and my fellow Philadelphians in the room today. My name is Ron Whitehorne. I'm representing 215 Peoples Alliance.

I have lived in this City for over fifty years. And along with my wife, raised two children who attended public schools. I taught in the same schools for 23 years, and own a home in the Lawncrest section of Northeast Philadelphia where we resided for over two decades.

For many years, I've been actively campaigning for the repeal of the tax abatement. In my mind, it is a symbol of the work priorities of those who hold political and economic power in our City. It is a tail of two cities. On the one hand, we have students who are disproportionately black, brown and poor and who have no choice but to go to under-resourced schools where their health is at risk because of the presence of lead, asbestos and other toxic materials in aging, poorly maintained buildings.

On the other hand, we have corporations that make billions in profits and developers of luxury condominiums who are the recipients of the ten-year tax abatement, a generous gift which confers no obligations on them. Those who benefit from this policy are disproportionately white and affluent. Ironically, many of those who purchased tax-abated properties in the gentrifying neighborhoods that surround the City Center leave the City when their children reach school age.

Another dimension of this tale is the growing housing crisis in the City. Working class homeowners see their property taxes rise. Market forces fueled by the abatement are squeezing renters as the pull of affordable housing declines. These consequences confront the members of Council with an imperative to act.

The current bill, while perhaps better than nothing, is woefully inadequate as a means of addressing the problem. We want an end to the tax abatement, not a piecemeal phasing out. And want it to cover commercial properties.

The notion that we need the abatement to create jobs for Philadelphians is a cruel hoax. Unlike in some other cities where abatements are linked to commitment to create jobs, low income housing or other social benefits, here recipients make no such guarantees. And while creating corporate office towers and luxury condos certainly generate some jobs, it is questionable that the economic benefits are equitably shared by Philadelphia residents.

Of course we need development, but the question is what kind? We want development that helps our school children develop their intellect, their imagination and their ability to sell their labor in today's competitive markets. We want development that provides adequate housing for all our people. We want the revenue that ending the abatement will generate uses of downpayments to fix our toxic schools and build affordable housing for working class residents. Both these projects will generate jobs at the same time they create positive social benefits.

Finally, we want to object to the lack of transparency and inclusion in crafting legislation to address this and related problems. I notice the developers seem to have regular access to Council and their views are taken very seriously. We want to make it clear that we will continue to press our demands, demands that we believe have broad support as indicated by the recent election. We hope for regardless of the verdict on this legislation, Council will revisit these issues in next year's session and hear the voices of the residents of our City.

Thank you.

MS. GREEN: Good evening, Tiffany Green, Concerned Citizens of Point Breeze. I want to start off with the fact that I think this particular proposal, I mean, this bill is a fake out. It's a fake out because the fact of it is, it's still a ten-year tax abatement you are still providing these people.

And my concern is that we are sitting

here with Council, many of who, with all due respect, have stated and fought for children on many levels. But yet, voted for to accelerate permits for developers in many of our areas, 17 to 0. For me that's being hypocritical in many, many ways.

But lets get down to the details because the City of Philadelphia is not losing any money. You get your money off of the transfer fees up front. So when you get your money off the transfers fees up front, the ten-year tax abatement, you are not really losing any money at all. So the point of it is, when you have condominiums like 500 Walnut Street and you have the Laurel which has from 26 to the 52nd floor all condominiums starting from $2 million to $15 million, and they are all getting ten-year tax abatements with no particular cap at all, you are making a lot of money off of those transfer fees that's coming in up front.

So the question is -- and then you have not only that, you have the highest $17.85 million condominium was sold at 500 Walnut Street that received a ten-year tax abatement. I mean, what do we say here? It's like as far as I'm saying, this is a fake out. Because of the fact when you have a -- when you get the transfer fees, what are you doing with the money. If it's not going to our schools, then where is the money going to?

Well, let's talk about where the money is going to. The money is, according to Alan Greenberg back in 2009, you have to places and new events for newcomers to come in. So, who help, was it allegedly, money -- $15 million put towards the fixing up of Dilworth Plaza? Another 25 million allegedly was given towards the Gallery to fix that up. Who fixed up Penns Landing. You are fixing up Love Park.

So, let's talk about how you are directing your money and everything, and then you want to sit here and say you care about our children. You see them in dirty, rundown schools. You see them with asbestos, but yet you are sprucing up your own house. It's like you are at your house. You are wearing new clothes, but your house is falling down. You know what I mean?

The thing is, let's not fake the community out. This tax abatement needs to be put -- it needs to go. It needs to go down to three years -- three years. Councilman Goode did the numbers on it. I don't quite have it, so I'm not going to quote him. But the thing about it is, is at this point, it needs to go down to three years -- 100, 50, 25 and you're out or it needs to be ended at this particular point. Because if you continue on, you are just really running everybody else into the ground.

The Homestead is also not real because we are being taxed assessed like Councilman Oh. You are assessing us. We have people who started out at 50, but now they are up to 80. Then they are up to 125, 170. So if you reassess us at 170 and take off 40,000, we at 130. You reassess us at 200,000, you take off 40, we at 160. So, the Homestead is really not helping because you allow them to continue to build in new construction. You continue to give them the ten-year tax abatement.

And then you continue to reassess us. And then you want to sit here and say that you are helping, you care about the poor, you care about the children and all this stuff. Yet, you are continually voting for new zoning code, new policies where you are giving developers different bonuses. If they do a green roof, they are allowed to get ten extra units in a luxury apartment which is -- who knew that? That wasn't on the poster boards when the Planning Commission came down to us and said they want to do mixed housing.

You say you are doing mixed housing, mixed income, but you are not doing mixed housing and mixed income down in Center City. When it comes down here, they get exclusion if they give a little money to the Housing Department. But at that particular point, there's no mixed housing. It's only mixed housing in the black community, in the black and poor community. But it's not mixed housing, mixed income in these luxury apartments like the Laurel and 500 Walnut Street.

And we can go all the way down to all the money that you are pulling in from the transfer fees. I think that this really needs to be put on hold. If you are going to have a real conversation, then have a real conversation because our children are suffering at this particular with dirty schools, dirty schools.

And at this point, I feel as though that we have been at this for a long time. We really -- Philadelphia is really have -- we are at two different towns. We have poor/poor and upper income. You are catering to the newcomers and you are leaving the low income on the backburner. So what are you -- which way are you going? And you are getting the transfer fee.

And then you take one building, one developer gets a ten-year tax abatement. And he can then transfer to 200 units a ten-year tax abatement. So then with the 200 units, you still getting money off the transfer fees up front, you know, because some of our new residents tell us these things. That's how we know these things. The thing of mine is, if you are making money off of 300,000-dollar house and let's say you have -- you are making $17,000 to transfer fee, you are getting the money.

So, where is the money? Where is the money? Because you are getting the money up front. That's the bottom line. And so, this ten-year tax abatement is going to end. If somebody pays $17 million and got a ten-year tax abatement, then you know at this point, we all need to go back to the drawing board.

Thank you.

(Applause.)

MS. MITCHELL: Good afternoon to the Council and, well, President Clarke is not sitting right there but good afternoon to him anyway. My name is Diane Hamilton Mitchell. For the last 55 years, I have lived in the 1300 Block of South 15th Street. First time grandmother. And I am hoping that within the next 20 years, I should be able to maintain my home that was given to me.

Right here I am holding up a printout that Bershaw Hathoway sent to me starting with a house that started at 130,000 up to 775,000. And they are not paying taxes. And it's 85 houses. I decided since I retired from the school system, I refused to be a realtor because I refuse to go in my neighborhood and go on the computer and look for houses that are backed up in their taxes. And that's what some of these developers are doing and realtors.

I have a folder here. This is a folder that I keep account of all the realtors and developers are calling me to sell my house and my neighbors. I own a -- I am on a fixed income of $990. And I survive off the grace of God. That's what I survive off. And not just me, a lot of people. I can't believe that Philadelphia has allowed developers to come in here and take our homes from us.

They are not paying taxes for 20 years. Twenty years I might not be here. We are not guaranteed anything, but this needs to stop. We are not -- this is not brotherly love anymore. This is called, where's the money?

When you have -- when I had to give up my car because I had no place to park. I have to pay $20 -- no, $35 a year to park in front of my door, so I gave up my car. And my slogan is, if I pay property tax, I should be able to park in front of my door.

Right now the problem with the school system with the asbestos is out of hand. We all knew what was going on. If a house is built 1915 like my house is built, and we got asbestos out of our basement. Right now my sister worked at Benjamin Franklin High. She's coughing because she might be a victim like the young lady at Meredith school was, okay?

The tax abatement is getting out of hand. You have people knocking on your door, taking pictures of your house, going on the internet. Here is a picture of my house. A picture of my house. How dare you violate me. And I know we have a open policy that all this information is on philly.gov. But listen, when they call me and ask me for 100,000 for my house, you can't buy my dream. You can't buy my history. You can't buy my home.

Councilman, I am begging you, I am begging you, let's end this abatement and we got to end it now. Because what's going to happen is it's going to happen to all of us. Maybe some of you guys can afford a house that's 750,000, but I can't. I paid my taxes. I do my duty. I'm a block captain. We don't -- we connect with one another in our neighborhood. You took the neighborhood that was South Philly and now we are New Bold and Center City South and Point Breeze. You took the neighborhood and you divide it. And when you divide it, that's when the racism start.

We have new neighbors that piss in front of my door with their dogs. They don't want to speak. I have to speak to them before they can give me eye contact. Headphones are on. This situation right here brings in racism and we don't need that. If we going to be brotherly love/sisterly affection, we better do it now.

Let's end this tax abatement. Let's end it now. Thank you so much.

(Councilman Henon sitting in as Chair.)

COUNCILMAN HENON: Thank you. Our next panel will be Ben Connors, Christopher Somers, Chris Johnson and Andrea Moselle, if that is correct. We are going to move to a time limit, two minutes because we still have a lot of public comment and several panels ahead of us.

Thank you all for being here and hanging in here so long.

(Approaches Witness Table.)

COUNCILMAN HENON: If you could, start off by stating your name for the record. And you can proceed.

MS. MOSELLE: Yes. Good afternoon. I am Andrea Moselle. And I've lived in Mt. Airy for over forty years. As the parent of three grown children who graduate from Philadelphia schools and a grandparent of a 3 and a half year old that lives in South Philly. I am here as a believer in great public education for all Philadelphia's children.

My experience as a mental health professional with a background in child development and early childhood education reinforces what every parent and grandparent in this room already knows. Children and staff are entitled to go to school in safe and healthy buildings. As a member of the Power Interfaith and the City Schools Coalition, I've been working with parents, teachers, students and community members for the last three years to end the abatement and return the resulting real estate tax dollars to our schools.

As many Councilmembers who we visited know, we have studied the facts about abatement and the findings are clear. The abatement takes desperately needed funds away from our schools, land and affordable housing and keeps them in the pockets of wealthy developers and builders. Despite the encouragement that many of you gave us in these conversations, you chose to work behind closed doors to create the legislation introduced last week.

We see this bill as a first step in addressing the issue and returning some of the money to the School District of Philadelphia. And as such, we will support a yes vote. But the phase out of the abatement you have proposed is very gradual, and our children cannot wait the eight to ten years it will take to bring back enough of the lost revenue to begin to make a significant impact. And they certainly cannot wait the five years proposed by the building trades unions for the phase out to even begin.

Each week we learn about more unacceptable toxic conditions at schools across the District. We will be back in January to ask you, how you will find a way to bring the necessary funds to our schools this coming year to end the toxic conditions. We expect you to recognize this is an emergency and to move with all urgency. We need you to do what your constituents elected you to do and take a stand for Philadelphia's children.

Thank you.

COUNCILMAN HENON: Thank you for your testimony.

MR. SOMERS: Good afternoon. My name is Christopher Somers. I'm a realtor in the City of Philadelphia. And I'm the current president of the Greater Philadelphia Association of Realtors. With over three thousand hard working members, GPAR has served as the voice of real estate in Philadelphia since 1908. Thank you for the opportunity to testify today regarding Bill No. 190944.

GPAR does not support the bill as it is written currently. While we understand the intent and efforts behind the bill, we would like to offer amendments to the bill and the reasons behind them. We would like to request this Committee keeping the 100 percent tax abatement for new construction for the first four years of the ten-year tax abatement with a gradual decline as mentioned in our detailed testimony. This will reduce the full value of the tax abatement from seven years to ten years while making sure the real estate market is not destabilized because of a radicle change and maintaining the incentive for home buyers to purchase a house.

We would also request the effective date for the enforcement of the bill be January 1, 2021, which would provide some time for transactions to work through the paperwork in relation to permits and zoning processes. Additionally, it will help in predicting the market forces which is already witnessing a downward turn. Our proposed amendments will lessen the shock wave that may be created through amending this tax abatement policy.

Our primary concern is the homeowners. It is important to make sure the homeowners and consumers are protected from any drastic change that could negatively effect their ability to obtain a stable source of funding from mortgages for concluding the process of buying a house. We also need to create more certainty and provide more time along title companies in calculate the escrow amount for the impending payment of Real Estate Tax.

A specific real life example I would encourage people to drive by tonight or tomorrow or any time is a project at Frankford and Lehigh where the City was collecting maybe, if they were collecting it, around $10,000 a year of real estate taxes. Now it's currently $50,000.

And over the ten years, it will end up being 700,000 in real estate taxes of the tenth year. This also provides over $2 million in transfer taxes. These sales are in the $300,000 range, created tons of jobs with 155 homeowners and occupants. We can safely say that without the tax abatement, this would still be an abandoned used car lot today.

Thus, we look forward to working with City Council to make the bill work for everyone and ensure the economy of the City of Philadelphia is not negatively effected by changing the tax abatement dramatically. Once again, we do not support Bill No. 190944 as it is currently drafted.

Thank you for your consideration of the thoughts expressed by GPAR and myself as president of the association.

COUNCILMAN HENON: Thank you. Next speaker, state your name for the record. You may proceed.

MR. CONNORS: I'm Ben Connors, president of the General Building Contractors Association. GBCA represents over 290 union commercial and industrial institutional general contractors, subcontractors, material suppliers and construction service firms throughout the Greater Philadelphia region.

We would like to thank the Council for allowing us a chance to testify on Bill No. 190944. I'm here to express the construction industry's grave concerns about the impact to the economy that any reduction in the current property tax abatement would have.

While ours is an industry that builds in concrete and steel, it shouldn't be estimated how fragile of an industry it should be. Cost increase to an industry can easily deter further redevelopment or grind new development to a screeching halt. And it's not just -- this is important. It's not just developers that rely on the tax abatement to build our City, it's the general contractors and subcontractors we represent. It's architects and engineers, lawyers, accountants, material suppliers and countless other companies who support the construction industry.

Nearly 40,000 jobs are directly or indirectly supported by the real estate industry in Philadelphia. These are good paying jobs.

The types of jobs we need more of not less of in our City. The construction of the a building impacts so many people and so many industries from all those who rely on planning and construction of the building for their livelihood to the countless restaurants and businesses that benefit from new residents. Each residential project is an economic engine for the City generating jobs and income, tax revenue. And a reduction to the abatement puts as brake on that engine.

GBCA does support amending the bill to ensure that some of these negative impacts can be weathered by our industry. In particular, we do urge Council to change the implementation date to July of 2021. On large apartment or condo projects like those that are built by GBCA members, these costs can take up to two years to develop some of these projects. And on the front end, a lot of these costs are going to be borne by the contractors who do preconstruction and won't recoup those costs until after the project is completed.

So, projects currently in consideration now that wouldn't be done in time for the current deadline for this project, those costs would not necessarily be borne by developers, they would be borne by the small business owners that will eventually build those projects hopefully.

Additionally, we would like consideration to change the amendments so that it's a hundred percent abatement for the first five years and declining in percentage in the next five. Again, our industry in particular when getting a construction loan to build a project, the first five years are critical for qualifying for that loan. Reducing the abatement right in the front is going to make it less likely some of the projects that currently qualify for loan will get it in the future.

In conclusion, over the past 128 years, GBCA members built this City. We built our schools, our government buildings, our offices. And many of the apartment and condo buildings that our citizens live in. And we want to make sure Philadelphia succeeds. So we do want to point out, we applaud City Council for not seeking to modify the commercial and industrial abatements. What the City needs more, if anything else, is jobs. And these abatement are critical to incentivize future growth and jobs in the City.

So, we hope Council will support the proposed amendments I have discussed. And thank you for your time and consideration.

COUNCILMAN HENON: Thanks.

Chris, if you can state your name for the record. And you may proceed.

MR. JOHNSON: Yes, hello. My name is Chris Johnson. And I am here on behalf of my testimony. So, I am here this testimony, more so to tell my story.

In 2017, I -- me, my fiancee, my two kids were renters like a lot of people in Philadelphia. We rented a house in York Town, a 3 bedroom, one bath driveway which is a great house. But 2017, we said this would be our last rental property just because the expenses were killing us. It was $1,500 per month plus utilities. We were looking at $2,000 per month just to rent.

We buckled down. We moved into an area we didn't want to be, but the rent was very low. So, we lived there for about 16 to 18 months to save money, build our credit, reduce our debt. And we started home shopping during that 16 to 18 month span.

We looked in Jersey. We looked in Delaware. And of course, we looked in Philadelphia because we are both born and raised here. Our kids were born here and they go to school here. So, as looking in Jersey and Delaware, some of you might know they also offer tax abatement, which is five years. And then we came back to Philadelphia. And Philadelphia agent also said they offer tax abatements, as well. So, we said why not stay in Philadelphia where we are from and they have a ten-year tax abatement, which was beneficial to us.

So, during that time, we hit the ground hard looking for a perfect opportunity for us during that 18 months span when we looked into rental property. Mind you, it was a duplex, it was two bedroom and it was four of us.

So during the time of the home searching in Philadelphia, like I said, we had a great opportunity come up. A new construction house in Philadelphia, some of the areas that you guys probably live in. And like I said, we hit the ground hard. And we just did what was necessary to acquire a new construction property. We didn't want a renovation. We didn't want to order home. We wanted a new construction where we could raise our kids and they could live in Philadelphia. We didn't want to live in New Jersey. We didn't want to live in Delaware just because we work here and play here and our friends and family are here.

So, we didn't want the take our money to another state, another city that will benefit somebody else's kids or just the city. So after all that said and done, we settled on our house last December, actually December 18 of last year. So, our year anniversary is coming up already on a new construction house. Yes, ten-year tax abatement is applied to the house. And we are benefiting from that abatement. And we didn't have -- we don't make a ton of money.

But like I said, we reduced our expenses and increased our income, reduced our debt. And we were able to acquire a new build with a ten-year tax abatement. And then our daughter and our other son could be Philadelphians just like the rest of us.

So, that's our story. And we benefited off the tax abatement basically.

COUNCILMAN HENON: Thank you for coming in.

(Applause.)

Our next panel. Going to call Ming Wu, Christi Clarke, and Boris Kaplan.

(Approaches Witness Table.)

MR. WU: Hi. My name is Ming Wu. I'm a Furness High School graduate, a current CCP student. A youth organizers with HMA United. I living in the Second District. I am here to push City Council to vote yes on the first step on ending the tax abatement, but this not enough. We must end the tax abatement now.

I living through the damage of the school budget cut that happened year after year. My school ceiling leak. My teacher will bucket on the floor to collect rain water while we expect to go on learning like this was normal. The paint on the wall peals. Many class will missing teacher. I almost did not make it to college because my college counselor have too many students. I was lucky I had help from a UN and other friends. Others were not as lucky.

I was shocked by the school conditions I find here, the richest country in the world. Three years later, those conditions still not change. Over the summer I work with 27 youth who interviewed over 400 Philadelphia public school students about their school conditions. Here is what we hear. There is a shortage of tables and chairs for students. The ceiling also have cracks, which sometimes water will leak through. Student at Northeast High School.

The ceiling paint will fell on the student and the table and distract them during class. Student at Washington Elementary School. Is has become too hard to concentrate when classroom don't have air conditioning. Student at Northeast High School.

Ninety-two percent of student were interviewed report damaged facilities. More than half of students report a lack of air conditioning. Seventy-eight percent report lack of teaching materials. In addition, half of the student had no interpreter in their school. How is this possible? By ending the tax abatement, we have a real chance to advance in our youth.

Last year, Palumbo roof fell in. Ben

Franklin and SLA were closed because of damage -- dangerous conditions. Peirce Elementary just make headline. Why won't City Council push the health and safety for our young people first. With this current bill on the abatement, we will -- also no money.

Next year --

COUNCIL PRESIDENT CLARKE: Sir, you got to -- time is up. Can you wrap it up, please?

MR. WU: Okay. And limit money for year to come. This is why in the new year, we will continue to push City Council to end the abatement. We will push to make sure we are part of review process of the bill. And we will push to see that this money is returned to community that need it most to face dangerous condition in the school.

For --

COUNCIL PRESIDENT CLARKE: Thank you.

MR. WU: For affordable housing and --

COUNCIL PRESIDENT CLARKE: Sir, sir, I need you to -- your time is up. Thank you. Thank you for your testimony.

We appreciate you.

(Applause.)

MS. CLARK: Hello. My name is Christi Clark. I work at the Women's Community Revitalization Project. We are a developer that also does community organizing. And we are here to testify in support of Bill No. 190944, the amendments to the tax abatement.

We are also part of the Philly Coalition for Affordable Communities, a coalition of over 60 organizations from around the City. One reason our coalition support this legislation is because we stand with our allies in the Our City Our Schools Coalition and the Alliance For a Just Philadelphia because we know that healthy, well-funded public schools impact all of us. And the changes in this bill will create additional resources for our schools. I will also add that as a public school parent, it's personal to me.

Additionally, the Philadelphia Coalition For Affordable Communities has been working since 2014 to win additional funding for the Housing Trust Fund to expand affordable, accessible housing. We support the proposed changes in the tax abatement because we know it's time for Philadelphia to address the harsh impacts that development, specifically market rate development has had on neighborhood affordability. I'm talking about the displacement that's effecting too many families, specifically black and brown families, forcing them to leave their communities.

We hope to see legislation introduced by Council in the new year that would ensure a fair portion of the money that starts coming back to our City would support the preservation and production of affordable and accessible homes. Housing security is necessary to address poverty. And for many Philadelphians, that starts with having affordable accessible rental housing or access to home repair or adaptive modification grants to keep homeowners stably housed.

With the new City revenue that will be generated, hopefully starting in 2012, we are asking you and Council to add money to the Housing Trust Fund to expand the programs we know work. We are asking folks to vote yes on today's bill and to make a commitment to use the revenue to come back to the City to further fund our Housing Truth Fund.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you for your testimony.

Next Boris Kaplan, Paul Steinke and Mark Brown. Mark Brown? Mark here?

Boris is not here. Beth McConnell? Walt is not here, right? Eileen Callaghan?

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE: Calm down, Paul. Everybody is anxious today. I know it's late. Trust me.

You guys select who goes first.

MR. STEINKE: Okay. Well, thank you Council President Clarke and Members of the Committee of the Whole for your consideration of my testimony today. My name is Paul Steinke. And I'm Executive Director of the Preservation Alliance for Greater Philadelphia. I am here to testify on behalf of the alliance in support of the tax abatement reform bill in front of the committee today.

Despite a wealth of architectural resources in the City, a collection on par with or greater than any American City, we have had few if any programs at the local level to incentivize their maintenance and reuse. Lack of incentives was a core focus of the Historic Preservation Task Force.

While the impact of the tax abatement in stimulating construction and development activity over the past two decades is clear, the tax abatement has also been a catalyst for the destruction of historic buildings in pursuit of larger, taller, denser and fully abated new construction projects.

This bill by gradually scaling back the abatement for new residential construction while preserving it for rehabilitation projects, will create a new incentive for historic preservation in Philadelphia. This is something we haven't had since the first version of the tax abatement was enacted in 1997 when it was available solely for rehabilitation projects.

The passage of this bill you are considering today will once again give rehabilitation priority. We believe this is how it should be in a City in which around 70 percent of structures date from prior to 1940. We must also remember that rehabilitation also creates construction jobs and economic development, which our City must continue to foster and promote.

We have two other ideas that we think are worthy of your consideration, each would further incentive the rehabilitation of historic buildings. One is zero-basis assessment, which was a recommendation of Mayor Kenney's task force on preservation. Which means for rehab projects, the abatement should be applied for the full improvement value, treating rehabilitation as if it were new construction.

The second is demolition prohibition of any building that's recognized on a -- on the national register of historic places or as part of a national historic district. In sum, the Preservation Alliance supports the passage of this bill. And we thank you for your consideration.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

MS. CALLAGHAN: Evening, Council. My name is Aileen Callaghan. I am the mother of a six-year-old boy who is kindergartener at Richmond School. I am a sitting committee member of Reclaim Philadelphia. I am here to stand in solidarity with the Our City Our Schools Coalition.

During the last four months in my community, I have knocked -- I have bottom lined the operation to knock on 15,000 doors in my neighborhoods. We had 2,000 conversations. And 99.9 percent of those individuals wanted a complete and full end to the ten-year tax abatement. So, that specifically is 1,990 people out of 2000 claim that they want a full and complete end to the ten-year tax abatement.

Our community in the River Wards, which is Poor Richmond, Kensington, Old Richmond, Fishtown kind of, we are a stronger base of stakeholders than eCon Consultants. We need to begin to listen to our communities when we are making choices. And I was very stressed to see, like, the lack of transparency that was going on in this process. We are very clear that the reason why this legislation was put forward at such haste today is because our communities have been organizing directly to end the ten-year tax abatement.

We will continue to fight this. Come January, this is going to be the very first step. And in this first step, we need to deeply consider, this is not just a financial crisis but a deep and real moral crisis in our community. We are the poorest metropolis in the nation. And the way that we organize money in Philadelphia clearly shows who holds the power in our. Those are the commercial real estate developers. They sit in our elected offices. They sit behind the closed doors in the Democratic Caucus, and they weigh in our legislation.

Specifically, BIA got their input on the legislation when they decided to kill the bill for the cap of homes exceeding $400,000 before this bill could get introduced on November 21.

We must consider our communities and the impact this has on our schools. My son attends Richmond School. There is asbestos in most of the third grade classrooms. My son is not in a safe environment, and he deserves that. On path to end the ten-year tax abatement is the only way to ensure that poor and working children in Philadelphia are safe.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you.

(Applause.)

Thank you for your testimony

MS. ATKINSON: Good afternoon or now evening, Council President and the rest of the Members of City Council. My name is Heather Atkinson. And I am a resident of Philadelphia. I am a Democratic committee person, the mother of a second grader, a former teacher, a Temple graduate and a human being who believes we should place more value on the well being of our children than on the bank accounts of developers.

Philadelphia has the money to address the emergency that is plaguing our school buildings. It's an emergency that is blamed for endangering teachers and children and tragically for dooming a life. What we need to save our schools are the right priorities, and we need the heroes to carry them out. This is your chance to be a hero.

Until this year, my son attended Meredith Elementary School whose teacher Leah Deruso has been diagnosed with mesothelioma and given one year to live. School District records show that her classroom had a history of damaged asbestos. It was marked high priority for repair in 2015, 2016, 2017. But nothing was done about it until she received her death sentence. As you can imagine, this has caused students and teachers to worry if they will be next. Parents cannot sleep at night. Meredith Elementary, a blue ribbon school, is not the only school in Philadelphia that has been endangering teachers and students. In fact, this problem is rampant across our entire City.

How is it possible in the United States of America that we cannot provide every child a school that is free of toxic lead and asbestos? We can, we should and we must. I live in a neighborhood where there are million dollar homes who have tax abatements. People are in bidding wars paying over asking price. And we tell the wealthiest of our citizens, hey, even though our schools are making our children sick and many who live in poverty cannot pay taxes, you don't have to pay for ten years either. You are literally robbing from our most vulnerable citizens and giving the money to people who don't need it. This must stop. This makes no sense.

Meanwhile, the School District is in a state of extreme emergency. And without the funding to completely remediate all of the effected schools, teachers and children will remain in danger. Ultimately, the City will pay both in lawsuits and by losing revenue when the same people lured by tax abatements flee for safe suburban schools.

Our leaders have failed our children and their teachers. And I am calling on each of you to be a hero. To step up, to do what it takes to swiftly make our schools safe. The bill being considered does not do enough to quickly address the current crisis. In fact, students in fourth grade or higher will have graduated before it provides enough money to fix unsafe schools.

Constituents across the City showed up in record numbers to elect Kendra Brooks and others who campaigned on ending the tax abatement. Our citizens have made their voices heard through rallies, call-ins, op eds, lobbying and meetings. The people have spoken. I knocked on my constituents doors, and I met privately with some of you. Philadelphia residents and many of you want to do more.

Please do more. We should not starve our schools and neighborhoods to prioritize developers. Please, get your priorities straight. Be the heroes our City truly deserves.

(Applause.)

COUNCIL PRESIDENT CLARKE: Thank you for your testimony.

MS. MCCONNELL: Good evening, Council President, other Members of Council.

COUNCIL PRESIDENT CLARKE: Evening.

MS. MCCONNELL: My name is Beth MConnell, the Policy Director at the Philadelphia Association of Community Development Corporations, PACDC. We support Bill No. 190944.

We do urge that Council amend the bill to extend the effective date to the summer of 2021. This would give affordable housing developers time to incorporate a modified abatement schedule into their financing for future projects. And allow us to not negatively effect projects that currently awaiting awards but that whose budget are not easily changed.

Otherwise, we firmly believe that tax abatement reform is long overdue. It's inequitable for Philadelphia taxpayers to subsidize profitable market rate developer that does not need subsidy and is benefiting households that do not need help in securing affordable homes.

We had asked Council to consider an amendment that would continue the abatement for affordable housing development, which is deed restricted. Particularly, for rental development to serve households between 20 percent and 60 percent area median income. We do understand it's the position of the Law Department that the Pennsylvania Constitution's Uniformity Clause prevents us from doing that. But we are still able to support this bill without that amendment because we have been assured by the Council President's office and by the Kenney Administration that they will work with affordable housing practitioners on each project to make sure that low income housing tax credit developments that do depend on the tax abatement as a form of operating subsidy will continue to be developed and supported and subsidized in other ways.

We do estimate that a typical low income housing tax credit project, the impact of scaling back the abatement could be anywhere from 42,000 to 50,000 dollars over a ten year period based on the number of units and projects that we develop each year. You know, that would require some additional subsidies of about $390,000 a year to make these projects whole. Those are resources that the City of Philadelphia has. And we believe can be well deployed and the abatement -- abatement reform will still allow these projects to move forward.

In closing, want to applaud Council and the Administration for working to boost investment in the Housing Trust Fund so significantly. And we do hope that out of the abatement reform, additional resources that are due to the City could go to support and develop more affordable homes.

Thank you for the opportunity to testify.

COUNCIL PRESIDENT CLARKE: Thank you. And thank you so much for your great work you guys do. Really appreciate your focus on affordability in the City of Philadelphia.

MS. MCCONNELL: Thank you.

COUNCIL PRESIDENT CLARKE: Next up we have Dawn Ly, Antoine Little, Lena Smith.

(Approaches Witness Table.)

MR. LY: Good evening. My name is Yung Ly, Youth Project Director at Viet Lead and also homeowner. I'm here to talk about structural violence that are students are going through every day to school, as someone working with high school students and also as a product of public school system in Philly.

Throughout my three years going there, my friends and I experienced racial harassment from others in hostile environments so normalized that no adult did anything to change it. On December 3, 2009, exactly two days ten years ago, things came to a tipping point where over 30 Asian immigrant students were beaten up over the course of one school day, while the school and School District, of course, did nothing.

This time, there are over 750 other students came together with supports to demand accountability, identify root causes of the problems which we saw as the SRC at the time and school District who let it happen through normalization of and participation in structural violence. Underfunded schools and under-paid staff and lack of clear directions and leadership from School District on ensuring safety for all students. And today on the tenth anniversary of what happened, I am speaking in front of you to once again highlight systemic violence that are public school students and staff have to go through.

One has been ignored for far too long, but one that we totally have the power to change right now. From almost two years, the Lead has worked with students from Furness and other under-funded schools across the City to fight for additional resources to fix crumbling school conditions like lead and asbestos. We also joined a coalition of organizations working across issues involving land, schools and housing to collectively demand an end to the ten-year tax abatement, which we know is a common element to detriment to black, brown and working class communities are facing.

For over 20 years, this generous tax

break has accelerated the loss of black and brown community farms and gardens, stolen millions of dollars from public schools and replaced truly affordable housing with condos. This structural systemic violence aiming at the most marginalized of the City.

Thanks to the organizing efforts from many organizations the past three years, today we finally have a chance to do something right by passing the amendments to the ten-year tax abatement, which we still think is really inadequate and was introduced behind closed doors without people's feedback.

We know City Council has looked to the wealthy BIA who benefits most from tax abatement as a major force behind any decision on it. And even with such modest changes to the abatement from which we won't see any impact until 2021, BIA is once again using the political and capital powers to pressure the City Council for strip-down amendments.

COUNCIL PRESIDENT CLARKE: Thank you.

MR. LY: Why do we continue to normalize the structural violence and prioritize the growth of the wealthy over land security, healthy schools and affordable housing for working class.

COUNCIL PRESIDENT CLARKE: Thank you.

MR. LY: And I am going to finish my statement.

COUNCIL PRESIDENT CLARKE: Please.

MR. LY: With that in mind, on behalf of students I work with, I am here to demand the following.

One, pass the amendments to tax abatement right now and ask this without stripping it down any further as suggested by the BIA. But know that we will continue to fight to end it.

Two, create a democratic process for radicle inclusion of the communities most impacted in this matter, including the processes of reviewing the impacts of abatement on our communities.

And three, create an emergency fund to address the crumbling infrastructure of Philly public schools and pressure the School District to set aside any additional funding to issue.

COUNCIL PRESIDENT CLARKE: Thank you.

MR. LY: Ten years ago we had a saying,

we had the power to make change. And we did. We will continue to fight moving forward to end the tax abatement, get back the resources we deserve.

COUNCIL PRESIDENT CLARKE: All right, sir.

MR. LY: To make the city for all of us and not just the wealthy.

COUNCIL PRESIDENT CLARKE: Okay. This what you can do --

MR. LY: Thank you. Because you give the developer 30 minutes to speak.

COUNCIL PRESIDENT CLARKE: That's cool. If anybody wants to leave their testimony, we will make sure that it gets in the record. So, we can leave and make sure it's in entirety.

MS. SMITH: Good evening. Thank you, Councilman Clarke and this body for the opportunity to speak. My name is Lena Smith. I'm a campaign manager for clean water advocacy at PennFuture. I'm projecting a little bit of a different dialogue into this debate.

PennFuture is leading the transition into clean energy economy in Pennsylvania and beyond. We are protecting our air, water and land and empowering citizens to build sustainable community for future generations. PennFuture supports this first step to amend the ten-year tax abatement. However, we believe there is still work that needs to happen. These initial changes being discussed are just the start of an ongoing debate that we look forward to participating in with the incoming elected City Councilmembers.

While we know that now is not the time, in the future, City Council should prioritize abatements for improvements that advance the City's green stormwater infrastructure and climate change goals. I would like to commend this body, and particularly Councilperson's Reynolds Brown and Green for the work that has gone into incentivizing development and addressing the reality of the climate crisis and contribute to greening our City.

At a time when global temperatures are increasing and we see an increase in storms, flooding and climate disasters, Philadelphia must take all measures to advance emissions reduction and climate resiliency and adaptation measures. Green City Clean Waters is one of those programs that is building green stormwater infrastructure to address the City's combines for overflows and creates multiple community benefits for green jobs, green space, increasing safety and addressing climate adaptation and resiliency.

The City is required to manage runoff from 9,564 acres from across the City's combined sewer area. Side development on private property which offers huge opportunities to create cost effective greened acres is essential to achieving Green City Clean Water's goals.

In the first five years, Greened Acres as a result of private or public private investment accounted for 1,154 greened acres, almost 80 percent of the total 1,450 green acres achieved. These goals allowed the City to accomplish their greened acres goals under the consent order under a cheaper price than it would have cost the Water Department to build equivalent projects on public property.

From the beginning, PWD understood the necessity for the private investment for the program to succeed and encourage private investment. But barriers to maximizing this investment persists. The City can rely on development incentives like a tax abatement program to expand incentives already in place and accelerate the implementation of GSI and public/private property. If Philadelphia is to continue with tax abatements, the City must prioritize properties that advance the City's green stormwater infrastructure and climate change goals.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you for your testimony.

MR. LITTLE: Good evening.

COUNCIL PRESIDENT CLARKE: Good evening.

MR. LITTLE: I first want to start off by saying -- I'm sorry. Antoine Little. I apologize.

I want to start off by first thanking Councilwoman Gym, Councilwoman Bass, Councilwoman Blackwell for standing with the children and partners of TM Peirce Elementary School as we stood up against the District with this horrific situation that's going on not just at TM Peirce, but with all these Philadelphia public schools. You know, we heard from the developers. We've heard the activists. We have heard from some parents. And one of the things that I was taught early on when I began in my union career, I was told that no matter what argument you make, you should always be able to put a human side to every argument.

We can sit here, we can talk about dollars, we can talk about cents, but let's talk about the human side. This is the human side.

Last year, at TM Peirce Elementary School, my son was burnt by faulty electrical outlet in the school. Received a dime-sized burn on his rear end. Let's talk about the human side. TM Peirce, Pratt Arnold, LP Hill, Meredith, SLA, Benjamin Franklin and countless other schools have asbestos in these schools that our children attend on a daily basis.

Let's talk about the human side. Let's talk about the teacher from Meredith who contracted cancer while working in the school. The human side. Let's talk about a staff person at TM Peirce who just recently retired after having 30-plus years of service with the School District who is in TM Peirce her entire career who does not know if she will come down with some type of cancerous disease.

So when we talk about the human side to things, we are going to have a conversation and say the abatement must end. And why do I say that? You said something early on Councilman, Council President, excuse me, in your remarks earlier. You said, there are a lot of people who want more done, not just this version of the bill. I am one of them.

The abatement must end. And why does the abatement must end? Because at some point -- this is the human side. At some point, every child that's in that District will either be sitting in these chairs or be somewhere as an adult. And we will be long gone. And they may possibly contract something that none of us will be able to explain to them. And then what do we do? We say we don't know.

So what do we do? If we end the ten-year tax abatement, that -- those millions and millions of dollars that are not going into the School District will go into the District, Dr. Hite said that it will cost $50 million to go in every school and abate it from lead and asbestos. $50 million. How much money are we losing annually to the abatement?

TM Peirce and one other school will now receive new schools. They will now receive new schools. But why can't all the schools be rehabbed? Why can't all of the schools, the ones especially like TM Peirce that was built in 1909 be torn down right and rebuilt. I understand it's, you know, the money is not there.

COUNCIL PRESIDENT CLARKE: All right.

MR. LITTLE: But it is there. When those developers are walking away with their pockets full of money, my three children that attend TM Peirce and every other child in this District are suffering.

COUNCIL PRESIDENT CLARKE: All right.

MR. LITTLE: They are suffering. I'm going to end with this. A system cannot fail those it was never meant to protect. WEB Dubois. This is a body of people who are responsible for taking care of the men and women and the children of the City of Philadelphia. This afternoon, I charge every person in this room to do the right thing and stand up for our children, stand up for our children, and end the ten-year tax abatement.

COUNCIL PRESIDENT CLARKE: Thank you.

MR. LITTLE: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you for your testimony, sir.

Next up we have the new list. Robin Lipp, David -- having trouble with this handwriting. David Moscatello, and Lynn Robinson.

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE: Sir, your name?

MR. LIPP: Robin Lipp.

COUNCIL PRESIDENT CLARKE: Your Robin Lipp. We need David Moscatell. David here? David's not here. Lena Robinson? Lena is not here. Barbara Caposi. I saw Barbara earlier. There she is. Jihad Ali. I saw Jihad. There is Jihad.

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE: Good evening.

MR. LIPP: Good evening. Thank you. My name is Robin Lipp. I was a volunteer canvaser for Councilmember-Elect Kendra Brooks in the River Wards where I live. When I was out knocking on over a hundred doors, the tax abatement was the issue that energized voters. Kendra Brooks campaigned and won on repealing the abatement now.

I would urge the members of Council to respect the democratic and the results of that election and to take action on this issue when the new Councilmembers can be here to participate fully in discussions and cast their votes.

I also happen to have a Masters degree in Public Policy from the Harvard Policy School of Government. In preparation for today, I reviewed the reports that are publicly available online about the affects of the ten-year tax abatement. I saw only very weak evidence about how much development in this City has been caused by the abatement that would not have occurred without it, what the public benefits of any such development have been, and how those benefits have been distributed by income and by race.

I would just point out that development is not an end in itself. And the public ought to know the costs and benefit of the abatement if you choose this path. I do urge the members of the Council to support independent impact evaluations that consider distributive issues so that the public can understand what the policy does, who benefits and who loses.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you for your testimony.

MS. CAPOSI: Hi. My name is Barbara Caposi. I really couldn't even begin to summarize the false narratives that have taken place today. And whoever is really responsible for blaming the ten-year tax abatement for all the City's ills is just remarkable to me that anybody would -- could even begin to believe that.

I would like the ability to submit my testimony in writing. Because --

COUNCIL PRESIDENT CLARKE: Sure.

MS. CAPOSI: -- it was in detail and was coherent and did make sense. But after sitting here all day and hearing that the ten-year tax abatement is responsible for the poverty in this City, the disgraceful condition of the School District, which has been that way since the buildings were built, okay, and were they -- were the schools the paragons of virtue 20 years -- when the ten-year tax abatement wasn't here? No, they were not. And guarantee you today, if the ten-year tax abatement ended tomorrow, the School District would not improve.

I think we all need to put our energy into seeing what the School District does for the $2.7 billion that they get a year, almost $3 billion plus all the money they get from the dozens of advocacy groups, like the Giving Circle, the Donors Choose, the Philadelphia Foundation and all those other people like myself that contribute to the School District for projects for teachers, supplies for kids, et cetera, et cetera. So, to equate the ten-year tax abatement with the conditions of the School District is really an easy, easy fix.

It's so untrue. There is -- I couldn't even begin to tell you the ways that's it's not true. And anybody that has pushed this false narrative is going to be exposed. Because when the ten-year tax abatement ends or whatever way you choose to change that, the City -- the School District will not improve. I can almost guarantee that. Nobody has to read the studies. I am sure nobody has. There is tons of studies. Let's just use common sense.

The law of supply and demand. The more you have of something, the lower the price is. The more options you have, the more choices you have, the bigger the supply, the less the price. If we are concerned about affordable housing, it makes no sense to stop the vehicle that has contributed to the additional units that are in the City. The more units that are here, the more affordable the units are. The more options people have, the more people move back from New Jersey, the more people that are here that do have options can stay because they can find something new and then someone can move into their home. So, the more houses you have, the lower the price. That's what we all want.

The Mayor's Housing Advisory Board which I am on and had 10,000, meetings, has a goal of hundred thousand new units within the next ten years. How the hell is that going to happen without a ten-year tax abatement? It's not. And the reason that the Housing Advisory Board wanted all those new additional units was to keep the prices down. Philadelphia is actually affordable. The ten-year tax abatement has taken the brunt of OPA, which is a disgrace. They are using computers that I threw out 20 years ago. I mean, it's a disgrace. In this day and age, it's very simple to find the value of a home. It's very simple.

I do agree that the Homestead Exemption should be increased because it's one vehicle that will soften the blow of the unequal assessments. As the community leader in my neighborhood for 30 years, I must have filled out hundreds of Homestead Exemptions. And the taxpayers do appreciate Council for coming up with that simple one form, one-page form to help them pay their taxes. All neighborhoods need that.

But I would like the opportunity to submit written comments. But again, it's a very false narrative to blame the ten-year tax abatement and rich developers who take huge risks for the poverty in the City and the condition of the School District. I would like to ask them what they do with their three billion dollars a year. I would.

MR. JIHAD: Good afternoon, Council. It's always a pleasure to see you. As I always say when I see you, it's a blessing from God for me to see you today. My name is Jihad Ali. And I'm from Southwest Philadelphia District Services.

And for the record, I would like to say I support this bill. And I just want to make one comment. This bill, people -- we come down to this center, we all play different roles. You are elected officials sitting along the side. We the citizens on this side. We come to give our opinion. And we all are entitled to our opinion. But we are not all entitled to a different set of facts.

As a young man from Harvard pointed out, where are the studies. I'm old enough to remember when the tax abatement first started. And I remember them saying that the issue was going to be -- was going to create jobs. The construction job, the increase in business revenue tax and all that. But what they didn't see -- we are talking about the residential part. What they didn't see was all the residential contractors that come in from out of town. We don't get any benefit from that.

You cannot talk about real estate development -- my -- some of these speakers that come, they're young people. You cannot talk about real estate development without looking at the racial aspect of zoning and development that began in 19th Century.

In fact, in 1919 when this whole movement started when the FHA was put in existence, that was in 1934. And in 1934, that was authorized by President Roosevelt, and President Roosevelt authorized FHA to ensure home loans so we can have mortgages. And the homeownership would become part of the American dream. But that was part of the American dream for everybody except who in 1934 do you think that was? That was black people and people of color.

So 1934, this is -- this is fact of law. This is not conjecture. The is something that's referred to as de facto de juris segregation. Meaning, it's a part of legalized segregation to segregate -- I'm just looking at you. I'm sorry. I guess because you said it was a false narrative.

MS. CAPOSI: It is a false narrative.

MR. JIHAD: So, I guess -- it's not false because I'm just presenting you with facts and you are talking about opinion. But at the end of the day, I think Council is doing the right thing. Council, at the end of the day, this -- history is going forward. We can look 20 years into the future and see what the decision was made. But when we look at development, the things they talk about, employment, when we look at the residential development, we didn't see that.

I am in the construction field. We don't see that. We don't see jobs. We talk about the affordability of homes, a $400,000 home could be $2,000 a month. We don't see that. The only affordable housing that we see is housing that this Council, Council President and them, enacted by assisting first-time homeowners with $10,000. That's the affordable part. The rest of this stuff is all misdirection.

Because the facts -- where are the reports to support everything that they are saying. We just can't come down anecdotally when you guys are making these decisions, you need facts. And you are on the right side of history going forward. This has to end. This is just a few developers. The real prominent developers, they knew it had to end sooner or later. Nothing goes on forever.

I think going forward, I think Council is doing the right thing. I support whatever this Council comes up with. I support the people who authorized this bill because it's moving in the right direction.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you.

(Applause.)

Thank you for your testimony. Appreciate you. I believe that concludes the witness list. Is there anyone else to testify?

Please, sir, come forward.

(Approaches Witness Table.)

COUNCIL PRESIDENT CLARKE:

MR. MUNCH: Good evening, Councilmembers. Thanks for waiting through a long meeting. I think the importance of this subject matter deserves it. My name is Aaron Munch, and I'm speaking on behalf of Repoint

Philadelphia, a historic advocacy group in the City.

Demolition in the City of Philadelphia is at an all time high. The recent Historic Preservation Task Force Report explains how the current tax abatement financially incentivizes demolition of existing structures in favor of new construction. This may not be the intent, but it is the effect. Any proposed amendment to the abatement that fails to directly address this problem in our so-called world heritage City is inadequate. Not only does the incentivized demolition destroy buildings and sites that make up our -- that make our City distinctive, it also undermines the neighborhoods and residents of this town. It undermines the very identity of these places.

It also undermines neighborhood safety and the problem stemming from the demolition of adjacent structure are on the rise and increasingly well documented. The tax abatement has loomed over Philadelphia for years as a source of controversy and discontent. Now as we await the January arrival of newly elected members in this legislative body, members who carry with them a voter's mandate to end or amend the abatement, Council has opted to advance a hastily formulated measure to address these concerns.

Why now? A skeptic might see here an effort to end debate on the issue before the incoming cohort has had a chance to weigh in. However, assuming the most public spirited motives are in play, we can infer the bill sponsors believe they are taking an important first step toward reforming an outmoded law. That idea sounds reasonable, but it is misguided. If this bill passes, City Council will have given way its near term ability to modify the abatement in a more substantive and democratic manner.

Repoint Philadelphia respectfully requests that Councilmembers vote no on the current bill. Any amendment to the abatement must thoroughly consider the abatement's impact on our City's historic neighborhood and sites along with key considerations such as school funding, the labor market and environmental and community impact. The abatement we have now subsidizes developers and wealth newcomers at the expense of long term residents. Any fix worth enacting must go farther towards solving these problems. Any reform worth pursuing must level the playing field for rehab and reuse of the existing building stock, which is often better built, better looking and even more sustainable than new construction.

Thank you for your time.

COUNCIL PRESIDENT CLARKE: Thank you very much for your testimony. That, I believe, now concludes the witness list. We will take a ten-minute break. And we will be right back to continue with the Public Meeting.

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(Public Hearing adjourned.)

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(Public Meeting commenced.)

COUNCIL PRESIDENT CLARKE: We are going to get started. Thank you. Thank you all for your patience. We are back from our break/recess in our Public Hearing. We will now go into our Public Meeting.

And the chair recognizes Councilmember Johnson for a motion on Bill No. 190943.

COUNCILMAN JOHNSON: Thank you, Council

President. I move that Bill No. 190943 be reported from this Committee with a favorable recommendation, that the Rules of Council be suspended so as to permit consideration of this bill at our next session of Council.

(Duly seconded.)

COUNCIL PRESIDENT CLARKE: Thank you. All those in favor of the motion will signify by saying aye. It's been a long day. I'm sorry.

Signify by saying aye.

(Ayes.)

COUNCIL PRESIDENT CLARKE: Those opposed?

(No opposition.)

COUNCIL PRESIDENT CLARKE: Ayes have it. And this Bill No. 190943 will be reported from this Committee with a favorable recommendation and suspension of the rules so as to permit consideration of this bill at our next session of Council.

Chair now recognizes Councilmember Bass for a motion on Bill No. 190944.

COUNCILWOMAN BASS: Thank you, Mr. President. I move that Bill No. 190944 be reported from this Committee with a favorable recommendation. And that the Rules of Council be suspended so as to permit consideration of this bill at our next session of Council.

(Duly seconded.)

COUNCIL PRESIDENT CLARKE: Thank you.

All those in favor of the motion will signify by saying aye.

(Ayes.)

COUNCIL PRESIDENT CLARKE: Those opposed?

(No opposition.)

COUNCIL PRESIDENT CLARKE: Ayes have it. And Bill No. 190944 will be reported from this Committee with a favorable recommendation, and a suspension of the rules so as to permit consideration of the bill at our next session of Council.

This concludes the business of the Committee. And I thank you all very much.

(Public Meeting of the Committee of the Whole concluded at 7:01 p.m.)

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

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

ANGELA M. KING, RPR,
Court Reporter, Notary Public

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

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