

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON APPROPRIATIONS

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, October 3, 2013
1:20 p.m.

PRESENT:

COUNCILMAN W. WILSON GOODE, JR., CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN BILL GREEN
COUNCILMAN BOBBY HENON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA

BILL 130577 - An ordinance authorizing
transfers in appropriations for Fiscal Year
2014 from the Grants Revenue Fund, the
Director of Finance - Provision for Other
Grants to the General Fund.

- - -

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COUNCILMAN GOODE: Good

3

afternoon. This hearing is called to

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order. This is a public hearing of the

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Appropriations Committee on Bill No.

6

130577.

7

My name is W. Wilson Goode,

8

Jr., Chair of this Committee. I note

9

that a quorum is present. To my left is

10

Councilman Brian O'Neill, to my immediate

11

right is Councilwoman Jannie Blackwell,

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and to my far right is Councilman Bill

13

Green.

14

The title of Bill No. 130577,

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an ordinance authorizing transfers in

16

appropriations for Fiscal Year 2014 from

17

the Grants Revenue Fund, the Director of

18

Finance - Provisions for Other Grants to

19

the General Fund.

20

The first witness on this bill

21

is Mr. Dubow.

22

(Witnesses approached witness

23

table.)

24

COUNCILMAN GOODE: Good

25

afternoon, Mr. Dubow, Ms. Rhynhart.

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2 MS. RHYNHART: Good afternoon.

3 COUNCILMAN GOODE: Let me note
4 for the record Councilwoman Sanchez is
5 here as well.

6 MR. DUBOW: Good afternoon,
7 Chairman Goode and members of the
8 Committee. I'm Rob Dubow, Finance
9 Director, and I'm here to testify on Bill
10 130577, which proposes to transfer \$50
11 million from the City's Grants Fund to
12 contributions, indemnities, and taxes,
13 contingent on the City and PAID reaching
14 an agreement to pay the School District
15 \$50 million for surplus property. I am
16 joined at the table by Rebecca Rhynhart,
17 the City's Budget Director.

18 Before discussing our
19 opposition to the bill, I want to
20 emphasize that I think we share three
21 goals: getting \$50 million to the School
22 District in FY14, securing stable
23 recurring revenues for the District, and
24 providing some relief for the City's
25 pension fund, and I think where we differ

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2 is on the best way of achieving those
3 goals.

4 As you know, the State has
5 enacted legislation that would extend the
6 1 percent increase on the sales tax.
7 Under that legislation, the first \$120
8 million generated by the tax would go to
9 the School District. The next 15 million
10 would go to pay debt service on a \$50
11 million borrowing for the District's FY14
12 operations. Anything above that amount
13 would go to the City's pension fund. Our
14 projections show the pension fund would
15 get about \$400 million over the first ten
16 years of the tax extension, while the
17 School District would earn about \$530
18 million through FY18.

19 We did not advocate for the
20 funding plan enacted in Harrisburg.
21 Instead, we advocated for a plan that
22 would have included the cigarette tax
23 that was passed unanimously by Council
24 and signed by the Mayor and recurring
25 additional state revenues. The plan

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2 enacted in Harrisburg, however, is the
3 only option that gets stable funding to
4 the District without requiring any
5 further action by the State Legislature.
6 While not perfect, it does provide stable
7 recurring funding to the District without
8 having any negative impact on the City's
9 General Fund and sends much-needed
10 dollars to the pension fund. The
11 proposed cigarette tax or any changes to
12 how the 1 percent sales tax is
13 distributed requires additional action in
14 Harrisburg. For that reason, the
15 Administration believes it's important to
16 enact legislation locally to extend the
17 sales tax. Doing so would also allow us
18 to move ahead with the \$50 million
19 borrowing for the District's FY14
20 operating needs while still giving us the
21 opportunity to advocate in Harrisburg for
22 the changes we seek to the sales tax
23 distribution and for enactment of a local
24 cigarette tax.

25 We do share Council's belief

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2 that the District's surplus properties
3 can generate revenue for the District.

4 City officials have been working closely
5 with District officials on plans to sell
6 the District's surplus properties, and
7 the District has included \$28 million in
8 its five-year plan from the sale of those
9 properties. To the extent that the
10 surplus property sales generate more than
11 \$28 million, the District will benefit
12 regardless of whether we purchase
13 properties before they are sold. If the
14 City purchased those properties and
15 retains the first 50 million in sale
16 proceeds, the District would lose out on
17 the 28 million it was counting on in its
18 own five-year plan unless the properties
19 generate at least \$78 million, 50 million
20 to make the City whole for its purchase,
21 plus the 28 million included in the
22 District's five-year plan.

23 If the properties do sell
24 quickly for well more than \$50 million,
25 having the City acquire the properties

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2 first doesn't provide the District the
3 meaningful benefit because the District
4 would get the proceeds of those sales
5 without any advance from the City. If,
6 on the other hand, Philadelphia's
7 experience is similar to that of other
8 cities and the properties sell more
9 slowly and for less than expected, the
10 City could quite possibly not only not
11 recoup its full \$50 million but would
12 also be responsible for the costs of
13 maintaining those buildings until they
14 are sold.

15 In contrast, the plan enacted
16 by the Legislature provides recurring
17 stable funding for the District without
18 having a negative impact on the City's
19 and District's general funds while
20 providing funds for the City's pension
21 fund and without requiring any further
22 action in Harrisburg.

23 That concludes my testimony,
24 and we'd be happy to answer any questions
25 you may have.

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2 COUNCILMAN GOODE: Thank you
3 for your testimony, Mr. Dubow. A few
4 simple questions just to get all this out
5 in the open.

6 MR. DUBOW: Sure.

7 COUNCILMAN GOODE: Do you
8 expect this committee to accept your
9 analysis found on Page 3 of your
10 testimony?

11 MR. DUBOW: Which analysis on
12 Page 3, just to make sure I'm answering
13 the right question?

14 COUNCILMAN GOODE: The fiscal
15 impact the school building sales and the
16 national trends and what happens if we
17 don't buy them, the solution to sell
18 them.

19 MR. DUBOW: I think what we're
20 saying here is accurate. I don't know
21 whether the Committee will agree, but I
22 think it's accurate.

23 COUNCILMAN GOODE: Do you
24 expect the majority of Council to accept
25 your analysis?

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2 MR. DUBOW: Again, I believe
3 it's accurate. I don't want to predict
4 where Council will go.

5 COUNCILMAN GOODE: By
6 "accurate," do you think your analysis is
7 fact or opinion?

8 MR. DUBOW: Well, every
9 analysis is going to have some opinion in
10 it, right, but I believe it's based on
11 facts.

12 COUNCILMAN GOODE: And do you
13 believe that your analysis is objective?

14 MR. DUBOW: Yes.

15 COUNCILMAN GOODE: Is it based
16 upon political strategy or is it based
17 upon an actual analysis of whether the
18 properties will sell or not?

19 MR. DUBOW: It's based on an
20 analysis of what's happened with
21 properties in other cities and with our
22 knowledge of the properties here.

23 COUNCILMAN GOODE: In other
24 words, is -- I'll ask it again, but in a
25 slightly different way. Is your analysis

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2 based upon political strategy or is it
3 based upon something else?

4 MR. DUBOW: No. It's based on
5 something else. And it actually -- in
6 the paragraph you're talking about, it
7 actually talks about two scenarios, one
8 where properties do sell and what that
9 would mean and one where they don't.

10 COUNCILMAN GOODE: Okay.
11 Any questions?

12 Councilman Green.

13 COUNCILMAN GREEN: Thank you,
14 Mr. Chairman.

15 Good afternoon.

16 MR. DUBOW: Good afternoon.

17 COUNCILMAN GREEN: I just would
18 like you to comment on the fundamental
19 issue that what you're pushing for is a 1
20 percent sales tax, additional to what
21 will be a 7 percent sales tax. It is my
22 strong belief that when this city has a
23 disparate tax as compared to the region,
24 it makes our economy shrink and not grow,
25 and people who can make purchase

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2 decisions that have a 2 percent
3 difference, especially for high-ticket
4 items, are going to make decisions to
5 purchase things outside of the City
6 rather than inside the City.

7 The sales tax is now going to 6
8 percent in the surrounding counties and
9 you're advocating for an 8 percent sales
10 tax in the City of Philadelphia, and I'd
11 just like you to comment on how much --
12 if the Administration has done any
13 analysis on the impact to our GDP and the
14 local economy as a consequence of having
15 a 2 percent difference between the
16 surrounding county sales tax and
17 Philadelphia sales tax.

18 MR. DUBOW: Right. So, I mean,
19 the short answer is, no, we haven't done
20 a full analysis. We did look at what
21 happened to our sales tax receipts when
22 the increase was enacted, because it was
23 enacted five years ago, and we really
24 didn't see much impact. So we didn't
25 look at it and think, Okay, there was a

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2 heavy negative impact from it.

3 You know, that said, there are
4 trade-offs. You never really want to
5 increase or extend the tax, but we think
6 kind of given the options we have here,
7 that's a better option than not having
8 stable recurring revenues for the
9 District.

10 COUNCILMAN GREEN: Has the
11 Administration given up or are you still
12 actively lobbying for the cigarette tax
13 in Harrisburg, and what are its
14 prospects?

15 MR. DUBOW: So we plan to
16 continue to advocate and lobby for that.
17 We do think that that is a really hard
18 push in Harrisburg.

19 COUNCILMAN GREEN: Why is
20 that -- explain why that's a hard push.

21 MR. DUBOW: So in the spring we
22 pushed hard for a cigarette tax. I think
23 towards the end of the process, Grover
24 Norquist sent a memo to a republican
25 saying if you increase this, you will

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2 have broken your tax pledge. We saw
3 whatever support there was evaporate
4 really quickly, and we don't -- we
5 haven't heard anything that changes where
6 the House is, and that's really where we
7 think our problem is, with House
8 republicans.

9 COUNCILMAN GREEN: Okay. Thank
10 you.

11 COUNCILMAN GOODE: Let me note
12 for the record Councilman Henon is also
13 present.

14 In terms of questioning,
15 Councilwoman Sanchez and then Councilman
16 O'Neill.

17 COUNCILWOMAN SANCHEZ: Thank
18 you.

19 Good afternoon.

20 MR. DUBOW: Good afternoon.

21 COUNCILWOMAN SANCHEZ:
22 Notwithstanding the debate around the
23 sales tax, what is the Administration's
24 thought if in fact cigarettes or no
25 relief comes from Harrisburg,

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2 understanding that Dr. Hite made it very
3 clear that 50 opens schools, 50 does not
4 close schools? What is Plan B if nothing
5 comes from Harrisburg?

6 MR. DUBOW: Well, something has
7 come from Harrisburg. They enacted the
8 sales tax. If we enact it locally --

9 COUNCILWOMAN SANCHEZ: That's
10 why I said outside of the sales tax. I
11 don't want to debate the sales tax. You
12 know how strongly -- I can go on the
13 record on how strongly I feel about that.

14 MR. DUBOW: That is our Plan B
15 if nothing comes from Harrisburg, is the
16 sales tax.

17 COUNCILWOMAN SANCHEZ: So what
18 is your Plan C in light of the fact
19 there's been a reluctance on Council to
20 accept the sales tax because of all the
21 reasons stipulated by Councilman Green?
22 And I would go further in the fact that
23 there is a debate in Harrisburg about
24 moving all of school funding to sales tax
25 and eliminating the exemptions that makes

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2 the tax less regressive.

3 So if in fact we get no
4 cigarette, the sales tax is not passed,
5 what is the Administration's thought
6 then?

7 MR. DUBOW: I don't think
8 there's another recurring source of
9 revenue that we could get to the District
10 that would replace if we don't get either
11 the cigarette tax or the sales tax. I
12 think then the District is facing
13 diminished -- a lower level of revenues
14 than they get if either one of those
15 things come through, and then you have a
16 district that I don't think provides the
17 kind of education that we need it to.

18 COUNCILWOMAN SANCHEZ: If in
19 fact this property sale piece goes
20 through -- and I agree with you, we want
21 to make sure that we get to the 78
22 million so that we don't impact the
23 School District's plan, and I think we
24 can, and I think you'll hear witnesses
25 after you that will speak to that. Is

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2 the Administration prepared to put any
3 additional money from our General Fund
4 surplus to the School District?

5 MR. DUBOW: Well, in our Five
6 Year Plan, our low point is \$8 million.
7 There are some things that we think might
8 make that turn out a little better, but
9 it's still a narrow fund balance, and to
10 the extent that we put in any recurring
11 monies from our General Fund, we'll be
12 facing deficits on the General Fund side
13 and we'll have to -- then we have to
14 figure out how to cut those, and we are
15 not proposing that at this time.

16 COUNCILWOMAN SANCHEZ: If in
17 fact we ended up in a situation -- and I
18 think my colleague Councilwoman Blackwell
19 spoke to this during Council. We have
20 done a very poor job in what we've asked
21 the District to do in terms of opening up
22 schools, which I believe in many cases
23 are unsafe, understaffed. I went to
24 several parent nights where I saw the
25 level of frustration with parents.

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2 If we have to do more money, is
3 the Administration going to be willing to
4 put more money on the table? I mean, the
5 beauty of our budget cycle is that every
6 year we get to do a new budget and a new
7 Five Year Plan. Is the Administration
8 prepared to do additional allocation to
9 the District in light of the fact that we
10 all know we're in a very precarious
11 situation at the District right now?

12 MR. DUBOW: Well, I guess where
13 we are is, this is a plan that doesn't
14 affect our General Fund and doesn't hurt
15 the School District's finances. We think
16 that's really preferable. We're not
17 proposing to do something that hurts our
18 General Fund.

19 COUNCILWOMAN SANCHEZ: Your
20 General Fund, this year where's our
21 General Fund?

22 MR. DUBOW: Well, our General
23 Fund will end this year well over \$200
24 million, but that's why we do a Five Year
25 Plan, and the Plan shows that fund

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2 balance going down in part as we fund
3 firefighters award, we have money in
4 there for other new costs, but that's why
5 you do a Five Year Plan, so that you see
6 what things look like in the future.

7 COUNCILWOMAN SANCHEZ: So it's
8 the position of the Administration right
9 now that outside of what we're debating
10 here today, there's no plans in the
11 future, whether Plan A or Plan B if Plan
12 A and Plan B don't work?

13 MR. DUBOW: We don't, that's
14 right.

15 COUNCILWOMAN SANCHEZ: Thank
16 you.

17 COUNCILMAN GOODE: Councilman
18 O'Neill.

19 COUNCILMAN O'NEILL: Yes.
20 Mr. Dubow, I believe that the
21 Administration's acceptance to begin with
22 in Harrisburg of the plan as the budget
23 was being passed is the fatal flaw here
24 that we're still dealing with. They
25 would have not left Harrisburg without

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2 that agreement. They would have found a
3 way to fund a state school system with
4 state dollars for the portion that the
5 District and the SRC, appointed by the
6 State by majority, had set up in the
7 funding scheme - the city portion, union
8 portion, state portion.

9 It is unheard of -- I don't
10 think there's an example that's ever
11 occurred in the United States -- where a
12 state responsibility for a state system
13 passed an extension of a local tax to
14 fill in their portion of responsible
15 funding.

16 Our position is the most
17 rational possible. If we are going to
18 again extend that tax as we did for the
19 extraordinary reason we did in the first
20 place, recognizing the lack of
21 competitive advantage or the competitive
22 advantage we give to our competitors in
23 the surrounding counties, it's going to
24 be for an overwhelming problem that we
25 can't see another solution to, like

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2 pension liability. The State isn't going
3 to help us with our pension liability.
4 They got enough problems of their own,
5 but they take care of state funding
6 issues.

7 I don't think, in the history
8 of this country, a state has ever passed
9 or extended a local tax to cover a state
10 expenditure. I dare somebody to bring an
11 example of it forward. And this one
12 rare, first-time exception, they can
13 actually turn to anyone that questions it
14 and say, But the City agreed to it. It's
15 totally different once you get to that
16 point, because they're exonerated. They
17 had the City, as far as they were
18 concerned, agreement. The fact that
19 Council wasn't involved, that's internal
20 here, because we disagree.

21 But it's no different -- and it
22 may seem like too simple an analogy.
23 It's actually a very apt analogy, that if
24 the federal government were to do the
25 same thing to any state in the union for

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2 a federal expense that they didn't feel
3 like funding anymore or to the level they
4 agreed was needed and they passed an
5 override in that state tax that was
6 authorized by the federal government to
7 cover the -- any state would react the
8 same way.

9 If we pass what our
10 Administration and our City has agreed to
11 that way, we are just becoming part of
12 the okay. It's not the question of how
13 do we fill in the rest of the money. The
14 question is how does the State fill in
15 the rest of the money, because that's
16 their responsibility.

17 Act 46, if I'm correct, when
18 the State took over the system, they were
19 so worried that we would reduce our
20 commitment, that we had the maintenance
21 of effort and with really strong language
22 that we can't -- it's extremely tight.
23 It's not even as flexible as it should
24 have been.

25 Time and time again in the last

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2 few years, we've been asked to not just
3 maintain effort, but increase effort
4 where the State hasn't been, and this
5 year where we're being asked again, we do
6 our share. And if this tobacco tax isn't
7 authorized, we'll do our share for our
8 share. We'll find a way to do it. But
9 us, the City, doing the State's share is
10 just -- I mean, it's the antithesis of
11 any intergovernmental relations that
12 could possibly exist in this country
13 between federal and state or state and
14 local. And we being a city and county,
15 being the economic engine of the State,
16 who also has the highest poverty rate in
17 the State and is a giver rather than a
18 receiver in spite of that poverty level,
19 the fundamental problem is the State's
20 got to get the message that the City
21 thought they agreed but don't agree to
22 paying their share, the State's share,
23 because that's what we're doing. We want
24 to pay our share. We'd like the tobacco
25 tax to do it because it would even be

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2 more than our share and it would be a
3 funding stream, and hopefully eventually
4 that will pass, but to have us be paying
5 the State's share and even having a
6 conversation of if we don't have the
7 sales tax to pay the State's share, how
8 do we pay the State's share, we shouldn't
9 be having. The State should know that
10 we're not going to do it, it's their
11 responsibility. Whenever they come back
12 to do the transportation bill, which they
13 should have stayed in Harrisburg and
14 done, and might have if they had to stay
15 in to do the school funding, maybe we'll
16 get things like the tobacco bill, but
17 also get the funding that realistically
18 we're not going to pay for.

19 They're not going to pay for
20 our pension problems or any other
21 extraordinary problem we have. We're not
22 going to pay for what -- the scope of
23 their budget is a minor issue. Whatever
24 the politics are is not important. It's
25 a state responsibility and not a city

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2 responsibility. We didn't take the
3 school system off of them. They took it
4 off of us and even put in requirements to
5 make sure we kept our funding, and we've
6 gone even beyond what we were required to
7 do.

8 I just want that message to be
9 out there, because I do not see us doing
10 any more, except confusing people that
11 the City agreed to this when the City is
12 more than just the Administration, and
13 there was no partnership here. It's
14 similar to what's in front of me here to
15 vote on. You may be right that there's
16 not 50 million in here. I don't know.
17 The only thing I know is, the
18 Administration is at one end of this on
19 opposition. Council's President and
20 Council are in the other side of 50. I
21 don't have a negotiated agreement on some
22 middle ground. I got to take one or the
23 other. It's an easy vote for me to take
24 the Council President's position, because
25 if he's wrong, he's wrong by a certain

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2 amount that we may have wound up agreeing
3 on if we were working together on this
4 and not digging our heels in at one end
5 and the other.

6 So I'm voting for it. But I
7 think now that it got brought up on the
8 record, I'd be remiss if I didn't bring
9 up on the record that we made a huge
10 mistake. It's a correctable mistake
11 because that commitment was contingent.
12 Whoever didn't know that Council had to
13 pass that or believed that Council had
14 agreed to it already can easily be told,
15 Sorry, thought we could get that through
16 and we can't, and go back to the State
17 paying for the State's responsibility.

18 Thank you.

19 MR. DUBOW: A couple things.

20 COUNCILMAN O'NEILL: I'm
21 finished.

22 MR. DUBOW: We were not
23 involved in any discussions -- let me
24 make this clear -- with the State on
25 extending the sales tax. We learned

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2 about this --

3 COUNCILMAN O'NEILL: I

4 understand that.

5 MR. DUBOW: -- when they
6 announced it publicly. So they did this
7 without us.

8 COUNCILMAN O'NEILL: That's
9 even better, from my position.

10 MR. DUBOW: I just want to make
11 that clear.

12 COUNCILMAN O'NEILL: But why --

13 MR. DUBOW: Can I finish?

14 COUNCILMAN O'NEILL: No. I'm
15 going to stop you there, because this is
16 a valid interruption. If you bring
17 something up that explains further what
18 has been reported in the paper and is the
19 Administration's position that they
20 support that, that they were not involved
21 in agreeing to, if you say that, the
22 Administration has agreed to it. They
23 were agreeing to it in Harrisburg after
24 the deal was done. They didn't say,
25 We'll get back to you after we talk to

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2 the Council President and Council

3 President talks to Councilmembers and

4 gets back to us. Once you do that,

5 you've agreed on behalf of the City, and

6 you don't have the authority to do that,

7 but you did, and that is a big

8 difference. Whether you were in the

9 original deal, it may be worse if you do

10 it afterwards and you could have easily

11 said, I wasn't part of it, we weren't

12 part of this, we'll check back with you

13 and see if that's the kind of legislation

14 we can get approved, because the answer

15 would have been fast and furious from the

16 Council President that nobody was on

17 deck, let alone a majority.

18 COUNCILMAN GOODE: Mr. Dubow --

19 MR. DUBOW: Can I finish my

20 response to --

21 COUNCILMAN GOODE: Well, before

22 you respond, can you put it in the

23 context -- at the beginning of your

24 testimony, you said there are things that

25 the Mayor and Council agree upon, and so

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2 why aren't we proceeding together, based
3 upon what we agree on. Go ahead.

4 MR. DUBOW: So, like I said, we
5 were not involved. Once the deal was
6 announced -- and "deal" is actually not
7 the right word. Once the plan was
8 announced and we became convinced that it
9 was going to be a -- it was unlikely to
10 get the cigarette tax done in time to
11 help the District this year, we advocated
12 for implementing this tax.

13 COUNCILMAN O'NEILL: You agreed
14 for us to pay the State's share, is what
15 you agreed to.

16 MR. DUBOW: We didn't -- this
17 is what we're advocating to have happen.
18 I think the Council President's plan
19 calls for a split. So it still has a
20 sales tax extension.

21 COUNCILMAN O'NEILL: I can --

22 MR. DUBOW: So really the
23 question is how much of that extension
24 goes to the District and how much goes to
25 the pensions. That's where we differ.

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2 COUNCILMAN O'NEILL: I can be
3 for that rather than what's out there
4 now, only because the alternative is what
5 the Administration is promoting, which is
6 the entire last percent, because 70
7 million is better than nothing, and all
8 the other money you're talking about --

9 MR. DUBOW: It's not nothing.

10 COUNCILMAN O'NEILL: No.
11 Before that, we're paying the State's
12 share.

13 MR. DUBOW: You're saying
14 nothing for pensions. It's not nothing
15 for pensions, right? It's over ten years
16 \$400 million for pensions.

17 COUNCILMAN O'NEILL: And how
18 much is the Council President's plan over
19 ten years?

20 MR. DUBOW: Over ten years it
21 would probably be 700.

22 COUNCILMAN O'NEILL: Thank you.

23 MR. DUBOW: So it's more.

24 COUNCILMAN O'NEILL: So it's a
25 compromise on our part if we do that, but

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2 it says two things. One, we don't -- we
3 agree to it, not the State telling us
4 that that's the plan and we'd just better
5 send it back with a stamp on it.

6 Secondly is, we're doing it as
7 a compromise. We don't agree with it,
8 but we know that compromise works better
9 and we'll do it. I mean, I never would
10 tell you I would be for this, except
11 we're in this box that we've been put in
12 with this 1 percent. And if the Council
13 President's plan gets us 700 million and
14 right off the bat for the ten years,
15 that's not \$300. That's \$300 million.
16 That's significant to me as a compromise.
17 And if we were to get the whole thing,
18 how much would it be, which is all our
19 money?

20 MR. DUBOW: If we were to get
21 all of the -- so it would probably be
22 twice the 700 million.

23 COUNCILMAN O'NEILL: 1.4
24 billion. So 700 million of it, we're
25 still paying the State's share.

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2 MR. DUBOW: Right, but that's
3 not going to happen. I mean, it's just
4 not going to happen up there. So, I
5 mean, we can argue about it down here,
6 but that's not what's going to happen up
7 there. We're not going to get all the
8 sales tax going to pensions.

9 COUNCILMAN O'NEILL: Okay.
10 Okay. That's fine.

11 COUNCILMAN GOODE: Mr. Dubow, I
12 laid out a context, and the context was
13 in the beginning of your testimony, you
14 said there are things that we agree upon.
15 Why aren't we proceeding based upon what
16 we agree upon as opposed to what the
17 Administration agrees with Harrisburg on?
18 That's a simple question from Council.

19 MR. DUBOW: Right, and I think
20 we've had -- I think we'd be actually
21 happy to work with Council. I think kind
22 of the difference in where we are is, we
23 would like that advocacy to happen after
24 passing 1 percent down here to ensure
25 that the District gets funding and I

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2 think Council would like the advocacy to
3 happen before.

4 COUNCILMAN GOODE: But you do
5 believe that a majority of Council will
6 approve some sales tax extension?

7 MR. DUBOW: I do believe that.

8 COUNCILMAN GOODE: And you do
9 believe that it will cover \$50 million?

10 MR. DUBOW: I do believe that
11 that will happen at some point too.

12 COUNCILMAN GOODE: Then why are
13 we not proceeding together?

14 MR. DUBOW: I'd be happy to
15 proceed together.

16 COUNCILMAN GOODE: Councilman
17 Green.

18 COUNCILMAN GREEN: Thank you,
19 Mr. Chairman.

20 I could not agree more with
21 everything Councilman O'Neill had to say
22 about the uniqueness of what the State
23 has presented to the City, and in your
24 testimony you said that you did not agree
25 to it or the Administration did not agree

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2 to it in advance. For the record, who
3 agreed to it in advance? Was it our
4 legislative delegation?

5 MR. DUBOW: I don't believe
6 they agreed to it either. I think this
7 was the proposal that the Governor's
8 Office put together. I don't think that
9 there were Philadelphians who agreed to
10 it, as far as I know. We weren't
11 involved in any discussions, so...

12 COUNCILMAN GREEN: Weren't
13 there Philadelphians who voted for it?

14 MR. DUBOW: I don't know. I
15 don't know that.

16 COUNCILMAN GREEN: I'd like to
17 clarify something on the legislation
18 itself and hopefully get your agreement
19 on. On Section 2, I think you either
20 said explicitly in your testimony or you
21 implied that there are ongoing revenue
22 from sales of schools that are in the
23 District's budget for this year and also
24 that will be the case in future years.
25 And so I just wanted to say, and get your

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2 agreement hopefully for the record, that
3 if you read Section 2, it does not state
4 the terms of the agreement that is
5 required between PAID, the School
6 District, and the City. Therefore, if
7 the City were to receive more than the
8 \$50 million we are putting up for the
9 schools today, it could in that agreement
10 with the School District agree that the
11 School District will receive all proceeds
12 in excess of the \$50 million that pays us
13 back, such that in terms of their
14 planning, they will not be disadvantaged
15 by this move and, in fact, for the
16 current year instead of getting 28
17 million for sales, they'll get \$50
18 million?

19 MR. DUBOW: I think we actually
20 say that in the testimony, that if the
21 sales generate more than the 50 or more
22 than 78, that the District -- it would be
23 fine; that the issue is if it doesn't
24 generate more than 50. That's when the
25 School District and the City could be at

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2 risk.

3 COUNCILMAN GREEN: But you
4 agree that the legislation as written
5 would permit that to be in the agreement
6 between the City, PAID, and --

7 MR. DUBOW: Yes.

8 COUNCILMAN GREEN: Thank you.

9 COUNCILMAN GOODE: Thank you,
10 Councilman.

11 For the record, Councilman
12 Jones -- do you have a question?

13 COUNCILWOMAN BLACKWELL: Yes.

14 We're reviewing this map, but I
15 agree with all that has been said,
16 Councilman O'Neill and all my colleagues
17 who have talked about this whole issue,
18 and Council has tried its best to work
19 out something with the Administration.
20 We even have hearings coming up on the
21 20th to talk about this whole state issue
22 and how it affects us in Council. I
23 mean, it's not until November 20th. And
24 I don't know that we understand why we
25 can't move beyond this, because we're all

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2 on the same page, and we're trying to
3 understand why we can't get the
4 Administration to come up with something,
5 to find some kind of agreement, because
6 we all feel the same way, and we feel
7 stuck because the Administration doesn't
8 seem to want to find a way to work with
9 us to get past this point.

10 MR. DUBOW: Like I said, we'd
11 be happy to work with Council.

12 COUNCILMAN GOODE: Councilman
13 Jones.

14 COUNCILMAN JONES: Thank you,
15 Mr. Chairman.

16 Good afternoon.

17 MR. DUBOW: Good afternoon.

18 COUNCILMAN JONES: First and
19 for the record, we are not Washington,
20 DC. We're going to figure a way to work
21 this out on behalf of the kids. And I
22 have a couple of questions that -- in
23 your Five Year Plan, I think your biggest
24 concern is the fund balance going over
25 the Five Year Plan; is that right?

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2 MR. DUBOW: That's correct.

3 COUNCILMAN JONES: In your Five
4 Year Plan, you assume that after the two
5 years of wage tax reductions that we will
6 continue that on in your Plan.

7 MR. DUBOW: We do.

8 COUNCILMAN JONES: Where do you
9 make that assumption that we are as a
10 body going to continue down that path if
11 we have such a pressing need for a fund
12 balance, a pressing need for an operating
13 budget, and a pressing need for the
14 School Board that we would continue down
15 that path? And if so, that's 27 million
16 in FY15, 52 million in FY16, 100 million
17 in FY17, and another 185 million in FY18.
18 Why isn't that on the table for the
19 discussion, that we would not continue on
20 in that path, which would alleviate your
21 main concern about the sale or proposed
22 sale of the real estate as opposed to
23 other options, that if we slowed down on
24 that, pretty much we would be -- and I'm
25 not a CPA or the Budget Director, but, I

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2 mean, isn't that at least being
3 discussed?

4 MR. DUBOW: Yeah. That
5 doesn't, though -- I mean, the District's
6 problem isn't just the \$50 million. I
7 know we talk a lot about the first year,
8 but their problem is really the recurring
9 revenue, and without enactment of
10 legislation to help them over the long
11 run, they're really facing a problem
12 that's well over \$100 million a year.

13 COUNCILMAN JONES: But real
14 money.

15 MR. DUBOW: So our wage tax
16 reductions wouldn't pay for that.

17 COUNCILMAN JONES: Well, 27
18 million is real money, 52 million is
19 serious money, 100 million begins to
20 address the problem, and 185 million puts
21 us, I think, close to being in the black.

22 MR. DUBOW: Right, but it
23 doesn't compensate for 530 million that
24 the District would get through the sales
25 tax extension through that same time

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2 period.

3 COUNCILMAN JONES: I understand
4 that remedy, but getting past the rough
5 patch in the road, the suspension of the
6 wage tax reduction might well help us
7 along that, and delaying that in a way
8 would solve some of the day-to-day
9 problems we face right here right now.

10 MR. DUBOW: I mean, it
11 doesn't -- I hear you. It doesn't solve
12 the District's problem, and it stops the
13 program after we started it again, which,
14 again, then -- the reason for the wage
15 tax reduction plan is to send a signal to
16 the business community that we're trying
17 to lower their costs. If one year after
18 we reinstate it we pass new legislation
19 that stops it, that sends the opposite
20 signal.

21 COUNCILMAN JONES: Okay. And
22 what signal if we don't address this does
23 it send to our young people if we don't
24 deal with the situation when we know we
25 have the capacity and the means to do so?

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2 The other thing is --

3 MR. DUBOW: Well, we do think
4 we should address it. I mean, we have a
5 proposal to address it.

6 COUNCILMAN JONES: That's one,
7 and we have another.

8 MR. DUBOW: That's right.

9 COUNCILMAN JONES: The other
10 one that we have is that we at least,
11 based on AVI appraisals, believe that
12 that real estate is worth a collective
13 \$300 million. And you say or people have
14 said from the Administration that that is
15 a rosy-colored perspective on real
16 estate. Is that accurate?

17 MR. DUBOW: I think that
18 appraisal is looking at them kind of as
19 school buildings. I don't think it's
20 looked at them as what their value is if
21 they were redeveloped. I think that's a
22 different question. And I think what
23 you've seen in other cities and I think
24 with sales here before too is that when
25 localities sell school buildings, they

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2 don't get what their appraised value was.

3 COUNCILMAN JONES: Well, when

4 AVI -- and I've sat through, as my

5 colleagues have, hours and hours and

6 hours ad nauseam listening to the

7 accuracy of AVI and how trailblazing it

8 is in setting us straight by way of our

9 real estate values. Why does it not

10 apply to the school system if that is the

11 same system -- they knew what the use of

12 the buildings and properties were, and

13 contrary to even almost validating their

14 system, we've already received over \$100

15 million in real offers on real real

16 estate. I think the problem we have is

17 in part that the SRC and the School Board

18 isn't -- the school administration isn't

19 in the real estate business. They don't

20 do this during the day. They deal with

21 maintenance of properties, they deal with

22 erection of properties, but they do not

23 deal with disposition of properties,

24 evidenced by in my district we've had

25 Beeber Annex for sale for 15 years. And

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2 what the Council's proposal is to do is
3 move it into the professionals' hands
4 that do this for a living. And I think
5 it is just -- I want to use the right
6 adjective. It just doesn't make sense to
7 me that we don't move on this if we have
8 real money on the table from real people
9 that want to use the properties and how
10 do we do that.

11 MR. DUBOW: Well, we have --
12 the professionals who would be working
13 with them are already working with them.
14 There are people from the Administration
15 already working with the District. So
16 that won't change as a result of anything
17 we do with this legislation.

18 COUNCILMAN JONES: So you're
19 saying to me --

20 MR. DUBOW: That's already
21 happening. And one other thing. I mean,
22 to the extent that there are people who
23 have come forward with proposals, we
24 would love to see them.

25 COUNCILMAN JONES: So where is

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2 the breakdown in communication between
3 the real offer on the table and the real
4 seller's assessment of whether that is a
5 real and viable option? We have two
6 properties for 25 to 35 million right
7 now. Can we make a commitment to
8 evaluate those letters of intent?

9 MR. DUBOW: We would love to
10 see any letters you have, and we would
11 seriously evaluate any of them.

12 COUNCILMAN JONES: So when you
13 say "seriously evaluate," that we can set
14 a time that we will -- I mean, that
15 doesn't take long to see if a deal is
16 real. I mean, some lending institutions
17 can do it almost instantaneously, either
18 the proposed seller meets the credit
19 requirements of substantial asset. Can
20 we get a timeframe? Because June is
21 still a-coming and those kids are
22 operating, as Chair of Public Safety, in
23 unsafe environments. You got principals
24 down in lunchrooms becoming NTAs. You
25 have counselors that are doing double

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2 duty to provide a safe environment. We
3 can do better. And so the clock is
4 running. The meter is moving.

5 What timeframe can you -- if we
6 can get the real offers before you, how
7 long will it take for you to evaluate
8 their viability?

9 DEPUTY MAYOR GREENBERGER: Alan
10 Greenberger.

11 We'd love to see the list,
12 first of all. It may overlap with the
13 list that we also have already. We
14 worked with the School District over the
15 summer to change some of their policies
16 on disposition that would enable us to
17 put properties for which there is
18 significant and serious buying interest
19 out on the street quickly, assess what
20 kind of level of interest is out there,
21 and to the extent that it is one credible
22 buyer, do a negotiation on a sale so that
23 we can get the School District the money
24 for those properties as quickly as
25 possible. Those RFQs for several of the

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2 properties are teed up and ready to go.

3 COUNCILMAN JONES: When you say

4 "as quickly as possible," what does that

5 actually mean? I remember when it came

6 to education, with all deliberate speed.

7 What does that mean?

8 DEPUTY MAYOR GREENBERGER: I'll

9 tell you what it means. The policy now

10 states from the School District that we

11 would put out RFQs for a select number of

12 properties for which there has been

13 significant interest expressed from

14 credible buyers. We would do that over a

15 30-day period, take letters of interest.

16 If there was a single credible buyer and

17 a responsible reuse, we would then start

18 a negotiation with that buyer, help the

19 School District do a negotiation with

20 that buyer. You'd have to get

21 appraisals. We would get them. They

22 would get their own appraisals, and we

23 would do a real estate transaction and

24 move that property.

25 COUNCILMAN JONES: So give me a

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2 date that we could -- if we put a letter
3 or buyer on the table, how long
4 reasonably would it take for you to
5 evaluate the viable nature of that offer?

6 DEPUTY MAYOR GREENBERGER: If
7 it's one that we don't already know
8 about, we'd want to bring them in, meet
9 with them, assure that they're credible,
10 but then -- so it would take a couple of
11 weeks.

12 COUNCILMAN GOODE: Let me try
13 to be helpful.

14 DEPUTY MAYOR GREENBERGER:
15 Sure. Am I not hearing the questions
16 right?

17 COUNCILMAN GOODE: No. This is
18 the problem. You keep talking about your
19 process. We don't care about your
20 process. We don't care about the RFQ
21 you're talking about putting out. We
22 don't care about what you want to do in
23 terms of interviewing people. What
24 Council is saying is, we have an offer.
25 Do something with it. You should respond

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2 differently than you responded before.
3 Do you hear me now?

4 DEPUTY MAYOR GREENBERGER:
5 We're happy to take the list and work
6 with it.

7 COUNCILMAN GOODE: Not a list.
8 Specific offers, if there's a specific
9 offer.

10 DEPUTY MAYOR GREENBERGER:
11 We're happy to take the offer and work
12 with it.

13 COUNCILMAN GOODE: That's the
14 right answer.

15 Councilman.

16 COUNCILMAN JONES: All right.
17 On this side of the table, we're the
18 politicians. On that side of the table,
19 you're the straight guys that give us the
20 straight answers.

21 Give me a reasonable timeframe.
22 A week? Thirty days? What are we
23 talking about?

24 DEPUTY MAYOR GREENBERGER: I
25 think to establish the ability to put

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2 that out is a couple of weeks for us.

3 We'd like to meet with the person --

4 COUNCILMAN JONES: So if I were
5 generous and say 30 days, that's
6 reasonable?

7 DEPUTY MAYOR GREENBERGER:
8 Yeah. Yeah.

9 COUNCILMAN JONES: All right.
10 Thank you, Mr. Chair.

11 COUNCILMAN GOODE: Councilwoman
12 Blackwell.

13 COUNCILWOMAN BLACKWELL: I
14 certainly agree with what my colleagues
15 have just said. We have people -- we
16 heard earlier the first reported reuse
17 was for schools, second was for community
18 interest project, and third was for other
19 things. Well, I have people who ask for
20 all three for the same properties. I
21 have other schools who are saying that
22 they want to buy the schools. We have
23 people who come to us who operate schools
24 who want to expand their schools and
25 close buildings, and we're still stuck.

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2 We can't seem to get everybody -- we need
3 money for schools to operate. Everybody
4 says there's a financial need, but we
5 can't get anything done. And that is the
6 frustration of it all.

7 You visit students. You talk
8 to principals. You go to meetings. You
9 go to open houses. You deal with promise
10 schools and you hear about repurposed
11 schools, but nothing is happening to move
12 us from Point A to Point B, and all we do
13 is spend our time spinning our wheels
14 because we can't get any sense out of how
15 we move forward. We have a plan to move
16 forward.

17 But in addition to all the
18 private institutions -- as you know, I
19 represent more institutions than
20 anybody -- I got the institution that I
21 have schools within those institutions
22 and other people who want to buy, and yet
23 we're still stuck.

24 Thank you.

25 COUNCILMAN GOODE: Any other

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2 questions for this witness?

3 (No response.)

4 COUNCILMAN GOODE: Seeing none,
5 thank you very much.

6 COUNCIL PRESIDENT CLARKE:

7 Mr. Chairman?

8 COUNCILMAN GOODE:

9 Mr. President.

10 COUNCIL PRESIDENT CLARKE:

11 Thank you. Thank you so much, Mr. Chair.

12 All right. Good afternoon.

13 MR. DUBOW: Good afternoon.

14 COUNCIL PRESIDENT CLARKE: And
15 I promised the Councilman I'd stay out of
16 the room, but I'm like a little kid. I
17 couldn't stand it. I had to come in
18 here.

19 I just want to, first of all,
20 thank you all for testifying today, and I
21 want to thank the Committee for doing
22 great, because I like what I'm hearing.
23 I just want to go through something
24 quickly and then go start with the
25 statement that I've been making for a

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2 while, and it's about this whole notion
3 of every time there's a fiscal issue, the
4 first response is to stick your hands in
5 the taxpayers' pocket. And I've been
6 pretty consistent about that. So I think
7 whenever there's an opportunity to not do
8 that and to bring needed revenue to the
9 table for the institution, the District
10 or whatever, so be it, a department, then
11 we should need to investigate that.

12 In this particular case, it's
13 clear based on the fact that since we
14 submitted a proposal to sell properties,
15 all of the sudden you realize that
16 there's actually worth and you actually
17 can do this, right? I hear you today
18 talking about accelerating a process that
19 will allow you. The fact of the matter
20 is, a month ago you passed an SRC
21 resolution that allowed you to circumvent
22 every imaginable disposition problem.
23 And I'm saying this to you. You're not
24 in the SRC, but you got members on the
25 SRC, so it's all the same thing from our

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2 perspective. So this notion that we
3 should go out and borrow money; i.e.,
4 stick our hands in the taxpayers' pocket,
5 as opposed to doing something a little
6 creative that actually gave you an
7 opportunity to raise revenue and to take
8 blighted properties out of the
9 neighborhood and actually -- guess what,
10 you're actually going to produce
11 long-term revenue. I'm sure you saw the
12 proposal that was submitted earlier that
13 actually talks about the revenue
14 generated by repurposed schools.

15 So this notion about that first
16 response, sticking your hands in the
17 taxpayers' pocket, it's getting old. It
18 keeps getting old.

19 I am, as you know -- I'm
20 assuming you know -- that we are talking
21 to the School District, just got off the
22 phone with Dr. Hite. Not only is there a
23 potential of this proposal providing
24 much-needed revenue for the School
25 District in a very urgent way, since

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2 there was this sense of urgency expressed
3 earlier about we need 50 million right
4 away, just like they needed 45 million
5 right away, and I'm starting to get a
6 little concerned about -- and I know this
7 should be targeted towards the School
8 District -- their sense of selective
9 urgency, because I don't know where they
10 are on this, and they need to be on board
11 with this if it's such an urgency.

12 So I just want to say that I
13 want to thank Councilmembers for
14 supporting this effort, working together
15 and pulling together, because these
16 schools line all Councilmembers'
17 districts. They remain committed. And
18 there are and there currently is a
19 process, and I'm not sure if you're
20 familiar with the possibility of
21 disposing of all of the inventory -- and
22 I know I'll be asked this question later.
23 At this point, I can't talk to you about
24 it, but I'm sure you know about it --
25 that would bring over a hundred million

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2 dollars to the table for the School
3 District.

4 So this whole notion that we
5 have to go out and spend taxpayers'
6 dollars for every fiscal challenge is
7 always of concern to me.

8 Councilman, I understand you
9 got into this issue about the challenges
10 associated with the Five Year Plan. Was
11 that referenced today?

12 MR. DUBOW: Yes.

13 COUNCIL PRESIDENT CLARKE: And
14 you do understand -- I'm assuming that
15 that came up about the tax --

16 MR. DUBOW: We had a discussion
17 about that.

18 COUNCIL PRESIDENT CLARKE: --
19 that was not voted on or passed by this
20 Council being in the Five Year Plan?

21 MR. DUBOW: We talked about
22 that.

23 COUNCIL PRESIDENT CLARKE: All
24 right. Good.

25 All right, sir. Mr. Chair,

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2 thank you so much, sir. I will go back
3 in my room. I will not come back out.

4 COUNCILMAN GOODE: You're
5 welcome. Thank you.

6 Any other questions for this
7 witness?

8 (No response.)

9 COUNCILMAN GOODE: Thank you.
10 Allan Domb.

11 (Witness approached witness
12 table.)

13 COUNCILMAN GOODE: Good
14 afternoon, Mr. Domb.

15 MR. DOMB: Good afternoon,
16 Councilman Goode.

17 COUNCILMAN GOODE: Before you
18 proceed with your testimony, I have a
19 quick question. Does your organization,
20 GPAR, give money to elected officials?

21 MR. DOMB: Give what?

22 COUNCILMAN GOODE: Does your
23 organization, GPAR, give money to elected
24 officials?

25 MR. DOMB: Elected officials?

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2 COUNCILMAN GOODE: Yes.

3 MR. DOMB: I think through our
4 state PAC, they do, absolutely.

5 COUNCILMAN GOODE: You have a
6 PAC?

7 MR. DOMB: State does, yes.

8 COUNCILMAN GOODE: And it gives
9 money to elected officials?

10 MR. DOMB: Yes.

11 COUNCILMAN GOODE: Are you
12 involved in that process?

13 MR. DOMB: Not me personally.

14 COUNCILMAN GOODE: Who is
15 involved in the process locally?

16 MR. DOMB: Probably the RPAC
17 Chairperson.

18 COUNCILMAN GOODE: Do you know
19 how the decisions are made?

20 MR. DOMB: I don't know
21 offhand.

22 COUNCILMAN GOODE: Do you know
23 why money is given?

24 MR. DOMB: Do I know why money
25 is given? Probably supporting property

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2 rights and good things for the City.

3 COUNCILMAN GOODE: But you

4 don't know specifically why?

5 MR. DOMB: No.

6 COUNCILMAN GOODE: Okay.

7 Please proceed with your testimony.

8 MR. DOMB: Thank you.

9 So actually I think last

10 Thursday I received a list of the 24

11 schools that were closing and -- before I

12 get to this, though, I want to just

13 mention something. City Council said

14 that you have an offer on the table

15 possibly for one or two schools. From

16 the private sector, if we had an offer

17 for one or two schools, I'm guessing it

18 might be University City and Charles

19 Drew, because those schools are very

20 valuable schools, sandwiched in between

21 Drexel and Penn. As an individual, we

22 would order a professional appraisal from

23 two firms immediately, which probably

24 takes two to four weeks, and get an exact

25 value and try to get the best possible

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2 price from either of those two
3 institutions or whoever else might be
4 interested. But those two schools are
5 very valuable.

6 Having said that, this past
7 Saturday and Sunday, I took the time and
8 traveled to all 24 schools myself. I
9 went to every school that's being closed,
10 walked around every school, studied the
11 neighborhood to try to understand what
12 the issues are.

13 We put together a map, which I
14 think we made available to you, that
15 basically shows four different levels.
16 It shows repurposed schools that were
17 already done. It shows Tier 1 schools
18 that I understand have a level of
19 interest from buyers. It shows Tier 2
20 schools, which are in green, which we
21 think have value residentially or in
22 other purposes. And it shows Tier 3
23 schools, which we don't believe have any
24 value, and I'll discuss each one briefly.

25 But the first step will be that

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2 we suggest an appraisal is done for all
3 these schools on a professional basis,
4 and I'll tell you why. The OPA records
5 which we received from Council President
6 Clark's office are inaccurate. As
7 examples, I drove by Stephen Douglas
8 School between Fishtown and Port
9 Richmond. It says it's 49,000 square
10 feet, according to OPA. It's actually
11 120,000 square feet.

12 William Penn, according to OPA,
13 says there's 281,000. It's about 450,000
14 square feet. And I can go through more
15 and more examples of inaccuracies in the
16 square footages of these buildings.
17 People buying real estate, by the way,
18 will look at the square footages of these
19 properties.

20 Having said that, the First
21 Tier schools - Stephen Douglas, Abigail
22 Vare, Joseph Leidy, Charles Drew,
23 University City, Alexander Wilson --
24 here's an example. Next to Misher
25 College they just built a brand new

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2 building on Woodland Avenue, tremendous
3 value. Misher College is probably going
4 to be the buyer of that school.

5 William Penn, probably Temple
6 University is the buyer of that school.

7 Anna Shaw, 5401 Warrington
8 Avenue, I didn't think that area was so
9 great. I'm not an expert in these areas,
10 but I did drive the area and the
11 neighborhood, and I understand there's a
12 buyer. I would sell it to that buyer,
13 because that school I think is a tough
14 sale.

15 Stephen Douglas, very good
16 school in Fishtown, excellent for
17 residential.

18 Abigail Vare on Moyamensing
19 Avenue, across from a great park, great
20 value there, and so is the Belmont Avenue
21 Joseph Leidy School.

22 The Second Tier schools, as an
23 example, Charles Carroll, potential in
24 Port Richmond to do townhouses there,
25 absolutely, very valuable.

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2 Communications Technology at
3 81st Street and George Pepper, two huge
4 schools with huge land and across is
5 Korman that has tons of residential
6 middle-class apartments, and I think you
7 can have a buyer for that from that
8 commercial development.

9 John Reynolds and Robert Vaux,
10 those schools, the only shot there is if
11 maybe Girard College wants to expand, but
12 those are tough schools to sell and I
13 think that will be a problem.

14 Edward Bok I think has a
15 possibility for residential development,
16 same thing with Walter Smith and Joseph
17 Ferguson. Ferguson, I think Temple could
18 be your buyer, expanding east.

19 Third Tier schools, these are
20 the most challenging. John Whittier --
21 and it's on your chart there in blue --
22 Leslie Hill on Ridge Avenue; West
23 Clearfield is John Whittier; Anna Pratt,
24 North 22nd; Robert Fulton, East Haines
25 Street; Germantown -- by the way, OPA

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2 says the Germantown High School is worth
3 \$10 million. I'm not sure it's worth
4 anywhere close to that number. So I
5 think there's some schools that are worth
6 a lot more and some that are worth way
7 less.

8 John Kinsey, Fairhill. I went
9 to Fairhill on Sunday, and Sunday was --
10 I think it was the Puerto Rican Day
11 Parade, and it was interesting. I mean,
12 I walked around that block and I see
13 what's going on, and if we don't do
14 something with these schools quickly,
15 there's going to be issues I think, by
16 the way. Even the Sheridan West is a
17 problem.

18 But these schools have a common
19 thread. They have little to no value in
20 their present condition, and I'm not sure
21 there's potential to put new housing
22 there. A big picture, which is a crazy
23 idea -- I'll just throw it out there
24 because I like to throw out crazy
25 ideas -- is to maybe say, you know what,

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2 the real problem in these areas -- and on
3 the chart, most of these areas are in the
4 northern section of the City, all the
5 blues on this chart. The real problem is
6 employment in these areas, jobs. That's
7 the problem. It's not housing. It's
8 jobs. So maybe -- the City has unique
9 tools at its disposal. Maybe you could
10 make these KOZ zones, maybe create more
11 tax benefits for companies to locate
12 here. Make it so that employment occurs
13 in these areas. Make it so a company
14 locates a technology place there, give
15 them all the taxes abated they want, with
16 one requirement, 10 percent of their
17 employees within a ten-block radius have
18 to be employed in that company. Because
19 what's needed in these areas is
20 employment desperately. I mean, I do not
21 usually go to these locations and I took
22 the time to do it this past Sunday. To
23 me it was an eye-opener, and I got to
24 tell you that without employment, we're
25 never going to change these areas.

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2 Having said that, I think
3 there's more value here than \$50 million.
4 There might be more value here than \$100
5 million at the end of the day on these
6 schools, but I think they have to be
7 apportioned properly. I think we have to
8 be very careful that we don't sell our
9 really valuable schools for too small of
10 a price.

11 So that's where -- we are
12 suggesting, GPAR, to do professional
13 appraisals and really get the numbers
14 down.

15 That's basically my testimony.
16 I want to thank Council President Clarke
17 for asking us to come in and the Chair,
18 Councilman Goode, and the other
19 Councilmen. If there's any questions,
20 I'm happy to entertain them.

21 COUNCILMAN GOODE: Any
22 questions for this witness?

23 Councilman Jones.

24 COUNCILMAN JONES: Thank you
25 for your testimony, and you answered one

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2 of the questions by aggregating the
3 underestimated properties and the
4 overestimated properties, and you came up
5 with a figure for the record,
6 approximation. What was it again?

7 MR. DOMB: Well, there's
8 several properties where square footages
9 for OPA are grossly inaccurate, grossly
10 inaccurate.

11 COUNCILMAN JONES: But for the
12 total portfolio, what's your guesstimate
13 it's worth?

14 MR. DOMB: I think on my
15 limited knowledge, I think you're at
16 least at 100 million or more of potential
17 value. But I think the bigger picture
18 here is if we can take the lemons that we
19 have, these Tier 3 properties, and make
20 lemonade out of them and create these --
21 this is an opportunity to change these
22 neighborhoods, huge opportunity.

23 COUNCILMAN JONES: To your
24 point, when we did the presentation in
25 Council about the real estate, we

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2 examined some of the reuses of old
3 schools that are now repurposed, and one
4 of them is my district at 57th and
5 Haverford where 50 seniors actually live
6 in that facility. So, yeah, maybe in a
7 pure market sense, it was not valuable,
8 but to a developer that understood where
9 to get subsidized financing for seniors,
10 it has a value to the 50 people that live
11 there. So even the lower end properties
12 aren't useless. They have a reuse
13 purpose that may not wind up on someone's
14 balance sheet in a positive way, but by
15 way of those people that live there, it's
16 priceless. So just a point.

17 Thank you, Mr. Chairman.

18 COUNCILMAN GOODE: Thank you,
19 Councilman.

20 Any other questions for this
21 witness?

22 (No response.)

23 COUNCILMAN GOODE: Thank you
24 very much.

25 MR. DOMB: Thank you.

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2 COUNCILMAN GOODE: The next
3 witness is Victor Pinckney and Darrell
4 Zaslow.

5 (Witnesses approached witness
6 table.)

7 MR. ZASLOW: Good afternoon,
8 Mr. Chairman, members of the Committee.

9 MR. PINCKNEY: Good afternoon,
10 Chairman Goode, members of the Committee.
11 I'd first like to say thank you for
12 giving us the time to speak, and to
13 Mr. Domb, I'd like to say that brilliant
14 minds think alike. A lot of things he
15 addressed are some of the things I'm
16 going to address, maybe in a lot broader
17 term.

18 First of all, this bill is a
19 great idea. There's no downside to the
20 City giving the School District \$50
21 million for vacant buildings versus the
22 School District borrowing the sum. Their
23 budget is already in the red. To have
24 them take on additional expense of your
25 interest payments with no new revenue

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2 sources available when they say something
3 of value to sell -- when they have
4 something of value to sell is ludicrous.
5 Plus the fact that these buildings are
6 vacant will eventually add to
7 neighborhood blight. It will cause the
8 School District or the City additional
9 expenses for security to guard against
10 vandalism and/or copper and metal theft.
11 Why deal with the possibility when they
12 can be utilized for senior housing,
13 subsidized housing, and market-rate
14 housing. Not to mention various charter
15 schools are looking to acquire buildings.
16 For example, Arise Academy, a charter
17 school that focuses on children from
18 foster homes, is looking to acquire a new
19 home.

20 Buildings could be given to
21 community groups to develop with Block
22 Grant money for community use. If the
23 rehab is done using union labor students
24 who have an interest in building trades
25 such as those in the program at Overbrook

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2 High School can do an apprenticeship in
3 whatever trade that they qualify for.

4 The City already has in place
5 government and quasi-government agencies
6 to deal with the selling, marketing, and
7 developing of such large-scale projects
8 that these buildings would require. As I
9 previously said, to leave them sitting
10 will only add to neighborhood blight and
11 cause problems.

12 Bill 130577 will remove that
13 possibility and provide the opportunity
14 for a positive outcome for the
15 neighborhoods as well as provide
16 additional revenue for the School
17 District without increasing their debt.

18 Thank you, Councilman Goode and
19 members of the Committee, for allowing me
20 to speak.

21 COUNCILMAN GOODE: Thank you.

22 MR. ZASLOW: Thank you,
23 Mr. Chairman. Darrell Zaslow. I'm legal
24 counsel to HAPCO, the Homeowners
25 Association of Philadelphia. As you

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2 heard Mr. Pinckney state, we are here in
3 support of this bill. We do understand
4 the Administration's concerns over the
5 buildings and the need for providing the
6 money from some source, but as owners of
7 real estate in this city, we see the
8 value of real estate.

9 Every one of these buildings
10 used to have a good community purpose.
11 You heard very clear testimony some of
12 them have real commercial value, and even
13 the ones which have no value, these are
14 buildings in communities where people
15 live, and if they need to be repurposed,
16 recreated, some other use in that area,
17 then that's what needs to be done.

18 From our perspective, it is a
19 matter of good government as to who
20 should do the job. Everyone agrees take
21 the schools, sell the schools, repurpose
22 the schools. From our perspective, it is
23 the City which should be doing this, not
24 the School District, which should be
25 focusing on education and students in

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2 classrooms.

3 Councilman Jones, I think you
4 said it point blank. You have experts
5 here. That's what their day job is. Why
6 should School District officials be
7 contemplating how to use a school?

8 The City, the City Council
9 specifically, you know our neighborhoods,
10 and your sense of how to reuse these
11 schools is going to make a lot more sense
12 in a larger picture than something that
13 the School District officials looking
14 from their perspective only at the dollar
15 bottom line is going to make.

16 If we're getting something of
17 value for the 50 million that you're
18 deciding must be given, that's even
19 better. Why go out and borrow money and
20 end up with nothing if you can get the 50
21 million over to the School District and
22 something is owned by it.

23 I do want to offer a note of
24 concern, actually two concerns. The
25 first one is regarding the OPA values of

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2 these properties. It's amazing to sit
3 here and hear professionals such as the
4 City Administration warning you that
5 these properties are all overassessed,
6 that all the cities around the country,
7 you go to sell a piece of real estate and
8 they never get what they think it's
9 worth, and then you have super-qualified
10 professionals who deal with real estate
11 every minute of every day who say some of
12 these properties have greater value than
13 what they've been assessed at.

14 The OPA's concept of value
15 needs to be looked at very carefully.
16 And, again, this is something which the
17 City should be doing and not the School
18 District.

19 And you know what else,
20 Mr. Chairman, even if the Administration
21 is right and your dreams of getting 50
22 million for the schools never happen, the
23 public doesn't expect you to make this a
24 dollar-for-dollar proposition. You are
25 managing these properties for the benefit

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2 of the City, for the communities, for the
3 neighborhoods. You're going to do the
4 best job that can be done. If it's not
5 the same dollar number that's being
6 proposed, well, then it won't be, and we
7 are not holding you to a sale price that
8 you say is going to be achieved. If it's
9 less money, you did the best you could.
10 We know that you will. If it's more
11 money, terrific. But we believe that
12 it's the art of government as to who
13 should do the process, and you should be
14 doing the process and it shouldn't be
15 done by the School District.

16 I do have a concern over the
17 language of the bill specifically, and
18 that is in Section 2. As I read Section
19 2 of the proposed ordinance, it properly
20 says that the transfer of the buildings
21 is only -- of the money is only to take
22 place if and when the Mayor manages to
23 make an agreement. I think that the
24 language is a little bit loose. I think
25 that to say that nothing is going to

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2 happen here until the Mayor effectively
3 enters into an agreement for surplus
4 property is going to leave the
5 Administration, from their perspective,
6 with a lot of unanswered questions. If I
7 give one property to the City, that's a
8 surplus property. Does the 50 million go
9 over? Is it 20 properties? Is it all
10 the properties? I think that, unless I'm
11 missing something, that the bill should
12 be more specific directing the
13 Administration what you expect them to
14 do, not saying if and when the
15 Administration sells or transfers surplus
16 property, we transfer the money. It's
17 vague. I think that there's going to be
18 issues over what Council really meant in
19 saying it, and I think that you need to
20 say very specifically here's the 24
21 schools, we get them all, or whatever
22 your concept is. I don't know exactly
23 what the specifics of it are, but leaving
24 it to the broader language of if the
25 Mayor is able to transfer the money and

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2 if the properties come back, I think it
3 needs to be much more specific. The
4 politics of it is your concern, not ours,
5 but we do have a sense that the
6 Administration is not on board with this.
7 We hear it very specifically today.

8 I think that as legal advisors
9 to the Administration, if someone is
10 looking to wiggle out of this ordinance
11 the way it's written, I think they may
12 have room to do that by saying if we do
13 it. Well, we didn't to it. And when we
14 do it. Well, we didn't do it yet. I
15 think that Council may want to consider a
16 very clear directive directing the Mayor
17 to transfer the money and to accept the
18 following properties with great
19 specificity.

20 I'd like a final note, if I
21 may, because the date here October the
22 3rd is significant, because I'll tell you
23 what property owners across the City are
24 doing at this very moment. They're
25 scrambling around trying to get their

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2 appeals of wrong OPA appraisals over to
3 the Board of Revision of Taxes. That's
4 what's happening across the City at this
5 moment. I think that the City is leaving
6 a lot of money on the table, and I tried
7 to convince somebody to at least look at
8 it. Where's the money being left on the
9 table? The OPA which, from our
10 perspective, was really largely a
11 failure. I'm not blaming the workers.
12 They're all doing their best, working
13 hard. The fact of the matter is that
14 50,000 people thought that their
15 assessment was wrong and followed the
16 entire procedure that they paraded out
17 and you have to do it by this date with
18 slick videos on the website, and 50,000
19 people applied and 25,000 people, if I
20 understand the numbers, never heard back
21 anything. It's like the black hole.
22 Here's my first-level review. Nothing
23 comes back whatsoever.

24 Now, the failure of the OPA is
25 in that regard they're overburdened. We

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2 understand that. But the Administration
3 did something very appropriate, and, that
4 is, in their budget they said OPA is
5 going to have a lot of appeals against
6 them and they're going to lose a lot of
7 appeals, because that's how the system
8 works, and the Administration put a very
9 specific number on the amount of money
10 that they are guessing between the
11 first-level review at OPA and the real
12 legal appeal, because the OPA thing was a
13 made-up concoction of OPA. It doesn't
14 exist in the state law. When you get to
15 the BRT for a real appeal, they put a
16 number on it, \$33 million. Now, that's
17 significant because every surrounding
18 county and school --

19 COUNCILMAN GOODE: Mr. Zaslow?

20 MR. ZASLOW: Yes, Mr. Chairman.

21 COUNCILMAN GOODE: You are for
22 the bill?

23 MR. ZASLOW: Excuse me?

24 COUNCILMAN GOODE: You are for
25 the bill?

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2 MR. ZASLOW: We are for the
3 bill. But I don't want to see you leave
4 \$33 million. You have four days left to
5 do something. Can I just finish the
6 thought process, Mr. Chairman?

7 For every overassessment that
8 is appealed and the City says we're going
9 to lose \$33 million already budgeted for,
10 there is the identical number of
11 properties which are under-assessed, and
12 nobody in government, unless I'm wrong,
13 is going after the properties that are
14 under-assessed. And as an example,
15 there's a property at 20th and Market.
16 It was all over the newspaper. They sold
17 it for \$110 million, and OPA on their
18 website valued it at \$88 million. Write
19 the market value that the market bears
20 and we see a \$22 million error, which
21 translates into almost \$300,000 lost
22 taxes to the City on one property.

23 So there's four days left.
24 Property owners are scrambling to deal
25 with overassessments. I think the City

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2 needs to be dealing with the
3 under-assessments, and you have four days
4 left to do it, in order to bring back
5 into the City the money that's being
6 lost. Now, if the Supreme Court decision
7 that allowed OPA and created the hybrid
8 of the OPA and BRT somehow says the City
9 can't appeal, I would be shocked, because
10 every school district in every
11 municipality around us does that. They
12 monitor very carefully where the
13 assessments are too low and go in to try
14 to raise them up. We're not looking to
15 raise property taxes. We're property
16 taxpayers, but if the ratio is not right
17 of who is paying what, we think it should
18 be corrected.

19 But, yes, Mr. Chairman, in
20 conclusion, we are very much in favor of
21 your bill. We thank you, the Council
22 President for giving us a hearing this
23 afternoon.

24 COUNCILMAN GOODE: Are you
25 offering testimony? Are you offering

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2 testimony?

3 UNIDENTIFIED SPEAKER: No. I

4 think that's it.

5 COUNCILMAN GOODE: Any

6 questions for this panel related to this

7 bill?

8 COUNCILMAN GREEN: No,

9 actually, Mr. Chairman.

10 COUNCILMAN GOODE: Thank you,

11 Councilman.

12 Kevin Gillen. Thank you.

13 COUNCILMAN GREEN: Mr.

14 Chairman, while we're waiting for

15 Mr. Gillen, may I indulge myself for 20

16 seconds?

17 COUNCILMAN GOODE: Absolutely.

18 COUNCILMAN GREEN: Thank you.

19 I just want to state for the

20 record that the City, I believe -- that a

21 big portion of the problem with respect

22 to the under-assessments has to do with

23 the way we assessed the land portion of

24 buildings in many areas of the City. I

25 think the City is well aware of that, and

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2 some feel -- and I'm not sure if I'm
3 among them or not -- that it's purposeful
4 that we set a higher rate than we had to
5 this year by having that category be
6 wrong and that without, quote/unquote,
7 raising taxes next year, they will fix
8 that, and lo and behold, the City will
9 collect \$50, \$100 million more than they
10 collected this year, so we didn't really
11 do a, quote/unquote, revenue-neutral tax
12 increase. That's what's going on, in my
13 opinion.

14 COUNCILMAN GOODE: Thank you,
15 Councilman.

16 Good afternoon, Mr. Gillen.
17 Before you testify, quick question. Were
18 you here for Mr. Dubow's testimony?

19 MR. GILLEN: For the latter
20 part of it.

21 COUNCILMAN GOODE: You were
22 here for the questioning?

23 MR. GILLEN: Am I here for
24 questioning?

25 COUNCILMAN GOODE: I said were

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2 you here for the questioning.

3 MR. GILLEN: Part of it, yes.

4 COUNCILMAN GOODE: In your
5 view, is Mr. Dubow's analysis fact or
6 opinion?

7 MR. GILLEN: I really wouldn't
8 feel comfortable answering that since I
9 really don't feel I have complete
10 information to give a thorough and honest
11 answer.

12 COUNCILMAN GOODE: You heard
13 the questioning.

14 MR. GILLEN: Part of it. I
15 mean, I admit, I was also checking my own
16 messages and things like that.

17 COUNCILMAN GOODE: You heard
18 Mr. Dubow respond that it is opinion
19 based upon fact. Are you offering an
20 analysis today, and is it fact or
21 opinion?

22 MR. GILLEN: I am not offering
23 any hard numbers today. Instead, I'm
24 offering some other facts you may want to
25 consider to help make the most informed

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2 decision about this financing issue and
3 this legislation.

4 COUNCILMAN GOODE: Please
5 proceed with your testimony.

6 MR. GILLEN: Thank you. It
7 will be very brief.

8 Thank you very much for having
9 me this afternoon and thank you to
10 President Clarke for inviting me to
11 testify. While there's currently debate
12 between Council and the Administration
13 over the best way to secure short-term
14 funding for the current and ongoing
15 operations of our city's public schools,
16 it's not my intention today to provide
17 testimony either in favor or against any
18 of the particular options being debated.
19 Rather, I intend to provide some
20 information on the likely costs and
21 benefits of the options being considered;
22 that is, in particular, the auctioning
23 off and repositioning of several closed
24 school properties to the private market.

25 We've heard a lot today about

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2 what the actual potential sale value of
3 these properties is and what the foregone
4 revenue would be if you kept them idle,
5 but there are some additional costs and
6 benefits which I think you should take
7 into consideration to make a fully
8 informed decision.

9 While the direct benefits from
10 the sale of these properties may be
11 measured by the offering prices given by
12 the interested parties, the costs of not
13 selling or otherwise redeploying these
14 properties to an alternative use are not
15 zero. Moreover, there are additional
16 indirect benefits from repositioning
17 these properties to an alternative use.

18 In particular, there are three
19 specific costs to the City and hence the
20 taxpayer of allowing these properties to
21 continue as publicly held vacant
22 structures. These three costs are the
23 direct costs, the indirect costs, and the
24 opportunity costs.

25 The direct costs of not

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2 repositioning these properties is the
3 cost to the taxpayer of maintaining these
4 properties and continuing to provide
5 public services to them. For example,
6 there are maintenance costs of ensuring
7 these properties do not physically
8 depreciate and fall into disrepair as
9 well as maintaining the grounds. There
10 are the costs of providing security to
11 these buildings to prevent break-ins or
12 vandalism, and the cost of providing
13 police and fire services in the event
14 that criminal activity or fires occur at
15 these sites. And, of course, there's the
16 cost of trash collection to remove any
17 litter or refuse that may be deposited on
18 these sites. All of these services are
19 direct outlays from the City to sites
20 that do not directly generate any tax
21 revenue to offset these costs.

22 Second, the indirect costs of
23 letting these sites remain vacant is the
24 negative spillover effect that they have
25 on nearby property values and their

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2 subsequent prevention of the local
3 neighborhood's revitalization. As my own
4 research on vacant lots and
5 tax-delinquent properties in Philadelphia
6 has shown, abandoned properties depress
7 nearby property values and they also
8 signal disinvestment in a neighborhood.
9 This results in both property tax
10 revenues and local housing investment
11 being lower than they otherwise would be,
12 which is also a cost to the City and
13 hence the taxpayer.

14 Third, the opportunity costs of
15 not repositioning these properties is
16 represented by the tax revenue and
17 economic activity that is foregone from
18 not redeveloping these properties to some
19 other use. For example, if a given site
20 were converted to senior housing or a job
21 training center, it would not only begin
22 to generate property tax revenues, but
23 also wage tax revenues from the people
24 who would be employed there. Moreover,
25 the conversion of these sites from

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2 vacancy to having an active economic use
3 would also likely have a positive
4 spillover effect on nearby property
5 values, thus increasing both the property
6 tax revenues and promoting further
7 neighborhood revitalization.

8 Finally, I should also point
9 out that the current bill being sponsored
10 that would significantly curtail
11 Philadelphia's ten-year tax abatement on
12 improvements to real estate would also
13 further hinder efforts to redevelop these
14 former schools to new uses by reducing
15 the return to investing in real estate in
16 Philadelphia.

17 COUNCILMAN GOODE: Mr. Gillen,
18 are you an economic development
19 practitioner?

20 MR. GILLEN: I'm an urban
21 economist. Many of my clients are urban
22 developers.

23 COUNCILMAN GOODE: Are you an
24 economic development practitioner?

25 MR. GILLEN: Directly I am not

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2 a developer, no. I work with many
3 developers as part of a team. I've been
4 on development teams.

5 COUNCILMAN GOODE: Let's walk
6 through how this actually happens. You
7 have a property. Someone wants to do an
8 economic development project. There's
9 private financing, there's public
10 financing, there's acquisition of land.
11 Put simply, we subsidize projects.
12 Sometimes we take down the interest rate
13 on projects to make it workable by banks,
14 and there's several ways to do that. The
15 easiest way to do that related to matters
16 contained in this bill is to simply
17 discount the property for the amount of
18 the abatement, if necessary. Does that
19 make sense to you?

20 MR. GILLEN: I believe you're
21 implying that the abatement offers a
22 lower discount rate and hence lower
23 cost --

24 COUNCILMAN GOODE: I'm not
25 implying anything. I'm talking about how

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2 economic development deals are done. In
3 other words, if you're trying to sell
4 someone a property to do a project, to
5 make the project work because we're in
6 the business of subsidy, economic
7 development, you can simply discount the
8 property for the price of the abatement.
9 Does that make sense to you?

10 MR. GILLEN: No. I think the
11 abatement is a tax break, not a subsidy.

12 COUNCILMAN GOODE: I'm not
13 asking what you think an abatement is.
14 I'm talking about actual bottom line how
15 the project works, how the numbers work.
16 Can you provide the subsidy through the
17 discount of the property?

18 MR. GILLEN: I can tell you
19 that in the lenders that I've spoken to,
20 the curtailment of the abatement would
21 result in a lower return and hence higher
22 financing costs for development in
23 Philadelphia.

24 COUNCILMAN GOODE: I'm talking
25 about related to this bill. What I'm

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2 trying to do is get you to focus on this
3 particular bill.

4 MR. GILLEN: I have one
5 paragraph left to summarize up on --

6 COUNCILMAN GOODE: I understand
7 that, but you brought up a different
8 bill. I'm asking you to keep your
9 testimony in the context of this bill and
10 give you an example of how you might
11 apply it.

12 MR. GILLEN: Right. I'm
13 pointing out the different factors that
14 would affect the likely success of this
15 proposed bill, and the legislation that
16 you propose related to the abatement
17 would certainly have an effect there.
18 I'm merely pointing that out.

19 COUNCILMAN GOODE: It would
20 not.

21 MR. GILLEN: I respectfully
22 disagree.

23 COUNCILMAN GOODE: You disagree
24 because you're not an economic
25 development practitioner. If we're only

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2 going to sell five properties, we simply
3 discount the five properties for the
4 amount and the worth of the abatement.
5 So what you're saying doesn't make any
6 sense, but you can continue.

7 MR. GILLEN: In short, while
8 the debate so far may have focused on the
9 direct benefits of selling these school
10 properties, there are additional costs to
11 allowing them to remain vacant and
12 additional indirect benefits from the
13 repositioning to an alternative use. As
14 such, the decisions of whether to pursue
15 this strategy or some other alternative
16 strategy should include a full accounting
17 of all of these costs and benefits in
18 order to make the most informed decision
19 possible.

20 Lastly, the current proposed
21 reduction to the scope of the abatement
22 will also work against the viability of
23 repositioning these properties to new
24 uses.

25 Thank you for your time, and

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2 I'd be happy to take any questions.

3 COUNCILMAN GOODE: Let me try
4 this one more time. Let's take a
5 University City High School property.
6 Let's look at it from the viewpoint of an
7 actual offer. I'm assuming the person
8 who made the actual offer has a project
9 in mind. Let's say they took into
10 consideration what the worth of the
11 abatement on that property was for that
12 property. Either you sell it to them for
13 this amount with the abatement or you
14 sell it to them for that amount without
15 the abatement. Does that make sense to
16 you?

17 MR. GILLEN: Yes.

18 COUNCILMAN GOODE: Thank you.
19 Councilman Green.

20 MR. GILLEN: And the price with
21 the abatement would be higher.

22 COUNCILMAN GOODE: You
23 determine the price of the property
24 because you're selling it to them.

25 MR. GILLEN: The abatement is

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2 capitalized into property values in
3 Philadelphia. The data is pretty clear
4 on that.

5 COUNCILMAN GOODE: You're
6 not --

7 MR. GILLEN: You get a higher
8 price for these properties with the
9 abatement.

10 COUNCILMAN GOODE: You are not
11 an economic development practitioner.
12 You answered the question right the first
13 time, but I'll try again.

14 You're selling someone a
15 property. You give them one price with
16 the abatement and you give them one price
17 without the abatement, same bottom line.
18 Does that make sense?

19 MR. GILLEN: No. I would
20 disagree with that, because the abatement
21 would affect the bottom line because it
22 affects the present value --

23 COUNCILMAN GOODE: You adjust
24 the price of the property --

25 MR. GILLEN: -- of the net

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2 rental stream.

3 COUNCILMAN GOODE: You adjust
4 the price of the property for the worth
5 of the abatement.

6 MR. GILLEN: I'm sorry?

7 COUNCILMAN GOODE: You adjust
8 the price of the property for the worth
9 of the abatement, if it's necessary for
10 the project.

11 MR. GILLEN: Whether or not
12 it's necessary, the preference of an
13 abatement would still have an effect on
14 prices. I could see an instance where
15 you have a very high valued property and
16 the abatement may not be necessary.

17 COUNCILMAN GOODE: So you
18 adjust the price.

19 MR. GILLEN: The purchaser of
20 the property, the developer, will almost
21 certainly capitalize the value of the
22 abatement into the price they're willing
23 to pay.

24 COUNCILMAN GOODE: So you
25 discount -- if you're not giving the

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2 abatement, then you discount the price --

3 MR. GILLEN: Yes.

4 COUNCILMAN GOODE: -- for the
5 worth of the abatement.

6 MR. GILLEN: Yes.

7 COUNCILMAN GOODE: Because
8 we're talking about it in the context of
9 this bill, right?

10 MR. GILLEN: Yes.

11 COUNCILMAN GOODE: Okay.

12 Councilman Green.

13 COUNCILMAN GREEN: Thank you.

14 I think you guys are in violent
15 agreement. I mean, if the City is in
16 control of a property, it can provide a
17 lower purchase price instead of an
18 abatement as an alternative.

19 MR. GILLEN: Yes, it can.

20 COUNCILMAN GREEN: The problem
21 is, most development in this city is not
22 done through City-sold properties. So
23 your general point is --

24 COUNCILMAN GOODE: We're going
25 to confine the discussion to this bill,

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2 Councilman.

3 COUNCILMAN GREEN: Mr. Chair,
4 I'm just following your lead.

5 COUNCILMAN GOODE: Thank you.

6 COUNCILMAN GREEN: Thank you,
7 Mr. Gillen.

8 COUNCILMAN GOODE: Any other
9 questions for Mr. Gillen?

10 (No response.)

11 COUNCILMAN GOODE: Thank you.

12 MR. GILLEN: Thank you.

13 COUNCILMAN GOODE: Walter
14 Spencer.

15 (Witness approached witness
16 table.)

17 MR. SPENCER: Good afternoon,
18 Chairman Goode and Councilmembers. I
19 want to thank Council President Clarke
20 for inviting me to testify. My name is
21 Walter Spencer. I have lived in the
22 Rittenhouse Square neighborhood since
23 1997. Although I'm an active member of
24 both the Center City Residents
25 Association and the Crosstown Coalition

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2 of Taxpayers, the views expressed today
3 are my own.

4 I spent 15 years consulting
5 with state and local governments across
6 the country on AVI projects. I
7 personally worked with New York City,
8 Chicago, Atlanta, and Denver. I also
9 worked in a number of older northeastern
10 cities, including Buffalo, Hartford, and
11 Jersey City.

12 Our firm was often asked to
13 recommend assessments on former public
14 schools that were no longer occupied. We
15 also observed the effect of unoccupied
16 schools on the value of the surrounding
17 properties.

18 Although I have not conducted
19 inspections of the school buildings that
20 are no longer occupied, I am convinced,
21 based on review of publicly available
22 information, that the City, through a
23 well-managed property disposition
24 program, could realize values exceeding
25 \$50 million. And I would second Allan

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2 Domb's suggestion that before you expose
3 these properties to the market, you get
4 two qualified appraisals on each
5 property.

6 Several of these properties are
7 in neighborhoods where developers are
8 currently building residential,
9 commercial, and mixed-use projects.
10 These include Abigail Vare at 1619
11 Moyamensing, Charles Drew at 11 to 83
12 North 38th Street, University City at
13 3601 Filbert Street, Walter Smith at 1300
14 South 19th Street, and William Penn at
15 1300 North Broad Street. I believe these
16 five properties taken as a group yield at
17 least 50 million in revenue over a 12- to
18 24-month period.

19 In a city where large building
20 sites are few and far between, a number
21 of the schools not listed above are on
22 large lots that create opportunities for
23 new use or supplemental uses in addition
24 to repurposing of the existing
25 structures.

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2 The George Pepper Middle
3 School -- George Pepper School at 2801
4 South 84th Street is a 37-acre parcel
5 located within a mile of Philadelphia
6 International Airport. There are seven
7 other properties not listed above that
8 are located on sites greater than two
9 acres.

10 I want to talk for a minute
11 about the process. The process that the
12 City follows will affect the values
13 received at closing. Generally speaking,
14 the longer a building is vacant, the less
15 it is worth at sale. In this case, time
16 is money. The sooner the City can
17 responsibly expose these properties to
18 the marketplace, the better.

19 The City will also maximize the
20 revenue it receives by offering potential
21 bidders a clear path to closing once
22 their bid is accepted. If value can be
23 maximized by rezoning a property in a
24 manner acceptable to the Council, the
25 rezoning should occur before the sale

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2 process begins.

3 The City should also discuss
4 the sales process with the Registered
5 Community Organizations in the
6 neighborhood before the sale process
7 begins and indicate the potential buyer's
8 uses that the RCOs are ready to support.

9 Before and during the sale
10 process, the City should adequately fund
11 the securing and maintenance of these
12 buildings. The threat of thieves
13 entering vacant buildings to gather
14 materials for resale - copper pipe and
15 wiring, scrap metal - is real. The
16 damage they do can be much greater than
17 the cost of replacing the stolen goods.

18 Many of these buildings were
19 built before World War II. Freezing
20 temperatures and dampness will cause
21 rapid deterioration of the structure. A
22 minimum level of heating during the
23 winter months and frequent monitoring to
24 prevent standing water will yield
25 incremental revenues well in excess of

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2 the cost.

3 I want to speak for a minute
4 about effective vacancy. Dr. Gillen just
5 spoke about the negative impact of vacant
6 buildings on the value of the surrounding
7 properties. I would argue that this
8 effect can be magnified when a building
9 is a school.

10 I vividly remember a situation
11 I encountered in the late '80s in a
12 neighborhood in Jersey City. It was a
13 neighborhood of working families who were
14 fighting to maintain their community as a
15 safe place to raise their children and
16 lead peaceful lives. It was a tough
17 fight, but they had been holding their
18 own.

19 Just before our firm started
20 working with the city on their AVI
21 program, the school district had closed
22 the neighborhood school with no plans for
23 sale or reuse. In addition to a
24 measurable impact on sale prices, the
25 emotional impact on the neighborhood was

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2 devastating.

3 I spoke with the residents when
4 I was checking estimated values with our
5 project manager. Although the
6 conversation was 25 years ago, I remember
7 it clearly, and I remember flying out of
8 the Newark Airport that night and fearing
9 for the future of that neighborhood.

10 Thank you for your attention,
11 and I'm glad to answer any questions.

12 COUNCILMAN GOODE: Thank you,
13 Mr. Spencer.

14 Any questions for Mr. Spencer?
15 (No response.)

16 COUNCILMAN GOODE: Seeing none,
17 thank you very much.

18 MR. SPENCER: Thank you very
19 much, sir.

20 COUNCILMAN GOODE: Is there
21 anyone else to testify?

22 Before you testify, we're
23 actually going to move into a meeting and
24 take action. I think the Committee is
25 ready.

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2 So we will move from our public
3 hearing into a public meeting to consider
4 Bill No. 130577.

5 The Chair recognizes
6 Councilwoman Blackwell for a motion on
7 Bill No. 130577.

8 COUNCILWOMAN BLACKWELL: Thank
9 you. We move that Bill No. 130577 be
10 reported out of committee with a
11 favorable recommendation --

12 (Duly seconded.)

13 COUNCILWOMAN BLACKWELL: -- and
14 also for a suspension of rules so as to
15 permit consideration at our next session
16 of Council.

17 (Duly seconded.)

18 COUNCILMAN GOODE: All in
19 favor?

20 (Aye.)

21 COUNCILMAN GOODE: Those
22 opposed?

23 (No response.)

24 COUNCILMAN GOODE: Bill No.
25 130577 is reported out of this committee

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2 with a favorable recommendation and
3 suspension of the rules to allow first
4 reading at our next Council session.

5 We will move back into a public
6 hearing in order to take more testimony.
7 Anyone else can approach the witness
8 table who wants to testify.

9 (Witness approached witness
10 table.)

11 COUNCILMAN GOODE: Good
12 afternoon.

13 MR. ADAMONDO: Thank you, Mr.
14 Chairman, members of Council. My name is
15 Leo Adamondo. Unlike other people who
16 testified today, I actually am in the
17 business of buying and repurposing
18 schools for commercial development uses,
19 and I thought it would be useful for you
20 all to consider a recent experience that
21 I have gone through in trying to buy one
22 of these schools through the current SRC
23 process, because I think it will
24 illustrate exactly why you need to pass
25 this bill.

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2 My firm in April of last year
3 was one of the qualified bidders for one
4 of the SRC disposition properties. I
5 won't name the property. We're actually
6 closing on the acquisition next week, 18
7 months after expressing qualified
8 interest. I want to just walk through
9 quickly what we went through to get to
10 closing.

11 We were qualified April of
12 2012. The RFP came out late June 2012.
13 We responded to the RFP with a
14 substantial submission in August of 2012.
15 We were told sometime in October,
16 November that we were the likely winning
17 bidder. However, it was not until the
18 SRC meeting on the 20th of December 2012
19 the formal vote was taken in the public
20 hearing to award the property to us. It
21 subsequently took the SRC 36 days to get
22 us an agreement of sale.

23 That agreement of sale was
24 negotiated over two months, which,
25 frankly, could have been five days

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2 because of the length of time in response
3 back from the SRC -- the School District,
4 I guess you would say.

5 It did not get signed. The
6 agreement of sale was agreed to in March
7 of this year. It did not get signed for
8 an additional two months by the SRC
9 Chair. Our understanding is that he's a
10 busy man.

11 It then took until the 12th of
12 September for there to be a court hearing
13 to approve the sale. In the meantime,
14 there were two appraisals done, neither
15 of which we were entitled to look at, and
16 we were trying to settle this next week.
17 Eighteen months from an expression of
18 qualified interest, 15 months from a
19 submission of what was by all accounts
20 the only, shall we say, winning bid.
21 There were actually nine bids submitted,
22 qualified bids. There were nine
23 criteria: price, terms, use and design,
24 minority participation, neighborhood
25 context, track record, financial

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2 strength, and completeness of proposal.

3 We checked every single one of
4 those boxes and had the highest bid 15
5 months ago, and we have been fighting to
6 try to purchase this property from the
7 City -- from the School District.

8 In the meantime, we haven't
9 generated any jobs for construction,
10 reconstruction of this project into 16
11 apartments, which is our plan. The City
12 is getting no tax revenue from this, and
13 the building is lying fallow, and I
14 assume there are some upkeep costs that
15 the School District is bearing.

16 So I have to echo the
17 sentiments of some of the other people
18 here today that the process is
19 fundamentally broken. And in my
20 experience, it's always harder for public
21 entities to sell property than for
22 private owners to sell them, but 18
23 months, even with a lot of red tape,
24 could be cut down to three to six months.

25 Specifically, if you pass this

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2 motion or this bill and the properties
3 are transferred to the City or to the
4 City for sale, I would encourage you to
5 do two things. One is hire a single
6 brokerage firm to market all of the
7 properties. That way, there is one point
8 of contact for all properties. One of
9 the problems that we had was, we didn't
10 know who to contact.

11 The second thing is, do the
12 appraisals, if you're going to require
13 appraisals, do the appraisals before you
14 take the property to market so as to not
15 make the person who is trying to buy the
16 property and put money in the City's
17 pocket so we can fund the School District
18 wait 60 or 90 days for these appraisals.

19 I will say a couple more
20 things. We have bought properties from
21 the City before. We bought it from all
22 manner of City agencies, Office of Public
23 Property, the Redevelopment Authority,
24 PIDC, PAID, next week the School
25 District. It is our opinion that the

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2 most qualified City or quasi-City agency
3 to run a market process is PIDC. They're
4 very adept at disposing of real estate.
5 They have a proven track record of it.
6 It's a transparent process. It's an
7 efficient process, and, frankly, it's a
8 process that will guarantee the taxpayers
9 the highest level of private market
10 participation in the sales process,
11 because that is what you need. You need
12 not only someone to try to sell the
13 property, but for the people who are
14 writing the checks, which is guys like me
15 and my partners, to know that there is a
16 building for sale and that it's not going
17 to take 18 months to try to get something
18 closed, because time is money. In the
19 meantime, we could have been using our
20 resources to do other things.

21 So I'm in support of this bill.
22 I think it's a no-brainer, and I just
23 wanted you to see from a practitioner's
24 perspective what we're currently dealing
25 with in trying to buy property from the

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2 SRC.

3 COUNCILMAN GOODE: Thank you
4 for your testimony.

5 Councilman Jones.

6 COUNCILMAN JONES: Yeah. For
7 the record, Wilson Goode was an economic
8 development practitioner in another life,
9 but let me just ask a quick question. In
10 18 months can a deal go south? Can it
11 disintegrate? Can you lose investors?
12 Can you lose lines of credit? When you
13 don't have site control, is there a
14 hundred things that can go wrong?

15 MR. ADAMONDO: I'd say 18
16 months is an extraordinarily long period
17 of time for any private investor that
18 relies on certain market conditions to
19 sit around and wait to try to buy a
20 property, yes. In our case, it's a cash
21 deal. There's no financing involved, and
22 we're from Philadelphia. We have a lot
23 of property in Philadelphia. We're not
24 going anywhere. If I were an
25 out-of-towner and I had been awarded this

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2 property, I would not be here today

3 trying to settle or next week trying to

4 settle it. It's entirely too long. It's

5 an entire rental development cycle

6 missed. And, frankly, if something were

7 to happen -- you know, it sounds crazy,

8 but if the government were to default on

9 their debt tomorrow, you'd see a lot of

10 transactions fall apart. This could be

11 one of them.

12 So, yeah, I think time is money

13 in every sense of the word, particularly

14 in real estate development.

15 COUNCILMAN JONES: Thank you,

16 Mr. Chairman. Thank you.

17 COUNCILMAN GOODE: Any

18 questions for this -- Councilman Squilla.

19 COUNCILMAN SQUILLA: Yes. Now,

20 have you bought other school properties

21 in the past beside this one currently?

22 MR. ADAMONDO: Yes, we have.

23 We actually bought something from the

24 Catholic church. It's a former public

25 school that was more recently a parochial

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2 school. We purchased this property last
3 summer. We're redeveloping it now,
4 creating several million dollars of
5 construction work, \$60,000 or \$70,000 a
6 year in tax revenue starting this year,
7 and other economic development based on
8 some commercial uses in the building.

9 COUNCILMAN SQUILLA: How long
10 did it take to purchase from the
11 Archdiocese?

12 MR. ADAMONDO: Archdiocese put
13 the property for sale in July and we
14 closed it in December.

15 COUNCILMAN SQUILLA: I mean --

16 MR. ADAMONDO: And that's about
17 as long as it should take.

18 COUNCILMAN SQUILLA: And if the
19 Archdiocese could do that, I think the
20 City should be able to do something like
21 that. That speaks volumes from dealing
22 with the School District. And we all
23 agree, the School District shouldn't be
24 in there selling properties because of
25 the issues they have, but if the

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2 Archdiocese can move like that, our city
3 could definitely move like that.

4 Thank you very much.

5 MR. ADAMONDO: I will add, the
6 Archdiocese does the appraisal before
7 they take the property to market. This
8 is a very key thing. Not only is the
9 property only worth what somebody in the
10 open market is willing to pay for it, but
11 you're going to subject a sales process
12 to some appraisal contingency or hurdle
13 for -- just to make sure that all the I's
14 are dotted and T's are crossed, you got
15 to do it before you put it up for sale.
16 Otherwise it's just going to hold things
17 up. It makes no sense to be done after
18 the fact.

19 COUNCILMAN GOODE: We get it.

20 Thank you.

21 Thank you, Councilman.

22 MR. ADAMONDO: Thank you.

23 COUNCILMAN GOODE: Any other
24 witnesses?

25 Please come forward.

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2 (Witness approached witness
3 table.)

4 MR. KILLIAN: Good afternoon.
5 My name is David Killian. I have been
6 buying and participating in the bidding
7 process in schools in Philadelphia for
8 the past ten years, mostly Catholic
9 schools, and I'm here to state that there
10 has been very aggressive activity in the
11 bidding process. Sometimes they find
12 that the winning bid hasn't even exceeded
13 the anticipated value of the bill -- of
14 the school, along with very aggressive
15 terms. Many times they're buying the
16 properties with no contingencies and cash
17 offers and quick settlements.

18 I have been deterred from my
19 past dealings with buying property from
20 the City from participating in buying
21 some of the public schools that have gone
22 out for bid through the RFP process.

23 That's just my statement I
24 wanted to make.

25 COUNCILMAN GOODE: Thank you.

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2 Any questions?

3 Councilman Squilla.

4 COUNCILMAN SQUILLA: When you
5 say the aggressive bidding, so obviously
6 these are schools or areas that are
7 pretty hot in the market value. There's
8 more than one or two bidders for a school
9 that you've been involved with?

10 MR. KILLIAN: I've been
11 encountering, especially lately, multiple
12 bids coming in. Just for example, if a
13 building was valued at 2.7 million tops,
14 I've seen numbers come in in excess of
15 3.4 million with, again, no contingency
16 offers and cash offers, no contingencies
17 on zoning and cash deals.

18 COUNCILMAN SQUILLA: Okay.
19 Thank you.

20 MR. KILLIAN: You're welcome.
21 Thank you.

22 COUNCILMAN GOODE: Any other
23 questions?

24 (No response.)

25 COUNCILMAN GOODE: Thank you

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2 very much.

3 Anyone else to testify?

4 (No response.)

5 COUNCILMAN GOODE: Seeing none,
6 this hearing is recessed.

7 Thank you.

8 (Committee on Appropriations
9 concluded at 3:00 p.m.)

10 - - -

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