COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 19, 2013
1:35 p.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

RESOLUTIONS 130088, 130090, 130093, 130097, 130098, and 130099

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COUNCIL PRESIDENT CLARKE: Good afternoon, everyone. We're going to start now. Thank you.

This is a hearing before the City Council Committee of the Whole to consider Resolution 130088, 130090, 130093, 130097, 130098, and 130099 examining the City's procedures and practices for collecting delinquent real estate taxes.

We'll start now. Good afternoon and welcome to today's hearing before the City Council Committee of the Whole to consider the aforementioned bills.

Mr. Christmas, will you please read the title of the resolutions.

THE CLERK: Resolution 130088, authorizing City Council's Committee of the Whole to hold public hearings on the procedures that the City currently employs and proposes to employ to collect the delinquent real estate taxes owed the City and School District by owner-occupants, the effectiveness or shortcomings of existing and proposed procedures, and the additional measures and resources required to improve the system for collecting delinquent real estate taxes owed by owner-occupants; and

Resolution 130090, authorizing City Council's Committee of the Whole to hold public hearings to examine the City's efforts to collect delinquent real estate taxes owed by owners of residential investment properties and the additional measures and resources required to reduce real estate tax delinquency; and

Resolution 130093, authorizing City Council's Committee of the Whole to investigate and hold public hearings reviewing the system utilized by the City of Philadelphia to collect delinquent real estate taxes, the effectiveness and shortcomings of the existing system, and the new methods and resources proposed by the Administration to increase the collection of delinquent real estate taxes; and

Resolution 130097, authorizing City Council's Committee of the Whole to hold public hearings on the procedures that the City currently employs and proposes to employ to collect delinquent commercial real estate taxes owed the City and School District, the effectiveness or shortcomings of existing and proposed procedures, and the additional measures and resources required to improve the system for collecting delinquent real estate taxes; and

Resolution 130098, authorizing City Council's Committee of the Whole to hold public hearings on vacant, tax delinquent properties in the City, the impact of such properties on the City, and the procedures that the City currently employs and proposes to employ to collect delinquent real estate taxes from such properties and the efficacy of those procedures; and

Finally, Resolution 130099, authorizing City Council's Committee of the Whole to hold public hearings on the procedures that the City currently employs and proposes to employ based on accepted best practices to collect the delinquent real estate taxes owed the City and School District of Philadelphia.

COUNCIL PRESIDENT CLARKE: Thank you, sir.

Before we call our first witnesses, I believe Councilwoman Bass, one of the sponsors, was interested in making an opening statement; am I correct?

COUNCILWOMAN BASS: Not at this time. I'm sorry. No.

COUNCIL PRESIDENT CLARKE: Thank you.

Councilman Jones, was that you getting a head start in terms of your --

COUNCILMAN JONES: Well, if Councilwoman Bass isn't going to give an opening statement, I would like to applaud the freshmen and the Serious 6 on taking on this issue.

Last night, Mr. President, I took an AVI butt whooping up in upper Wissahickon. And you haven't had your butt whooped by the taxpayers until you had an AVI butt whooping. And one of the issues that was raised by former Commissioner Hairston was what are we going to do about collecting the taxes that are due us, and I assured him that the Serious 6 were going to take this on today. And so I'm glad that they did, and a lot of people that are burdened with increases in their real estate or proposed increases are looking forward to hearing what we are going to do about money that is already owed us on the books.

So I want to thank all of them for putting forth this valuable legislation.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilman.

For our first witness, we would like to call Keith Richardson, the Revenue Commissioner, and I'd also like to call Ms. Frances Beckley, Chief Counsel to the Revenue Department.

(Witnesses approached witness table.)

COUNCIL PRESIDENT CLARKE: Good afternoon.

COMMISSIONER RICHARDSON: Good afternoon, Council President Clarke. Keith J. Richardson, Revenue Commissioner. With me today is Frances Ruml Beckley, Chief Counsel for the Revenue Department; James Zwolak, one of the Deputy Solicitors. Also behind the bars is Frank Breslin, Deputy Commissioner, and Andrea Mannino, my Special Assistant.

Again, we're here today in regard to the six resolutions, all authorizing the Committee of the Whole to hold public hearings on issues related to collections of delinquent real estate taxes.

As Councilman Oh stated in Resolution 130099, City Council held a hearing on February 23rd, 2010 pursuant to the resolution of 090894 on the procedures that the City was employing to collect delinquent taxes, the effectiveness or shortcomings of those procedures, and the additional measures and resources required to improve the system. At that time, we testified explaining in detail the challenges we had inherited from the past, every aspect of the City's collection effort at this time, and the City's collection plan for the future. Today, our testimony focuses on updating Council on the measures the City has taken in the last two years to enhance the collections of delinquent real estate taxes.

Bill No. 090686, again, the Mayor signed in January of 2010 empowering the Department to have the tax amnesty program. Taxpayers took advantage of the amnesty program. Again, 100 percent was waived of accrued penalties, 50 percent of interest charges and certain fines. The Department mobilized its workforce to make the program a success. It was indeed successful, exceeding our expectations. We processed more than 22,000 applications, of which $72 million was generated in gross revenue for the City and the School District, which $23.5 million went to the School District in real estate taxes alone.

The Tax Unit of the City's Law Department has joined the Department of Revenue to unify our tax collection efforts and to be able to collect delinquent taxes more efficiently in a coordinated manner. Again, Frances Ruml Beckley has joined the staff of both the Law Department's Tax Unit and the Department of Revenue's Chief Counsel to provide guidance to this effort. As a result, we have made tremendous progress in this endeavor. In November of 2010, Revenue's Taxpayer Services Unit telephoned property owners who were about to incur a lien on their property due to delinquency for the first time. In November of 2011, Revenue expanded this initiative and mailed notices to all the first-time delinquent properties, which totaled 12,770 properties owing $12 million. This was the first time Revenue sent out notices to all first-time real estate delinquents before a lien was placed on their property. The letter warned of the impending lien on their property and the other enforcement actions that could take place. Almost 4,000 of these taxpayers came into compliance, paying $6 million, with the remaining 8,829 receiving a certified notice this February of a lien being placed on their property for failure to pay their real estate taxes in full. This practice is now part of Revenue's daily process.

In 2011, for the first time, the prior year's delinquent real estate accounts were promptly sent out to co-counsel for collection enforcement in April. Previously, Revenue had waited at least a year before referring newly delinquent accounts. It is generally recognized that delinquencies are easiest to collect when they are freshest, and our co-counsel were pleased with this opportunity and recognized strong collections on those accounts. All newly delinquent taxpayers were sent a certified letter warning that attorneys' fees might be incurred if they do not pay their taxes. As a result of these measures, the taxpayers' compliance improved and the number of properties delinquent for the first time that were referred to co-counsel dropped by over 40 percent, from 20,000 in 2011 to 11,300 in 2012.

In May 2012, the Department

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referred real estate accounts that had only 2012 real estate tax outstanding to two collection agencies for outbound calling. Out of a total 57 million referred to the collection agencies, over $8.7 million had been collected to date that is directly attributable to the outbound phone calls. Another $25.6 million was collected that may have been attributable to the outbound calling efforts. This is the first time in 12 years that a large-scale phone call campaign was used to contact those who are past due and not yet delinquent. The efforts had increased the amount of real estate tax collected in the year levied from 87 percent for 2010 and 2011 to 91 percent in 2012 for real estate tax bills.

The Department has worked diligently over the last two years to encourage voluntary compliance and to increase enforcement on delinquent taxes. These actions have proved successful, with a $33 million increase in delinquent collections in FY12 over FY11. While we continue our collaborative efforts with our attorneys and co-counsel to increase foreclosures and other collection activity on long-term receivables, we intend on maintaining this proactive approach to the collection of past due and newly delinquent accounts before they become chronic delinquents.

When discussing the delinquent portfolio, Revenue speaks in terms of active balances, those receivables not yet written off for accounting purposes and with a more reasonable chance to be collected. Real estate taxes are written off after ten years, while all other taxes are written off after six years. The aging period for real estate taxes to be written off is longer because they are more likely to be collected at some point since the sale of property results in the collection of all back taxes when reputable title companies are used. From

2008 to Fiscal Year 2012, the total active receivable amount increased from 498 million to 518 million. That's the entire City delinquencies. The largest portion of these active receivables represents real estate, which increased from the same period of 231 million to 248 million. The growth in receivables does not translate automatically into growth of what is collectable, nor does it reflect any decrease in effectiveness in collection activities undertaken by Revenue. For example, bankruptcies and hardship agreements, which cannot be collected timely, are included in these figures, as are increased receivables due to positive audit activity.

In 2008, there were $75.7 million of all receivables categorized as bankruptcy. In 2012, there are $90.9 million in this category. In June of 2008, there were 1,031 hardship payment plans, with $6.2 million in receivables. In March 2012, the number increased to

1,217 in the plan, with $16.9 million in receivables. They're all included within the total amount of delinquencies, as they are not current on their tax bills but clearly not collectable in the same way as other delinquencies are. In FY2012, the Audit Unit assessed $28.9 million, greatly exceeding the 15.3 million in audits done in Fiscal Year 2008. More audits have generated more appeals to the Tax Review Board, which increases the amount of time these receivables remain on the books until a decision is rendered.

Revenue is currently revising its delinquency reporting structure to focus on the amounts that are truly collectable. This includes reporting on recent receivables and removing those in bankruptcy and payment agreements. This new reporting procedure will provide great transparency in reporting on outstanding delinquent receivables and provide Revenue with realistic benchmarks from which to measure its delinquent collections. More generally, our real estate collection efforts have increased over the last few years. In addition to the early notification procedures discussed earlier, both the Law Tax Unit and two co-counsels, Linebarger and GRB, have increased their enforcement efforts, resulting in an increase in total collections of real estate by co-counsel to 35.7 million in Fiscal Year '12 from 18.4 million in Fiscal Year '11 and $22 million in Fiscal 2010. Similarly, in the first seven months of this current fiscal year, co-counsel delinquent real estate tax collections rose $21 million compared to 17.5 million for the same period in the prior fiscal year. Delinquent real estate tax collection for the Law Tax Unit was up for the fiscal year to 35.2 million from 30.4 million in the previous fiscal year.

Part of what has driven these increases in collections is an increased effort to file more foreclosure actions. Since 2010's tax amnesty, the Law Tax Unit and its co-counsel at Linebarger have increased foreclosure filings and hope to increase the capacity in the future. Our co-counsel at GRB, which has been under contract with the City since 2009, had its initial sale in late 2011. GRB has been increasing its local presence and operations so that it will be having a dedicated tax sale date every month starting in April 2013. While having a total of 600 new properties on a tax sale list each month, 200 each both counsel and the Law Department, remains a long-term goal. We will be pleased if we can list 450 per month by the end of the calendar year. The ultimate goal of the Revenue Department is to have a taxpayer make payment agreements long before the property needs to be listed for an auction.

To increase the number of properties brought to Sheriff Sale by the

Law Department, over the last 18 months we have worked closely with the consultants and title vendors to implement a number of technological enhancements to significantly reduce the amount of data involved in processing properties to tax sale and make the transition to a more paperless process. This has also eliminated thousands of pieces of data entry per month. We hope to continue to implement further technological changes that will, in the long term, make the processing of properties for Sheriff Sale less labor intensive and more paperless.

In addition to the measures the City has undertaken to collect past due real estate taxes before they can even become delinquent, we've also initiated aggressive collection measures once a property is delinquent. For example, the Law Tax Unit and its co-counsel file nearly 3,000 in personam lawsuits annually in Municipal Court for real estate tax liabilities under $15,000 outstanding. We believe that filing such lawsuits early in a delinquency is a cost-effective measure that can result in prompt payment before an account becomes delinquent for multiple years. Further, as the City commences foreclosure on a greater number of properties, the timeframes between initial delinquency and collection activity decreases.

The Revenue Department and the Tax Law Unit have spent several months working with representatives of the legal services community and Council staffers to agree upon uniform procedures to be used by the Law Tax Unit, the Revenue Department, and both co-counsel in pursuing delinquent real estate tax collection.

The Department is increasing its outreach and education efforts. Revenue is about to unveil a more user-friendly website and is hiring a public relations director to handle public education and outreach. The new public relations director will continue the Department's shaming efforts of periodically posting a list of top delinquent taxpayers and water customers on its website and sharing those lists with the local media. Revenue has also been working with the Office of Property Assessment to get eligible homeowners to sign up for payment assistance programs currently that are available.

We've also submitted two bills to City Council relating to interest and penalties. One proposes to substantially decrease the interest and penalty rates for late payment of delinquent taxes and the other proposes to change the City's proration method used for allocation of delinquent taxes between the principal sum of such tax and the interest and penalties accumulated on it. We believe that these bills enhance collections of delinquent taxes by removing the administrative and enforcement burdens to the City and the confusion and the unfairness to the taxpayers that the practice of prorating partial payments of taxes creates.

Revenue recently developed a delinquency collection strategy. We've been implementing new collection strategies for the past several years, and we need to do more. Based on the best practices of successful state revenue collection agencies, we proposed a six-part strategy: utilize advanced technology; increase enforcement legal authority; increase education and outreach; leverage private collection agencies; continue to build partnerships with sister agencies; and target areas of increased capacity and efficiency.

Through a combination of robust technology, analytics and increased enforcement authority, other jurisdictions have been successful at managing their delinquent portfolio and increasing their delinquent revenue collections. Many of the new collection efforts mentioned throughout my testimony, while successful, are labor intensive and can be more strategic. Without the ability to automate more of our processes, the use of analytics to implement smarter collection efforts, and strategic delinquent account management, Revenue may not be able to increase delinquent collections above the rate of delinquency.

Like other tax collection agencies across the United States and the IRS, Philadelphia is faced with a constituency demanding better service, increased payment options, faster response, tougher tax enforcement, and getting ahead of those trying to game the system. Meeting all these needs is challenging, and prioritizing what demands more attention constantly changes. Philadelphia is also following other successful models to increase taxpayer outreach and education, make compliance easier, and automate effective and aggressive tax enforcement. The National Taxpayer Advocate Statement regarding the importance of IRS rings true to the Department of Revenue, and I quote, "The plain truth is that the IRS's mission trumps all other agency missions, because without an effective revenue collector, you cannot fund other agencies," end of quote. Revenue is dedicated to meeting these responsibilities, and its collection strategy requests the tools to be able to provide the best service possible to the citizens of Philadelphia and to collect all monies owed to provide world-class service.

Council President, that is my testimony. We are here to answer any questions the body may have.

COUNCIL PRESIDENT CLARKE: Thank you very much, Mr. Richardson.

Ms. Beckley, do you have testimony?

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MS. BECKLEY: No. I'm just here to --

COUNCIL PRESIDENT CLARKE: Okay. Thank you.

A couple of quick questions, and then I know the members have a number of questions to ask you.

Mr. Richardson, recently, the Mayor announced a new strategy with respect to a chief czar tax collector. Can you talk to me about that process and will it involve your agency or will it be establishing a new department within your agency or just a new department generally? I heard a reference to that, the Chamber --

COMMISSIONER RICHARDSON: I don't know how that's going to work out, sir. I can't answer on that right now.

COUNCIL PRESIDENT CLARKE: You don't know?

COMMISSIONER RICHARDSON: No.

COUNCIL PRESIDENT CLARKE: Are you familiar with it?

COMMISSIONER RICHARDSON: Yes.

COUNCIL PRESIDENT CLARKE: Okay. So the Mayor made the statement based on no conversations with you or your department?

COMMISSIONER RICHARDSON: Well, there was a study done by FTI consultant firm, and that was their recommendation to the Mayor and his cabinet.

COUNCIL PRESIDENT CLARKE: Well, do you anticipate -- and I understand you said you don't know much about it. Given the fact that at this point you're the chief tax collector in the City of Philadelphia, your agency and the parties that have contractual relationships with you, do you think that there should be some level of interaction before we move ahead with that?

COMMISSIONER RICHARDSON: When the Mayor and the cabinet are looking at it, they're looking at all overall collections. You got to remember the Fire Department, the Board of

Adjudication, there are other agencies within the City that are having collection agencies working for them. So I think they're trying to overlook all of the work --

COUNCIL PRESIDENT CLARKE: So that would oversee --

COMMISSIONER RICHARDSON: Oversee all of it. So, again, we haven't had --

COUNCIL PRESIDENT CLARKE: You would be one of the agencies that -- I mean, would you report to that particular new entity?

COMMISSIONER RICHARDSON: I believe I still report to the Finance Director, sir.

COUNCIL PRESIDENT CLARKE: Okay. I just wanted to make sure. So that probably will not impact your employees at all. You'll continue, I'm assuming, at the same employee level and those employees will continue to do the work that they currently do?

COMMISSIONER RICHARDSON: Yes, sir.

COUNCIL PRESIDENT CLARKE: All right. With respect to some of the processes that we're interacting with the state on the ability to place liens on multiple properties for property owners that have multiple properties that are in delinquency or may not be delinquency, have you had any interaction with any of the members of the General Assembly about that?

COMMISSIONER RICHARDSON: We have not spoken with any of the members of the General Assembly about the bills, but we are encouraged by what they're trying to present in Harrisburg for us.

COUNCIL PRESIDENT CLARKE: Because my understanding is that that bill will hopefully be moving forward the first of April for a hearing. So I would just encourage that you contact them and have some interaction to be supportive of that measure, because my assumption is that will enhance your ability to go after deadbeats.

COMMISSIONER RICHARDSON: It definitely will.

COUNCIL PRESIDENT CLARKE: And I'll give you the appropriate name of the person. Thank you.

COMMISSIONER RICHARDSON: You're welcome, sir.

COUNCIL PRESIDENT CLARKE: At this point, I would like to recognize Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

On the line of your questioning, we had an opportunity to work with some of the state officials and actually hear of some of the investments that were made at the state level, and I believe, if I'm correct, there was about an initial -- well, let me start by saying that the state, Commonwealth of Pennsylvania, and in particular those people who go after student loans, have the best collection rate, continuum of collection of anybody. I mean, they are dogged and relentless about collecting revenues on behalf of the Commonwealth. And I understand based on that that you were a part of some of those designs of their modernized collection effort, and in fact, I believe the initial investment was somewhere in the neighborhood of $3 million to upgrade equipment, which created then a 1,600 percent rate of return on that collection. And I say that in context with the 40 million that we -- I did not see what the hopeful rate of return for that investment, that 40 million, would be. Can you expand upon that?

COMMISSIONER RICHARDSON: Our investment of the $40 million, again, 25 million is towards technology. We're anticipating that will bring about a $240 to $260 million net increase of revenue to the City.

COUNCILMAN JONES: So PICA

recently, matter of fact today, said that 18 million of that 40 million was going to go into operations and the balance would go into technology enhancements. Could you describe for the Council what those enhancements would be?

COMMISSIONER RICHARDSON: Sure. Again, what is key that we believe in the technology enhancements for the City of Philadelphia is the data warehouse, which may cost between anywhere from a million to maybe $3 million, but with a data warehouse we are confident from other jurisdictions and people we've been speaking with that it will give the City an uptick of revenue of about $10 to $20 million additional. Then from there, we need to look at building a new tax system. We have a tax system that really isn't an accounting system. We need a tax system that's going to have case management tools tie into the Law Unit's for the system that they use that will help to increase revenue.

We know from talking to various jurisdictions -- again, we look at states, not cities. The State of West Virginia, for example, was collecting about $80 million a year in taxes. They put a new system in and it ratcheted up to $189 million, which they've been level at now for the last three years.

After a new tax system is in place, the City needs to start with a new call center. We lost our call center back in 1999, 2000. If people are not hearing from us with calls early and often, they're going to continue to neglect to pay the City of Philadelphia. So that is very important as well.

COUNCILMAN JONES: You mentioned early collection efforts when delinquencies occur and there's a greater probability of collection if you hit them early enough. Can you describe for this body when you decide that early is early and where's the demarcation point where you write or send it out for collection to a private entity to collect on behalf of the City of Philadelphia? Where are those points?

COMMISSIONER RICHARDSON: Early collections to me starts at day 35. So you have from the time you made your assessment, your own self-assessed tax sent into the Department, either you remitted some money or you remitted no money. You have a timeframe. Then we need to be on the phone by day 35.

What you will learn in the world of real estate, what we have done that's never been done in the Department, starting last year -- generally how things have always worked; for example, let's take 2012's taxes. You didn't pay your 2012 by December 31st. Notice went out that you would get a lien against you. So we've changed the dial to say you know what, March 31st is when you're supposed to pay. You get 1 percent by February 28th, pay by March 31st. If you don't, by law in the state you're not delinquent until December 31st, but our mindset was start end of April, first of May, let's make a phone call to them. Mr. Jones, you got your real estate bill. Do you know that you owe XYZ?

So we have -- two firms did that last year, MuniServices and GRB. So the good part, as I said, about $8.9 million was collected because of the phone call, but the 25.6 million, people were getting those phone calls and probably didn't want to respond back. Some people called and complained to us because we were making phone calls too early. That's not too early. Technically you owe that money to the City by March 31st.

So if you don't do that and we let the process linger to the new calendar year, that means people are going to continue to skip the lien and not pay attention to it, and then by the new calendar year, the cases wouldn't go out until April to co-counsels and Law to start making collections on those.

COUNCILMAN JONES: So earlier is better. I guess what I want to know is, at what -- with this $40 million investment, I'm assuming you're going to do predictive dialers and things like that; is that right?

COMMISSIONER RICHARDSON: With the $40 million investment, the tax system, for one, and the data warehouse will allow us to have decision analytics. With decision analytics, we can start scoring the taxpayers. You can --

COUNCILMAN JONES: Who is likely to pay?

COMMISSIONER RICHARDSON: Who is likely to pay, who are the folks that might be going into bankruptcy. There's an Altman Z-score for scoring bankruptcy scores, the folks that you need to go after on a harder phone call, and you have the people that are in between that might just be slow payers. So that system will help us doing it by decision analytics.

With the call center, again, after you have made your self-assessed tax and didn't remit the money or a little bit of the money, our folks can be on the phone. It's a predictive dialer, for one. You have a predictive dialer, meaning on Saturday morning, 10,000 phone calls can go out at one time and hit everybody's house at one time or we can make the 10,000 phone calls go out on Monday morning to everyone's business. That's embarrassing to get a phone call at your job.

COUNCILMAN JONES: Patrick Kerkstra did an interesting article about the percentage of property owners, delinquent property owners, that were non-Philadelphia residents, and even adding insult to injury, that they were delinquent in Philadelphia but yet current in their respective municipalities.

What do you think of the

state's effort to change the laws so that we can go after Commonwealth properties? So if a person who lives in Bucks County, we're able to lien their properties. And what percentage of those -- we happen to do -- our staff did a breakout by district -- let me give it out to respective Councilpeople -- by district the number of delinquent taxpayers in the District Councilpersons' areas, and it is pretty substantial. Have you done that kind of research?

COMMISSIONER RICHARDSON: We have done the research, and we're continuing looking at it. In uncovering some of the research, we also recognize that we have about 1,200 people that are paying us in payment agreements of about $8 million. We also know that we have about 493 cases with $21 million of the Sheriff Sales for Sheriff foreclosure. We do know there's about a half a million in bankruptcy also. So we're aware of these matters.

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COUNCILMAN JONES: So what is the universe of people that live outside the City but yet are tax delinquent?

COMMISSIONER RICHARDSON: Well, one, they may live out the City. It may also be it's a mailing address for them. So we can't assume everyone lives outside the City.

Two, we are trying to, again, work on that internally with our sales and with L&I to start tackling those kind of properties and owners. Again, it's for us, it's a manual process unfortunately because we don't have up-to-date technology, but, again, we're trying to focus on that. And, again, the good part is, like I said, we have people under agreements and people in the Sheriff Sale process now.

COUNCILMAN JONES: So in a perfect world in this 40 million, how would you profile the out-of-state person who owns properties in other municipalities if we have the ability to lien that property? Is that going to be a tactic used by you in your continuum of collections?

COMMISSIONER RICHARDSON: Most definitely. A new system will give us all the bells and whistles to create all different types of reports for investment owners, people that are outside the City. It will enhance our opportunity. Again, part of the collection strategy, that it will enhance more bodies to do the work as well.

So if we have the tools, we can do the work. We can't do everything on a manual basis because there's so many different balls that we're juggling every day manually, and we have to get away from that world.

COUNCILMAN JONES: Mr. President, I'm going to yield to my colleagues, because I have a number of questions and would like to be recognized after some of my colleagues get a chance.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilman.

The Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Council President.

And, Commissioner, Chief Counsel, thank you for being here with us today. As you can imagine, we have many questions, and appropriately. So let me get right to it.

What is the Administration's position or policy on whether or not the City should be issuing licenses to delinquent property owners and why?

COMMISSIONER RICHARDSON: The Administration does not want property owners getting licenses, and we knew there was a hiccup from talking with License and Inspection and the system to review. What's going to be going forward now is that anyone who is going to be seeking to get a license, they're going to make them come through our tax clearance system to go online to get a license to verify to them that they are worthy of having one. So we know this is something as we continually meet quarterly that we have to work on and make it more robust.

COUNCILMAN HENON: This is a recent change?

COMMISSIONER RICHARDSON: Yes. Again, there was a hiccup in our system that they weren't checking it at the time, because they could have access to it. It wasn't being updated properly. But as we've met, we said why don't you just have people get a tax clearance and bring it in and provide that they're tax compliant. If they don't have it, they need to come to the Revenue Department to get in compliant with either a payment agreement or pay in full before they come across to get their license.

COUNCILMAN HENON: I think that's great moving forward with the future, and it also provides us with the -- provides the City with the opportunity to cross-reference and overlap that data sets so we could actually target those who are non-licensed investors that are in the City. Is that correct?

COMMISSIONER RICHARDSON: Yes, sir.

COUNCILMAN HENON: So we would be able to do that moving forward?

COMMISSIONER RICHARDSON: That's the plan, sir, yes.

COUNCILMAN HENON: That's great.

Are there different types of delinquency accounts, commercial, vacant, residential, and rental properties? Are they treated differently or prioritized for collections in a certain way?

COMMISSIONER RICHARDSON: Well, we do treat commercial and vacant properties different than occupied properties. We know folks that are in the properties, the ones that want to pay, we want to get them to payment

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agreements. Those that we have to take to Sheriff Sale, we will proceed with them. But, again, our primary job first and foremost is to collect the revenue.

With regard to commercial properties, again, we want to push them for what is owed, or we will move faster taking them through the Sheriff Sale process.

Again, with vacant land, we're working with License and Inspection to start identifying more of those properties. We take about 20 or 30 now to Sheriff Sale.

MS. BECKLEY: We get a request that's been growing. It started out at about ten and now it's roughly at about 20 of tax-delinquent properties that might not have large enough delinquencies for us to choose them for revenue purposes, but they're a real eyesore for L&I. So they request from us that we specifically bump those properties to the top of the list, and we do that, and our co-counsel has been cooperating with us in doing that too.

COUNCILMAN HENON: Okay.

MS. BECKLEY: And the other thing that we've been doing that it's hard to believe we didn't think of earlier has been to send all our lists of properties that are going to Sheriff Sale to L&I, and if they identify a landlord as a problem landlord or they say that the property has code violations, we will not give that taxpayer a payment agreement, because it's insane for the City to essentially finance the continued ownership of somebody who is not properly taking care of the property.

COUNCILMAN HENON: Right. And I'm glad you mention that, as the Law Department and Revenue has been cooperative with my office in certain cases where habitual landlords and repeat folks who are gaming the system constantly build up a dollar value of back delinquencies and then continually just get back on the payrolls in an agreement. Meanwhile, they're sitting on cash cows, with no regard to neighbors or the City of Philadelphia.

MS. BECKLEY: There's no reason we should give them financing when they probably couldn't even get it from a bank.

COUNCILMAN HENON: But addressing it on a citywide policy I think is absolutely the way to go, as you are, instead of an individual basis, because I believe that there's a difference between collections and enforcement. An enforcement is what you do when your collection efforts have failed. And how do we, if we can explain, how do we educate and empower the taxpayers before you take enforcement action, and how long do you spend trying to collect from taxpayers before you initiate foreclosure actions?

COMMISSIONER RICHARDSON: Again, internally now, as I said to you before, taxpayers are going to start getting phone calls again starting next month. Again, those calls are to educate individuals about making payments for us. Again, the call also should be geared towards what services we can provide, especially now for senior citizens, those who may have low income, to get them into certain payment agreements, and those in hardship conditions. We still recognize that economic times are still upon us, and we have to be cognizant of that when we're talking to our taxpayers, and our vendors are aware of that. So that's always key.

As we said before, we're looking to evangelize to the City by beefing up the four walls with a public relations individual to be able to talk to folks in their communities at various events, outreach programs. So that's always important to get the word out as well.

We'll have a much more

user-friendly, robust website that will be in place sometime next month that I think will help as well. And, again, we're fortunate enough to have some very good community legal services in the City of Philadelphia, like Community Legal and VIP, who want to work with us and make sure that they are educating the taxpayers and talking to them.

COUNCILMAN HENON: So your length of time or your rationale for the length of time that you give taxpayers before you start the process is individualized, on a case-by-case basis?

COMMISSIONER RICHARDSON: Well, it's case by case, because everyone's situation is different. Again, we go out to do it to broad folks. And when you're talking to someone one on one, it's a case-by-case situation. Again, the timeframe I would say is that we want to tell people that we're serious. Again, December 31 is your deadline before your lien goes on you. From there, you've dictated to us what you want to happen. You want us to proceed with a personam going to court. You want us to go to foreclosure. So an individual is going to dictate what we need to do.

MS. BECKLEY: Several years ago you wouldn't get referred to outside counsel for enforcement action for almost probably about a year and a half after you became delinquent. Now, starting with this last year for the first time, the Commissioner has somebody calling you 15 days after you don't pay that bill on March 31st if you're a first-time delinquent. So we're really moving up the time. Eleven was the first time that we sent first-time delinquencies, new delinquencies, out within four months of them becoming delinquent. So we moved that up a full year from when those used to be referred out. So everything has gotten earlier and faster.

COUNCILMAN HENON: When you say referred out to outside counsel, does that mean referred out to outside counsel to start the foreclosure process?

COMMISSIONER RICHARDSON: No.

COUNCILMAN HENON: Or outside meaning outside vendors that the City uses for collections?

MS. BECKLEY: It's tricky, because we have the referral for calling, which is done even before the account becomes delinquent. We don't wait for it to become delinquent anymore. As soon as it's overdue, we send it out for calling. However, there's a serious distinction, because once something has been delinquent, which means you didn't pay the bill by December 31st and it was liened -- so '12s are now delinquent, for example -- we can attach, under state law, we can make the taxpayer pay the cost of collection. They have to have received a certified letter for the first time that they become delinquent, but once that letter has been sent, 30 days after that we can attach the attorney fees. And if we send it out -- even if we do it internally, they get a 6 percent attorneys' fees. If we do it externally, they get an 18 percent attorneys' fees. And one of the things that we've been trying to do with the early calling is make people aware that there's a real deadline. Your bill will go up if you don't pay by these deadlines.

COUNCILMAN HENON: The percentages must be high in collections in the early stages when you take that approach. But the question is, when do you start the foreclosure process?

MS. BECKLEY: Well, that's going to depend on the property and that's going to depend on who is doing it. We send the -- for example, 2012's will be sent out in three weeks to co-counsel and a third of them will be kept for us. We go through all the first-time delinquent accounts. We do a little cherry picking for ourselves, because we get first pick, and then everything else is randomly by the computer, a third to us and a third to each co-counsel.

COUNCILMAN HENON: Yes. Okay. So the foreclosure process.

MS. BECKLEY: When they get --

COUNCILMAN HENON: I keep circling back.

MS. BECKLEY: They can choose whether --

COUNCILMAN HENON: Is there an industry standard on time in foreclosures? Is it 18 months? Is it one year? Is it two years before we actually start the process? Because just from my involvement in trying to get answers on the process through outside vendors, through the City, and through the Sheriff's Department and the courts and many others, I mean, nobody, no property owner wants a letter to say, Hey, we're going to start the foreclosure process on your house and have your house be taken. And I don't think the City --

and I know the City doesn't want to do that. But where and when do we take a hard stance on actually starting the process to show people that we mean business so our collections can come in to ensure that we have a higher percentage on collections?

MS. BECKLEY: That's going to depend on the property, frankly. Some things are more saleable. It's going to depend on how old the debt has gotten. With most cases -- I mean, when we first refer the 2012's in three weeks, they're going to start out by sending letters and making phone calls. The first letter you're going to get is not going to be, We're putting you in foreclosure.

COUNCILMAN HENON: No. And I wasn't referring to that either.

MS. BECKLEY: And, quite frankly, the foreclosure process is pretty expensive. It costs roughly 800 to a thousand dollars out of pocket to take something to foreclosure. For example, when we approach these delinquencies, for things under 15,000 and that are only a year or two old, our first choice will usually be to sue the taxpayer individually in Municipal Court, because that costs a filing fee of less than a hundred dollars, and you can do it immediately. Foreclosure takes at least nine months between ordering the title work, getting the court decree, posting the property, advertising the sale.

COUNCILMAN HENON: And I'm going to yield in a second, but you're heading into another area with the courts. Do we actually -- like what percentage of the delinquents do you actually file? I mean, I know the courts are willing and ready and able, just as the Sheriff's Department on Sheriff Sales, and ready to receive these orders that have been asking for. So I know, for instance, you mention 15,000. So MC court I'll just use for an example. MC Court you have up to 350 cases a week that they are ready to be listed. What kind of followup? How many actually get over to the courts?

MS. BECKLEY: We file almost 3,000 of those cases a year.

COUNCILMAN HENON: Are we putting an aggressive case? So that's how many a year?

MS. BECKLEY: Almost 3,000 a year.

COUNCILMAN HENON: They're ready to take 10,000. So is that a 30 percent hit on actually -- what can we do to help speed things along on trying to recoup some of our delinquencies when it comes to from Point A to Point B?

MS. BECKLEY: Well, you have a professional here advising you, and his revenue strategy is correct, because the first thing you have to do is have the data. You have to be able to identify which cases are going to be successfully sued in Municipal Court, which cases are going to require you to go all the way to foreclosure, which pieces are vacant junk that you shouldn't even waste your time on.

COUNCILWOMAN BROWN: Point of information, Mr. President.

COUNCIL PRESIDENT CLARKE: Councilwoman Brown.

Councilman, are you done?

COUNCILWOMAN BROWN: For my own clarity and understanding, Councilman, please help me understand what you mean when you say speed it along. Speed what along? The cases?

COUNCILMAN HENON: Well, without going through the entire process, which I will be asking at the appropriate time here, when there is -- you go through the collection process, the letters, the phone calls, the persistency of trying to recoup the delinquency, especially with a taxpayer, if they're a taxpayer, their history of payment, quarterly, yearly, and if it's delinquent and at a certain period of time, whatever that period of time is, I guess in coordination with the Revenue Department, the Law Department can take an order over and ask for an order from the courts to authorize the house, with all the relevant information, to have the house be listed as Sheriff Sale.

MS. BECKLEY: Right, but --

COUNCILMAN HENON: So from the Law Department to the court system is the process, how can -- does that need to be more of a priority? And I'm just asking. If it is, I want to talk about focusing to help the efforts in what the Law Department and Revenue is looking to make this tax delinquency reform better and more efficient.

MS. BECKLEY: Well, as the Commissioner told you, we have increased the number of foreclosures. We've increased even more dramatically what the foreclosure efforts yield. For example, we don't have as good statistics, but Linebarger in Fiscal '12 got paid twice as much in lump sum and three times as much was entered into payment agreements as it had been on average in the last -- in the three fiscal years before, and I think you can look and see that's directly attributable to their increased foreclosure actions.

We would love to bring more foreclosure actions. The bump in the road has not to do with the courts and not to do with the Sheriff. It has to do with dealing first getting the title work. There are a limited number of title companies that are willing to do our work. It isn't very well paid. It's certainly not glamorous. But you cannot sell something free and clear of all liens unless you've given every creditor notice before you do that for obvious reasons, and that's due process for the creditor, and getting all those notices out. It's not unusual for a single property to need 27 notices.

We generate thousands and

thousands and thousands of pieces of mail every week, and trying to keep the staff and, this being the City, even enough paper has upon occasion been an issue for us in terms of being able to keep that process going.

COMMISSIONER RICHARDSON: And keep in mind, you're spending $800 for each activity and you go to Sheriff Sale. At the day of Sheriff Sale, you may have ten people handing you their bankruptcy. So you're staying that foreclosure. So sometimes you're going to spend good money after bad money. Again, that's where things have to be more systemically analyzed instead of just going for things.

As the two co-counsels will come up to speak to you today, Mr. McCabe and Ms. Humble, they'll tell you, you have to study the neighborhood, you got to study the properties that you want to take to Sheriff Sale. Do I want to take something -- and I'm just throwing a block out there. I'll use my neighborhood -- something in West Philadelphia on Osage Avenue. Do you want to take it to Sheriff Sale before you take something on 40th Street to Sheriff Sale? Is it a viable property that's going to be sold at Sheriff Sale as well?

So there's some systematic things that are done with this process as well.

COUNCILMAN HENON: Council President, I'll yield.

COUNCILWOMAN BROWN: I do have a followup.

COUNCIL PRESIDENT CLARKE: On the point of order?

COUNCILWOMAN BROWN: I'll have to get it on my round.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

COUNCILWOMAN BROWN: But I do have a followup.

COUNCIL PRESIDENT CLARKE:

Thank you.

Before I call Councilman Johnson next, I want to ask you one quick question. Last year, maybe the year before, State Representative Chris Ross at the time was the Chair of the -- Councilman, was it the Urban Affairs Committee?

COUNCILMAN JOHNSON: Yes.

COUNCIL PRESIDENT CLARKE: Urban Affairs Committee. He introduced a bill that was a statewide bill that would allow every municipality in the state to have an accelerated tax foreclosure process, and unfortunately for him time ran out on the legislative clock and he was unable to get that passed, but I understand he has either reintroduced the bill or is going to reintroduce the bill. And his understanding, that the legislation would have allowed tax foreclosures within a year's period of time.

Is that something that you are

familiar with, and, two, if you're familiar with it, is it something that could accelerate your opportunities for tax foreclosures?

MS. BECKLEY: I'm not familiar with the details of that proposal, but I will say that we don't look -- we believe that the statute under which we operate now is a very good one. We think it balances giving due process to the property owner and to the creditors with allowing us to assert our municipal liens. It really is a question of improving things operationally.

If we only had to deal with the current delinquencies, the pace at which we sell stuff would be more than enough. It's the fact that we have this enormous backlog that we're trying to chip away at that makes a problem.

COUNCIL PRESIDENT CLARKE: But how do you know -- if you say you don't know about the bill and the parameters of the bill legally, how can you say that it could not possibly accelerate your opportunity, because some of the issues that you have --

MS. BECKLEY: Oh, I didn't say that it would not necessarily be an improvement. I was just saying that generally we regard -- when we look at what our challenges and difficulties with our current situation, they aren't usually with the statute. That doesn't mean that there couldn't be a proposal that would be an improvement.

COUNCIL PRESIDENT CLARKE: Is anybody familiar with the statute? I'm just saying there was a meeting in the Chambers and we had a number of Councilmembers and legislators there to talk about this proposal. And you're not familiar with it at all?

MR. ZWOLAK: Good afternoon, Councilman. Jim Zwolak.

COUNCIL PRESIDENT CLARKE: Hey, Jim. Mr. Zwolak. I'm sorry. I'm used to calling you Jim.

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MR. ZWOLAK: Pleasure, Council President.

We had looked at the bill and I think there were a number of different drafts of the bill that came out over two or three years ago. One thing we noticed is that the bill didn't really give the City any authority that it didn't already have under the Municipal Liens Act. Once the property is registered delinquent and liened, we have the ability to effectuate any in rem actions that we want to, including foreclosure. So it wouldn't provide the City with any additional remedies that it didn't already have, especially with regard to foreclosure.

I think there were a number of concerns with how the bill was written and how it would affect other existing provisions of the Municipal Liens Act. I know one in particular was that it permitted anybody to come and purchase the tax lien of the City, but then automatically divest any junior City municipal lien, such as water bills or nuisance lien or gas bills, and our concerns with that, that could really affect the City's collectability on junior incumbrances, where if we took it to one of our tax sales and there's sufficient bidding, our junior municipal liens would be paid.

I know there were a number of issues that we had with the language of the bill itself and what effects it could have, but, again, those were discussed well over a year ago or two years ago.

COUNCIL PRESIDENT CLARKE: And my understanding of that proposal, that there was a requirement to foreclose within a year.

MR. ZWOLAK: I think there was that also, which practically wouldn't be able to be done, but I think it certainly didn't give us any additional hammers that the statute as it exists now had. I think it also had -- again, I just remember the one particular element of the legislation that allowed anybody to come in and essentially buy the -- pay off the City's debt and assume their lien priority over other City municipal liens, which we didn't want to have.

Right now if a mortgagee comes and pays our real estate taxes, they don't assume our position. They just pay off the taxes. So it's one less thing they have to pay if they take their property to a mortgage foreclosure sale if the mortgage is delinquent. What this did is, it allowed anybody to jump ahead of the other City municipal liens in priority. I mean, there were other concerns I think that we voiced at the time, but I knew that was one of them that was problematic.

MS. BECKLEY: And we did think that the mandatory foreclosure process was -- provision was a problem.

MR. ZWOLAK: It was also unclear -- the definitions of delinquency were, frankly, all over the place. The statute we viewed is very, very unclear in terms of trying to amend the existing real estate tax law that the rest of the counties in the Commonwealth use as well as the pertinent provisions of the Municipal Liens Act.

COUNCIL PRESIDENT CLARKE: Okay. All right. Thank you.

The Chair recognizes Councilman Johnson.

COUNCILMAN JOHNSON: Thank you, Mr. President.

Keith, Commissioner, just a couple questions regarding the process of collection now. I was following the report by Access Philly that was covered in the Inquirer, and it was noted that under this current Administration, we have been more lax than the two previous Administrations as it relates to going after the collection of delinquent taxes, and so I just wanted to get an understanding from you as being the Commissioner -- first of all, how long have you been the Commissioner?

COMMISSIONER RICHARDSON: January 21st of 2008, that's when I started.

COUNCILMAN JOHNSON: So you came on just about the time the new Administration just started?

COMMISSIONER RICHARDSON: Mm-hmm.

COUNCILMAN JOHNSON: Okay. So what I'm trying to get some clarity on, if we're going to -- there's 40 million going toward a new system, technology system, and also as Councilman Curtis Jones mentioned, you are one of the architects of one of the best collection models, was the student loan.

COMMISSIONER RICHARDSON: Department of Revenue.

COUNCILMAN JOHNSON: Department of Revenue. You're an architect, you played a role in that. So I'm trying to add it up now. If you are one of the architects of one of the best collection models that there is out there and we're about to invest an additional 40 million in resources to become even more effective but yet we're doing less now than we have done under the previous two mayors, can you give me some clarity on what you think may be the gaps in our effectiveness in collecting delinquent taxes.

COMMISSIONER RICHARDSON: What I would say to you, Councilman Johnson, is that the previous two Administrations have not done as much as we have done. Keep in mind you had two Administrations with better economic times. So during economic times, you had more properties being sold in the City of Philadelphia. Therefore, especially in your communities, in Northern Liberties, parts of North Central Philadelphia that were being sold. The taxes were being paid at settlement. The City was getting their money. So when you had those kind of times and you notice the City in '06 had the highest property tax transfer done. After that, things started to tumble. The economy went down. So properties weren't being sold. We weren't getting the money from settlement.

In economic times, no one asked about real estate or delinquent collections, because the money was coming into the City coffers.

If you look at our track record as an agency, again, we started the City tax fraud line. We had the most successful amnesty in the United States of any municipal government. We have a Tax Clearance Unit that is doing work that's never been done here. We're making outbound phone calls now on the current taxes that are done that's never been done by prior Administrations. Again, prior Administrations had an outbound call center. Why they got rid of it, I don't know. We don't have that tool. I have less staff than was around in the Rendell Administration when we had about 1,200 people in the Department of Revenue.

So economic times, the environment of having staff has changed dramatically. Again, we don't have the tools as the state. At the state I can attach your bank account. I can garnish your wage. Again, those go toward certain specific taxes. I can't do them for real estate taxes here. I'm working -- I'm looking at a company that may help us to start taking people's cars, but that's going to be a problem probably when I start taking your car for your delinquent real estate taxes. They'll be calling you guys saying, My car was taken or stolen. Well, it's going to be because you haven't paid your taxes.

So that's aggressive. Other Administrations haven't thought about that.

COUNCILMAN JOHNSON: Okay. So the economy, lack of resources has an impact on your doing your job.

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN JOHNSON: Okay. So here's where I'm at, that I needed some clarity on, because obviously when we go to these community meetings, this is like the issue. And it's not really so much about the economy. It's more so about how we deal with the issue of AVI, a process that started off that's promoted as being fair and accurate, but the public is calling my office saying it's unfair and inaccurate. And so what we're trying to get an understanding of is -- and I'm not talking about that mom and pop, that single dad, that single mom who are having a tough time just paying their mortgage. I think what most people are talking about is that commercial developer, that speculator that has five, ten, 15 parcels of properties, back taxes, liens on them, but yet L&I still gives them a permit to continue to keep building. And I think that's what the biggest issue is, at least from my perspective, as opposed to dealing with the everyday person.

And so just walk me through how we prioritize how we go after -- and let's just take the residential off. I'm thinking about strictly that person who owns 15, 20 properties, either live in Philadelphia and I care less if they don't live in Philadelphia, but the reality is, they still get a chance to own these parcels of land, which are neighborhoods like I grew up in, like Point Breeze. For the most part, they don't take care of them, serves as a level of blight on the neighborhood at end of the day, and they pretty much are robbing the City.

So how do we go after them, separate from the state initiative? Because I would think from a Council level, we introduce legislation to Harrisburg working with the Philadelphia Delegation that your office would be lobbying and working in partnership with us so we can tack liens on those properties that individuals own so they can't get away with not paying their back taxes and the liens on their properties, so we could have some teeth.

So walk me through the enforcement component. When do you say, Oh, well, this commercial property, they're coming up, we know they're going to be building this new project or building on this new parcel of land, but we look and see that they owe a certain amount of back taxes. How do we address that?

COMMISSIONER RICHARDSON: Well, one, you have to understand they could be in a payment agreement with their taxes. So you may not be aware of that situation, that they're paying in agreement as paid.

Two, the ones that are egregious and doing wrong, again, we're working with L&I now to say to them, Make that business get a tax clearance to prove to you that they are tax compliant before you provide them with a license. So once they had that tax clearance, they can say, Yes, I'm good or I'm complying with paying taxes or I'm clear. If they're not, then they need to come and see us and sit down and go over making a payment agreement and making sure that they're going to do things right. And also we are now looking to start tickling the system to see that -- I'll use Councilman Jones' wife's pickle business back a couple years ago. If they have broken their payment agreement, then we're going to make sure that we revoke that license, that permit for them. One thing we're doing also with L&I, we have now signed an MOU last week with them to give us the authority to now start putting stickers on their businesses in the City. So if someone is not compliant with the taxes, we're going to start revoking their licenses. Again, this is

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something that has not yet been done before.

COUNCILMAN JOHNSON: Can you go back to the tax clearance that you say -- so L&I -- walk me back through that process one more time. So the developer comes to you. He should have what to say that he's clear in his taxes?

COMMISSIONER RICHARDSON: He can go to our website and put his EIN information, his address information, et cetera, et cetera, into the system. It should come out with a seal on our document saying that Mr. Johnson is tax compliant with the City of Philadelphia.

COUNCILMAN JOHNSON: So there's no law right now that says before they come and get their permit from L&I --

COMMISSIONER RICHARDSON: It doesn't have to be a law.

COUNCILMAN JOHNSON: But there's nothing to say that you have to -- in other words, what forces you to provide that information to say I'm in compliance?

COMMISSIONER RICHARDSON: Well, I'm hoping after meeting with Commissioner Williams that that would go forward to make it done that way. And, again, that's -- no different how we did it at the Commonwealth. You had to always get a tax clearance license to go to DCED or to go to Labor and Industry, et cetera, et cetera. There's no law to it. It was just policy that the departments worked together to do that to move forward. And I think they're on board, because they understand the magnitude of delinquencies, not just on real estate but all taxes in the City of Philadelphia.

COUNCILMAN JOHNSON: Last thing, Keith. So each year how do you come up with your projection number or how much you think is going to be collected?

COMMISSIONER RICHARDSON: Well, the projection numbers are done with analysis with the Budget Department. My goal is no different than being in Harrisburg, is mandating the department is going to do $15 million above what we did the last year. That's my goal every year.

COUNCILMAN JOHNSON: Fifteen million above?

COMMISSIONER RICHARDSON: Right.

COUNCILMAN JOHNSON: And just to go back and the reason why we aren't doing as effectively as we could be doing as the previous two Administrations is because, one, we don't have the same level of resources as we had in the past, and, two, the economy isn't doing as well as it was in the past as well, just for clarity, correct?

COMMISSIONER RICHARDSON: And technology.

COUNCILMAN JOHNSON: And technology. Okay. Thank you, Commissioner.

COMMISSIONER RICHARDSON:
You're welcome, sir.

COUNCIL PRESIDENT CLARKE:
Thank you, Councilman.

Real quick. Followup on a couple of the Councilman's questions. You said that -- and now you clarified that this is one of the issues with respect to the economy was challenging during the course of that particular tax collection period, but you also said that you had the most successful amnesty program in that same period. Why? It's kind of inconsistent. If people had enough --

COMMISSIONER RICHARDSON: No, it's not inconsistent, sir. During economic times when things were down, that's when you have an amnesty program and people are willing to come in, because you're getting rid of a hundred percent of the penalties, 50 percent of interest and some of the fees. So if I owe $10,000 and then I realize after you're taking 50 percent penalties and my hundred percent interest I could be down to $4,000 that I owe you, I can write you that check. I can't pay 10,000.

So people took advantage of that. And then some people also had hardship agreements, that I will take care of only certain years, not all of the liability. So people can come and take advantage of that. That's much easier and they're not afraid to come out and say, Hey, you know --

COUNCIL PRESIDENT CLARKE: So it was an incentive-based program?

COMMISSIONER RICHARDSON: It's incentive based.

COUNCIL PRESIDENT CLARKE: So why don't we do that all the time?

COMMISSIONER RICHARDSON: Well, because if you continue to do amnesty, then no one is ever going to pay the City anything. You're going to always have amnesty programs like New Jersey does.

COUNCIL PRESIDENT CLARKE: But

you just said that because of the incentive of not having to pay certain penalties and interest, that people volunteer to come forward. So I'm saying not necessarily call it an amnesty, but if there's, your words, that by virtue of having certain limitations on some of the liabilities of being in tax arrears, that people are more willing to come forward, then why don't you use that on a consistent basis to encourage people to come and pay the taxes?

COMMISSIONER RICHARDSON: Well, we do offer that to people that want to come forward. We will take off 25 percent of some things. We may write off 50 percent of what they owe. People have to come forward. We're willing to work with any taxpayer that wants to come forward. So when people come down to Taxpayer Services in the concourse and they can explain their situation, we may say, Let's waive certain part of the interest or the penalty.

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COUNCIL PRESIDENT CLARKE: You may not understand. My point --

COMMISSIONER RICHARDSON: You're talking on a broader level?

COUNCIL PRESIDENT CLARKE: Exactly. I'm talking about from a policy perspective.

COMMISSIONER RICHARDSON: That's not my decision, sir.

COUNCIL PRESIDENT CLARKE: I'm just saying, you said --

COMMISSIONER RICHARDSON: And, again, the bills that we presented to Council and we had a hearing back in the end of November, December with the IEP and proration, that would help bring down people's interest and penalty if we move forward with things starting next January 2014. So that bill -- for instance, in Philadelphia, your first year in your business tax, you're up to 41 percent interest that you accumulated. We're trying to make it now that the bill is going to be in line with the IRS treasury bonds. So we would go at 3 percent, plus maybe prime. So 5 percent. Five percent is better than 41 percent.

So that's in negotiation right now. So we want to do that already, and that will make things going forward much more plausible for people.

COUNCIL PRESIDENT CLARKE: Okay. I'll follow up on that when we get into the property disposition discussion conversation, because that's some of the things that we're talking about to incentivize people to actually purchase some of these lien/properties when we accelerate our Sheriff Sale process. I'll follow up at that point in time. Thank you.

The Chair recognizes Councilman Greenlee.

And to the members, can we kind of limit our -- and I know some people had a rather lengthy questioning timeframe, but I want -- because there are a number of members. I want to come back and have a second round with people and get an opportunity to actually have a second round, because --

COUNCILMAN GREENLEE: I'll try to set the example, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, sir. That's true leadership, Councilman.

COUNCILMAN GREENLEE: Commissioner, when you talked about picking up on the collection issue and calling people kind of right away, right now I believe you can only start paying on an agreement after the calendar year is out; is that right? I mean, can you make an agreement on the current year taxes?

COMMISSIONER RICHARDSON: We'll take somebody into an agreement, yes.

COUNCILMAN GREENLEE: Is there any set formula or you kind of work with people as it goes?

COMMISSIONER RICHARDSON: We can work with them as they go. Again, considering their situations, some people may want to pay a lot down, some people can't afford it. We work with them.

COUNCILMAN GREENLEE: So you will work with them on that count? Because I thought you couldn't make an agreement until that calendar year.

COMMISSIONER RICHARDSON: We can work with people. We're amenable to that.

COUNCILMAN GREENLEE: Okay. That sounds good.

How was that, Mr. President? That was quick. Thank you.

COMMISSIONER RICHARDSON: Can we come back to you again?

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

My question goes back to the investment for revenue collections, and I hear we're talking about getting better collection for the people that are paying taxes. What is our rate of collection at this point for the last three years?

COMMISSIONER RICHARDSON: For what tax, sir?

COUNCILMAN SQUILLA: Real estate tax.

COMMISSIONER RICHARDSON: For real estate tax, in the first year it's 91 percent. Over the next couple of years, sir, we will go up -- hold on for a second, please.

COUNCILMAN SQUILLA: This is a projection for --

COMMISSIONER RICHARDSON: No. This is based off the caffer (ph), sir. For example, for 2010's taxes we're at 95.2 percent.

COUNCILMAN SQUILLA: Wait. Start over again. Ninety-one percent for real estate?

COMMISSIONER RICHARDSON: Right, within a calendar year.

MS. BECKLEY: You have to -- there have been some misleading numbers that are based on the nine months after the tax is due, but they've been compared with other cities' 12-month figure. And that's not surprisingly our nine-month figure is lower than other people's 12-month figure.

COUNCILMAN SQUILLA: But when you do your budget, do include the nine months or 12 months?

COMMISSIONER RICHARDSON: We don't do the budget, sir. The nine or 12 months are not included in that for collection purposes. It's for a fiscal year.

COUNCILMAN SQUILLA: I know you don't do the budget. Do you know --

COMMISSIONER RICHARDSON: It's doing for a fiscal year, not just --

COUNCILMAN SQUILLA: It does it for a fiscal year?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN SQUILLA: So what's

your fiscal year collection?

COMMISSIONER RICHARDSON: For real estate, it's 91 -- no. That's calendar year. Probably after calendar year it would be more than 91; about 92 percent or more.

COUNCILMAN SQUILLA: So the Administration uses the collections for our budget process only up to nine months, correct?

COMMISSIONER RICHARDSON: I'm not sure, sir. I don't know. I'd refer it to Ms. Rhynhart.

COUNCILMAN SQUILLA: But you're giving us numbers on a 12-month period.

COMMISSIONER RICHARDSON: Right; calendar year.

COUNCILMAN SQUILLA: Calendar year, right. I mean, we can scoot the numbers any way we want obviously. You see how that works, whether it's in the media or whether we get it from you guys.

So we can't have it both ways, though. We can't use numbers for a

12-month period and then when we get information from the Administration for our budget collection, we only go a nine-month period of time. We add that much money into our budget for -- into our General Fund. So that's something we'll have to talk about during the budget process of how we're going to do that.

So your real estate -- you're saying in the 12-month period, you collect up to 91 percent of the current year's taxes for real estate?

COMMISSIONER RICHARDSON: Yes, sir.

COUNCILMAN SQUILLA: All right. And then the 12-month period also, I guess, for -- is it your business taxes?

COMMISSIONER RICHARDSON: Mm-hmm.

COUNCILMAN SQUILLA: What percentage was that?

COMMISSIONER RICHARDSON: It's about 93 percent.

COUNCILMAN SQUILLA: And then I guess the sales tax is --

COMMISSIONER RICHARDSON: Run by the state, not us.

COUNCILMAN SQUILLA: Right. Okay. So out of this year and to the end of 2012, you collected 91 percent and 93 percent, respectively?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN SQUILLA: And next year you have -- do you project a collection?

COMMISSIONER RICHARDSON: No, sir.

COUNCILMAN SQUILLA: No?

COMMISSIONER RICHARDSON: Not a percentage.

COUNCILMAN SQUILLA: You don't project that. So for the current year, you don't know what you're going to project next year. You have to project something, because we have to add it into the budget, right?

COMMISSIONER RICHARDSON:

Again, we don't do those numbers. You need to speak to Ms. Rhynhart about that, sir. I can't tell you what they project.

COUNCILMAN SQUILLA: Okay. But do they work with your office to come up with that?

COMMISSIONER RICHARDSON: They will work with us, but, again, she also uses an economist firm to help make the numbers when they sit down together before they do the budget.

COUNCILMAN SQUILLA: Okay. So now we're making an investment of over a five-year period up to $40 million to help improve this. So we hopefully go to 95 percent, 97 percent.

COMMISSIONER RICHARDSON: It will go up higher, yes.

COUNCILMAN SQUILLA: Higher than that?

COMMISSIONER RICHARDSON: Again, within the strategic plan, we project to collect about $260 million in net additional revenue for the City.

COUNCILMAN SQUILLA: And what would that percentage be?

COMMISSIONER RICHARDSON: I'd have to get back to you. I didn't calculate a percent off of you.

COUNCILMAN SQUILLA: So you have $260 million?

COMMISSIONER RICHARDSON: Over the five years.

COUNCILMAN SQUILLA: Now, that's in current taxes or is that in taxes that were delinquent before this year?

COMMISSIONER RICHARDSON: That's delinquent taxes. Again, it could be ongoing. From the time we get to 2015, it could be a 2014 delinquency.

COUNCILMAN SQUILLA: So you look like you're projecting that. So that's something that we may be able to add into the budget this year, I would think, when we get Ms. Rhynhart and them here.

COMMISSIONER RICHARDSON: I

guess so. I can't speak for her, sir. I can't say.

COUNCILMAN SQUILLA: Okay. Because obviously we're making an investment into the collection process. We want to be able to show something for that. And when we do that, if we have collection of back taxes, that's important for us, because the delinquency is part of the AVI process. And I know Councilman Jones stated that when we go to these meetings, the first thing we are beat up on is the delinquency issue and why do we have to pay taxes when the City don't collect it off everybody.

So what we're interested in, and I know a lot of the Councilmembers too, of coming up with some type of figure that we have to put into the budget to prove to the people we're serious about collecting back taxes, and to do that, that could increase -- I mean, that could actually decrease our millage rate moving forward.

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COMMISSIONER RICHARDSON: Well, that number is all taxes, not just real estate, sir.

COUNCILMAN SQUILLA: Yes. All taxes. I mean, that's fine. We want all taxes collected and --

COMMISSIONER RICHARDSON: But keep in mind, all taxes don't go to the School District also. So when I'm breaking that number down for business income and receipts tax, parking tax, amusement tax, that's all encompassing all 17 taxes in the City of Philadelphia.

COUNCILMAN SQUILLA: What are you looking to collect in real estate taxes?

COMMISSIONER RICHARDSON: We don't have a broke out number right now, sir, on that. Again, this is based off of what we believe we can do -- I can probably sit down with you and give our analysis. I don't have it here with me. I'll say it that way.

COUNCILMAN SQUILLA: That's

something I think we should know as members of Council to -- I mean, we're discussing and going over this and trying to come up with an analysis and a figure so that moving forward, we know what we're investing in. If we're investing in -- you say 240 million. That's all taxes. When we're doing our budgets and we're looking at AVI and other things, we want to know what your projection is as far as real estate. I mean, is that possible to get that to the Chair?

COMMISSIONER RICHARDSON: I'll get it back to the Council President, yes.

COUNCILMAN SQUILLA: Thank you very much.

I know several people are talking about payment plans, when people initiate a payment plan or then go on to a payment plan. Is that still money that's carved out as delinquents?

COMMISSIONER RICHARDSON: It's part of the delinquents, yes. It's not carved out, no. It's still in the delinquent collection numbers.

COUNCILMAN SQUILLA: That's in the delinquent collection numbers?

COMMISSIONER RICHARDSON: Yes. Don't carve it out.

COUNCILMAN SQUILLA: How much of the delinquent collection numbers are on a payment plan?

COMMISSIONER RICHARDSON: I have the numbers somewhere here, sir.

There's $82.2 million that is in payment agreements right now.

COUNCILMAN SQUILLA: They're payment agreements to the City?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN SQUILLA: Now, is this for the current year from last year or is it both that and delinquent taxes previous?

COMMISSIONER RICHARDSON: It's all previous years included, sir.

COUNCILMAN SQUILLA: All previous years included. So it's 82 million?

COMMISSIONER RICHARDSON: Eighty-two point two million.

COUNCILMAN SQUILLA: And that's for real estate or is that for everything?

COMMISSIONER RICHARDSON: That's just real estate, sir.

COUNCILMAN SQUILLA: That's just real estate. And how much is it for the business tax for?

COMMISSIONER RICHARDSON: I can get you the numbers back to the Chair. I don't have those with me.

COUNCILMAN SQUILLA: All right. So if we have -- once that is collected, is that being included in your $240 million in returns?

COMMISSIONER RICHARDSON: Some of it would be. And, again, when we get the analysis back to the Chair, we will break it down for you.

COUNCILMAN SQUILLA: Okay. And I do appreciate you guys coming here. I know this is not easy. And believe me, it's not easy for us when we go out there too and have to try to come up and face the people that are out there screaming and hollering at us at all these meetings.

We're invested in this, and people want us to invest in collections. They want us to do the best possible job. Is it also being discussed whether we're doing it in-house -- we're getting a new computer system and other things -- to also farm some more of this out to outside sources?

COMMISSIONER RICHARDSON: Well, right now we have to farm it out to outside sources. Even when we get our inbound call center by 2016, I believe --

COUNCILMAN SQUILLA: 2016?

COMMISSIONER RICHARDSON: I think it's Fiscal Year '16. We still will have to farm things out, because internally we can't capture and work on every single account. So as cases get

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older, you're going to send them out to collection agencies, no different than what's done at state jurisdictions.

COUNCILMAN SQUILLA: So what is the number that we farm out at this point?

COMMISSIONER RICHARDSON: Of cases?

COUNCILMAN SQUILLA: Yes; cases and amount.

COMMISSIONER RICHARDSON: Currently on real estate that's out with the collection counsel, right now it's 50,958 cases.

COUNCILMAN SQUILLA: Fifty thousand nine fifty-eight?

COMMISSIONER RICHARDSON: Yes.

COUNCILMAN SQUILLA: And how much money does that equate to?

COMMISSIONER RICHARDSON: Ninety-four point two million.

COUNCILMAN SQUILLA: And how old -- is there an average age of delinquency?

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COMMISSIONER RICHARDSON: These cases are about ten years old.

COUNCILMAN SQUILLA: Ten years and older?

COMMISSIONER RICHARDSON: Ten years and less. Anything ten years and more we've written them off. We started writing them off now.

COUNCILMAN SQUILLA: So how much have you written off of the debt that we have so far?

COMMISSIONER RICHARDSON: What's written off currently is -- it's about 66 million that's been written off right now, sir.

COUNCILMAN SQUILLA: Sixty-six million. And that's for all, I guess, delinquencies that are ten years and older?

COMMISSIONER RICHARDSON: Yes. We took the recommendation of Councilman Kenney. Instead of doing it every 30 years, we brought it down to ten years back in 2010.

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COUNCILMAN SQUILLA: And out of those ones that are ten years and over, have you just cleared them? Do we own the properties now? Are there properties out there? What are we doing?

COMMISSIONER RICHARDSON: They're still on the books for collections. There's 22,000 cases that are out for $41 million, sir.

MS. BECKLEY: The lien doesn't go off the property. We simply stop accounting for it as an active account.

COMMISSIONER RICHARDSON: That's for book purposes.

MS. BECKLEY: Because we believe its collectability is so low at that point.

COUNCILMAN SQUILLA: And what do we do as an Administration as far as it's not collectable anymore, are we still moving for Sheriff Sale? Are we foreclosure? Are we doing anything at that point?

COMMISSIONER RICHARDSON: Some

of those cases will probably be within the Sheriff Sale pipeline, sir. So, I mean, it's not like we're going to ignore them. Again, each co-counsel and the City looks at it, is it something that's viable that we can sell at Sheriff Sale.

MS. BECKLEY: But you have to remember that if you put something up for Sheriff Sale and there isn't a buyer, you haven't accomplished anything. You've just spent a lot of money. So you have to have something that's marketable.

COUNCILMAN SQUILLA: What's the cost to put one property up for Sheriff Sale to the Administration?

MS. BECKLEY: It's roughly between 800 and a thousand dollars.

COUNCILMAN SQUILLA: So it costs the Administration now -- the person who -- if we initiate the Sheriff Sale, do we need -- if somebody else initiates it, they have to put the $800 up, correct?

MS. BECKLEY: Well, you have to

pay the title company to do the title search. You have to pay the newspapers to do the advertisements. I mean, that's a --

COUNCILMAN SQUILLA: I understand that. I'm saying when somebody puts up a -- wants to force something up for Sheriff Sale, they have to put the $800 up?

MS. BECKLEY: Yes. They do have to make a deposit, yes.

COUNCILMAN SQUILLA: So if there's no interest, nobody is going to force obviously anything up for that?

MS. BECKLEY: Right.

COUNCILMAN SQUILLA: The City actually -- does the City decide to push properties up for Sheriff Sale?

MS. BECKLEY: The vast majority of properties that go to Sheriff Sale are ones we've selected for enforcement, yes.

COUNCILMAN SQUILLA: So that costs the City $800 for each one approximately?

MS. BECKLEY: Right.

COUNCILMAN SQUILLA: If they do a group of them, would it be cheaper?

MS. BECKLEY: Not really, because the real costs are in the title work and the advertising, and those are going to cost the same whether you do it as a group or whether you do it -- and the mail. And all those things are not going to be changed by doing it in a group.

COUNCILMAN SQUILLA: Okay. And who makes the final determination of what properties are being pushed up for Sheriff Sale?

MS. BECKLEY: Well, as you know, we take constituent requests if somebody wants to force it and we also take requests, as I mentioned earlier, from L&I, but the vast majority of choices are made by consultation between Law and Revenue on what we think is going to sell and based on how much delinquency is on the property.

COUNCILMAN SQUILLA: So out of these 50,000, almost 51,000 properties that we have now written off, is there -- do you guys do a percentage of how many of those properties that you believe would ever be pushed up for Sheriff Sale? Is there a plan for them? Where do we go from there, from the 51,000 properties that we've written off?

MS. BECKLEY: That's pretty far down our list. We're starting right now with the things that we think are most likely to sell combined with the things that are most likely to bring in money, because we're trying to maximize collection. We would go through a lot of much more current debt before we reach those properties.

COUNCILMAN SQUILLA: All right. Also, we know if a resident does it, it costs around $800. If the City does it, approximately $800. Linebarger and GRB, you charge them the same amount?

MS. BECKLEY: Well, they incur

roughly the same costs, and they are on the hook for those costs. They front those costs, and they only recover those costs --

COUNCILMAN SQUILLA: So it don't cost the City. They front them and they try to get them back?

MS. BECKLEY: Yes. Exactly. And unless those costs are recovered, either because the taxpayer pays or because the property sells for enough at Sheriff Sale, they never get them back.

COUNCILMAN SQUILLA: But they already have -- I mean, obviously out of these 51,000 properties, do they hold the lien on any of them?

MS. BECKLEY: Linebarger probably owns a fair number of them, because they are also counsel for the tax lien sale that we did back in 1997.

COMMISSIONER RICHARDSON: Excuse me for a second. Just to clear the record. The 50,000 are current cases, sir. What is in inactive is

22,000.

COUNCILMAN SQUILLA: Say that again.

COMMISSIONER RICHARDSON: Inactive numbers are 22,000. So you're saying 50,000 inactive. I want to make sure that's correct.

COUNCILMAN SQUILLA: Well, you said you wrote off 50,000.

COMMISSIONER RICHARDSON: No. Fifty thousand are current. We have wrote off 22,000.

COUNCILMAN SQUILLA: Oh, I misunderstood. I'm sorry.

COMMISSIONER RICHARDSON: I want to make sure we clear that up.

COUNCILMAN SQUILLA: So it's 22,000, and the majority of them are probably held by Linebarger?

COMMISSIONER RICHARDSON: Yes, because they've been the company we've used the longest.

COUNCILMAN SQUILLA: So that wouldn't cost the City anything. They would be on the hook for that.

COMMISSIONER RICHARDSON: Correct.

MS. BECKLEY: Well, part of the deal is, they're a for-profit business and they have to run a business and they get -- we give them relatively wide latitude in choosing what to sell, because they make money only when they make money for us. In fact, they're not even allowed to keep their fee. They have to give every single cent they get in this process to us. We double-check it against what we've received, make sure it's all there, and then we turn around and pay them their commission. They're not even allowed to keep their commission when they collect it.

COUNCILMAN SQUILLA: Then why are they there, if we're going to do -- if they have to come to us for everything and then we get all the money and then we give it back to them?

MS. BECKLEY: No. They collect

all the money and give it to us. Then we make sure it's all there and we give them their cut.

COUNCILMAN SQUILLA: Then we give it back?

MS. BECKLEY: Then we give them their cut back and their expense reimbursement.

COUNCILMAN SQUILLA: Is there anybody from Linebarger? Can we ask somebody else to come up or you want to wait?

COUNCIL PRESIDENT CLARKE: They're coming.

MS. BECKLEY: And GRB. They're both here.

COUNCILMAN SQUILLA: All right. So maybe we could ask them when they come up how that works.

That's it for now. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

I share your frustration over there.

COUNCILMAN SQUILLA: Thank you.

COUNCILWOMAN SANCHEZ: I think that's the best discussion for why we've been talking about some of the need for land bank and some regulations. Unfortunately, the policy where they're going to sell what's valuable leads to the blight that we see in the neighborhoods, because then some of us get stuck with swaths and swaths of land that the folks who are collecting revenue are not thinking about the community impacts, and I think that was the moral of the story that Patrick was trying to get to, that those delinquencies and those blight decrease the value of everyone. And so I think it's an important piece in terms of understanding this, that you have revenue collectors making policy decisions around the community and, therefore, everybody loses.

So I just wanted to say that, because I know you're frustrated on that.

I wanted to talk about the bigger picture, and I do think that the City has moved, as Blondell says often, the needle on some of this collection. There was a report produced. Is that report going to be public? Is that going to be shared with Council around collections for the City? You mentioned that report.

COMMISSIONER RICHARDSON: The collection strategy you're talking about, Councilwoman?

COUNCILWOMAN SANCHEZ: Yes. The one that's leading to the $40 million investment.

COMMISSIONER RICHARDSON: I'm pretty sure that could be shared with you guys.

COUNCILWOMAN SANCHEZ: Because I think that's important.

What was the scope of services for that review?

COMMISSIONER RICHARDSON: The review was done by my staff internally, again, with dialogue with various state jurisdictions that we meet at conferences and that we've known over the years.

COUNCILWOMAN SANCHEZ: So it was an internal review; it wasn't an external person that came in?

COMMISSIONER RICHARDSON: No.

COUNCILWOMAN SANCHEZ: This was an internal review?

COMMISSIONER RICHARDSON: We know from an external report that technology is the key. They didn't give numbers, but they also say that the City does things too manually, they need technology to go from Point A to Point B.

COUNCILWOMAN SANCHEZ: In terms of the technology, the technology that you look to establish is what in fact Linebarger and GRB and others already have in place, right?

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COMMISSIONER RICHARDSON: Yes.

COUNCILWOMAN SANCHEZ: The ability to cross-reference taxes.

COMMISSIONER RICHARDSON: Yes and no. Those two firms primarily do a lot with real estate collections. You need more of a robust firm -- and they may have the ability, but like the pioneers that did our amnesty program, companies that are traditional call centers may have the technology to do scoring of cases, to do decision analytics.

COUNCILWOMAN SANCHEZ: So is our goal in this new plan the ability to cross-reference the 17 taxes you mentioned?

COMMISSIONER RICHARDSON: Yes, it would be the ability to do that.

COUNCILWOMAN SANCHEZ: And then the collection strategy, whether we're talking about business taxes, water revenue, trash tickets, alarm, ambulance, all of that would be coordinated versus what we have now, which is different departments doing the collection?

COMMISSIONER RICHARDSON: No. Again, my folks -- here's my mantra: I'd rather talk to you for a $5,000 tax bill and spend that time than probably on a $300 commercial fee bill. Five thousand dollars is much more towards the coffers. Don't get me wrong, the 300 is important as well, but we don't have super collectors. The system is more geared towards taxes. Again, we have water data. Again, two funds of paying people. A super collector would be great, but, again, that will take a lot in order to get to that world. Maybe the system could allow us to get to a super collector that can sit there and say, Ms. Sanchez, I have your whole portfolio, let's make a payment agreement. Then the question is, what do you make the payment agreement on, the $300 or the $5,000, the $50 fee from the Courts of Adjudication or the $500 fee from the fire ambulance company? So it gets into a lot that way.

COUNCILWOMAN SANCHEZ: I guess then at minimum, if we're talking about the real estate taxes or at least property -- let's stick with that. So does this new collection cycle, would it have the ability -- I know you talked a lot about communicating with L&I. One of the big issues we had back in 2008 was the 95 million in NTI demolition that was not posted on properties. Has that number been captured?

COMMISSIONER RICHARDSON: I don't know. Again, I don't run the L&I receivables. It might be in the system.

COUNCILWOMAN SANCHEZ: Is that a goal of this new process?

COMMISSIONER RICHARDSON: It can be.

COUNCILWOMAN SANCHEZ: So it's not?

COMMISSIONER RICHARDSON: It's not my goal. My goal is taxes and water.

COUNCILWOMAN SANCHEZ: I hear

you, and so I appreciate the fact that you guys operate in those kind of silos, but we're getting to a collection strategy. So I want to think globally, because all of this adds to the ability for us to appropriately acquire properties and capture our investment.

So right now if in fact this new strategy is not going to encompass demolition, is it going to somehow try to capture the $20 million that we invest in property maintenance now?

COMMISSIONER RICHARDSON: What I'll say to you is that I have blinders on. So I thought about my universe. That's the first thing. Again, as we do the data warehouse, we'll populate that with a lot of departments' data. As the system gets built, yes, we probably can include a lot of other departments inside of that. But I guess the question comes down then, do you want us to make the collection of that money as well?

COUNCILWOMAN SANCHEZ: Well, I

think data is important, and if we are going to create this -- if we're going to populate this new system, it should be populated with everything. How the Administration decides to collect that is one thing, but I think it goes back to the frustration that some of my colleagues have around people's ability to either get permitting, to get business licenses, to get all these other -- all the other silos that get impacted. Our inability to have that one in place makes it difficult and that's why we end up getting beat up at community meetings, because people have that frustration. Because it's one government. You can have ten silos. I mean, that's why we're having the land bank discussion. We have five silos in that case. It's part of the frustration we have as we talk about this foreclosure and this notion, and quite frankly, it's really upsetting for me that this motion of we're not going to spend money putting properties for sale because they have no value to us is a problem, because they are decreasing everybody's value.

And so the matrix has to be all encompassing, and so that when a property goes up for Sheriff Sale that we have abated through our neighborhood services ten times, that L&I has clean and sealed five or six times, that has to be part of the picture.

And so I'm not saying it has to be necessarily just in your portfolio, but you have to understand that as Council folks and as the community, that's the frustration that you're hearing from folks, because we're allowing this to happen and there's no correlation, and until -- and maybe that's what this new revenue person does. But I know I'm going to have a serious problem saying we want to embrace this new plan and this $40 million investment if it doesn't take into account all of those things. Whether we collect it or not is not the point. The ability to see it, the ability to see our debt, and then we could decide strategically what it is.

I think as we deal with the City in poverty, though, the inability to see what people owe just adds to the burden and the stress of whether people are going to stay in their own homes. When you put that with PGW, when you put that with water -- and you know how strongly I feel about our water situation and our water debt -- it's a problem. This cannot be dealt with in a silo.

MS. BECKLEY: No. And even today the process I described earlier about how we now let L&I identify things -- anything in our Sheriff Sale system that's problematic, well, that's an e-mail to me from the people who are ordering the title, giving me the list of titles. I send it to L&I. L&I sends it back to me. I send it to them. All that would happen within the data warehouse, with no human interaction, and everything would flawlessly, with nobody ever making a mistake, get marked, this is an L&I-no-payment-agreement property. So you'd have that -- there's no question that this kind of information sharing would make it much less burdensome for people to work together.

On the subject of L&I, I mean, we have -- we are now -- we hope in the next two months to be able to sell something for a purely L&I lien for the first time, because those liens didn't used to be perfected. The Law Department worked to perfect those liens, and they are now working their way through the Sheriff Sale system, and things that don't have any taxes will be sold for clean and seal or demolition going forward.

COUNCILWOMAN SANCHEZ: That's why -- okay. So some of that is beginning to get captured?

MS. BECKLEY: Yes.

COUNCILWOMAN SANCHEZ: The

important thing for me -- and I'll let the rest of the group -- is that if in fact we're going to do this investment and we're going to say that we're going to do collections smarter, we'd like -- I'd like to see a strategy that includes all of those things, the ambulance, the alarms, the trash tickets, the business taxes, the business license, all of those things, because that's what's going to get us to the place where we can create policies and regulations. And I know that's kind of the debate we have going on with our foreclosure, that the department doesn't want us to prescribe it, but when we don't prescribe it, we get this. You're telling us, Well, some of this will happen, some of this will not happen. We have to agree on the regulation. It has to be predictable for people, the predictable date from collection. The carrot has to be predictable as well as the stick has to be predictable, and that's why the regulations -- and that's kind of the debate that we constantly have here.

Our ability to prescribe it is based on knowing that unless there's a date certain for something, it's not going happen. It's too much discretion on the collection, and that's why people know that we -- they know they have a lot of time before we catch up to them, because nothing is prescribed.

So that's more of a statement than anything else, because you and I disagree on that. So that's on the record. But that's the frustration, and that's the frustration you're going to get from folks, because it's millions of dollars. And when you hear of a resident who knows in particular neighborhoods like mine, the strategy currently undertaken by the Administration doesn't work for me. You're adding blight to my communities. You're making the investment that we make with tax dollars on one side devalued because of our collection strategy, and it has to all come together.

COMMISSIONER RICHARDSON: Thank you for the prescription, and we will take advantage of it, Dr. Sanchez.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair -- you know what, after Councilwoman -- we don't have that anymore.

The Chair recognizes Councilwoman Bass.

COUNCILWOMAN BASS: Thank you, Mr. President.

Good afternoon.

COMMISSIONER RICHARDSON: Good afternoon.

COUNCILWOMAN BASS: I just have a couple of questions. Well, first I just want to go back to Councilwoman Quinones-Sanchez's statement in reference to what properties that aren't considered viable for moving forward towards Sheriff Sale or some other way of disposing of them to make sure that they're occupied and that they're no longer a blight on the community. I just can't underscore that enough in my district. So many of our properties which are blighted or vacant, are tax delinquent, it all goes hand in hand, and it becomes more of -- as much of a tax issue as it is -- it also becomes a crime issue, a blight issue and, again, devaluing the entire neighborhood. So I just wanted to echo her statements on that, because it's very much an issue in my district as well.

I just had a couple questions, and the first is, I just wanted to get an idea, if you could tell me, how does Philadelphia's tax collection compare to other municipalities in Pennsylvania? I know that in terms of other major cities, we are, I think, at the bottom, if not very near the bottom, next to last, in terms of our collection rate, but do you know throughout the Commonwealth how we actually compare?

COMMISSIONER RICHARDSON: I don't know how we really compare to the various cities in the Commonwealth. Again, we are not, as people quote, say that we are the lowest in the United States. Again, you have to take into mind also in Philadelphia 17 taxes that we do. A lot of other places have one or two taxes to work on, maybe an excess tax or most places are just property tax. They're dedicated to doing that all day every day.

Again, we are built like a state. We're probably bigger than some states, like South Dakota, North Dakota, Idaho. So we look at measurements of states. I'll take the Commonwealth. The Commonwealth when I was there, we had 96 percent of taxpayers were compliant. So that small percentage of 4 percent, which is probably well over a couple billion dollars, was what we went after all the time.

Again, I think some cities

compare how we do things. Case in point, in 2009 we were awarded by the IRS Cities that we were one of the best cities at doing things and they looked at us as a model.

COUNCILWOMAN BASS: I'm sorry. Who was that?

COMMISSIONER RICHARDSON: IRS Cities. It's a group of cities. Again, not just -- they don't look at just real estate; how we do everything, especially with our compliance, our audits.

COUNCILWOMAN BASS: I think there are a lot of things we do right here in Philadelphia, but this doesn't seem to be one of them. But I'm just -- but just specifically on this --

COMMISSIONER RICHARDSON: You got to understand, as I said to Councilman Johnson, I believe we're doing better than the past, and I'm talking about all around. We're the only city, probably even the states haven't done, withholdings of their city employees' pension funds. No other place does that. We're the only place who has ever tried it and have done it successfully, and we continue to do that.

So, again, we're strapped with certain enforcement tools that we don't have that the IRS has, the states have. We don't have those kind of tools. Again, like I said, I'd like to employ potentially taking people's cars who are delinquent on their real estate taxes, but once we start taking them, then that's going to probably be a problem that people will say, Shut it down, don't do it anymore, because you're affecting them getting to work and everything else.

COUNCILWOMAN BASS: The idea of taking cars, is that something that other cities are doing or is that something that is commonplace in this sort of collection effort?

COMMISSIONER RICHARDSON: States are doing it. Houston is the only city -- yeah, Houston, because they're from the Texas area. Houston is probably the only municipality, but mostly states are taking advantage of that.

COUNCILWOMAN BASS: Do we know how Houston has made out? Does it improve their collection?

COMMISSIONER RICHARDSON: It's done pretty well. Again, they have --

COUNCILWOMAN BASS: Taking cars? Okay.

COMMISSIONER RICHARDSON: Yeah. Because you get your attention. You got to get to work to make an honest living, and if you can't get to work and you don't make that honest living, then you lose your job. So you know you're going to get religion all the sudden and want to take care of your responsibilities.

COUNCILWOMAN BASS: Well, we will hope. But for those properties that are not owner-occupied and are causing an issue in neighborhoods, and particularly the ones that are vacant, we have a lot of those throughout the City of

Philadelphia, and I am particularly concerned about properties that have owners who don't live here. And I know that maybe we shouldn't categorize it that way, but I feel very, very strongly about someone who lives in New York and who has property here in Philadelphia that they don't pay taxes on, that they're speculating and waiting until a neighborhood improves or things get better and then they get to cash in. And I want to do everything within my power to make sure that they don't have the opportunity to cash in.

And so I feel very, very strongly about that portion of this and don't know what -- I couldn't gather from your previous testimony what specific things we have been doing, are doing to address that very specific problem.

I have right at the corner of Broad and Lehigh, I have a huge building that's been vacant for many years now, and the owners are in New York. They

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could care less about the blight that it causes in the neighborhood. And we had a fire, a horrendous fire, here in Philadelphia last year. Two firefighters lost their lives. Tax delinquent. Again, another property owner in New York who could care less about us.

And so what do we do about these folks who continually disrespect our city? That's the way I see it. I see it as it's Philadelphia, it's a dumping ground, they don't care, so why do I care? And so if you just wanted to respond.

MS. BECKLEY: I mean, as the Commissioner testified, we are increasing the number of Sheriff Sales that we do. We've done that dramatically compared to what we did before amnesty. We're continuing to work on the operational issues that prevent us from doing as many as we'd like. The property you mention that had the fire was slated for Sheriff Sale at the time it had the fire. We're not -- and we're showing results. We're increasing real estate tax collections. They aren't increasing as quickly as the interest is running on the 20-year-old stuff, but they're increasing faster than the current bills. We are going to get ahead of the curve if we keep up at the rate we're at now.

COUNCILWOMAN BASS: Okay. So specifically for vacant properties that are tax delinquent.

MS. BECKLEY: I don't think that you can solve blight and vacancy with tax policy. I think that it's correct that you need to take -- you need other professionals with urban planning and other experience and a different focus to attack that problem.

COUNCILWOMAN BASS: Well, I don't think you can attack it alone with just a tax policy, but I think it should be certainly a part of the equation.

MS. BECKLEY: Well, I think one thing that would be helpful would be to be able to -- with more data, and one of the reasons data would be critical in this area is almost every academic or outsider who has come and looked at this said the very first thing you have to do is segregate what's collectable from what's not collectable. Right now we don't really have that clear demarcation and it makes it harder for us to go after what is actually collectable.

And we do hope you're aware we work with many Councilmembers. If there is a specific property that you want a request to take up, all you have to do is have your staff call the Law Department. And even if it's -- and if it's with co-counsel, we'll request that co-counsel take it up. If it's with us, we'll put it up.

COUNCILWOMAN BASS: Okay. One other question too. Now, I notice that you gave your estimates in terms of your collection rates, and we hope -- we believe the economy is improving. So I didn't hear what your projected rates would be with the improvements, what you think is going to happen in terms of your ability to collect.

MS. BECKLEY: I believe that the improvements have been projected in raw dollars, not in percentages.

COMMISSIONER RICHARDSON: Everything, again, if we give you the strategy is based on dollars, not percentages. We can analyze that and give it to the Council President if he wants.

COUNCILWOMAN BASS: Okay. I don't know if you know the answer to this question or not, but do you know what role, if any, the write-offs -- I think it was how many millions?

COMMISSIONER RICHARDSON: Sixty-six.

COUNCILWOMAN BASS: Sixty-six million that's been written off that's ten years or more that's been in collection. Is there any sort of effect in terms of the City's ability to borrow money based on what that debt is? I thought that debt -- and I guess I'm a little confused, because I thought that that number, what was written off, was actually much higher. I think that the projections I had seen before were probably three to four times that. So I'm a little surprised that it's 66, but --

COMMISSIONER RICHARDSON: I couldn't quantify the answer for you. I need to speak to the Treasurer about that. We don't deal with the borrowing for the City.

COUNCILWOMAN BASS: Okay. So you wouldn't know if it makes a difference or not in terms of the City's ability to borrow money based on what --

COMMISSIONER RICHARDSON: We don't do the borrowing, so I couldn't tell you that.

COUNCILWOMAN BASS: All right. Okay. Thank you.

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COMMISSIONER RICHARDSON: You're welcome, Madam.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

A couple of quick questions and then I'll call the next group of Councilmembers.

In terms of Sheriff Sale, I know the Sheriff's Department pretty much staffs it and conducts the actual sales. But who determines policy on Sheriff Sales?

MS. BECKLEY: You mean who chooses which properties go to Sheriff Sale?

COUNCIL PRESIDENT CLARKE: Correct. That's one of my questions.

MS. BECKLEY: Okay. And I'll keep the answer quick too. If it's with co-counsel, they pick which properties they're going to take to sale. If it's with us, we pick. And, again, as I mentioned earlier --

COUNCIL PRESIDENT CLARKE: When

you say "co-counsel," you're talking about Linebarger?

MS. BECKLEY: Linebarger and GRB are our co-counsel. Again, as I mentioned earlier, we take requests from L&I on a routine basis now and we take requests from Councilmen. And if any individual wants to put down an $800 deposit to purchase a particular property, that property will go into the system too.

COUNCIL PRESIDENT CLARKE: But who has -- well, say in a more proactive approach, if -- and I hear you say with co-counsel. Does that mean that the Law Department has the final say?

MS. BECKLEY: We have -- we do have the final say over their list, but in general, we go with what they suggest that they would like to do.

COUNCIL PRESIDENT CLARKE: Things that are on their list?

MS. BECKLEY: Yeah.

COUNCIL PRESIDENT CLARKE: For

properties that are not on their list, the City Law Department --

MS. BECKLEY: We pick from among those from our own list.

COUNCIL PRESIDENT CLARKE: So you have significant flexibility on the City's and in conjunction with or consulting with the co-counsel, you have some flexibility?

MS. BECKLEY: Right.

COUNCIL PRESIDENT CLARKE: All right. In terms of the amount that you would be prepared to receive, say it goes up to Sheriff Sale and you're prepared to receive a lesser amount than the municipal lien, who makes that determination?

MS. BECKLEY: We make that determination, and if co-counsel would like to put it up for less than the City debt that's on the property, then they ask our permission to compromise it.

COUNCIL PRESIDENT CLARKE: Okay.

MS. BECKLEY: It's very unusual for us not to grant that permission.

COUNCIL PRESIDENT CLARKE: So there's significant flexibility in that respect?

MS. BECKLEY: Yes.

COUNCIL PRESIDENT CLARKE: So if there were -- in terms of when the Sheriff Sales are held, I'm assuming that the Sheriff's Department makes that determination?

MS. BECKLEY: Yeah. I mean, they reserve the ballroom and they give us the dates ahead of time.

COUNCIL PRESIDENT CLARKE: In terms of when and where. All right.

So if all parties involved made the decision that we were going to have a policy that would allow us to accelerate Sheriff Sales or have Sheriff Sales for specific purposes and not necessarily for the sole purpose of collecting as much revenue as possible but a policy associated with a longer-term strategy as we talk about blight and some of the other issues as referenced in the series and our Councilmembers have subsequently talked about that, that would be something that could be, if all parties agree with, can be put in play or conceptually be a conversation initially and then subsequently a policy or program?

MS. BECKLEY: If we were going to do a very large number of unprofitable sales, we would probably have to shift things around so that we did those internally, because co-counsel only works on commission and it would be unfair to expect them to do a tremendous amount of legal work for which they were basically not going to get compensated. We get paid regardless, but they don't.

COUNCIL PRESIDENT CLARKE: So at a minimum, you would like to cover the cost of legal fees associated with in the case that there's inventory within the co-counsel?

MS. BECKLEY: Yes. That would be -- and it should be understood that really right now for -- and I think my co-counsel when you hear from them will agree -- the real obstacle to moving more things to sale is really our ability to get title work back on the properties and our ability to send out mail on them. It's not -- we would -- all of us would like to be doing 200 a month, and we're not reaching that target because we're not getting the title work and we don't -- we're having operational issues with getting that much mail out. It's not unusual for one piece of property to need 27 notices.

COUNCIL PRESIDENT CLARKE: Is that a state statute?

MS. BECKLEY: Yes. And you can't get rid of that, because every creditor, before they're going to have their interest in the property wiped out, has to get notice, because when it's sold at Sheriff Sale, it's sold free and clear.

COUNCIL PRESIDENT CLARKE: I'm saying but that is a state statute?

MS. BECKLEY: Yes.

COUNCIL PRESIDENT CLARKE: Okay.

MS. BECKLEY: But it probably has constitutional issues too, because this is somebody's property. You're wiping out somebody's property interest.

COUNCIL PRESIDENT CLARKE: I understand. Everybody has the right to sue. I only ask that question because we earlier discussed this potential state legislation that would accelerate opportunity. All right. And I'm asking this for a reason. I'm not going to bring it up today, but you know we got a little something up our sleeves with respect to some of the blight-related initiatives and our ability to move properties.

So let me ask one more question. If we decide we can agree on a group of properties and get co-counsel, the City agrees and at the end of that process establishing we got 200, whatever, and we wanted to see an end use for those properties and the end use, as an incentive to purchase, we would put certain issues on those properties, say we would -- the issue -- and I guess I'm kind of getting at what I was going to talk about at a later hearing -- that the ability or your accepted payment would be much less than the maximum lien on the property. You have the ability to do that?

MS. BECKLEY: Yes. We could compromise.

COUNCIL PRESIDENT CLARKE: Okay. All right. That told me pretty much all I need to know before --

MS. BECKLEY: I mean, we just did that for a major property out in Germantown that a reputable developer was going to purchase and when we were assured that he was going to purchase it, we know his track record, we believed he'd really do something with the property, it was more than worth it for us to compromise --

COUNCIL PRESIDENT CLARKE: It's kind of like, to a degree, similar to a redevelopment agreement --

MS. BECKLEY: Exactly.

COUNCIL PRESIDENT CLARKE: -- with the RDA. Okay. All right. Told me exactly what I need to know. Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Mr. President.

Good afternoon. I wanted to follow up on Councilwoman Quinones-Sanchez and her concerns about operating in silos. So are there meetings across departments with Water and/or L&I to discuss, explore strategies about how you can collectively tackle this issue of collections?

COMMISSIONER RICHARDSON: Yes.

Again, we meet with L&I quarterly. My agents in the Water Revenue side go out with their agents and comb the various commercial districts. So we've been cohesively doing that for almost two years now.

COUNCILWOMAN BROWN: And the yield of some of those meetings in terms of hard action steps?

COMMISSIONER RICHARDSON: I can't say I can't quantify for you for dollars, but it's been good for us -- for example, we've been in South Philadelphia and we found going in some of the businesses that they've had broken -- the equipment that goes to the water. So the water hasn't been read right. So we get an opportunity to be in there and get the reading correct. The bill may go up a little bit, but they come compliant because they understand they had broken equipment.

So it's been fruitful for us. I think, again, as we look to get more investigators through our five-year strategic plan that can go out with L&I, we have the technology that we have live tax information in front of us and we can look at potentially putting stickers on some of the businesses to say cease and desist because you haven't come into compliance because we've been trying to reach you for X amount of timeframe or something, that will help us. Again, that's what the state has been doing for umpteen years that we have to get there.

COUNCILWOMAN BROWN: Okay. And with the lead bill, one value-added lesson for me was working closely with HAPCO. Even though we started at very different places, we ended up at a good place, because they're on the ground, they're on the front line, and we actually learned from each other and ended up at a good place. And so given who they are and what they represent and the work that they do every day, have there been sit-downs with them? Because

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they too are in the business of collecting rents and the like.

COMMISSIONER RICHARDSON: We haven't had formalized meetings with them with Law and Revenue. I've met with a couple of their members and I've offered that to them, to come in and sit down and work with us, because I know they have some grave concerns.

COUNCILWOMAN BROWN: Great ideas.

COMMISSIONER RICHARDSON: And we are more than willing to work with them. We don't have a problem.

COUNCILWOMAN BROWN: I would encourage that, simply because they are on the front lines and doing what you do every day.

Back to Councilman Henon's questions regarding foreclosure, and one thing I've learned is knowing what you don't know, and when it comes to housing, I'm still very much a student in how that process works.

So in your department, do you sort of grade foreclosure status of individuals? What I mean by that, you can use nine months to try to track somebody down, and when you get to them, they have a very legitimate reason on why that foreclosure ended up where it did, death of a sibling. And so when you hear about these circumstances, do you have some systemic red flag, yellow flag or green flag that gauges you or guides you on why this particular action on this home is moving towards foreclosure?

MS. BECKLEY: Well, in the case of owner-occupants, we've always had a great willingness to enter into agreements. There is a formalized written policy of what low-income individuals have to be offered as a payment plan with either co-counsel, and we have been working over the last eight months very diligently with some Council staffers and with the legal services community to improve those guidelines, and then we plan to make them applicable internally to the Law and Revenue Departments as well as to co-counsel.

COUNCILWOMAN BROWN: So is that a new practice?

MS. BECKLEY: That's going to be an improvement. It's going to be building on the practice we already have. We already have these written financial hardship guidelines, but they haven't -- the exact guidelines haven't applied internally. And we also think by talking together, we've made some additional improvements to them. And it will be an improvement too that they will be -- what the standards are is going to be posted on the website. And so every attorney and any taxpayer who wants to know what's available to a low-income individual will be able to see that.

We've also upped the availability of income-based agreements basically to 70 percent of median area income, which is the average Philadelphia homeowner. So if the average Philadelphia homeowner is hit by AVI, they can come in and get time to pay that bill over time.

COUNCILWOMAN BROWN: And I would submit with all that diligent and thorough outreach, we're going to miss persons, particularly seniors, back to our earlier conversation the Commissioner and I had. So is there a relationship with Philadelphia Corporation of Aging and the senior citizen centers around the City who are going to -- who certainly serve the type of individuals you're talking about?

MS. BECKLEY: One of the things that the legal services community correctly has insisted on -- I don't know that they need to do it in quite such detail in the ordinance itself -- is a list of information that has to be provided to people with their first foreclosure notice, so that they know what agencies are available to help them and where legal systems is available.

COUNCILWOMAN BROWN: I think that's important. I continue to operate from the standpoint, you can't hold people responsible for that which they do not know.

MS. BECKLEY: And we wanted to note that one of our partners in that was the Senior Law Center.

COUNCILWOMAN BROWN: Very good.

Thank you. That's it for my round, Mr. Chairman.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

And I think we just have one Councilmember that hasn't asked a question yet. Councilman O'Brien.

COUNCILMAN O'BRIEN: Thank you, Mr. Chairman.

I just had a followup to Councilwoman Blondell Reynolds Brown's inquiry. Councilman Green and Councilwoman Sanchez have recently introduced a bill that would make payment plans more consistent across the board. What options are available for taxpayers to pay their bills?

MS. BECKLEY: Well, that bill is still under discussion, but the broad outlines are things that everybody has agreed on, which is that, again, people up to what's roughly the income of an average citizen are entitled to a payment agreement. They don't have to argue for it.

COUNCILMAN O'BRIEN: But specifically what kind of options do they have? Are there different options they have, different types of payment plans?

MS. BECKLEY: They can come in and they can pay -- they will pay based on a percentage of their income, and they will get at least two years to pay their back bill. They have to remain current with their current taxes as part of that, because we don't want to have revolving delinquency, but they're allowed to do that.

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We also can always make a payment agreement with anybody, even a commercial owner, but we try and keep those at a minimum for all the obvious reasons that people have discussed.

COUNCILMAN O'BRIEN: Have you ever considered automatic withdrawals for taxpayers?

COMMISSIONER RICHARDSON: Some taxpayers do that now, have their --

COUNCILMAN O'BRIEN: Are there any banks that participate in that program?

COMMISSIONER RICHARDSON: No. It's a matter of you as the -- your account. It's not the bank that does it. It's you as an individual would come and sign the ACH form to complete. So it's something we did making it mandatory for businesses with payroll taxes, but you as an individual can come and do that. We can't mandate a bank to do that.

COUNCILMAN O'BRIEN: Is there an ability for every taxpayer who is on a payment plan to find out exactly what he or she owes?

COMMISSIONER RICHARDSON: Sure. They can give us a call and reach out to us.

COUNCILMAN O'BRIEN: No. I'm told that there are no receipts and there's no way to go on and find out. If I'm paying my student loans -- I don't know if this is accurate. It's just something that someone passed on to me.

If I'm paying my student loans, I can always call and find out what my balance is. I can get a receipt for what's being paid.

The taxpayers on a payment plan or other, can they find out what they owe or what the status is?

COMMISSIONER RICHARDSON: Online we're trying to make that available. That's going to take some time.

COUNCILMAN O'BRIEN: But it's not now?

COMMISSIONER RICHARDSON: It's not there now. I mean, they have to give us contact or phone call or e-mail to us.

COUNCILMAN O'BRIEN: One other question following up on my friend Councilwoman Cindy Bass and the concern about all these parcels that are delinquent. And it's a followup to the President, Darrell Clarke. He talked about some legislation dealing with foreclosures, and we talked about processes where we shame people into paying. I'm a republican with a sense of advocacy around my kids with disabilities and other things. I'd like to have an advocacy around some of these speculators that come in to the City of Philadelphia and also demonstrate to our partners in Harrisburg, who sometimes aren't willing partners, but show them that we really are serious about this.

Is there or has there ever been a discussion about being able to lien properties of those speculators -- it's my understanding that if I take 350 individuals, they own ten parcels or more, that's 6,937 properties. Has there ever been any thought about liening their property, whether it's in New York or it's in Montgomery County or Bucks County? And there might be different issues relating to whether we can do it in state or out of state, but is that a piece of legislation that you would -- let's look at it just in state, and somebody in Montgomery County owns ten parcels in the City of Philadelphia and they're in Northern Liberties and they're just going to wait until the whole neighborhood is improved. We know the story.

Has there ever been any thought about going after their principal property, where they live?

MS. BECKLEY: I think if -- we have in rare cases already -- we would have to get a personal judgment -- under current law, we'd have to get a personal judgment against that person and then take it and transfer it. I think we would be very much in favor of the proposed legislation that would allow us to skip the step of getting the personal judgment and simply transfer the municipal lien to another county.

COUNCILMAN O'BRIEN: Maybe we can collaborate and try to get some relief in that regard. If you could help me draft that, we can recommend it to the State Legislature.

MS. BECKLEY: I know the City's lobbyist in Harrisburg has asked us, and we've told them that we're very supportive of it.

COUNCILMAN O'BRIEN: Thank you.

COUNCILMAN HENON: Point of information.

COUNCILMAN GREENLEE: Councilman Henon.

COUNCILMAN HENON: If I can just answer or at least add to that statement there and recognizing

Councilman O'Brien's due diligence in making sure that maybe personal liens go towards out-of-town folks who have delinquencies in properties in the City of Philadelphia. The Philadelphia Delegation in the State House, Councilman, has introduced a piece of legislation at the assistance and coordination with our Council President where tax delinquents who own property -- who have tax delinquencies for properties in the City of Philadelphia who live outside will give the authority to lien their personal property and assets outside the Philadelphia jurisdiction. So that conversation is taking place right now currently with the Law Department, Revenue, and the Council President and the Philly Delegation. So that is one of the several bills dealing with tax delinquencies not just on that but with the Philly Delegation when it comes to Philadelphia and our ongoing issues.

COUNCILMAN GREENLEE: Thank you. Thank you.

Councilman, you -- you're okay?

COUNCILMAN O'BRIEN: Yes.

COUNCILMAN GREENLEE: All right. I think Councilman Henon was next, then Councilwoman Bass.

Councilman Henon.

COUNCILMAN HENON: And I'll be brief. I know we've been here for a long time. I only have five pages of questions, which I will not ask, on processes and policies and data.

So real quick. And I'm glad Councilman O'Brien had started to talk about delinquencies outside this body, because several members of this legislative body have introduced separate legislation dealing with tax delinquencies, from the Council President, Councilwoman Maria Quinones-Sanchez, Councilman Green, myself and others, several others, dealing with even authorizing the Law

Department to enter judgments to other municipalities outside the City, not necessarily for liening but to enter judgments in the municipality to have them -- to get them back here to pay their taxes. So I commend my colleagues and Council President and the State Delegation for doing its due diligence to try to focus in on tax delinquency. And it's the right thing to do for reform. So I wanted to recognize that.

I do have a lot of questions, and I'm not going to ask them at this point. So what I'm going to do is, I'm going to talk about it real quick and then I'm going to ask if, through the Chair to Council President, if the Council President would ask this body, other Councilmembers, to have their questions for the folks here who testified that were not able to get in for the sake of time distributed to my office. We can put it together and then we can get it to the folks who were going to testify and we didn't get a chance to ask, we can get an answer by next week before you come in for budget.

COMMISSIONER RICHARDSON: I would ask if you can give us until April, considering people are off next week for vacation. People are off.

MS. BECKLEY: We're actually not due back for budget until the 23rd. So we can do it --

COUNCILMAN HENON: Well, then before you come in. So we'll submit questions.

Just on some data questions, I was going to ask how many total parcels that are delinquent in the City of Philadelphia, how many owner-occupied homes in the City of Philadelphia that are delinquent, how many vacant properties, how many rental properties, and how many commercial properties are delinquent for data.

I had some process questions. My office, myself, and other

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Councilmembers have put together this awesome chart that's hard to read, and what I'm going to do again for the sake of time, I was going to ask everybody to come forward, which I'm not, and walk through the process and to -- this process that I have here that's on the paper is, as I understand it, through conversations with the folks who are going to testify here today. So what I was going to do was ask -- I was going to walk through the process and ask each one, is that correct, what the differences are, and the timelines on that. So what I'll do then is ask if you have any suggestions or changes to the process as we have laid out on this form, could you please submit those changes and the timelines to my office. That can be done by Monday. So I would respectfully ask the Sheriff's Department, Linebarger, GRB, the Law Department, Revenue, and the courts, the Sheriff's Department to please take a look at that chart and edit and change -- make suggestions and changes in the timeline in an e-mail to us, and I'll make sure that it gets out through the Council President's office to the members of this body.

So I thank you all for coming.

COMMISSIONER RICHARDSON: Thank you, sir.

COUNCILMAN GREENLEE: Thank you.

Before I recognize Councilwoman Bass, just so I'm clear, Councilman, are you suggesting that maybe the other four witnesses today not come forward and wait for the questions to be sent to them? You think that -- because a lot of Councilmembers have left. Because I understand they don't have statements to make. They were just here to basically answer questions.

COUNCILMAN HENON: Well, I have a lot of questions, but --

COUNCILMAN GREENLEE: If there's other questions for the people --

COUNCILMAN HENON: I certainly am respectful of the time. I have a question here that I would -- one question I would like to have --

COUNCILMAN GREENLEE: Well, we'll have them come up. That's fine. That's fine. I just wanted to see what procedure you wanted. So that's fine.

Councilwoman Bass.

COUNCILWOMAN BASS: Thank you, Mr. Chairman.

I just -- two things. One, I want to thank Councilman Henon for his mentioning of the work that's being done in Harrisburg to address this matter here in Philadelphia with out-of-town delinquent tax property owners. So thanks for bringing that forward.

Also, I wanted to circle back just to be on the record about the property I mentioned to you earlier in my district at Broad and Lehigh. It's the Botany 500 building. They owe 116,000 in taxes dating back to 2005. It has four liens on it. The Law Department has failed to move the property to Sheriff Sale. And we specifically asked the Law Department and they refused our request to personally serve the owner when he was in town or his representative was here in Philadelphia for L&I code violations I believe on other properties that he owns. And he was at a BRT hearing challenging taxes and fines, and we wanted to have him served right on the spot, and your office, as I understand, or the Law Department actually interceded and would not be helpful in that request.

So I'd like to follow up with you on that, but I did want to put it out there just to be on the record on that.

MS. BECKLEY: I'm sorry to hear that. The lawyers who work on L&I matters aren't actually in the Tax Unit. We work with them, but that's a separate unit.

COUNCILWOMAN BASS: But there should be some coordination. There should be -- in my opinion, we should all be working toward a common goal. It's not good enough to say, Well, that's their department, they do that. And I know that's not really what you're saying, but I just really want to make sure that we're all walking together, working from the same playbook, speaking the same language, and that we can get something done. If we kind of say, Well, we're farming it out to this one, or that group is responsible for that particular thing, we're never going to get where we need to get in regard to this problem.

MS. BECKLEY: Right. And I'm just going to reiterate that if you'd like to have that particular property taken to Sheriff Sale, we'd be interested in hearing from you.

COUNCILWOMAN BASS: Absolutely. Thank you. We'll follow up.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

We have no other questions for

this group of witnesses. Thank you very much for hanging in there so long. Thank you very much.

We have four other witnesses that are listed, and I understand they'll be here basically to answer questions. And so it's Michael McCabe, Sharon Humble, Joseph Evers, Joseph Vignola. If you all could come up, because the questions may be for all of you or some of you.

(Ms. Humble speaking without microphone.)

COUNCILMAN GREENLEE: I didn't hear what you said exactly, but if you have testimony, it will be made part of the record, so you don't have to read it unless you want to, but you don't have to.

MS. HUMBLE: I'm happy to appear tomorrow or today. Either one.

COUNCILMAN GREENLEE: Well, you're here today, so come on up. But my understanding was everybody here was here to answer questions.

(Witnesses approached witness table.)

COUNCILMAN GREENLEE: Mr. Vignola, let me start with you, if I could just ask you one question. Just so I'm clear -- and I know this was discussed, but just on the issue of setting the minimum bids, who does that at Sheriff Sale? Is that the Sheriff's decision, is that the Revenue's decision, some combination of same? How does that work?

MR. VIGNOLA: For the record, my name is Joseph C. Vignola, V-I-G-N-O-L-A. I am the Undersheriff of the City of Philadelphia.

The minimum bids for City tax sale are set by -- the opening bid are set by the Law Department, and we receive the opening bids from GRB and from Linebarger for the initial opening bid for each Sheriff Sale.

MS. HUMBLE: My name is Sharon

Humble. I'm the Managing Partner with Linebarger Goggan Law Firm.

I do want to do a point of correction with that. We do not actually prepare the opening bid for the City. We do for the accounts that we take for the tax lien securitization, but the City does calculate the remainder of the amounts that are provided to the Sheriff. We give the base tax and the cost and expenses due, but then they add the rest.

When we are seeking to have a compromise from something for a Sheriff Sale, we propose a compromise amount and then we need to have the City's approval to go to a certain rate. We cannot unilaterally set it at any particular opening bid.

COUNCILMAN GREENLEE: Okay. Because I know that's been an issue of some sort. I think it will be addressed in maybe some legislation coming up too, but I just wanted to be clear on just exactly how the procedures go.

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Councilman Henon, did you want to ask --

COUNCILMAN SQUILLA: Are we waiting for testimony or --

COUNCILMAN GREENLEE: Well, no. Basically they were just here to answer questions, was my understanding.

MS. HUMBLE: I do have prepared testimony today, but I can offer -- I know you have the panel here that you wanted to ask questions of. So I can do that, but I would also offer myself up for tomorrow or whatever to present testimony and be open for questions.

COUNCILMAN GREENLEE: Okay. Well, you're here for questions now. Again, the testimony will be made part of the record.

COUNCILMAN SQUILLA: That's fine.

COUNCILMAN GREENLEE: Who wants to go first?

COUNCILMAN SQUILLA: Go ahead.

COUNCILMAN GREENLEE:

Councilman Henon.

COUNCILMAN HENON: Thank you.

Thank you all for coming. I apologize -- well, it is what it is. This has been a long tax hearing afternoon, and unfortunately I believe and I hope that we can, Mr. Chairman, at the end of here, because we're running a little late, to recess at the call of the Chair to have the witnesses back, if need be.

COUNCILMAN GREENLEE: Okay. Councilman, we will be recessing until 1 o'clock tomorrow anyway and I guess we can figure out if you want these folks to come back. We have a long list, I think, for tomorrow, but --

COUNCILMAN HENON: We do have a long list.

COUNCILMAN GREENLEE: But we can figure that out.

COUNCILMAN HENON: We do.

So I have a question regarding, how many petitions are filed and how many of those ultimately have some sort of resolve, petition to the courts to have orders for judgments for real property?

MS. HUMBLE: Over the years we have always sought to file enough petitions on a monthly basis in order to take at least 200 new properties through Sheriff Sale. That has been what our contract has provided for, that we file enough in a month so that we can take 200 for Sheriff Sale.

We have a little bit broader discretion now in how many we can start to send out, but over the years -- I can give you some statistics for what we have filed.

In Fiscal Year 2012, we ordered title work for 2,628 accounts owing $24 million. Ultimately we had filed lawsuits against 1,560 of those owing $16.4 million. And then setting for Sheriff Sale within Fiscal 2012, we set 1,357 new properties for sale that owed 23 million in back taxes. Of those, 642

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sold owing $4.7 million in back taxes.

Not everything that gets set for Sheriff Sale is sold, because the taxpayers still have the opportunity to come forward and enter into a payment agreement. So they will still -- or to pay in full, which is the best case. So they come forward and they pay or they enter into a payment agreement. A small amount file bankruptcy and shake out of the system, but we still monitor those so that we can come back and as soon as they're out of the bankruptcy, that we can then set them for Sheriff Sale after that.

Over the years in our representation of the City, we have ordered title work, as of the end of Fiscal Year 2012, for 7,536 accounts which owed 84.6 million in taxes; filed lawsuits against 5,540 accounts which owed 62.3 million in taxes. In addition to that, we have also represented the City before five thousand -- before the

Tax Review Board for over 5,200 cases. That's defending the City's amounts due on that. That's at no additional cost to the City. We don't charge for that. It's value added.

COUNCILMAN HENON: Does the Law Department ever withdraw any petitions that you're aware of?

MS. HUMBLE: Do they withdraw?

COUNCILMAN HENON: Do they withdrew any petitions that you may file or does the Law Department themselves withdraw any?

MR. ZWOLAK: They don't withdraw the petition that's in the court. They will withdraw the account from our law firm. So when they withdraw the account from our law firm, we no longer can pursue the petition. Whether or not they substitute in as counsel and continue with it, we don't know because we're not tracking that. But they do have the ability to withdraw any of the accounts.

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COUNCILMAN HENON: How long -- and this is for -- you have an answer? You can --

MR. McCABE: Sure. My name is Michael McCabe. I'm a shareholder with GRB Law.

I would respond to the first question about the number of cases. As the Commissioner testified earlier, we didn't start doing foreclosures until 2011 midway through the year, and since then, we've ordered over 4,600 tax information certificates and received those. We send a notice out after receiving the tax information certificate indicating that a petition will be filed in the event of non-payment or a payment plan. That's been a very effective notice for us. About 50 percent of the delinquencies that were subject to the tax information certificates either entered into a plan or paid in full as a result of that notice.

So we filed 1,964 petitions for

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Sheriff Sale on those 4,500 tax information certificates. They've worked through the process as services made more people pay, as there are some bankruptcies that occur, but ultimately those initial cases have resulted in 455 Sheriff Sales, and of those, most of the taxpayers have paid or entered into a payment plan. We only sold 119 properties out of the 455 we listed for sale, and those paid the taxes in full in almost 97 percent of the instances. The other small percentage are bids that were less than full amount of the taxes due.

At present, we're receiving a little bit more than 400 tax information certificates a month. With those certificates, it goes through the noticing process and then the petition service of the rule process, and we do get a lot of payments and payment plans. So what happens, it's more like a funnel. You put a lot of case in the front end, but the narrow end at the back is what comes out for Sheriff Sale, because you can use the foreclosure process as a collection tool.

COUNCILMAN HENON: Are there different charges to take a property to start the process for a Sheriff Sale or is it straight 800 or does one pay 800? Do you guys -- I think the City pays 800. Is that equal or are they different?

MS. HUMBLE: It can differ, but it doesn't differ by a lot. One of the things to consider is that it's -- the first thing has to start with ordering the title work. So there's a cost for the title work. After we get that, then we have to serve process on all of the record owners and lienholders. So depending on if there's more of those owners or lienholders, the cost is going to go up, because there is a cost for service on each one. Then after that when it gets set for Sheriff Sale, some of the costs do differ once they're set for Sheriff Sale. We do not have control over the advertising price, and it's not the same price every month. So once we get that amount from the Sheriff's Office, we add that on to the account. So that is -- that's one that can be a variance. And we have a lot of properties that we have taken to sale more than one time, and so they have incurred additional cost associated with setting them for sale again.

COUNCILMAN HENON: Okay. So we have the courts here, the Prothonotary and the Sheriff's Office here, and I want to make two quick questions. The Sheriff's Department, you are capable and able to handle up to six -- possibly 600, possibly more Sheriff Sales in a month; is that correct?

MR. VIGNOLA: That is correct. And probably more. In the year 2011, word was coming down that the City wanted to increase the tax sales, all forms, to 600, and we were prepared to do that, to accomplish the sales. And we can handle more right now, as the attorneys for outside counsel pointed out, as well as the City Revenue Department. The numbers that are optimum fall off because there are settlements and payment agreements and outright payments.

COUNCILMAN HENON: Right. To the Prothonotary, it's your understanding, not to speak for the courts, but the courts are set up on a daily basis and weekly basis to accept filings to --

MR. CHMIELEWSKI: Yes.

COUNCILMAN HENON: -- to get on the list, right, for petitions?

MR. CHMIELEWSKI: Yes. As we spoke earlier, the vast majority go almost in the nature of a default. They're not contested. Consequently, a decree is entered. So in that capacity, we're simply procedural from filing the petition to the decree. The vast majority, in excess of 90 percent, when I was speaking to Jim Zwolak -- perhaps you

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can confirm that number -- are uncontested. So it's a very clean process.

COUNCILMAN HENON: Okay.

COURT STENOGRAPHER: Can you state your name for the record.

COUNCILMAN GREENLEE: I'm sorry. Could you state your name for the record.

MR. CHMIELEWSKI: Stan Chmielewski, C-H-M-I-E-L-E-W-S-K-I.

COUNCILMAN GREENLEE: Thank you.

MR. CHMIELEWSKI: Deputy Prothonotary.

COUNCILMAN HENON: Does anybody know how long the petition sits in the court before they come back to get a decree? I mean, is there --

MR. CHMIELEWSKI: After the filing service is effectuated, within 15 days, something. The entire process can't be any more than a few months. It's a pretty quick turnaround.

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COUNCILMAN HENON: All right. I have, if I may, I have a document here, and this is just something that I came across, and actually it's -- I'd like to give it to GRB. I just happen to see your name on it, where this is a case that was granted authorization for -- what do you call that, authorized for Sheriff Sale?

MR. McCABE: Correct; the petition for rule.

COUNCILMAN HENON: A rule was issued in January 2012, and it's still an open case. A decree hasn't been ordered by the courts. So I don't know where this is in the process. I'll just have you take a look at it.

MR. McCABE: Sure. We had seen this earlier in the day and had a chance to look at our collection notes. This was an instance, as happens with many of the cases, and it goes back to my prior statement, you put properties in the foreclosure process, it's an excellent collection tool. So as we filed the petition and served the rule to show cause, there was a significant payment made of $3,000 at the time. In April of 2012, we would have received the 2011 delinquencies. They were not part of this legal action. It included 2010 and prior years. So we had a balance on the account, but it was not part of this rule to show cause procedure. So this case essentially at this point is now paid in full or there's a very slight balance, and we can't bring a property to Sheriff Sale for a few dollars.

COUNCILMAN HENON: And I understand that. It was just interesting to even have the question of how many other cases are left open where a decree wasn't ordered. And I get ultimately the tax delinquency being paid or people getting put on a payment plan is fantastic, and that is the end goal. Nobody, absolutely nobody, wants to leave their home or put anybody out of a home, but actually get put back on the rolls, on the payment plan or paid in full.

So the question that I have is, are there many other cases out there that are sitting -- that remain open when we have an enormous amount of tax delinquencies in the City of Philadelphia? At the same time, as Council President had -- I think he got a smile on his face in some of his leading questions on what he would like to do with public property, as well as myself as Chair of Public Property. We're sitting on the surplus and we should be turning things over. And we do want the process to be clean. We do want the process to be collaborative, working all together and not in silos, as Councilwoman Sanchez had indicated.

So it was just something I stumbled across today. It raises some questions, and if I could ask both Linebarger and GRB your statistics and testimony, if you could provide that for those who aren't here today, that would be helpful in case we have any follow-up questions.

MR. McCABE: But the answer to your question, any case that we put into the Sheriff Sale process, our intention is to go all the way through to Sheriff Sale. There are things that derail that, and one of them would be payment in full or a payment plan. A bankruptcy would be another.

COUNCILMAN HENON: Which is great, except bankruptcy.

MR. McCABE: In this case, it was a payment in full. In other cases, it's one of the other issues. And most of our cases that we filed over the first 18 months have resulted in never going to decree. So we've put a significant number of cases into the pay. So that's why it's hard sometimes to get to that 200 per month list. And as we go through more the more collectable accounts, we will find ourselves having more Sheriff

Sales every month, and there'll have to be bidders to resolve it rather than the taxpayer.

COUNCILMAN GREENLEE: Thank you.

Councilman, is that --

COUNCILMAN HENON: I have no further questions. I'll submit mine in writing.

COUNCILMAN GREENLEE: Thank you.

Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Chair.

You stated, I guess it was, that upwards of 200, I guess -- you would like to push upwards of 200 properties to Sheriff Sale a month. Now, obviously we have different -- Linebarger and you guys. Is that the maximum you think you could do?

MS. HUMBLE: No. We can do more than that. It's just that we have had limitations in the past on how many we were permitted to take per month. I think that was set initially out of respect for limitations that might exist on the courts or the Sheriff's Office and the logistics of how many they could take through Sheriff Sale. Some of the limitations in the past has been based on the fact that we are responsible for paying the expenses to get a property to Sheriff Sale.

So, for example, when you look at year 2009, when by that time my law firm had spent $1 million to order title work for properties to take them through Sheriff Sale and had spent $1.2 million on deposits to set things for Sheriff Sale, to take them through the sale, so that's out of pocket that we had, $2.2 million, and yet we still need to collect that money back to replenish it, and there was a period of time where we went a couple years without being paid those recovered funds. So that does create a business limitation on going forward, but other than that, there's not limitations on us being able to go forward otherwise.

COUNCILMAN SQUILLA: Why is there a couple years before you get paid back?

MS. HUMBLE: It's much better now. It was -- that was in the past, and we were certainly working with the City to understand that, but it was accounting issues internally.

COUNCILMAN SQUILLA: So now that the City has their act together paying a little better, you would probably most likely be able to do more, and the Sheriff's Department said that they're able to handle over 600 a month.

MS. HUMBLE: Correct.

COUNCILMAN SQUILLA: So if you're able to do 200 to 300 and you're able to do 200 to 300 and we know -- I would say a certain percentage of them are going to enter into a payment plan or go bankrupt or some reason why it can't go to sale, is there a percentage of a

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number per month, I guess, from either one of you that would be automatically just wiped even though you spent the 8 or 9 or thousand dollars per property?

MS. HUMBLE: The failure rate, as I call it, of properties that go up to Sheriff Sale and do not sell is approximately 20 percent. They don't sell and they don't enter into a payment agreement. And some of that has to do with the limitations on the opening bid as well. If we could lower the opening bid even more just to the cost, we're happy to sell it for that at that point, because we still have our expenses in it, and at that point, we're looking to recover the expenses.

COUNCILMAN SQUILLA: And --

MR. McCABE: Setting aside land banking or redevelopment purposes, because that's a whole different discussion, the one thing that you have to keep in mind, Philadelphia has a very active bidders group that attends Sheriff

Sales, but there are limits to that, and it could be, for example, that there's an appetite or an ability of these bidders that regularly are involved in this process to buy maybe upwards of 400 properties a month. So if we go and put 800 properties a month, then we're just really giving them a better inventory to select from. So what -- I'm not suggesting those numbers. That's an example, but as we increase the amount of foreclosures every month gradually, we'll get a better feel as to what the market will bear. If the market will bear more properties, then obviously both of our firms are willing to put as many in as we can.

COUNCILMAN SQUILLA: When people bid on a Sheriff Sale, is there any development agreement or anything that the City would like anybody to enter into or are we just -- because we could also be selling these to other land bankers to sit on them, and since our tax structure is very cheap on land, we could let them hold them forever and ever and then sometimes not pay them, and we're in the same process as we were before you got involved.

Is there any recommendation or anything that you think the City could do to entice people who buy these either to develop them or market them or something in a way that, if not, the City would get it back?

MS. HUMBLE: Over the years, we've spent a great deal of time and effort and money trying to drum up attendance and participation at Sheriff Sales, and there was a point in time where over several years we had 800 to a thousand people showing up to every sale every month. And so at that point, it's better to put more properties for sale, because you have enough buyers, and with supply and demand, then the prices get driven up.

Now, with the ones that are not

worth the total amount of taxes due -- and part of that, you have to keep in mind, has to do with how many years delinquent they are. They're very underwater. So, for example, in our portfolio, the average years of delinquency in our portfolio is 9.35. So that's the -- so these have been delinquent for a very long time. And so we have to cut the amount in order to sell them. If they don't sell for the full amount, something that other jurisdictions do is, they have it struck off to their jurisdiction and then it becomes in the ownership of that jurisdiction, and then they can transfer it to whomever.

COUNCILMAN SQUILLA: My question was, do you think are we adding to the problem by selling these all at the Sheriff Sale with no development plan or any idea of what people are buying these properties for?

MS. HUMBLE: You cannot put

that limitation on these properties under the present law that's going to Sheriff Sale. It's an open public sale, and so anybody who is qualified to bid can come bid on the properties without limitations.

COUNCILMAN SQUILLA: All right. I mean, it's just fearful that we do this and we can develop a whole new gang of developers out there or land bankers or somebody to come out there and say, Well, they're going to be selling a whole lot. And I don't think we should be selling them for what was owed in the past, because we know our goal was to get these back on the tax rolls so that people are paying taxes. Now, if there's somebody that owns 30 of them and they're land banked forever and then we go through the same process with those guys and say we'll just hold them for another 20 years because the market may be good in this neighborhood, that doesn't benefit us. So as a city, our goal is to get people paying taxes on them.

MS. HUMBLE: Right.

COUNCILMAN SQUILLA: So without a development plan, obviously we're going back in the same direction. You're saying right now legally we can't restrict anybody who buys it, but that may be something for Council maybe to look into. Is that something that needs to be done through a city or state?

MS. HUMBLE: That's probably for the state, because the reason is that this is a tax lien that secures the payment of the taxes. And so it's not to put the City in the real estate tax business. It's just to recover the tax amounts that are due. So that is what the purpose is.

The City still has eminent domain authority. So if it's a property that the City really does need to get, it still has the ability to take what it wants to through eminent domain in order to assemble the land that it wants to direct how it gets developed.

COUNCILMAN SQUILLA: Yeah. I understand that, and that's costly also to go through eminent domain.

Beside the development rights, the City sets the price. You may suggest a price, but it has to be approved by the City.

MS. HUMBLE: Correct.

COUNCILMAN SQUILLA: Is it just this policy that we need to have a certain value that has to cover all the tax liens? Is there a percentage that we would go below the tax liens, and what is that number?

MR. McCABE: Well, I will say this about the process of setting bids: The minimum amount that the property is listed for at the first sale are the costs and expenses of the sale and the taxes that are due. So that's generally referred to as the upset price for a tax sale property. You want to try to get that amount of money because the City will be made whole on the taxes that are due. So you don't really want to go out and have a policy to reduce in all instances because you'll never have any bidders that are going to go ahead and want to bid that opening price.

COUNCILMAN SQUILLA: So what I'm saying is, if we do that and nobody bids on it, we hold it, or do we put it back up for a lower bid -- do we have to go through the same process and pay money to advertise again and go through or do we lower the bid at that point?

MR. McCABE: Well, I've seen more often that cities that have been at it a lot longer than us, so they have some properties that will go up for sale and at times go down to a minimum bid of $800, and there are properties that no one is even willing to bid $800 for. So it does happen in a lot of other properties. When it doesn't sell for the full amount of the tax, we'd go back to the City, ask for a reduction. They've very liberally granted those requests, and we put it back up for sale, and sometimes there's competitive bidding and the City may get a little bit less than what's owed, but they do get a recovery.

MR. VIGNOLA: If I may, Councilman. Joseph Vignola.

At the opening -- at the first sale, the opening bid, is all the costs involved, which are the City costs, the City taxes. If it doesn't sell, normally there is a pre-determined postponement. It could be 30, it could be 60 days. And we're told in advance that if a property is not sold today, postpone it 60 days, postpone it 30 days. That gives then in the case of co-counsel or in the case of the City an opportunity to review the property and see what they want to offer it at for the next time.

Sometimes if it doesn't sell on the second bid, it will be postponed one additional time, and then the City decides if they really want to unload the

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property, try to get it back on the tax rolls, put it at a bear minimum bid. And some properties are listed at a thousand dollars, and even at a thousand dollars it doesn't sell, at which point the term of art is called the property is stayed, and that is withdrawn from any future Sheriff Sale activities.

COUNCILMAN SQUILLA: Ever?

MR. VIGNOLA: No. And then -- but then a decision has to be made do they want to start the process all over again. But it's never, ever off the list. It just may be withdrawn for that period of time.

COUNCILMAN SQUILLA: Now, during your, I guess, recollections within the last year or so, how many properties actually go to the third level as it's being reduced each time? Is there a percentage of properties that will not sell and say you get down to, say, a thousand dollars and it still doesn't sell?

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MR. VIGNOLA: Anywhere between 10 and 20 percent of all the properties that are listed.

COUNCILMAN SQUILLA: So between 10 and 20 percent?

MR. VIGNOLA: Gets stayed.

Now -- on a given list. That is misleading in that some properties get stayed because there is an agreement that occurs. The Sheriff's Office doesn't know why it's stayed. We just knows -- our records just show it's stayed.

COUNCILMAN SQUILLA: Is there a way for you guys in the Sheriff's Department to maybe add another field in your database to add whether it stayed because it couldn't sell or whether it stayed because there was an agreement?

MR. VIGNOLA: Councilman, Sheriff Williams is currently under the process of upgrading our IT system, and the new system, which has been awarded and it's in final contract compliance with the Law Department, will allow us to track properties that way, but our current system does not allow us to say why it stayed.

COUNCILMAN SQUILLA: And I'm just curious, on the current system in the database, do they put stayed or is it a check mark that it was stayed? How does that work?

MR. VIGNOLA: The way the system is designed, there is a drop-down box and you have to hit stayed. If it's postponed, then it pops up to another field, which says postponed to what date. But the minute it's marked stayed, there's no box to say why it stayed. The new system will have a reason why it was stayed.

COUNCILMAN SQUILLA: Okay. I think that would help drastically.

MR. VIGNOLA: We agree. Like the system that was designed that we're currently using was designed in 1992.

COUNCILMAN SQUILLA: All right. I mean, just for our purposes, because, again, our goal is to get these into the hand of taxpayers, and even if the City doesn't have to recoup everything, we shouldn't be in the process of land banking also, even though we're going to do that, but our goal is still to get rid of it, really to get us out of that business and to give it to people who can do this properly.

Out of the accounts that you guys get, do you get a certain percentage of the number that the City gives you, what is the percentage that is collected?

MS. HUMBLE: Of the amount that the City gives us, you'd have to consider the total amount that is assigned to us and then the annual new turnover of accounts. So the new turnover of accounts is the ones that are delinquent for the first time, and those are much more collectable because they're only one year delinquent at this point.

COUNCILMAN SQUILLA: We're not talking about the ones that are current.

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Like say if you just did all the ones that you get, the ones that are delinquent ten years or more that you get, what is your, I guess, success rate on being able either to collect something or put it to Sheriff Sale and get your money?

MS. HUMBLE: Can I give you the round numbers on that --

COURT STENOGRAPHER: Can you please speak into the microphone.

MS. HUMBLE: To give you the round numbers on that, our portfolio of assigned accounts is roughly 140 million in accounts assigned to our firm for collection. That's 27,280 accounts.

COUNCILMAN SQUILLA: And this is just -- I'm sorry. This is just real estate?

MS. HUMBLE: Yes.

COUNCILMAN SQUILLA: Just real estate?

MS. HUMBLE: Yes. So of those accounts and of that number, last year we collected $18.5 million of that amount, and that was done through mass mailings, it was done through telephone call campaigns, litigation, foreclosure, Sheriff Sales, payment plan agreements. So it's the entire tool bag that's available to us to collect.

COUNCILMAN SQUILLA: So it's like between 7 percent and 10 percent?

MS. HUMBLE: That's correct. When you look at the years of delinquency, these are the ones that must be taken through the foreclosure process to motivate payment, because they are not otherwise paying willingly or sooner.

COUNCILMAN SQUILLA: And --

MR. McCABE: Likewise, just on our accounts, Fiscal Year 2012 there was about actually 4,762 accounts that paid in full.

COUNCILMAN SQUILLA: How much money, though? Because you're including tax and penalties and everything in this original number, right?

MR. McCABE: Sure. The entire tax amount, yes.

COUNCILMAN SQUILLA: So you had 140 million?

MS. HUMBLE: That's the entire portfolio that's assigned to us for collection. That's what we have to work from.

COUNCILMAN SQUILLA: I know, but not the current ones. Could you separate your current ones from what are delinquent longer than ten years?

MS. HUMBLE: Those are delinquent. That's our entire portfolio, is 140 -- so they're all delinquent.

COUNCILMAN SQUILLA: I know.

MS. HUMBLE: We don't have any current.

COUNCILMAN SQUILLA: The new delinquent ones.

MS. HUMBLE: The newly delinquent that we got last year --

COUNCILMAN SQUILLA: Do you separate them from the ones that are ten and older?

MS. HUMBLE: No.

COUNCILMAN SQUILLA: Is it possible for you to be able to do that in the future?

MS. HUMBLE: Yes. We can run that report for you.

COUNCILMAN SQUILLA: Okay. We're looking -- we go to these meetings, and I know you've heard it when we were out here. People want to know -- we want to collect current taxes and people who just go delinquent also, but there's a perception out there there's a half a billion dollars in uncollected taxes through all the taxes that we have through the City. So it's not all real estate that you guys deal with. They're saying why should they be paying their fair share of taxes when the City doesn't go after and collect money that's been owed for -- you're doing just ten years and back for most of them, not counting the new ones that you get. So if we could say we're going collect $20, $30 million a year of the delinquent taxes, at least the residents feel like, all right, the City is serious about going after these people, getting some of that delinquent tax money, and they're a little -- they still don't like paying it, but they're a little more willing to do that.

If we include the old delinquencies with the new delinquencies, because the new delinquencies are easier to collect, the old ones are either almost impossible, you have to put them up for Sheriff Sale or we got to put them into some type of land bank or something with them so that we could get them back on the market, and it would be easier for us to decide how that is doing if we could separate that.

MS. HUMBLE: We do track that, and we can separate that for you by year and tell you that.

COUNCILMAN SQUILLA: Okay.

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MS. HUMBLE: And as to your number for how much delinquent tax we can collect, that's what we have. We do not have current year. We have the delinquent taxes to collect only. So, for example, at the end of Fiscal Year '08, within that fiscal year we collected 36.7 million in delinquent taxes for the City.

COUNCILMAN SQUILLA: I know. I think you're just missing my point. We know what you're collecting. Like we all know that it's easier to collect people that just become delinquent, because they don't want to lose their property. So what I was just trying to say is separate those two. Even though you're throwing that whole number in, 36 million, I don't know how much of that 36 million was just ones who just became delinquent over the last year and how much were ten years or more.

MS. HUMBLE: We can give you that.

COUNCILMAN SQUILLA: That was what my main question was, because we understand, I think everybody here gets it, that it's easier to collect new delinquencies. But we have a major -- we have a big group of people that are delinquent for six years or more.

MS. HUMBLE: Correct. And in fact, the year that we had reached 36.7 million in Fiscal Year '08, we were not getting any accounts until they were at least three years delinquent at that point. So the City was keeping and collecting on those prior to that. But we can break that out for you.

COUNCILMAN SQUILLA: That would be great. If we can just get it to the Chair, I would appreciate it. Thank you very much.

COUNCILMAN GREENLEE: If you could get that to us, that would be helpful I think.

MS. HUMBLE: I mean, it would only be as to our numbers because --

COUNCILMAN GREENLEE: I understand. You only have what you have. I understand.

Ms. Humble, before I recognize Councilman Henon, Councilwoman Blackwell -- this is good news -- just wanted me to express her thanks for all the things your office does in working with her constituents. So I want to get that on record.

MS. HUMBLE: Thank you.

COUNCILMAN GREENLEE: Councilman Henon.

COUNCILMAN HENON: Thank you, Mr. Chair.

I guess this is to Linebarger and GRB. So you had just mentioned three years you get tax delinquencies, or you did. You didn't receive anything under three years. So it was three years and greater. Is that standard? Like how many years delinquencies are cases referred over to you, or does the City keep -- and I guess this would be a question for the City. Does the City keep the first two years, I guess the low-hanging fruit, I would call it?

MS. HUMBLE: I don't think the City does that exclusively anymore, but that's a question for the City. We wouldn't be able to answer it because we don't have information.

COUNCILMAN HENON: Do either one of your firms get tax delinquencies within the first -- that are within the first two years?

MR. McCABE: Well, the earlier testimony talked about the early collection call campaign on overdue taxes. Our firm participated in that process this past year. So in May of 2012, we started to make calls on past due real estate accounts. So that was happening. In April, this coming April, the 2012 taxes that have been filed as a lien as of January 1, those will be split between the Linebarger firm, GRB, and the Law Department would keep those as well.

So something was different in 2008, but since we've been involved, the accounts have been -- the move-up time in terms of giving it to outside counsel is all the way up into April. So as soon as the attorney fee is attached, those accounts are out for us for collection. Some of them will be a single year, some of them will be just another year added on to the prior year's. And what that does to us in a lot of instances is that there are some balances that are not large enough that could go to Sheriff Sale and justify a petition %in rule, but with the next year, we can put those properties in the Sheriff Sale process and move forward with that process.

COUNCILMAN HENON: Do either firms have contracts with any other municipalities?

MS. HUMBLE: Our firm does. My firm is a national firm. We're dedicated only to the representation of governments and the collection of their delinquent receivables. We collect receivables for over 2,200 different local, state, and federal government clients, including delinquent taxes, fees, fines, service charges, tolls, and other miscellaneous receivables. We represent clients in 23 states, and we serve our clients from 45 offices across the country, including the City of Philadelphia and in Harrisburg. We have technology and call center offices in Harrisburg, Chicago, Denver, San Antonio, Houston, and Dublin, Ohio, which is just outside of Columbus.

COUNCILMAN HENON: Do you --

MR. McCABE: Our first is a Pennsylvania law firm. We represent the four largest taxing bodies in Pennsylvania: Philadelphia, the City of Pittsburgh, School District of Pittsburgh in Allegheny County. We also have 150 other municipalities, school districts, and authority in Pennsylvania, and we collect significant amounts of real estate and municipal claims, but also a number of additional tax types, like earned income tax, vehicle rental tax, alcoholic beverage taxes and so on.

COUNCILMAN HENON: Does any other municipality use outside vendors or do they collect themselves? I mean, aside from yourself, do they have multiple vendors in collections? So when you go to Pittsburgh, you say Pittsburgh, are you the only outside vendor or do they have multiple vendors on their tax collection?

MR. McCABE: We're the only outside vendor for Allegheny County, the City of Pittsburgh and the School District of Pittsburgh on real estate tax collection.

MS. HUMBLE: Where we perform real estate tax collection, all of our other clients use only one vendor, and that's us where we represent them. So this is the only jurisdiction where we actually have another co-counsel.

MR. McCABE: I will add

Philadelphia is just a tad bit bigger than most of our jurisdictions, so...

MS. HUMBLE: Just to say, we do represent the City of Dallas and the City of Houston, City of San Antonio, the city of El Paso, many of these cities that are in the largest ten cities in the United States for the collection of delinquent real estate taxes.

COUNCILMAN HENON: Well, it looks like I'm all by myself, so I'll end with one question, and, that is, what are the biggest challenges that you both as collections see here in the City of Philadelphia collecting our delinquencies?

MR. McCABE: I'll jump in. I think I'll concur with a lot of the things from the earlier testimony of the Commissioner and Frances Beckley in terms of all the changes that have been made. So I think, in my opinion, Philadelphia is on the right track. There's a lot happening, and I think that the results of that will be seen in months and hopefully years to come.

I think lack of a consistent, sustained approach is probably one of the biggest stumbling blocks. I know there's a lot of soul searching going on right now, what's the right thing to do, how do we increase this, but there have been a lot of different attempts at collection over the past several years, with amnesty, with the lien sale, with other things, and I think these things that have been put in place right now will pay dividends as we go forward.

COUNCILMAN HENON: Well, I appreciate your time. We're going to continue these conversations. I know Montgomery County has bulk sale on real property, which I'm interested in having a conversation here with the City, and also resales of Sheriff Sale, resales immediately on the spot, is one of our conversations that we've been having and I've been having with not only the

Sheriff's Department but the Council President. So I think people are really energized and have a conscious effort to bring people together to be on the same page, address the same issue or address the issue in one.

Yes.

MR. CHMIELEWSKI: Just one comment. There was some speculation about accelerating the process of filings. That was a number that was negotiated between the court leadership and the City of Philadelphia at the time. So I wouldn't suggest that we can just unilaterally say we're going to triple the filings. It's probably based on a premise that potentially these all have a potential for court intervention. That is, if anyone contested their hearing, contested the petition, then we wouldn't be able to address all those. So any increase would have be to negotiated with the court leadership. That is our Administrative or President Judge.

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COUNCILMAN HENON: Without a doubt. You throw a ball, someone is going to have to catch it. So I certainly agree with that. And plus, I'll tell you what, I'm not quite sure that -- I don't know what the market will stand if we do a total sale on real property at the same time too. So everybody's input is important. I appreciate everybody coming in.

COUNCILMAN GREENLEE: Thank you. Thank you, Councilman.

And thank you all for being here. We appreciate it very much.

The hearing of the Committee of the Whole on these resolutions will be continued until tomorrow, Wednesday, March 20th, 2013 at 1 o'clock.

Thank you all very much.

(Committee of the Whole recessed at 4:35 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY

RPR-Notary Public

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